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Universidad Euskal Herriko
del País Vasco Unibertsitatea

Departamento de Derecho Internacional Público,
Relaciones Internacionales e Historia del Derecho

PhD THESIS

*Eurasian integration
as a way to respond to global challenges*

Author:

Rigina Syssoyeva

Supervisor:

Leire Moure

Leioa, on 13th of April, 2015

*To my beloved country,
the Republic of Kazakhstan*

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List of abbreviations

AAs	Association Agreements
ADB	Asian Development Bank
ANSF	Afghan National Security Forces
ARMZ	AtomPredmetZoloto
BP	British Petroleum
BTC	Baku-Tbilisi-Ceyhan pipeline
CA	Central Asia
CAGP	Central Asian Gas Pipeline
CASA-1000	Central Asia-South Asia Electricity Transmission System
CET	Common External Tariff
CICA	Confidence Building Measures in Asia
CIS	Commonwealth of Independent States
CNPC	Chinese National Petroleum Company
CPK	Civil Party of Kazakhstan
CSTO	Collective Security Treaty Organization
CU	The Customs Union
DCFTA	Deep and Comprehensive Free Trade Agreement
DW	Deutsche Welle
EAEU	Eurasian Economic Union
EaP	Eastern Partnership Programme
EEC	Eurasian Economic Commission
EIA	U.S. Energy Information Administration
ENRC	Eurasian Natural Resources Corporation
EurAsEC	Eurasian Economic Community
EU	The European Union
EUBAM	European Union Border Assistance Mission
FAO	Food and Agriculture Organization of the United Nations
FDI	Foreign Direct Investments
GAZ	From Russian “Торьковский Автомобильный Завод” (Gorkov Automobile Manufacturer)
GLONASS	GLObal NAVigation Satellite System
GMP	Good Manufacturing Practice
GOST	From Russian “ГОСТ – Государственный Стандарт” (State Standard)
GUAM	GUAM Organization for Democracy and Economic Development (Georgia – Ukraine –Azerbaijan – Moldova)
ILOSTAT	International Labour Organization Statistics
IMF	International Monetary Fund
INOGATE	INterstate Oil and GAs Transportation to Europe
IEA	International Energy Agency,
ISAF	International Security Assistance Forces
JSC	Joint Stock Corporation
KASE	Kazakhstan Stock Exchange
KEGOC	Kazakhstan Electricity Grid Operating Company
KNPK	Communist People Party of Kazakhstan
KPRF	Communist Party of Russian Federation

KR	The Kyrgyz Republic
LLP	Limited Liability Partnership
MFN	Most Favored Nation
NATO	North Atlantic Treaty Organization
OIC	Organization of Islam Conference
ORT	From Russian “ОРТ – Общероссийское Телевидение” (Russian Television)
OSCE	Organization of Security and Cooperation in Europe
PCAs	Partnership and Cooperation Agreements
PPP	Purchasing Power Parity
RA	The Republic of Armenia
RK	The Republic of Kazakhstan
SCO	Shanghai Cooperation Organization
SES	Single Economic Space
SITC	Standard International Trade Classification
SIPRI	Stockholm International Peace Research Institute
TACIS	Technical Assistance to the Commonwealth of Independent States
TANAP	Trans Anatolian Natural Gas Pipeline
TAP	Trans Adriatic Pipeline
TAPI	Turkmenistan-Afghanistan-Pakistan-India
TAT	Turkmenistan-Afghanistan-Tajikistan railroad
TIKA	Turkish Cooperation and Coordination Policy
TNK-BP	Tyumenskaya Neftyanaya Kompaniya – British Petroleum (Tyumen Oil Company – British Petroleum)
TRACEKA	Transport Corridor Europe-Caucasus-Asia
TUTAP	Turkmenistan-Uzbekistan-Tajikistan-Afghanistan-Pakistan
TÜRKSOY	From Turkish “Uluslararası Türk Kültürü Teşkilatı” (International Organization of Turkic Culture)
UAZ	From Russian “Ульяновский Автомобильный Завод”(Ulyanov Automobile Manufacturer)
UK	The United Kingdom
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UN ESCAP	United Nations Economic and Social Commission for Asia and the Pacific
UNECE	United Nations Economic Commission for Europe
UNODC	United Nations Office on Drugs and Crime
USA	The United State of America
USSR	The Union of Soviet Socialist Republics
WITS	World Integrated Trade Solution
WTO	World Trade Organization
WWII	World War II

Preface

I consider this thesis not only the main achievement of my academic trajectory, but also the greatest victory of my life, so far.

I have spent these last three years in libraries, reading and reading, every day, and discovering many new things, not only about the case study, but also about myself. This experience has taught me to think autonomously and rationally and to never give up, even when the aims I set seem difficult to achieve. During my Doctorate studies I have met many brilliant people, who by their own examples showed me that a love of life, thirst for knowledge and strength of will can pave the way to any goal. Today, looking back, I clearly see that writing a PhD thesis does not require any particular special skills or natural ability, but simply hard-work and a love of things you do.

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Leioa, on 13th of April, 2015

INTRODUCTORY PART

CHAPTER 1

INTRODUCTION

The present PhD thesis is dedicated to Eurasian integration, one of the relevant issues of international relations nowadays. Based on state-focused theoretical elaborations by American and European academics it aims to explain the route that integrating countries have taken since the collapse of the USSR to the establishment the Eurasian Economic Union (EAEU).

In academic terms, it is important today to investigate Eurasian integration because in spite of a large number of dissertations dedicated to the issue, the analysis they provide is fractional and focused on particular aspects of cooperation,¹ while the present PhD thesis explains the phenomena from different aspects (economic, geopolitical, social, etc.) aiming herewith to give a general overview of the problem.

In geopolitical aspects, it is relevant to study the post-Soviet region because as the analysis will demonstrate it has become the area of struggle of great and regional powers, the outcome of which, as well as the success of the EAEU, will have an impact on the position of Russia and its allies, who have made Eurasian choice, in the international arena.

¹See, for example, E.SVYATETS, *Power, Profits, and Politics: Energy Security and Cooperation in Eurasia*, PhD diss., University of Southern California, 2013; R.MANESS, *Coercive Energy Policy: Russia and the Near Abroad*, PhD diss., University of Illinois at Chicago, 2008; L. TCHANTOURIDZE, *Awakening of Spirits: Eurasianism and Geopolitics in the Foreign Policy of Russia*, PhD diss., Queen's University, 2001; А.БЕЛЪЯНОВ, *Интеграционная Политика России на Евразийской Пространстве: Потенциал и Перспективы Развития*, Докторская Диссерт., Дипломатическая Академия МИД РФ, 2013, (А.BELYANOV, *Russian Integration Policy in Eurasian Space: Prospects and Perspectives of Development*, PhD diss., MFA RF Diplomatic academy, 2013).

Covering two and half decades of the independent history of the members of the Commonwealth of Independent States (CIS)², and paying the most attention to those countries that favor Eurasian integration, the work demonstrates the process of its evolution through application of the approaches studied in its theoretical part. It explains the issue through system-subsystem approach, system is international milieu of the post-Soviet area where the phenomena is developing, while subsystem is the Eurasian community united by the EAEU and its predecessors. More precisely, the analysis demonstrates the external challenges that the region faces, and internal needs of integrating countries in domestic development and preservation of political stability, which altogether explain why, how and for what the Eurasian Economic Union has been established.

In personal aspects, the investigation provides the analysis from the point of view of a citizen of Kazakhstan, who being a national of this Central Asian country knows the problem from inside, while at the same time doing her research abroad can make its overview from outside.

1.1. Statement of the research subject and objectives of investigation

The main issue the thesis deals with is establishment the EAEU, including the international milieu and conditions it has been formed in, the antecedent and relating institutions preliminary to its creation, domestic situations and interests of the countries it integrates, the influence it exercises on each of them and features of its development in the near future.

In the perception of the author, such understanding of the principal object of investigation of the thesis and its relevant questions stems from its title, which puts into cause-and-effect relationship the process of Eurasian integration and global challenges, where the latter ones are limited not only to political and military issues, but also to economic and social problems, which the region and in particular each integrating country face.

In order to explain the international milieu as a system, in which the EAEU takes place, the work examines all twelve CIS members and external actors who influence the development of the area. On the subsystem level – correspondent to Eurasian community – the EAEU, where its predecessors and related organizations are concerned, the investigation is limited to those countries which participate in these institutions. On this level, the cooperation milieu created by the process of Eurasian inte-

²CIS members are the Republic of Azerbaijan, the Republic of Armenia, the Republic of Belarus, the Republic of Kazakhstan, the Republic of Kyrgyzstan, the Republic of Moldova, the Russian Federation, the Republic of Tajikistan, the Republic of Turkmenistan, the Republic of Uzbekistan and Ukraine. The present analysis also includes Georgia that ceased its membership in 2009. *Vid.* ИСПОЛНИТЕЛЬНЫЙ КОМИТЕТ СНГ, “О Содружестве Независимых Государств”, (EXECUTIVE COMMITTEE OF CIS, “About the Commonwealth of Independent States”), <http://www.cis.minsk.by/page.php?id=174> [10-03-2015].

gration is understood as “structure”, and its participating countries as “agents”.³ In this situation, the most attention is paid to the agents, more precisely to the founding members of the EAEU – Kazakhstan, Russia and Belarus⁴ – including, but not limited to, their domestic circumstances, interests groups, priorities, bargaining positions, etc. The same states are investigated when the consequences of integration are considered. In order to explain the current development trends of the Union, other CIS members related to the issue such as Armenia, Kyrgyzstan, Ukraine and Tajikistan are included in the analysis.

In timeframe terms, the research starts with establishment of the CIS in 1991, which officially declared that the Soviet Union “as a subject of international law and geopolitical reality has ceased to exist”.⁵ The year of creation of the CIS was chosen as a starting point for the research because it inaugurates the new epoch of the post-Soviet area and each of its member-states in particular. With establishment of the CIS, the yesterday’s brotherhood countries, united for centuries by the Russian Empire and Soviet Union, recognized each other as independent, sovereign states,⁶ which coincided in time with the introduction of their autonomous foreign policies in the world arena. In geopolitical terms, the collapse of the USSR changed the status of its former members from a group of states positioning themselves in global affairs as a united block led by Russia, to the arena of struggle for influence, in which Moscow has an important role but is not the only player.

In economic aspects, disintegration of the Soviet Union meant the collapse of its united industrial system and transition from an administrative-command system to a capitalist one,⁷ in which each CIS member had to find its place unilaterally and without any support from the center (i.e. Russia).

In addition to that, obtaining independence posed the problem for each CIS member to find the appropriate model of national state-building, whose choice has had a major influence on their attitude toward post-Soviet rapprochement.

Another important time span emphasized in the present work is 2007 because it is the year that the Agreement on Creation the Common Customs Territory and Customs Union by the Russian Federation, the Republic of Kazakhstan and the Republic of Belarus was signed,⁸ and which became the base for further cooperation and ulti-

³E.BARBÉ, “La Unión Europea en las Relaciones Internacionales. Debates para el Análisis” en E.BARBÉ (Ed.), *La Unión Europea en las Relaciones Internacionales*, Madrid, Editorial Tecnos, 2014, p. 19.

⁴*Vid.* Преамбула. ЕАЭС, Договор о Евразийском Экономическом Союзе, 29 мая 2014, (*Vid.* Preamble. EAEU, “Treaty on Eurasian Economic Union”, May 29, 2014), <http://www.eurasiancommission.org/ru/Lists/EECDocs/635375701449140007.pdf> [1-03-2015].

⁵*Vid.* Статья 1. СНГ, “Соглашение о Создании Содружества Независимых Государств”, 8 декабря 1991, (Article 1, CIS, “Agreement on Creation of the Commonwealth of Independent States”, December 8, 1991), <http://cis.minsk.by/page.php?id=176> [1-03-2015].

⁶*Vid.* Преамбула. СНГ, “Алма-Атинская Декларация”, 21 декабря 1991 года, (*Vid.* Preamble, CIS, “Alma-Aty Declaration”, December 21, 1991), <http://www.cis.minsk.by/page.php?id=178> [18-03-2014].

⁷С.ГЛАЗЬЕВ, “Зачем Нужен Таможенный Союз”, Евразийский Деловой Совет, с. 4, (S.GLAZIEV, “What the Customs Union is Necessary for?”, Eurasian Business Council, p. 4), http://www.evrazes-bc.ru/userfiles/file/bibl/glazev_zachem_nujen_tam_souz.pdf [10-03-2015].

⁸ТАМОЖЕННЫЙ СОЮЗ, “Договор о создании Единой Таможенной Территории и Формировании Таможенного Союза”, 6 октября 2007, (CUSTOMS UNION, “Treaty on the Establish-

mately establishment of the EAEU. In other words, signing the Agreement on establishment of the CU, its founding countries entered into a new phase of Eurasian integration, making this date historically important.

The third year, or more precisely the date – January 1st, 2015 –, highlighted in the thesis is the day when the Treaty on Eurasian Economic Union came into force. Analysis of the integration process, its particularities and results are limited by that date. As for the study of current developments relevant to EAEU establishment (such as its enlargement and the consequences of the Ukrainian crisis), it is realized up to mid February 2015, when the present investigation work was finished.

Concerning the objectives of the thesis, the overall one is to demonstrate an evolution of Eurasian integration in its different aspects including, but not entirely limited to, political, economic, social, ideological and geopolitical factors.

Proceeding from this general objective of the work, specific ones were determined which, in conformity with the constitution of the thesis of theoretical and practical parts, are divided into two large blocks.

In theoretical terms, the first aim of the thesis is to find an integration theory correspondent to state-focused orientation, which can explain the process of Eurasian integration in different dimensions (political, economic, social, etc.) and be in line with particularities of the region and countries studied.

The second aim is to monitor the evolution of this theory including its fundamental features, predecessors, who have had the strongest influence on its establishment, and its latest novelties, which altogether determine its contribution to the theory of international relations.

Thirdly, proceeding from study of the development of the basic approach, to create an integral body of theories, which would not contradict but complement each other, because it is evident that the core theory, theoretical elaborations based on it and the theories that participated in its evolution are interdependent and have much in common.

In practical terms, the objectives can be divided into two blocks depending on the level of relations they exercise, namely system and subsystem, where both dimensions of the latter – structure and agents – are explained.

On the system level, the first objective is to determine and explain the policies pursued by the major external players who have the largest influence on development of the international milieu of the region.

The second is to study the nature of inter-state cooperation within the post-Soviet area among the CIS members demonstrating their positions toward Eurasian integration and subsequent degree of interdependence among them.

On the subsystem level, the first aim is to explain Eurasian institutions (i.e. EAEU and its predecessors) as a structure of regional integration paying particular attention to the stages of its development and transformation.

The second is to determine the particular interests and positions of the agents of subsystem, i.e. the EAEU founding countries.

ment of the Common Customs Territory and Formation of the Customs Union”, October 6, 2007), http://www.tsouz.ru/Docs/IntAgrmnts/Pages/D_KTS.aspx [08-09-2014].

The third is to analyze the correlation of these interests and positions of the agents of the subsystem and their conversion to a common ones.

Fourth, to emphasize the most evident results of integration for its structure and agents within the timeline of the thesis.

Fifth, to determine and explain the range of issues that have most relevance to the development of Eurasian integration, both currently and in the near future.

Therefore, the thesis aims to explore two evolution processes: in theoretical terms, to study the progression of the main theory under consideration, while in practical aspects, to cover the development of Eurasian integration through application of statements of the core theory, its predecessors and latest novelties.

1.2. Hypotheses

The work has been studied proceeding from the following hypotheses:

1. State-centered theoretical approaches are the most relevant ones when explaining the nature of integration processes in the post-Soviet Space (not involving the Baltic countries), in particular, the example of the establishment of Eurasian institutions because they reflect most thoroughly the nature of internal political systems typical to current and former CIS members.
2. Eurasian integration has been developing under the direct influence of external actors such as the EU, USA, Turkey and China, and in correlation with the challenges posed by the interests and policies they pursue in the region.
3. Integrating countries are driven to cooperation by purely national interests whose particularities differ for each state and which are determined by the internal conditions and circumstances of their political systems.
4. The EAEU members use integration as an instrument to improve their domestic political situations and positions in the world arena and do not consider that it can provoke the loss of their sovereignty.
5. The ultimate goal of EAEU cooperation is joint integration into the global community under the most favorable conditions possible and in compliance with the principles and norms of the capitalist economic system and respect of democratic values adopted in the world arena.

1.3. Methodology

The work began with analysis of current mainstream integration theories and the choice of Liberal Intergovernmentalism (LI) by Andrew Moravcsik as the central approach of the thesis. LI was chosen as the core theory because it corresponds to the state-focused orientation of the work and the model it provides explains integration from different aspects including economic, geopolitical and social dimensions which all take place in Eurasian integration.

Under the investigation process it was found that LI is more a synthesis of different theories rather than an entirely new one and for this approach an understanding of the institute of nation-state and regime is fundamental. Reasoning from this observation and in order to monitor the evolution of LI, it was decided to involve Intergovernmentalism by Stanley Hoffmann and Institutionalism by Robert Keohane into the theoretical base. The observation that LI is largely based on statements inherited from Intergovernmentalist and Institutional theories is also confirmed by Stephen George who finds that Andrew Moravcsik used Institutionalism in order to explain the negotiation process among countries and the way of establishment and development of regimes, while the origins of LI lie in state-focused theoretical statements by Stanley Hoffmann⁹ – the “champion of intergovernmentalism” – as S. George calls him.¹⁰

Herewith, it was decided to compose the theoretical scope of the thesis using the works elaborated by Stanley Hoffmann, Robert O. Keohane and Andrew Moravcsik who in addition to the common ground of their theories have maintained close academic relations.¹¹ On the advice of the supervisor, in order to expand the margins of the theoretical part with latest developments in LI, the elaborations of those followers of A. Moravcsik, whose subjects have most relevance to the research issue, were chosen. In particular, it was decided to include in the analysis the works of Frank Schimmelfennig, Lisa L. Martin and Kalypso Nicolaidis who in addition to the research area relevant to the object under consideration were chosen due to frequent joint authorship with the three main academics studied in the thesis.¹²

In such a manner, the investigation of LI's evolution was planned to be carried out in four steps: examination of intergovernmentalism and institutionalism as two main grounds of LI approach as the first and second steps, then studying the LI itself

⁹S.GEORGE, *Politics and Policy in the European Union*, Oxford, Oxford University Press, 1996 (3rd edition), p. 51.

¹⁰*Ibid.*, p. 50.

¹¹Andrew Moravcsik is an academic colleague and student of Robert O. Keohane at the University of Princeton, where he has been working since 2004, and colleague of Stanley Hoffmann at the University of Harvard, where he defended his PhD thesis and worked for twelve years since 1992. Stanley Hoffmann, in turn, was the PhD supervisor of Robert O. Keohane. See: *Ibid.*; R.KEOHANE, “Political Science as a Vocation”, *Political Science & Politics*, Vol. 42, Issue 02, April 2009, p. 360; PRINCETON UNIVERSITY, “Andrew Moravcsik”, <http://www.princeton.edu/~amoravcs/cv.pdf> [1-03-2015]; M.SUHR, “Robert O. Keohane: a Contemporary Classic”, in de I.NEUMANN and O.WAEVER (Eds.), *The Future of International Relations: Master in Making?*, London and New York, Routledge, 1997, p. 90.

¹²See, for example, A.MORAVCSIK and K. NICOLAIDIS, “Explaining the Treaty of Amsterdam: Interests, Influences, Institutions”, *Journal of Common Market Studies*, Vol. 37, No.1, March 1999, pp. 59-85; A.MORAVCSIK and K. NICOLAIDIS, “Keynote Article: Federal Ideals and Constitutional Realities in the Treaty of Amsterdam”, *The European Union 1997: Annual Review of Activities, Special Issue of Journal of Common Market Studies*, Vol. 36, September 1998, pp. 13-38; A.MORAVCSIK, F.SCHIMMELFENNIG, “Liberal Intergovernmentalism” in A.WIENER and T.DIEZ (Eds.), *European Integration Theory*, Oxford, Oxford University Press, 2009, pp. 67-87; R.KEOHANE and L.MARTIN, “The Promise of Institutional Theory”, *International Security*, Vol. 20, No. 1, Summer 1995, pp. 39-51; R.KEOHANE and L.MARTIN, “Institutional Theory as a Research Program” in C.ELMAN and M.ELMAN (Eds.), *Progress in International Relations Theory: Appraising the Field*, London, MIT Press, 2003, pp. 71-107.

as the third stage of analysis and reviewing the recent elaborations of the approach made by Moravcsik's followers as the fourth.

Altogether, statements and elaborations made by Stanley Hoffmann, Robert O. Keohane, Andrew Moravcsik, Frank Schimmelfennig, Lisa L. Martin and Kalypsa Nicolaïdis in these four steps are interdependent with each other by common features and jointly they create the theoretical core whose integral parts complement each other and enable investigation of the case of Eurasian integration.

Regarding the practical part, the created theoretical base allows explanation of the investigation issue from system and subsystem level including the structure and agents of the latter.

The system of the post-Soviet area is studied through application of theoretical statements elaborated by S.Hoffmann and R.Keohane, who both promote their own interpretations of international milieu, which facilitates analysis of policies of external actors in the region. The system of inter-state cooperation of CIS members is also demonstrated through application of Intergovernmentalism and Institutionalism, where the nation-state approach by S.Hoffmann permits determination of the positions of former Soviet countries toward Eurasian integration, while by R.Keohane's theory explains the conditions of interdependence among them. In general, system analysis demonstrates the environment within which the integration process takes place and determines the limits of its subsystem, i.e. the Eurasian community and its participating countries.

The subsystem analysis is made through application of theoretical elaborations by all authors that have been considered. The structure of the Eurasian community is shown through application statements regarding the nature of institutions (their functions and reasons for transformation) proposed by Robert Keohane. All issues related to the agents of the subsystem, more precisely the three EAEU founding countries, are analyzed through LI approach. Results of integration are explained through application of elaborations by S.Hoffmann, R.Keohane and A.Moravcsik, who explain them from aspects of nation-state, regime and institutions respectively. While the use of the recent theoretical elaborations within LI enables explanation of current events related to the EAEU and its possible developments in the near future.

Therefore, in the present PhD thesis the evolution of Eurasian integration, which the practical part is dedicated to, is explained through evolution of LI theory represented in its theoretical part.

The question of the Eurasian integration can be investigated within the framework of different fields of Social Sciences, whether it be economics, politics or sociology. The present analysis is developed within the perspective of international relations and almost all bibliographic resources used in the present work are taken from that discipline.

In general terms, the bibliography which the present PhD thesis is based on can be divided into two groups: related to its theoretical and practical parts.

The resources used for writing the theoretical part include monographs, articles, books, reviews, comments, etc. provided by the authors mentioned above and other academics who belong primarily to Anglo-Saxon and in some respects European schools of international relations.¹³

For writing the practical part, besides publications of American and European authors, academic achievements of scientists belonging to IR schools of Russia, Kazakhstan, Georgia, Ukraine and other CIS countries have been extensively considered.

Regarding publications of the Russian school, much attention was paid to analyses, opinions and observations by leading academics in the field of IR who are well-known in the post-Soviet space such as M. Lebedeva, A.Torkunov, A. Bogaturov and A.Kazantzev, all of whom are academic employees of the MGIMO University (Moscow State Institute of International Relations – abbreviation from Russian МГИМО),¹⁴ some of them are members of the Russian International Affairs Council,¹⁵ while A.Torkunov is a member of the Russian Academy of Sciences.¹⁶

As far as the Kazakhstan academic school is concerned, articles, journals monographs and other publications by the Kazakhstan Institute for Strategic Studies have also been widely used in writing the thesis. The institute issues analytical works in Kazakh, Russian and English, almost all of which are available on its official web-portal. Additionally, the publications by such Kazakhstan's academics as M. Laumulin, T.Tuleshov, B.Ahmetgaliyev, P.Svoih are also analyzed.

The Georgian and Ukrainian schools are mostly represented by the works of Vladimer Papava and Taras Kuzio respectively.

Many articles of CIS scientists (who publish in Russian) were found in journals well-known in post-Soviet academic circles such as *Центральная Азия и Кавказ (Central Asia and Caucasus)*, *Россия в Глобальной Политике (Russia in Global Politics)*, *Международная Жизнь (International Life)*, web-sites of CIS, Russian International Affairs Council and Expert media holding, and thematic journals dedicated only to

¹³See, for example, S.HOFFMANN, "Obstinate or Obsolete? The Fate of the Nation-State and the Case of Western Europe", *Daedalus*, Vol. 95, No. 3, 1966, pp. 862-915; R.KEOHANE, *After Hegemony: Cooperation and Discord in the World Political Economy*, New Jersey, Princeton University Press, 1984; R.KEOHANE and J.NYE, *Power and Interdependence: World Politics in Transition*, Boston, Little, Brown and Company, 1977; R.KEOHANE, "The Demand for International Regimes", *International Organization*, Vol. 36, No. 2, Spring 1982, pp. 325-355; R.KEOHANE and J.NYE, "Power and Interdependence Revisited", *International Organization*, Vol. 41, No. 4, Autumn 1987, pp. 725-753; M.SUHR, "Robert O.Keohane: a Contemporary Classics", in I.NEUMANN and O.WÆVER (Eds.), *The Future of International Relations*, London and New York, Routledge, 1997, pp. 91-119; A.MORAVCSIK and F.SHIMMELFENNIG, "Liberal Intergovernmentalism" in A.WIENER and T.DIEZ (Eds.), *European Integration Theory*, Oxford, Oxford University Press, 2009, pp. 67-87; A.MORAVCSIK, *The Choice for Europe. Social Purpose and State Power from Messina to Maastricht*, London, UCL Press Limited, 1998; E.BARBÉ, "La Unión Europea en las Relaciones Internacionales. Debates para el Análisis", *op. cit.*

¹⁴МГИМО УНИВЕРСИТЕТ, "Преподаватели и сотрудники", (MGIMO UNIVERSITY, "Professors and collaborators"), <http://www.mgimo.ru/people/> [2-03-2015].

¹⁵RUSSIAN INTERNATIONAL AFFAIRS COUNCIL, "Council Members", http://russiancouncil.ru/en/about-us/members_RSMD/ [1-03-2015].

¹⁶РОССИЙСКАЯ АКАДЕМИЯ НАУК, "Действительные члены Российской академии наук", (RUSSIAN ACADEMY OF SCIENCES, "Full members of Russian Academy of Sciences"), <http://www.ras.ru/members/personalstaff/fullmembers.aspx?mem=12> [1-03-2015].

Eurasian integration, such as *Евразийская Интеграция: Экономика, Право, Политика* (*Eurasian Integration: Economy, Law, Politics*).

In addition to that, considerable importance was given to articles, speeches, declarations, addresses and books of the official politicians of the countries under investigation, in particular by V.V. Putin, N.A. Nazarbayev, A.G. Lukashenko, A.A. Akayev, I.G. Aliyev, E.M. Primakov, D.O. Rogozin and S.Yu. Glaziev.

After analyzing all these schools of international relations the main observation made is that they are complementary to each other. The theoretical elaborations made by the Anglo-Saxon school of theorists can be confirmed by practical explanations provided by IR schools of post-Soviet countries.

The bibliography used for writing the present PhD thesis has a wide variety.

First, it is based on resources in Russian, English, Spanish and Kazakh languages.

Second, the thesis is supported by a large amount of statistical data provided by official recourses such as COMTRADE, SIPRI, WITS, ILOSTAT, UNODC, UNCTAD, World Bank Coordinated Direct Investment Survey by IMF, etc. databases available online; as well as collected statistics volumes such as *Migration and Remittances* by World Bank, *Trade Profiles* by WTO, *UNCTAD Handbook of Statistics*, *BP statistical review of world energy*, etc., many of which are also available online at the official web-sites of these organizations. Statistical data provided in reviews, fact sheets and other analytical works prepared by the Eurasian Development Bank, Eurasian Economic Commission, U.S. Energy Information Administration, International Energy Agency, World Nuclear Association, European Parliament and other international entities are also extensively used in the thesis. In addition to that, much data is provided by the National (Federal) Statistics Agencies of states under consideration.

Third, as the thesis aims to demonstrate the evolutionary process of Eurasian integration, a considerable amount of inter-governmental treaties, agreements, conventions, declarations, etc. are analyzed. Regarding the Eurasian institutions, the majority of documents are available on the web-site of the Eurasian Economic Commission and its predecessor the Commission of the Customs Union. Concerning the rest of international organizations analyzed (such as CIS, SCO, EurAsEC, CSTO, GUAM, and others), all related documents are provided by these organizations. Referring to the national legal base of the countries investigated, all necessary information can be found on the web-sites of their official entities (such as www.kremlin.ru, www.mid.ru – in the case of Russia, www.akorda.kz – regarding Kazakhstan, www.president.gov.by – for Belarus, etc.). This also includes official statements, National Addresses by the Head of States, Foreign Policy Concepts, etc. of investigated countries.

Fourth, distinct from the theoretical part, in the practical one observations related to sociology are used, such as opinion surveys provided by the “Eurasian Monitor” by Eurasian Development Bank, Olexander Razumkov Ukrainian Centre for Economic, Political Studies and Independent Institute of Socio-Economic and Political studies.

As for ethnic related data, it is provided by Ethnologue: Languages of the World, reports by the Ministry of Foreign Affairs of Russian Federation and national (federal) statistics agencies.

Fifth, because the thesis is dedicated to events that have been occurring in the CIS region in recent times, information regarding the current situation in the countries under consideration is studied using international and local mass-media resources such as *BBC*, *DW*, *REUTERS*, *IA REGNUM*, *TASS*, *RiaNovosti*, *Belta.by*, *Российская Газета* (*Russian Newspaper*), *Ведомости* (*Vedomosti*), etc.

1.4. Plan of the work

The present thesis consists of four parts. The first one – introduction – represents a brief explanation of the work that has been done and aims to argue the rationality of the choice of its theoretical base and determine the limits of the analysis of the practical content. Furthermore, it states the main objectives of the thesis, the hypothesis, with which the research begins, the methodology that has been used and description of the plan of the work.

The second part – the theoretical one – is composed of four chapters. It starts with chapter 2 which is dedicated to the intergovernmentalist theory by S.Hoffmann and which enables explication of certain aspects of integration from the nation-state perspective.

Chapter 3 represents the analysis of the institutionalist theory by R.Keohane which is based on regime-level approach.

Chapter 4 is an explanation of the core theory of the thesis – Liberal Intergovernmentalism by A.Moravcsik.

Chapter 5 consists of reviews of the theoretical novelties by the followers of A.Moravcsik and R.Keohane – F.Schimmelfennig, L.Martin and K.Nicolaïdis.

All four theoretical chapters are formed of four sections. The content of each of the first three sections of the three first chapters is different, while the last one of each theory under consideration relates to the results (consequences, effects, etc.) of integration, which allows their explanation through subsequent application in chapter 9 dedicated to the results and current developments of the Eurasian cooperation. As the last theoretical chapter does not have this aim its last section is dedicated to critics of LI.

In chronological terms, the order of the theoretical part is also rational because S.Hoffmann's main theoretical observations regarding the issue of integration date back to the 1960s, R.Keohane's – to the 1970s-1980s, A.Moravcsik's – from the 1990s up to the present day, while their followers' works are developed in the 2000's and the 2010s.

The practical part of the thesis also consists of four chapters and represents the subsequent application of the four blocks of theoretical statements developed in the

second part. As the work is divided into system and sub-system analysis, the first sections of chapter 6 and 7 are dedicated to policies of external actors who influence the international milieu, in which Eurasian integration has been developing.

In parallel with explanation of external actors in the CIS area, chapter 6, which is dedicated to application of the theory by S.Hoffmann, through the system analysis of inter-state cooperation in the region explains why among 12 CIS countries only three of them were ready to integrate as a result of the domestic conditions of their political system and pressure of externalities. As the chapter covers a large number of states its volume is greater than the others.

Chapter 7 is devoted to finding practical application of Keohane's ideas based on a regime level explanation. The chapter continues explanation of system analysis of inter-state regional cooperation by demonstrating the level of complex interdependence among CIS countries, all of whom potentially can integrate. On the subsystem level it studies its structure demonstrating the evolution process of the Eurasian institutions.

Chapter 8, in practical terms, continues explication of the Eurasian integration process through application of A.Moravcsik's statements, where attention is paid to the EAEU founding members only. Compared to previous chapters the analysis is more detailed and dedicated to the preferences, bargaining positions and domestic groups of each of states in particular.

Chapter 9 is dedicated to the recent results of integration and its latest developments. Its structure is different from the other chapters, each of which consists of three sections, because there are larger amounts of data to be analyzed. The final chapter (chapter 9) consists of six sections, where the first three sections are dedicated to results of integration at the level of nation-state, regime and institutions, subsequent to the results (consequences, effects, etc.) highlighted by S.Hoffmann, R.Keohane, A.Moravcsik respectively. The last three sections of the chapter are devoted to the recent developments of integration. In practical terms, they cover issues of the EAEU's enlargement (on the example of Armenia, Kyrgyzstan and explanation of Ukraine and Tajikistan's positions), the challenges that the Union is facing nowadays as a result of the crisis in Ukraine and sanctions against Russia, and the framework of the further development of the Union in the near future. Explanation of these issues is given through application of theoretical observations by F.Schimmelfennig, L.Martin and K.Nicolaïdis.

In chronological terms, chapter 6 covers the events from the collapse of the USSR to 2007 – the year when the Treaty on establishment of the Customs Union was signed. The remaining chapters of the practical part are dedicated to events taken place from 2007 to 1st January, 2015, when the EAEU came into operation. Besides the chronological limit, the last three sections of chapter 9 cover events which occurred up until the middle of February 2015 when analysis of the Eurasian integration within the present investigation ended.

The table below represents in schematic terms the explanation provided above in order to confirm the rationality and coherence of the work carried out.

Figure 1. Plan of the work

Introductory part		Practical part		Timeframe
Theoretical part				
Chapter 2. Intergovernmental theory by Stanley Hoffmann	The Nation-state as the main international actor	Chapter 6. Application of intergovernmentalist theory by Stanley Hoffmann on the case of integration among CIS countries	International milieu of the CIS region: external actors	1990-2007
	The complex politics of International milieu		Internal conditions of integration in the CIS countries	
	Internal and external conditions for integration		External conditions of integration in the CIS countries: similarities of national situations	
	Consequences of integration: on the level of nation-states and supranational institutions			
Chapter 3. Institutional theory by Robert Keohane	Institutionalist view of international order: Non-hegemonic cooperation	Chapter 7. Application of institutionalist theory by Robert Keohane on the case of Eurasian integration	Nonhegemonic cooperation: the collapse of the hegemonic stability system controlled by the Russian Federation	2007- 1 January 2015
	The demand for regimes determined by complex interdependence		Demand for Eurasian international regimes in terms of complex interdependence	
	Nature of international regimes: functions and reasons of transformation		Institutions of Eurasian integration: main features, functions and reasons of transformation	
	Classification of regimes and their positive and negative effects			
Chapter 4. Liberal intergovernmentalism by Andrew Moravcsik	National preferences	Chapter 8. Application of the liberal intergovernmentalism theory by Andrew Moravcsik on the case of Eurasian integration	National preferences formation in the case of Eurasian integration	2007- 1 January 2015
	International bargaining		Interstate bargaining around CU, SES and EAEU conditions	
	Cooperation in supranational institutions: need for credible commitments		Cooperation on the level of supranational Eurasian institutions	
	Effects of institutional choice			
	Consequences of integration: on the level of nation-states and supranational institutions (S. Hoffmann)	Chapter 9. Application of theoretical statements and latest novelties of liberal intergovernmentalism on the results of Eurasian integration and recent developments of the EAEU	Effects of integration and institutional cooperation on the level of nation-state	2007- 1 January 2015
	Classification of regimes and their positive and negative effects (R.Keohane)		Effects of integration on the regime level of the Eurasian institutions and their classification	
	Effects of institutional choice (A.Moravcsik)		Consequences of institutional choice and the effects of integration on the level of institutions	
Chapter 5. Current theoretical developments in liberal intergovernmentalism	Frank Schimmelfennig: rhetorical action, political conditionality, legacies		Enlargement of the Eurasian Economic Union	2007- mid February 2015
	Lisa L. Martin: institutional effects, economic sanctions, democratic deficit		Institutional effects, economic sanctions and democratic deficit: Ukrainian conflict and other cases	
	Kalypto Nicolaidis: democracy, sustainable integration, decentering of integration		Democracy, sustainable integration, decentering of integration in internal and external relations of the EAEU members	
Concluding part				

THEORETICAL PART

CHAPTER 2

INTERGOVERNMENTALIST THEORY BY STANLEY HOFFMANN

Intergovernmentalist theory by Stanley Hoffmann aims to explain the nature of regional integration that is inseparably connected to a state and its main attributes such as nation, national interests, security, sovereignty, power, governance and authorities. It is a liberal theory elaborated in a “realist” perspective that considers integration from the standpoint of states driven by political preferences, historical experiences and power-seeking goals.

Many core concepts of Hoffmann’s theory are borrowed or, more accurately, adopted from realism. Nevertheless, he considers himself a liberal with a strong belief in the good nature of man and society that establishes institutions with the intent to promote justice and consent and for whom the state is a “servant”¹ that protects its freedoms and exercises powers within restrictive limitations defined by citizens.² He argues that liberalism is an ideology against the use of violence within a country and abroad³, that places the greatest importance on individual liberty and to which he ascribes such achievements as democratization of authoritarian regimes, promotion of

¹S.HOFFMANN, *Duties Beyond Borders: On the Limits and Possibilities of Ethical International Politics*, New York, Syracuse University Press, 1981, p. 8.

²S.HOFFMANN, *Janus and Minerva: Essays in the Theory and Practice of International Politics*, Colorado, Westview Press, 1987, p. 395.

³S.HOFFMANN, “The Crisis of Liberal Internationalism”, *Foreign Policy*, No. 98, Spring 1995, pp. 160-161.

regional integration and establishment of the world economy based on capitalist assumptions.⁴ At the same time, similar to constructivists, he emphasizes the value of norms, states' perceptions and views that influence their behavior in the international scene; as a realist, he gives a defining role to interests both national and private regarding conduct of foreign policy; and as an institutionalist, he attaches particular importance to organizations that join states and promote cooperation among them.⁵ Thus, he is a liberal that sometimes adopts an eclectic position.⁶

However, it is an error to say that Hoffmann completely shares any theoretical views other than liberalist ones, especially when it concerns realist conceptions. He does not deny the importance of realism but he finds the theory insufficient for understanding contemporary international relations.⁷ The works of the most famous realists such as Thucydides, Machiavelli, Hobbes, Max Weber, who are recognized as Founding Fathers of IR theory, and their followers E.H. Carr, Hans Morgentau, and George Kennan are worthy of homage⁸, but their concepts are not adaptable to present-day realities. All of them emphasize the critical significance of military dominance, the importance of balance of power for stability in the world arena, the priority of security and survival over any other foreign policy priority, the inalterability of national interests, states' permanent will to power and readiness to struggle, the illusiveness of peace and interstate ethics based on laws, the anarchical nature of international relations, and the predominant position of nation-states over other actors.⁹ Hoffmann finds that these points are indisputable, but not all of them have a place in contemporary politics. For instance, the military force is an important factor, but what Joseph Nye calls "soft power" is totally neglected by realists;¹⁰ the model of balance of power still exists in interstate affairs¹¹, but it is not sufficient to explain them;¹² security and survival are not the only aims of foreign policy, and there are a range of other questions that states deal with; national interests are not constant imperatives, they are different from one country to another due to domestic factors;¹³ anarchy is the main characteristic of the world politics, but it points out that there is no control over the system and says nothing about how actors play the game of international relations;¹⁴ and nowadays it is wiser to translate power into advantages than to apply it.¹⁵ In addi-

⁴*Ibid.*, p. 165.

⁵S.HOFFMANN, *Chaos and Violence: What Globalization, Failed States, and Terrorism Mean for U.S. Foreign Policy*, Lanham, Rowman & Littlefield Publishing, 2006, pp. 7-8.

⁶*Ibid.*, p. 7.

⁷*Ibid.*, p. 24.

⁸S.HOFFMANN, *Janus and Minerva: Essays in the Theory and Practice...*, *op. cit.*, p. 55.

⁹*Ibid.*

¹⁰S.HOFFMANN, *Chaos and Violence: What Globalization, Failed States, and Terrorism Mean...*, *op. cit.*, p. 24.

¹¹S.HOFFMANN, "Weighing the Balance of Power", *Foreign Affairs*, Vol. 50, No. 4, July 1972, p. 618.

¹²S.HOFFMANN, *Janus and Minerva: Essays in the Theory and Practice...*, *op. cit.*, p. 15.

¹³S.HOFFMANN, *Chaos and Violence: What Globalization, Failed States, and Terrorism Mean...*, *op. cit.*, p. 24.

¹⁴S.HOFFMANN, "Balance, Concert, Anarchy, or None of the Above" in G.TREVERTON (Ed.), *The Shape of the New Europe*, New York, Council on Foreign Relation Press, 1991, p. 196.

¹⁵S.HOFFMANN, "Weighing the Balance of Power", *op. cit.*, p. 625.

tion, Hoffmann counts it as a fault that realists do not show consideration for the increasing importance of institutions,¹⁶ growth of economic dependence and transnational interconnections that are so typical of the present-day world, and states' internal circumstances, public attitudes and ideological views, which in many instances predetermine foreign policy decisions.¹⁷ Thus, even if Hoffmann uses realist assumptions in his theory¹⁸ he does it in a way different from the traditional one, refining them and mixing them with liberalist ones.

Another theory that faced Hoffmann's criticism is the functionalist one, the main theoretical rival of intergovernmentalism¹⁹ based on the idea of a gradual "spillover" of integration process from one economic sector to another²⁰ and from economic and social issues to political ones.²¹ Hoffmann finds that this principle is misleading because, the higher integration is the more complicated it should be due to the greater amount of issues and actors involved. Therefore, methods and conditions that were useful in the first stages of integration are not satisfactory for the latest ones. At the same time, the bargaining process is likely to reach a deadlock on the highest levels of integration because, the more advantages a state receives at the beginning the less it is interested in further rapprochement since the main gains it pursued have already been obtained.²² The Spillover effect may be present in areas related to welfare²³, but it is not appropriate for political issues because politics can never be conducted purely by economic aims by any state that pretends to be an important actor in the world arena. Very often it is welfare that is considered as an instrument in pursuing political objectives and it is a mistaken opinion that only welfare-seeking goals drive the integration process because usually there are certain "power purposes" that could be found behind it.²⁴

Also, Hoffmann warned that functionalism leads to the replacement of political governance by technocratic administration²⁵ when politics are ruled not by citizens and the government they have elected, but by a "machine"²⁶ that could not manoeuvre in different situation as politicians do and no state will permit this machine to guide them. Integration is not a "self-generating" process because behind the creation

¹⁶S.HOFFMANN, "Balance, Concert, Anarchy, or None of the Above", *op. cit.*, p. 198.

¹⁷S.HOFFMANN, *Chaos and Violence: What Globalization, Failed States, and Terrorism Mean...*, *op. cit.*, p. 24.

¹⁸M.O'NEILL, *The Politics of European Integration: a Reader*, Routledge, London and New York, 1996, p. 61.

¹⁹M.JACHTENFUCHS, "Deepening and Widening Integration Theory", *Journal of European Public Policy*, Vol. 9, Issue 4, 2002, p. 651.

²⁰B.ROSAMOND, *Theories of European Integration*, New York, St. Martin's Press Inc., 2000, p. 60.

²¹O.DADDOW, *International Relations Theory*, Chippenham, CPI Antony Rowe, 2009, p. 76.

²²S.HOFFMANN "The European Process at Atlantic Cross Purposes" in M.O'NEILL, *The Politics of European Integration: a Reader*, *op. cit.*, p. 214.

²³*Ibid.*, p. 213.

²⁴*Ibid.*, p. 215.

²⁵M.O'NEILL, *The Politics of European Integration: a Reader*, *op. cit.*, p. 61-62.

²⁶S.HOFFMANN, "Obstinate or Obsolete? The Fate of the Nation-State ...", *op. cit.*, p. 887.

of any supranational institution there is a favor of its member-states and their decisions and interests remain an absolute priority.²⁷

It seems necessary to present a summary of Hoffmann's critics of the theories mentioned above due to their significant importance for the development of intergovernmentalism because in the first place, it emerged as a response to functionalism²⁸ and second, many realist concepts have been adopted by the author.

In order to understand Hoffmann's approach it is preferable to begin with his vision of nation-state, the main actor in the world arena, after that to proceed to international milieu, the "system",²⁹ where these nation-states interact, then to pass to integration process, in particular the conditions that facilitate it, and finally to its consequences.³⁰ This explanation of Hoffmann's statements divided into four blocks of issues corresponds to four sections of the chapter.

2.1. The Nation-state as the main international actor

In his theory, Stanley Hoffmann pays particular attention to nation-state because he considers it as the core concept of the approach. In the opposition state versus integration community caused by partial transfer of national sovereignty to supranational bodies, Hoffmann goes all out in support of state. For him nation-state is the most successful time-proven "form of social organization",³¹ in which government, as the highest authority, plays a defining role.³² Hoffmann emphasizes not the concept of state, but the concept of *nation*-state that he defines as a "political community" ruled by a central autonomous administration possessing the exclusive right on legitimate use of force within territorial borders, where common national values underlie laws and norms and where governmental policy is based on public support. There are cases when the last two points are missing, i.e. a large group of people living in a de-

²⁷S.HOFFMANN, "Discord in Community: the North Atlantic Area as a Partial International System", *International Organization*, Vol. 17, Issue 03, June 1963, p. 529.

²⁸T.MOGA, "The Contribution of the Neofunctionalist and Intergovernmentalist Theories to the Evolution of the European Integration Process", *Journal of Alternative Perspectives in the Social Sciences*, Vol. 1, No. 3, 2009, p. 800.

²⁹In the present PhD thesis, explanation of integration process starts with application of the system-subsystem approach developed in analogy with Esther Barbé's study of European integration. (Vid. E.BARBÉ, "La Unión Europea en las Relaciones Internacionales. Debates para el Análisis"..., *op. cit.*, p. 19.

³⁰Proceeding from the state-focused orientation of the present PhD thesis, explanation of the nation-state as the main international actor is important for starting the investigation process. Concerning the system-subsystem model in which the work has been developed, Hoffmann's explanations of International milieu and conditions of integration allows investigation on the system level, while statements regarding consequences of integration are relevant to the subsystem level.

³¹Hoffmann's vision of nation-state as a "form of social organization" not a political one, is supposedly influenced by his focused attention to Rousseau's social contract theory. Vid. S.HOFFMANN, "Obstinate or Obsolete? The Fate of the Nation-State...", *op. cit.*, p. 862; "Rousseau on War and Peace", *The American Political Science Review*, Vol. 57, No. 2, June 1963, pp. 317-333 and S.HOFFMANN, D. FOLDER (Eds.) *Rousseau on International Relations*, Clarendon Press, Oxford, 1991.

³²S.HOFFMANN, "Reflections on the Nation-State in Western Europe Today", *Journal of Common Market Studies*, Vol. 21, Issue 1, 1982, p. 27.

terminated territory considers itself as a community, but does not have shared values and does not entirely endorse the policy of authorities. Nevertheless, these circumstances do not negate its right to be a nation, but can be considered as obstacles in pursuing political objectives including integration.³³

Each nation-state has its own path of development, structure and particularities, but there are some “variables” that are determining in every case, such as the form of political power, its degree of centralization, public engagement to politics, the degree of impact of interest in domestic groups on government, social confidence in authorities, external dependence, geopolitical situation and ideological and historical values.³⁴ These variables are vital in analyzing national interests and strategy – two components of national policy to which Hoffmann pays particular attention.

In order to understand his chain of thought, three concepts related to the institute of nation-state should be taken into account.

The first is “national consciousness”, the *feeling* that distinguishes one nation from another. It gives citizens a sense of uniqueness of their state due to particularities of their nation. It is quite “neutral” to foreign policy decisions,³⁵ coexists with different ideologies³⁶ and does not affect public officials’ attitude to other countries treating them as allies or enemies, but shows only that they are different.

The second is “national situation” that consists of domestic circumstances of a given state (industrial development, population, form of government, public opinion, social values, etc.) and the position it occupies in the world arena (geopolitical situation, external dependence, share in the world trade, latent conflicts, image, etc.). It is a set of internal and external *conditions* that exerts a great influence on foreign affairs.

The third category is “nationalism” that Hoffmann understands as a way or *doctrine* that politicians use to make an interpretation of the national situation.³⁷

These three concepts are important features of Hoffmann’s theory. Above all else they elucidate his point on national interest, a comprehensive term that is so significant for foreign politics. Hoffmann finds that the old interpretation of national interest as a necessity of any state to survive and defend itself is outdated and it is not only because economics has become more and more important, since this issue has already been applied to national interest. The problem is that classic understanding of “physical survival” and military security is too tenuous in the face of new challenges of international system which are so diverse that any accurate response driven by general national interests in a traditional sense is impossible. In the age of interdependence, military power and a highly developed industrial economy do not make a

³³S.HOFFMANN, “Obstinate or Obsolete? The Fate of the Nation-State...” *op. cit.*, pp. 904-905.

³⁴Cited by S.Hoffmann: S.HOFFMANN, “Reflections on the Nation-State in Western Europe Today”, *op. cit.*, p. 28. Original text: P.KATZENSTEIN, “Problem or Model: West Germany in the 80’s”, *World Politics*, Vol. 23, No. 4, July 1980, pp. 577-598.

³⁵S.HOFFMANN, “Obstinate or Obsolete? The Fate of the Nation-State...” *op. cit.*, p. 867.

³⁶C.DELACAMPAGNE and R.BONONNO, “Democracy and Society: An Interview with Stanley Hoffmann”, *World Policy Journal*, Vol. 12, No. 1, Spring 1995, p. 36.

³⁷S.HOFFMANN, “Obstinate or Obsolete? The Fate of the Nation-State...” *op. cit.*, pp. 867-868.

country safe from crises and losses, just the opposite, sometimes they create a nuisance to states limiting their maneuvering space. For instance, nowadays, it is hard to find a use for military forces in the world arena, while within a state they can threaten the stability. As for economics, a state's strong position in the world economy is undoubtedly a great advantage, but equally it enhances the dependence of its own prosperity on the domestic situation of its partners. In addition, the increasing importance of transnational links and their inconsistency with the traditional concept of national interest create internal conditions for the transformation of the latter.³⁸ In this regard, a refined, reconsidered interpretation of national interest is needed, that Hoffmann in turn can provide.

He finds it is misleading to consider national interest as a constant, eternal guide that states take as an unchangeable imperative of their foreign policies. For Hoffmann, it is a construction created by views, objections and opinions of governmental authorities and parties in office.³⁹ In other words, the content of national interest depends on how politicians interpret it coming from their view of the state's internal and external circumstances – or pursuant to the terminology mentioned above – of the national situation. Thus, national interest according to Hoffmann could be summarized as follows:

“N.I.=National situation × outlook of the foreign policy-makers”.⁴⁰

Obviously there are some constant aspects of national interest related to states' geopolitical situation or permanent threats⁴¹, but all others depend on the views and perspectives of public officials.

Another very important component of foreign policy is national strategy that Hoffmann names as national character⁴² or national style.⁴³ It is a “political culture”⁴⁴, a set of features that are typical for a given country constructed under the influence of its past, national mentality and peculiarities that puts in relevant order the scope of qualities that describes its behavior in the world arena and differs from other states.⁴⁵

Hoffmann gives several examples of national strategies, devoting much attention to the USA and Western European countries. The American strategy, which he calls “exceptionism” due to the United States' belief in their special political mission,⁴⁶

³⁸*Vid.* S.HOFFMANN, “Notes on the Elusiveness of Modern Power”, *International Journal*, Vol. 30, No. 2, Spring 1975, pp. 203-204.

³⁹S.HOFFMANN, “In Defense of Mother Teresa: Morality in Foreign Policy”, *Foreign Affairs*, Vol. 75, No. 2, March-April 1996, p. 172.

⁴⁰S.HOFFMANN, “Obstinate or Obsolete? The Fate of the Nation-State...”, *op. cit.*, p. 869.

⁴¹S.HOFFMANN, “In Defense of Mother Teresa: Morality in Foreign Policy”, *op. cit.*, p. 172.

⁴²S.HOFFMANN, “The Western Alliance: Drift or Harmony?”, *International Security*, Vol. 6, No. 2, Fall 1981, p. 115.

⁴³S.HOFFMANN, “The American Style: Our Past and Our Principles”, *Foreign Affairs*, Vol. 46, No. 2, January 1968, p. 362.

⁴⁴S.HOFFMANN, “The Western Alliance: Drift or Harmony?”, *op. cit.*, p. 115.

⁴⁵S.HOFFMANN, “The American Style: Our Past and Our Principles”, *op. cit.*, p. 362.

⁴⁶S.HOFFMANN, “The Western Alliance: Drift or Harmony?”, *op. cit.*, p. 116.

has certain particularities. Thus, Americans see their state as a dominant power in the world arena and, as a consequence, act and think in the same way considering their Constitution and internal laws superior to international agreements;⁴⁷ they favor “simple policies” over “complex” ones⁴⁸ and prefer to judge politics in “black and white,” which is evident from their division of other nations into friends and foes;⁴⁹ they can repeat their foreign policy maneuvers if they have been successful in the past;⁵⁰ they export ideas that they guide themselves by and that made them successful, such as private enterprise, free market and liberal democracy, and it is hard for them to understand other states that have imperatives different from American ones.⁵¹ Hoffmann also calls American strategy the concept of “selfless superiority”, where “superiority” relates to a belief that the interests the USA pursue and responsibilities they hold benefit all other nations, while “selfless” refers to their preference for a common good before an American one.⁵²

The style of the Western European countries is different. They rarely repeat themselves⁵³ and pursue complex policies that serve a scope of different purposes; they do not try to preserve the status quo in order to maintain stability but rather for their own interests, their claims and expectations are not great and usually concern only themselves.⁵⁴ In addition, many of them have “non-ideological guidelines” that they keep constant for a long time such as the balance of power in Britain or the theory of natural borders in France⁵⁵ that is still faithful to classic diplomacy of negotiations, confidentiality and perception of risk and opportunities.⁵⁶

Thus, every state has its own national style, which differentiates it from others and leaves a mark on foreign policy. Even if factors and circumstances have been changed, the national character continues being visible.

Another important aspect, on which Hoffmann places special emphasis, is sovereignty – the very basis of nation-states that gives them the highest authority to exercise power within their borders. Nowadays, in the post-Westphalian age, the institute of sovereignty is highly vulnerable due to the increasing importance of transnational actors that in some measure derogate central authorities and institutional restrictions of international organizations.⁵⁷ In addition, states’ dependence on external support in order to ensure national security, for example, in the case of collective defense undermines sovereignty from within pointing to governmental failure to exercise its prima-

⁴⁷S.HOFFMANN, *America Goes Backward*, New York, New York Reviewer Books, 2004, p. 13.

⁴⁸S.HOFFMANN, “The Western Alliance: Drift or Harmony?”, *op.cit.*, p. 116.

⁴⁹S.HOFFMANN, “Perceptions, Reality, and the Franco-American Conflict”, *Journal of International Affairs*, Vol. 21, No. 1, 1967, p. 60.

⁵⁰S.HOFFMANN, “The American Style: Our Past and Our Principles”, *op. cit.*, p. 362.

⁵¹S.HOFFMANN, “The Western Alliance: Drift or Harmony?”, *op.cit.*, p. 116.

⁵²S.HOFFMANN, “Perceptions, Reality, and the Franco-American Conflict”, *op. cit.*, p. 60.

⁵³S.HOFFMANN, “The American Style: Our Past and Our Principles”, *op. cit.*, p. 363.

⁵⁴S.HOFFMANN, “The Western Alliance: Drift or Harmony?”, *op.cit.*, pp. 116-117.

⁵⁵S.HOFFMANN, “The American Style: Our Past and Our Principles”, *op. cit.*, p. 367.

⁵⁶S.HOFFMANN, “De Gaulle, Europe, and the Atlantic Alliance”, *International Organization*, Vol. 18, Issue 01, December 1964, p. 4.

⁵⁷S.HOFFMANN, “In Defense of Mother Teresa: Morality in Foreign Policy”, *op. cit.*, p. 173.

ry function and giving more power over countries to interstate organizations.⁵⁸ In these hard times for the institute, protection of sovereignty under integration becomes a question of primary concern for any state. Hoffmann is a passionate proponent of indivisibility of sovereignty. He considers that it can never, nor at any price, be transferred to supranational bodies. For him, it is only states that are able to bear responsibility for their activities and only by their decisions could new organizations be created.⁵⁹ The difference should be clear: not institutions ruling governments, but governments shaping their future; and the creation of organizations is a “collective task”⁶⁰ that should be implemented by voluntary willingness of member-states.

There can be an endless discussion about what a state is and what it means for humanity, but in the present framework one thing should be taken into account: for Hoffmann it is states which determine peoples’ rights and obligations, general welfare and international norms, decide the issues of integration and confrontation, peace and war, and it is states that create the international milieu⁶¹, which will be discussed in the next section.

2.2. The complex politics of International milieu

The system of international relations is a “decentralized milieu”⁶² without clearly defined rules,⁶³ where nation-states, as “sharply differentiated groups”,⁶⁴ compete and struggle for power, which is measured in economic goods, military forces, natural resources and social influence,⁶⁵ and cooperate under certain conditions in a limited number of areas where they are unable to achieve their objectives by pursuing unilateral policies.⁶⁶ This definition is close to a traditional one, while analysis of contemporary world politics needs some additional explanations.

Obviously, to say that present-day international affairs have been radically changed is an exaggeration because old realist paradigms such as anarchy, race of armaments and balance of power still prevail, but the case is that new ones were added to them, which have made relations among states more unstable and unpredictable

⁵⁸S.HOFFMANN, “Reflections on the Nation-State in Western Europe Today”, *op. cit.*, pp. 36-37.

⁵⁹S.HOFFMANN, *The State of War: Essays on the Theory and Practice of International Relations*, New York, Frederick A.Praeger Publishers, 1965, p. 153.

⁶⁰S.HOFFMANN, “The Uses of American Power”, *Foreign Affairs: an American Quarterly Review*, Vol. 56, No. 1, October 1977, p. 44.

⁶¹*Ibid.*, p. 47.

⁶²S.HOFFMANN, “Weighing the Balance of Power”, *op. cit.*, p. 620.

⁶³S.HOFFMANN, *The European Sisyphus: Essays on Europe, 1964-1994*, Colorado and Oxford, Westview Press, 1995, p. 5.

⁶⁴S.HOFFMANN, “Discord in Community: the North Atlantic Area as a Partial International System”, *op. cit.*, p. 525.

⁶⁵S.HOFFMANN, “Notes on the Elusiveness of Modern Power”, *op. cit.*, p. 184.

⁶⁶S.HOFFMANN, *The State of War: Essays on the Theory and Practice of International Relations*, *op. cit.*, p. 89.

than ever before.⁶⁷ The most visible changes have affected the diversity of actors and the content of power; the reasons for that can be found in transformation of the system and expansion of interstate interdependence. Thus, the essence of power has been changed because modern realities have altered the ways in which it can be achieved and applied. Traditionally, power is explained as a situation in relations between two states, the more powerful one can insist that another one do, or not do, what is in favor of the former.⁶⁸ Nowadays this tactic has been changed and power is seen not as a “stock of goods” but as a “relationship”.⁶⁹ There is no one self-sufficient state that can act irrespectively of others because, due to economic and political interdependence any gains in one sphere can cause losses in another.⁷⁰ Even if a state possesses power it is constrained by its partners and international norms to apply it and could not channel it on a single object, but would have to spread its influence over different spheres where its interests lie.⁷¹ This makes the state change the methods of application of power from direct to indirect influence, using it in order to manipulate other states rather than conquer them.⁷²

As for international actors, the list has been expanded by new transnational players, domestic pressure groups of entrepreneurs and lobby, non-governmental activists and even individuals who, on the one side, effect foreign policy decision within their country and on the other, perform as independent players in the world arena.⁷³ Due to this increase in the number of players international affairs today are not confined to interactions among governments anymore, instead they have new dimensions in the world economy, finances and social relations, presenting a “complex game” of various players who belong to different leagues.⁷⁴

These new realities made scientists think about models that can explain contemporary international relations, among which Fukuyama’s thesis on the victory of liberal democracy that put an end to ideological conflicts and Huntington’s theory on the clash of globalizations are the most popular ones. Hoffmann does not completely agree with any of them. Thus, he criticizes Fukuyama for his undervaluation of national and religious feelings, while he finds Huntington’s theory he finds too diffuse because coherence between foreign policy and civilization is not clearly determined and the importance of religion for the most part in secularized governments is overestimated.⁷⁵ At the same time Hoffmann rejects another widespread notion that globalization has changed the nature of international relations dramatically. For him globalization is just a set of rightly adjusted techniques that promote industrial and

⁶⁷S.HOFFMANN, “Notes on the Elusiveness of Modern Power”, *op. cit.*, p. 205.

⁶⁸*Ibid.*, p. 188.

⁶⁹S.HOFFMANN, “Requiem”, *Foreign Policy*, No. 42, Spring 1981, p. 5.

⁷⁰S.HOFFMANN, “Notes on the Elusiveness of Modern Power”, *op. cit.*, p. 198.

⁷¹*Ibid.*, p. 190.

⁷²S.HOFFMANN, “Weighing the Balance of Power”, *op. cit.*, p. 625.

⁷³S.HOFFMANN, “The Clash of Globalizations”, *Foreign Affairs*, Vol. 81, No. 4, July-August 2002, p.

⁷⁴S.HOFFMANN, “Balance, Concert, Anarchy, or None of the Above”, *op. cit.*, p. 196.

⁷⁵S.HOFFMANN, “The Clash of Globalizations”, *op. cit.*, p. 105.

technological development and accelerates movement of goods, including cultural ones and information flow. It does not create a single global society and neither undermines the role of state in issues related to citizenship and national identity.⁷⁶ Criticizing these ideas, Hoffmann in turn presents his own vision of present-day world politics that was developed in the middle of the Cold War but at the same time has not lost its relevance.

Hoffmann discerns three main dimensions of the system of international relations: horizontal (interactions among great powers), vertical (or hierarchical, where hierarchy is determined by force)⁷⁷ and functional (in a particular sphere). All these dimensions are interdependent and states' interests lie in all of them⁷⁸ creating a system that may be summarized as follows:

In the first place, it is characterized by interdependence of internal and external affairs. There are two antitypes, one is an ideal mode of social organization ruled by highest authority that represents a state, and the other an anarchical milieu, in which external rivals compete, that is considered as international relations which have become complementarily dependent.⁷⁹ Present-day world politics has been changing not because of events that take place among nations, but due to processes going on within a nation. Never before have home affairs, be they revolutions, takeovers, or peaceful change of power, had the same importance for international relations as they do today,⁸⁰ making the line between what is "within" state and what is "out" of it increasingly unclear.⁸¹ At the same time, changes in the world arena, whether integration or humanitarian intervention, directly influence domestic affairs and the lives of ordinary citizens.

The second feature of the modern system is its "moderation" because states have begun to pursue policies that are more middle-of-the-road⁸² and their top-priorities such as survival and security are not constantly at stake.⁸³ The reason for that Hoffmann finds in two causes: new rules of the use of power and diffusion of states' power⁸⁴ due to the deepening and extension of relations. In the past, there were

⁷⁶*Ibid.*, p. 108.

⁷⁷S.HOFFMANN, "Erewhon or Lilliput? A Critical View of the Problem", *International Organization*, Vol. 17, Issue 02, March 1963, p. 405. Once again, the parallel between Hoffmann's intergovernmentalism and realism could be drawn in this case. For realists, in particular for Hans Morgenthau, military force is only an element of power along with geostrategic position, industrial development, population, quality of diplomacy and authority of governance of a given state but at the same time it is the most important material factor of political power highly significant for state's position in the world arena. *Vid.* H.MORGENTHAU, *Politica Entre las Naciones. la Lucha por el Poder y la Paz*, translated by H.OLIVERA, Buenos Aires, Grupo Editor Latinoamericano SRL, 1986 (3rd edition), pp. 16; 43; 142-189.

⁷⁸S.HOFFMANN, "Notes on the Elusiveness of Modern Power", *op. cit.*, p. 204.

⁷⁹S.HOFFMANN, "International Organization and the International System", *International Organization*, Vol. 24, Issue 03, June 1970, p. 400.

⁸⁰*Ibid.*, p. 401.

⁸¹S.HOFFMANN, *The State of War: Essays on the Theory and Practice of International Relations*, *op. cit.*, p. 92.

⁸²S.HOFFMANN, "International Organization and the International System", *op. cit.*, p. 401.

⁸³S.HOFFMANN, *The State of War: Essays on the Theory and Practice of International Relations*, *op. cit.*, p. 93.

⁸⁴S.HOFFMANN, "Requiem", *op. cit.*, p. 4.

only two spheres of countries' interactions – or “chessboards”, as Hoffmann calls them – diplomatic and military. Nowadays, international trade, financial markets, cooperation in technological and scientific areas, space study, collective security and other new fields of international relations have dramatically increased the number of these chessboards where states interact. In addition, it is not a turn-based game that rules them; interactions on all these chessboards take place simultaneously making the process more complicated than ever before. Two states communicate with each other in several fields at once and their strengths and weaknesses differ from one chessboard to another in such a manner that none of them can keep relations entirely under their control.⁸⁵ On the one hand, it is beneficial because shortages in one chessboard could be pieced out by advantages in another,⁸⁶ but on the other hand, it narrows a state's space for maneuver and makes relations more complicated and consequently unpredictable.

Not only has the scope of issues of international concern been expanded, but the rules of the game have also been changed. Nowadays, bargaining process depends more on conditions of interdependence than on power and states' unilateral actions as it was in the past. The liberty of choice in one chessboard is limited by dependence in another in such a way that none of the actors can use their capabilities in full.⁸⁷ Even the game of traditional “diplomatic-strategic chessboard” has been altered. States do not fight for territory as they did before, but compete for influence. This struggle is less sharp but more constant, latent and unpredictable.⁸⁸ It needs not only different resources, but also different kinds of each resource. Even military forces that are applicable in one conflict are useless in another,⁸⁹ while the situation with other resources is more complicated. Thus, foreign policy today is a game of one player on several chessboards with different opponents but with the same pieces. In such circumstances, it is reasonable that states favor moderate policies, but their *moderation* makes them rather more complicated than straight forward.

The third characteristic of the world system by Hoffmann is the increasing importance of the role that transnational society plays in interstate relations. In this regard, transnational society needs to be distinguished from international society. The latter is still quite obscure, globalization and world trade created a global market, but it did not lead to the establishment of a global government⁹⁰ or global society. Moreover, even this global market is not universal because it excludes many less developed countries and those who oppose globalization. As for international society, its position is even more precarious; humankind is still divided by nations and it is unlikely that this situation could be changed in the future. Organizations that unite ordinary citi-

⁸⁵S.HOFFMANN, “International Organization and the International System”, *op. cit.*, p. 401.

⁸⁶S.HOFFMANN, “Notes on the Elusiveness of Modern Power”, *op. cit.*, p. 200.

⁸⁷S.HOFFMANN, “International Organization and the International System”, *op. cit.*, p. 401.

⁸⁸S.HOFFMANN, “Weighing the Balance of Power”, *op. cit.*, p. 625.

⁸⁹S.HOFFMANN, S.HUNTINGTON, E. MAY, R.NEUSTADT and T.SCHELLING, “Vietnam Reappraised”, *International Security*, Vol. 6, No. 1, Summer 1981, p. 10.

⁹⁰S.HOFFMANN, “The Clash of Globalizations”, *op. cit.*, p. 110.

zens first and foremost depend on their home governments⁹¹ and hold little importance in world politics.

As distinct from international society,⁹² a transnational one is more developed. It presents a part of society that has interests and influence in more than one country, such as transnational companies, corporations, banks or foundations. There are certain chessboards in economy, industrial development and science where they communicate with host governments, making their domestic affairs part of foreign relations.⁹³ These interactions between states and transnational organizations, which on the one hand are private and independent, but on the other hand have close connections with their home governments, represent a new phenomenon in world politics that bring internal and external affairs closer.

To understand Hoffmann's vision of international milieu, it is also relevant to note his attention to the importance of the personal factor in world politics since on numerous occasions it is persons and in particular leaders who changed history by taking decisions fateful for the whole of humanity. He distinguishes three types of politicians. The first is a "crusader", who is inclined to expansionist wars driven by ideological matters. The second is a "hero-statesman" like De Gaulle or Churchill, who stresses national feelings and welds his nation when it is going through an unstable period. The third and the most common type is a "conservative" politician, who like Henry Kissinger, continues making realist assumptions such as balance of power, national interests and reliance on military force as postulates of his foreign policy.⁹⁴ Every political leader has their own particularities that in turn project on their policies. Thus, for Hoffmann, it is De Gaulle, an active statesman confident in French political and military greatness, who is responsible for politics of opposition to American dominance in Europe which resulted in France's decision to launch a national nuclear programme, to withdraw from NATO⁹⁵ and to maintain relations with USSR,⁹⁶

⁹¹*Ibid.*, p. 108.

⁹²International society is the main theoretical concept elaborated by the English school of international relations represented by Hedley Bull, whose well known work *The Anarchical Society: A Study of Order in World Politics* S. Hoffmann appreciated very highly calling it the classics of the field. Bull argues that international society is just a part of the world system in parallel with states of wars and solidarity and it should not be analyzed separately from them. In cooperation with his colleague Watson, he introduces the term of international society as a scope of *independent political communities*, mostly countries, that have been creating and preserving a set of values, norms, principles and rules aimed at managing relations among them. International society is based on actual political realities and reflects ideas and principles of dominant cultures. Nowadays it embraces all countries and is reduced to basic norms of sovereign equality of States, *pacta sunt servanda*, non-use of force or threat of force, participation and maintenance of common international institutions, etc. *Vid.* K.HOLSTI, "Theorising the Causes of Order: Hedley Bull's *The Anarchical Society*" in C.NAVARI (Ed.), *Theorising International Society: English School Methods*, Chippenham and Eastbourne, Palgrave Macmillan, 2009, p. 127; S. HOFFMANN, "Prologo a la Segunda Edición: de Vuelta a la Sociedad Anárquica" in H.BULL, *La Sociedad Anárquica. Un Estudio Sobre el Orden en la Política Mundial*, translated by Irene Martín Cortés, Madrid, Catarata, 2005, p. 39; H.BULL, *La Sociedad Anárquica. Un Estudio Sobre el Orden...*, *op. cit.*, p. 369; H.BULL and A.WATSON (Eds.), *The Expansion of International Society*, Oxford, Clarendon Press, 1985, p. 1; S.HOFFMANN, "Prologo a la Segunda Edición: de Vuelta a la Sociedad Anárquica", *op. cit.*, p. 41; H.BULL, *La Sociedad Anárquica. Un Estudio Sobre el Orden...*, *op. cit.*, p. 93.

⁹³S.HOFFMANN, "International Organization and the International System", *op. cit.*, p. 402.

⁹⁴S.HOFFMANN, *Duties Beyond Borders: On the Limits and Possibilities...*, *op. cit.*, pp. 229-230.

⁹⁵S.HOFFMANN, "Gaullism by Any Other Name", *Foreign Policy*, No. 57, Winter 1984-1985, p. 38.

it is Kissinger, a “solo performer”, an expert in flexible policy,⁹⁷ who is the author of the policy of deterrence in 1971-73⁹⁸; and it is Dag Hammarskjöld, the second UN Secretary General, who adopted the preventive policy,⁹⁹ and so on. In such a way, modern world order in many respects is the result of decisions and views of persons who were in power at key historical moments.

The system of international relations developed by Hoffmann, that in general could be characterized as stable, has a salutary effect on world politics, but its maintenance needs a certain set of conditions to be instigated. Thus, in order to preserve the system, states should prevent wars that can spell the use of nuclear weapons as well as economic disasters that can lead to a breakdown of the world financial system; all disputes and conflicts should be limited by geographic territory, be local and be of low-intensity in order to prevent the involvement of a greater power; the UN and regional organizations should provide platforms for negotiations and bargaining among states; and – what is also very important – this system should include all countries without exception, in other words to be universal, otherwise excluded states will endanger its stability.¹⁰⁰

In this system of complex politics, integration, as one dimension of cooperation, can take place, for which compulsions of international milieu and favorable domestic conditions are important. Both these dimensions are discussed in further detail in the next section.

2.3. Internal and external conditions for integration

Hoffmann distinguishes internal and external conditions of interstate integration. Internal conditions have two main prerequisites: “domestic integration” and social support.

“Domestic integration” means that states should be formed as nations. The theorist finds this requirement a problem for many newly independent countries that have territories and governments, but do not have nations in the full sense of the word. In other words, integration units have to be shaped as “political communities”¹⁰¹, whose meaning has been explained in the section dedicated to nation-state, which have achieved the “national stage” of development.¹⁰²

⁹⁶*Ibid.*, p. 41.

⁹⁷S.HOFFMANN, “A New Policy for Israel”, *Foreign Affairs: an American Quarterly Review*, Vol. 53, No. 3, April 1975, p. 415.

⁹⁸S.HOFFMANN, “Requiem”, *op. cit.*, p. 7.

⁹⁹S.HOFFMANN, “In Search of a Thread: the UN in the Congo Labyrinth”, *International Organization*, Vol. 16, Issue 02, March 1962, p. 357.

¹⁰⁰S.HOFFMANN, “International Organization and the International System”, *op. cit.*, pp. 405-409.

¹⁰¹S.HOFFMANN, “Obstinate or Obsolete? The Fate of the Nation-State...”, *op. cit.*, p. 905.

¹⁰²S.HOFFMANN, “The Role of International Organization: Limits and Possibilities”, *International Organization*, Vol. 10, Issue 3, August 1956, p. 365.

Proceeding from Hoffmann's terminology, the main requirements of domestic integration may be summarized as following:

- a) Civil consent and permanent communications among citizens from all regions, provinces, and other subjects of administrative division within a given state;¹⁰³
- b) Central authorities that exercise their legitimate power within an entire state's territory determined by its borders.¹⁰⁴
- c) Scope of rules,¹⁰⁵ or laws, that determine obligations, liberties¹⁰⁶ and behavioral norms of individuals within society, where respect for them is enforced by central authorities.¹⁰⁷

In other words, concerns about domestic integration reflect the "traditional criteria of statehood – a population, a territory, a government".¹⁰⁸

As for tensions that provoke violation of domestic integration, Hoffmann summarizes them as "cleavages", said differently, conflicts and discords that lead to division of the population of a given state into different blocks.¹⁰⁹

In addition to discourse of domestic integration, it is necessary to note that it is primarily an internal condition, which is not used as far as interstate cooperation is concerned, in other words, what makes domestic integration successful is not what leads collaboration among nations to be effective. Thus, for example, two integral features of domestic integration such as single central authority and national consent over political and social principles have different importance for intergovernmental rapprochement. Instead of central authorities it needs just regulatory institutional mechanisms, while instead of concord over different issues it requires a minimum set of common values and a ramified system of interstate links in various chessboards whose gross weight makes states cooperate instead of struggling.¹¹⁰

Thus, pursuant to Hoffmann, domestic integration is an important internal condition because, only when the level of the nation-state is achieved can a state pursue a uniformed single policy and establish long-term relations with international partners based on continued permanent cooperation.¹¹¹

¹⁰³S.HOFFMANN, "Obstinate or Obsolete? The Fate of the Nation-State...", *op. cit.*, p. 904.

¹⁰⁴*Ibid.*, pp. 904-905.

¹⁰⁵*Ibid.*, p. 904.

¹⁰⁶S.HOFFMANN, "The Uses of American Power", *op. cit.*, p. 47.

¹⁰⁷S.HOFFMANN, "International Systems and International Law" in K.KNORR and S.VERBA (Eds.), *The International System: Theoretical Essays*, Connecticut, Greenwood Press, 1961, p. 206.

¹⁰⁸*Ibid.*, p. 230.

¹⁰⁹S.HOFFMANN, "Obstinate or Obsolete? The Fate of the Nation-State...", *op. cit.*, p. 905.

¹¹⁰Cited by Linda B. Miller: L.MILLER, "A Foreign Policy for America?: A Review Essay, *International Security*, Vol. 4, No. 3, Winter 1979-1980, p. 190. Original text: S.HOFFMANN, *Primacy or World Order*, New York, McGraw Hill, 1978, p. 243.

¹¹¹S.HOFFMANN, "The Uses of American Power", *op. cit.*, p. 47.

The second requirement, social support, on the one hand, is closely interrelated with society in general, and on the other hand, with its political structure and the nature of relations among its composing units.¹¹² For a better understanding, it is necessary to shed light on Hoffmann's vision of relations between state and society which reflects his conception of "modern polity".¹¹³

The theorist notes that the traditional "liberal polity" comprises three main constituents – freedom of individuals, society that represents a scope of individuals (which he calls social "transparence") and limited power of state aimed at maintaining harmony of this society. However, in reality these ideal components could not be fully implemented. Thus, in the case of the individual, on the one side, he/she could not be totally free because of a misbalance in accumulation of power and wealth common in capitalist economies, which makes the individual limited in meeting his/her needs, while on the other side, personal liberty might be violated by external threats posed by conflicts. Transparency of society is also hardly possible due to groups' competition over material and social goods and its inherent hierarchical structure. As for the state, its assignment has gone far beyond a harmonizing function, instead of which the states have become autonomous social mechanisms of bureaucracy¹¹⁴ who accumulate wide power over different spheres of the life of society¹¹⁵ and simultaneously are constrained both by challenges posed by the external world (including global capitalist changes) and by social movements inside the country.¹¹⁶

Nevertheless, in spite of the obvious failure of these ideal characteristics, the nation-state has remained the most resilient¹¹⁷ "form of social organization",¹¹⁸ even if nowadays it loses political and economic autonomy due to the rising importance of interstate interdependence.¹¹⁹ In order to understand the phenomena of nation-state, Hoffmann uses the "state-centered, pluralistic and structured approach" aimed at determining the nature of modern relations between state and society. State-centered because a state has a prerogative on responding to social demands and, being empowered to act on behalf of society, it is dependent on its requests and citizens' approval of its actions; pluralistic because it is necessary to take into account the peculiarities of each society and differences between its social groups; and structured because each society is different from one another due to differences in its movements, forces, and influencing powers.¹²⁰

Thus, as a result state and society are interpenetrated, where the importance of both should not be underestimated. Presence of social groups in state authorities is

¹¹²S.HOFFMANN, "Obstinate or Obsolete? The Fate of the Nation-State...", *op. cit.*, p. 905.

¹¹³S.HOFFMANN, "Reflections on the Nation-State in Western Europe Today", *op. cit.*, p. 24.

¹¹⁴*Ibid.*, p. 24.

¹¹⁵S.HOFFMANN, "The Role of International Organization: Limits and Possibilities", *op. cit.*, p. 365.

¹¹⁶S.HOFFMANN, "Reflections on the Nation-State in Western Europe Today", *op. cit.*, p. 24.

¹¹⁷*Ibid.*, p. 23.

¹¹⁸S.HOFFMANN, "Obstinate or Obsolete? The Fate of the Nation-State...", *op. cit.*, p. 862.

¹¹⁹S.HOFFMANN, "Reflections on the Nation-State in Western Europe Today", *op. cit.*, p. 22.

¹²⁰*Ibid.*, p. 26.

not only narrowed to parties' representatives, whom Hoffmann considers as mediators between state and society; it goes far beyond these limits and increases with the rising importance of private corporations and organizations in state decision-making process. As for the state, it is a simplification to consider that it just reflects the demands of society. State is not only an intermediary between social demands and external constraints; it is a "shaper" able to influence public sentiments and balance between internal and external pressures reforming the society in response to global trends and using different external variables in order to promote common good.¹²¹

This difference between state and society determines Hoffmann's vision of social support, as the second internal requirement of integration which has two constituents – public support (or approval) for integration (that might correspond to society), and presence in legislative and executive branches of those groups, elites and leaders who promote integration (that may be interpreted as correspondent to state).¹²²

Similar to other cases, when it is necessary to analyze public support (or "public view") in the event of integration, it could be done by investigating opinion polls subsequently interpreted by specialists, in spite of the banality of this method that Hoffmann underlines.¹²³

Regarding public opinion, the theorist also emphasizes that this factor should not be underestimated, providing as evidence two compelling examples – the example of the USSR, when the anti-Soviet moods largely contributed to its collapse;¹²⁴ and the example of the East European nations, whose disappointment in the Communist ideas,¹²⁵ rebirth of national consciousness and belief in a better future by being part of a unified Europe¹²⁶ prompted their leaders to integration with the EU.

The second constituent of the social support is also based on public approval, but the case is that the latter is not enough for integration to be promoted. In the section related to the concept of nation-state, the decisive importance of politicians who were in power in a certain period of history for determining national interests was stated; the same should be underlined in the case of analyzing social support of integration. Hoffmann finds that elites and interest groups who represent those people, who favor integration, should have accession to power and executive branches of the government. Moreover, access of pro-integration groups in the states that plan to integrate should coincide in time; they should communicate with each other, and their leaders should move the idea of integration.¹²⁷

¹²¹S.HOFFMANN, "Reflections on the Nation-State in Western Europe Today", *op. cit.*, p. 27.

¹²²S.HOFFMANN, "Obstinate or Obsolete? The Fate of the Nation-State...", *op. cit.*, p. 905.

¹²³S.HOFFMANN, "National Attitudes and International Order: the National Studies on International Organization", *International Organization*, Vol. 13, Issue 2, March 1959, p. 192.

¹²⁴S.HOFFMANN, "The Case for Leadership", *Foreign Policy*, No. 81, Winter 1990-1991, p. 26.

¹²⁵*Ibid.*, p. 25.

¹²⁶C.DELACAMPAGNE and R.BONONNO, "Democracy and Society: An Interview with Stanley Hoffmann", *op. cit.*, p. 36.

¹²⁷S.HOFFMANN, "Obstinate or Obsolete? The Fate of the Nation-State...", *op. cit.*, p. 905.

The latter requirement, a strong leadership, has great importance for the intergovernmentalist theory (as already noted in the section dedicated to international milieu). It concerns those persons who held power in crucial historical moments and made far-reaching decisions regarding the countries they ruled arising from their views, grasp of reality, choices and imperatives. Getting back to the European example, Hoffmann argues that in many respects the EU today is the result of policies pursued by two statesmen – the chief of the USSR Mikhail Gorbachev and the Chancellor of the FRG Helmut Kohl – that led to disintegration of the Soviet state and unification of Germany.¹²⁸ It is not the only example of how personal factors managed the fate of Europe – in many respects European integration is the product of the work of its Founding Fathers Shuman, Adenauer and de Gasperi.¹²⁹

Thus, summarizing the above stated, according to Hoffmann, social support, as the second internal condition of integration consists of two main parts – the public approval that represents a society and the political support of groups in power that represents a state.

Concerning external conditions, their main requirement is similarity of national situations of integrating states. This similarity should be “subjective” not merely “objective”, it means that not only internal circumstances (economic development, political system, ideology, etc.) should be similar, but also public officials’ views should coincide.

Speaking about the “subjective” external conditions it is necessary to emphasize common political views of reproaching countries. Once again, in the case of integration, as in the case of national interests, the results of politics are determined by intentions, actions (or inactions) that are taken deliberately by politicians in power.¹³⁰ That is common political views, or unified positions achieved through accommodation of views, this is what comes before any solution of common problems. In other words, in order to deal with a problem jointly it is fundamental for states to share a common willingness to cooperate in search of a solution, to agree on multilateral collaboration as well as its instruments.¹³¹

Common political views should coincide on different margins of interstate relations concerning the past, present and future, representing a chain “similar origins... – similar itineraries... – ...similar destinations”.

In the case of the past, integration has more chance if states do not have many claims over each other. Otherwise, if they historically pursue a unilateral policy and are used to being at the top in the world arena, this integration will have many obstacles. Hoffmann gives only one example where this condition was met – unification of

¹²⁸S.HOFFMANN, “The Case for Leadership”, *op. cit.*, pp. 21-22.

¹²⁹S.HOFFMANN, “Discord in Community: the North Atlantic Area as a Partial International System”, *op. cit.*, p. 529.

¹³⁰S.HOFFMANN, “The Uses of American Power”, *op. cit.*, p. 47.

¹³¹*Ibid.*, p. 48.

the former colonies in North America and the creation of the USA¹³² – while in all other cases it is missing. For example, the European Union does not meet this requirement because the “historical memories”¹³³ of its member-states are full of disputes with each other and age-old traditions of an autonomous way of acting on the international stage which impedes the process of unification.¹³⁴

Another important constituent that relates to the present is the coincidence of the interests of integrating countries (that might be interpreted as “similar itineraries”). The range of these interests is not limited to common ones because generally they concern actors less than their individual benefits. In order to develop the process each member-state must have its “particular interest” in cooperation and further integration, whose outcome is also the subject of bargaining.¹³⁵ For instance, in the case of the EU, historically all participants were driven by different interests depending on their domestic circumstances, but all of them coincided in the choice of a common European future. Thus, Italy needed the EU for economic development and as an excuse for inactivity in the world arena;¹³⁶ France’s primary intentions were not to allow Germany to dominate the community and assure their own political superiority;¹³⁷ Germany saw integration as a way to reconcile the fascist period of their history and become equal with other European nations; while for the smaller members unification offered an opportunity to be involved in the main European political events.¹³⁸

Thus, every state pursues its own interests whether they are justified by historical affinity like in the case of Australia and the Commonwealth of Nations or by the need for cheap primary commodities as in the case of Japan and integration among Asian countries.¹³⁹ These particular interests are the main reasons why states integrate, but not because of a common good or general welfare.

As for the future, that according to Hoffmann is made not destined,¹⁴⁰ integration is possible only if public officials see the future of their countries as inseparable from the future of the whole community, interpreting in a similar way nations’ necessities, threats, and goals. In other words, as the theorist said, “[i]ntegration means a common choice of a common future”.¹⁴¹

Insofar as the objective similarity is concerned, the matters of primary analysis relate to the present of integrating groups and the nature of relations between a given

¹³²S.HOFFMANN, “Obstinate or Obsolete? The Fate of the Nation-State...”, *op. cit.*, p. 906.

¹³³S.HOFFMANN, *The European Sisyphus: Essays on Europe*, *op. cit.*, p. 18.

¹³⁴S.HOFFMANN, “Obstinate or Obsolete? The Fate of the Nation-State...”, *op. cit.*, p. 906.

¹³⁵S.HOFFMANN, *The State of War: Essays on the Theory and Practice of International Relations*, *op. cit.*, p. 155.

¹³⁶S.HOFFMANN, *The European Sisyphus: Essays on Europe*, *op. cit.*, p. 32.

¹³⁷S.HOFFMANN, “French Dilemmas and Strategies in the New Europe” in R.KEOHANE, J.NYE and S.HOFFMANN (Eds.), *After the Cold War: International Institutions and State Strategies in Europe, 1989-1991*, Cambridge, Harvard University Press, 1994 (2nd edition), p. 129; *Ibid.*, p. 133.

¹³⁸S.HOFFMANN, “Obstinate or Obsolete? The Fate of the Nation-State...”, *op. cit.*, p. 894.

¹³⁹S.HOFFMANN, “National Attitudes and International Order: the National Studies on International Organization”, *op. cit.*, p. 198.

¹⁴⁰S.HOFFMANN, “De Gaulle, Europe, and the Atlantic Alliance”, *op. cit.*, p. 28.

¹⁴¹S.HOFFMANN, “Obstinate or Obsolete? The Fate of the Nation-State...”, *op. cit.*, p. 906.

state and international milieu. In this case, national situations should be similar at least in two dimensions.

The first is states' "degree of involvement" in the world system, in other words, the level and intensity of their relations with other international actors.¹⁴² Even if relations among states are based on the principle of equality, there is an unstated hierarchy among them that depends on the limits of their sovereignty. Some aspects of sovereignty could be exercised in full while others are restrained by obligations bound to other states and international organizations, whose degree of constraint defines states' "legal status" within the hierarchy.¹⁴³ In the case of integration, it is better if integrating states preserve some kind of "distance" from the outside world, being not very tightly bound with actors who are not planning to join the community in creation. Moreover, it is even better if states are isolated from others suffering an equal level of "insulation".¹⁴⁴

Second is the level in which the integrating countries suffer the compulsion of international milieu. The reason for compulsion could differ from external threat to common necessity.¹⁴⁵ The most compelling example in this case is of European countries that, on the one hand had been moved toward integration by a common Soviet threat, and on the other, were driven by a common precarious situation of their economies after World War II.¹⁴⁶

When speaking of integration conditions, it is impossible not to bear in mind its obstacles. Hoffmann in turn pays attention not to the hassles that restrain governments from integration with other states, but to those that obstruct the process when integration has already been launched, among which should be noted a lack of concord within a community, an absence of leaders able to promote integration, external dependence, and incompatibility of views and interests of the major players. All of them could be found in the example of the EU.

Thus, community is traditionally considered as a group of separate units unconditionally agreed on cooperation that are ready to sacrifice their own interests in favor of shared ones with the aim of pursuing a common good even if it is uncertain.¹⁴⁷ In the EU, such community does not exist, after more than half a century of history what exists is a peaceful coexistence of different nations managed by intergovernmental arrangements and supranational bodies¹⁴⁸ acting only in issues of consensus,¹⁴⁹ but not a common social community, in other words there is not a common European nation able to constitute a social basis of integration. The scope of issues

¹⁴²*Ibid.*

¹⁴³S.HOFFMANN, "International Systems and International Law", *op. cit.*, p. 235.

¹⁴⁴S.HOFFMANN, "Obstinate or Obsolete? The Fate of the Nation-State...", *op. cit.*, p. 906.

¹⁴⁵*Ibid.*, p. 907.

¹⁴⁶S.HOFFMANN, *The European Sisyphus: Essays on Europe...*, *op. cit.*, p. 35.

¹⁴⁷S.HOFFMANN, *The State of War: Essays on the Theory and Practice of International Relations*, *op. cit.*, p. 89.

¹⁴⁸S.HOFFMANN, "Towards a Common European Foreign and Security Policy?", *Journal of Common Market*, Vol. 38, No. 2, June 2000, p. 198.

¹⁴⁹S.HOFFMANN, *The European Sisyphus: Essays on Europe...*, *op. cit.*, p. 308.

under the community's concern increases, but there is not a "common sense of direction". The part of leadership is also missing because the previous generation of officials that favored integration has gone, while the new one upholds more pragmatic views,¹⁵⁰ and thus recognize only their national interests. External influences are determined by political and military dependence on the USA which has already become the constant factor in European politics,¹⁵¹ while the fact that the fate of the community rests on the harmony between France and Germany makes the consent of these two major players a prerequisite before considering to any progress in integration.¹⁵²

Returning to conditions of integration it should be noted that any state determined to move toward integration would primarily weigh up all pros and cons before launching the process, in other words, the consequences of integration explained in the next section could not be taken into account without considering its conditions.

2.4. Consequences of integration: on the level of nation-states and supranational institutions

Concerning the positive and negative consequences of the integration process, in practical terms a two level analysis could be distinguished – one related to nation-state and another to supranational institutions.

In the first case, Hoffmann pays particular attention to domestic affairs of member-states calculating their benefits and losses which differ from one country to another due to national situations, economic development and internal politics. In the second case, he deals with the nature, roles and purposes of supranational bodies.

On the level of nation-state analysis, in order to be consistent it is better to begin with opportunities that integration potentially provides to member-states, then move on to its effects, and conclude with its negative implications and the ways governments should deal with them. All these differentiations are relative because for one state they can make a difference while for another can lead to troubles.

In the matter of opportunities, the main one is the prospect of economic benefits. To a state, integration opens new markets that benefit consumers as much as producers; allows a price reduction of its exports by eliminating customs duties and thus making it more competitive;¹⁵³ gives the possibility of promoting domestic transnational companies abroad, which in reality continue being national; and empower them

¹⁵⁰S.HOFFMANN, "Fragments Floating in the Here and Now", *Daedalus*, Vol. 117, No. 3, Three Decades of "Dædalus", Summer 1988, p. 384.

¹⁵¹S.HOFFMANN, "NATO and Nuclear Weapons: Reasons and Unreason", *Foreign Affairs*, Vol. 60, No. 2, Winter 1981, p. 344.

¹⁵²S.HOFFMANN, "The U.S. and Western Europe: Wait and Worry", *Foreign Affairs*, Vol. 63, No. 3, 1984, p. 646.

¹⁵³S.HOFFMANN, "The European Community and 1992", *Foreign Affairs*, Vol. 68, No. 4, Fall 1989, p. 28.

to compete for the leadership in a given industrial field following the example of France in the agricultural sector or the US export policy of wheat.¹⁵⁴

In parallel, thanks to the interdependence that integration creates a nation obtains a unique opportunity to influence the internal affairs of its partners by being allowed to communicate directly with their interest groups, academic circles and other domestic actors. Interdependence becomes a kind of an instrument of “manipulation” in a “target country”,¹⁵⁵ which obviously can be used by only advanced players. Besides that, being part of a strong integrated community gives a state additional support in bargaining with third parties.

At the same time, it is an opportunity for states to reform domestic industries or national economies on the whole and redefine them in accordance with global standards. Also, even if it is not easy to undertake these reforms and they do not find large public support, governments can justify their actions explaining them by integration requirements.¹⁵⁶

Concerning the effects of integration, Hoffmann highlights two. The first is the diversification of actors involved in foreign policy. The number of players concerned with external affairs is increases in different levels under the integration process. In private circles, transnational companies, investors, entrepreneurs, NGOs and other domestic actors start influencing relations with other countries, while at governmental level, MFA not only deals with international affairs but also territorial districts, autonomies and departments, and agencies of other ministries begin to pursue their own foreign policies that sometimes are different from the official course.

The second effect is attenuation of the gap between domestic and foreign affairs. The strategic-diplomatic chessboard continues to be the main one in world politics, but under the integration process spheres of politics that are traditionally considered as internal ones such as welfare, social development and economic growth are becoming part of the international agenda, which makes the process of political goals definition and decision-making more complicated.¹⁵⁷

Possibilities provided by integration and its effects also have negative aspects. Thus, the common market that it creates is impossible to control, which troubles governments when protecting the rights of their citizens and entrepreneurs,¹⁵⁸ not to mention how integration with advanced countries can be dangerous for development of emerging economies unable to compete with highly industrialized partners.

The expansion of the number of international players leads to a limiting of governmental highest authority that discourages authoritarian regimes most of all. It embarrasses governments because they have to account for external interests of these

¹⁵⁴S.HOFFMANN, *Janus and Minerva: Essays in the Theory and Practice...*, *op. cit.*, p. 273.

¹⁵⁵*Ibid.*, p. 274.

¹⁵⁶S.HOFFMANN, “Reflections on the Nation-State in Western Europe Today”, *op. cit.*, p. 35.

¹⁵⁷S.HOFFMANN, *Janus and Minerva: Essays in the Theory and Practice...*, *op. cit.*, pp. 270-271.

¹⁵⁸S.HOFFMANN, “The Crisis of Liberal Internationalism”, p. 176.

new domestic actors who begin to contest their executive right on making foreign policy decisions.¹⁵⁹

At the same time, integration increases states' "vulnerability" to external decisions and events that vary from state to state according to their national situations, dependence on external resources and degree of involvement in the world economy. Thus, for example, Japan and Western Europe are more vulnerable than the USA because of their higher volatility, higher proportion of trade to GNP, and because it is the US dollar that continues to be the main world currency.¹⁶⁰

In order to prevent negative consequences of integration, Hoffmann gives certain advice to potential member-states that should be taken into account before joining an integration group. The first advice is to improve the management of national economies; in this case, subtle anti-inflationary policy especially in advanced countries is an asset. Otherwise, inflation will provoke troubles, such as protectionist measures and other counter reactions in trade with developed countries, and a rise in the price of developing countries' prime materials. Hoffmann's advice to developing countries is to make the switch towards the policy of "basic needs" that allows reduced consumption of expensive imported products and limit foreign access to national industries. The second suggestion is to reduce external dependence. He encourages advanced countries to stock up on oil and energy resources or at least produce them for domestic needs to the highest extent possible as well as to reconsider their contracts so that outside suppliers could not increase prices on their products. Concerning developing countries he suggests a focus on food security, creating reserves of provisions and controls on foreign producers of food on their territory. Furthermore, Hoffmann encourages all countries which decided to join integration groups to pay attention to labor policies and prepare national labor markets for future changes.¹⁶¹

Joining an integration group is a difficult affair from which states can both benefit and lose. The most risky part of it, which threatens the loss of sovereignty, is the participation in supranational bodies that is explained as follows.

The above mentioned ideas may create the impression of Hoffmann as an opponent of integration, but he is not: his main thesis is that "institutional mutation" should not be allowed; it means that sovereignty as the linchpin of state authority should remain as the basis of world politics. Any international organization, even if it is successful and provides benefits to all its member-states, should not replace nation-state in the world arena because on the one hand, it is unlikely, while on the other hand, states are better at maintaining a stable world order.¹⁶² In addition, there is no reason to argue that institutions will end the epoch of "power politics": rather they will extend the number of cooperation fields, create new constraints and new oppor-

¹⁵⁹S.HOFFMANN, *Janus and Minerva: Essays in the Theory and Practice...*, *op. cit.*, p. 271.

¹⁶⁰*Ibid.*, p. 273.

¹⁶¹*Ibid.*, pp. 285-286.

¹⁶²S.HOFFMANN, "International Organization and the International System", *op. cit.*, p. 404-405.

tunities in international affairs, but not change their nature.¹⁶³ Moreover, they will never take the place of traditional organs of cooperation such as Ministries of Foreign Affairs¹⁶⁴, and even if borders among states will be physically diminished, their “psychological” significance will remain and no government will permit supranational bodies to dispute its highest authority within these borders.¹⁶⁵

The moderate international system undoubtedly needs strong interstate organizations, but the centralization of power in them does not lead to stability and development. Thus, Hoffmann supports the strengthening and expansion of international institutions, but discourages it when they concentrate power and infringe on states’ sovereignty.¹⁶⁶ In other words, he is a supporter of a “national” character of integration ruled by governments rather than “supranational” which is under the control of institutions.¹⁶⁷

Explaining the nature of supranational organs Hoffmann pays particular attention to their roles and effectiveness. He argues that the establishment of any institution wielding supremacy over national governments will inevitably lead relationships within the community to a “zero-sum game” between them and nation-states,¹⁶⁸ which can only bring negotiations to a deadlock and slow down the integration process. Institutions should not impel member-states to integration; they themselves need to make a decision in its favor. It is an exaggeration to think that when deciding to join an integration group a state completely transfers its sovereignty to supranational bodies, in reality the choice is not between independence and its loss, the choice is between risks of the independent unilateral policy that requires autonomous power and risks of being part of international entity. Thus, countries come to the decision in favor of integration only when the risks of cooperation are lower than risks of acting independently.¹⁶⁹

In addition, each of them gives the main priority to their own interests even if they lead to common goals, which allows Hoffmann to assert that although in the case of economic and political unification with other countries states continue following the “logic of diversity,” which is the opposite to the “logic of integration.” The latter supposes that pooling sovereignties, actors do not mind losing in one case if they gain in another and the obtaining of a final goal can cover their transitional failures, while the logic of diversity assumes that any state does not like to lose at all, but instead choose their own interests over any shared ones and prefers to rely on itself rather than on an uncertain common institution.¹⁷⁰

¹⁶³S.HOFFMANN, “The Role of International Organization: Limits and Possibilities”, *op. cit.*, p. 371.

¹⁶⁴*Ibid.*, p. 372.

¹⁶⁵*Ibid.*, p. 371.

¹⁶⁶S.HOFFMANN, “International Organization and the International System”, *op. cit.*, p. 405.

¹⁶⁷S.HOFFMANN, “Obstinate or Obsolete? The Fate of the Nation-State...”, *op. cit.*, p. 894.

¹⁶⁸S.HOFFMANN, “Reflections on the Nation-State in Western Europe Today”, *op. cit.*, p. 33.

¹⁶⁹S.HOFFMANN, *The State of War: Essays on the Theory and Practice of International Relations*, *op. cit.*, p. 152.

¹⁷⁰S.HOFFMANN, “Obstinate or Obsolete? The Fate of the Nation-State...”, *op. cit.*, p. 882.

Concerning the role of supranational bodies, two aspects should be taken into account: in the first place, how they serve every single member-state and secondly, how they influence the cooperation among states on the whole.

From the states' point of view, international organizations and their organs are valuable and very often irreplaceable tools of foreign policy that provide governments with the means they need in order to pursue national interests.¹⁷¹ They serve in the search of mutually acceptable solutions of shared problems and guarantee their execution. For the greater powers, organizations are platforms where they can face off with each other, while for the smaller powers they give an opportunity to get a hearing by their more powerful partners.¹⁷² Thus, international organizations are not "super-states"¹⁷³; they are arenas where independent sovereign states cooperate.

As for the general roles of interstate institutions, Hoffmann on the example of the European Union considers three of them. The first is that they restrain states' authority to act unilaterally in the international arena. Governments determine external priorities, means and instruments themselves, but being bound by organizations they should adapt foreign policies to their restrictions and take into account not only national but also shared interests.

The second is the assurance purpose that institutions serve. By joining an institution a state assures its peaceful intentions and therefore guarantees that it would not pursue policy against its partners and receives assurances from them of their political, economic or military support if it is needed.

The third role is the ability of organizations to be centers of attraction for third countries not yet involved in the integration process. The most prominent example in this case is the enlargement of the EU that many Central and Eastern European states joined after the collapse of the Soviet Union, and for whom entering this organization meant becoming a part of Europe.¹⁷⁴

Insofar as the effectiveness of international organizations is concerned there are three minimal requirements. The first concerns social support and approval in the integrating states. According to the theory of social contract, people voluntarily organize themselves as a civil state because it is the best way to protect their freedoms and ensure equality,¹⁷⁵ security and justice. In such a manner, any international entity that lays claim on civil loyalty should provide the citizens of its member-states with guarantees and advantages in the way their governments do. Thus, citizens should trust supranational bodies, accept governments' decision on integration with other countries and benefit themselves from this rapprochement.

The second requirement relates to geographical limitations of an integration entity. It is better if they are clearly defined and justified and all integrating states belong to the same region. If this condition cannot be met, for example due to its detrimental

¹⁷¹S.HOFFMANN, "French Dilemmas and Strategies in the New Europe", *op. cit.*, p. 142.

¹⁷²S.HOFFMANN, "International Organization and the International System", *op. cit.*, p. 408.

¹⁷³S.HOFFMANN, "In Search of a Thread: the UN in the Congo Labyrinth", *op. cit.*, p. 353.

¹⁷⁴S.HOFFMANN, "Balance, Concert, Anarchy, or None of the Above", *op. cit.*, pp. 198-200.

¹⁷⁵S.HOFFMANN and D.FILDER, "Introduction" in S.HOFFMANN and D.FILDER (Eds.), *Rousseau on International Relations*, Oxford, Clarendon Press, 1991, p. xxvii.

effect on economic development, states should have at least something in common, whether it is ideology, shared history or a technological and industrial basis.

The third requirement is about the primary function that institutions exercise. Hoffmann finds that international bodies, even if they are universal, should be a kind of center aimed at managing and harmonizing states' actions in pursuit of their common objectives.

In addition, it is necessary to take into account that the work of an integrated community is more effective when its member-states simultaneously cooperate in different chessboards, being bound not by a single problem but by a net of problems.¹⁷⁶

Analyzing the European case as an illustrative example of regional integration and its supranational institutions, Hoffmann concludes that best of all they are explained by the regime theoretical approach, which is described in the next chapter. Regimes as scopes of norms and rules facilitate cooperation and manage relations among states without infringing their sovereignties. Governments create them when they find that their own resources are not enough to achieve intended objectives and when long-term cooperation becomes so important that they agree to make mutual concessions. Regime theory allows us to understand why there are periods of rise and fall in the integration process depending on the individual interests of member-states considering them as the main actors in the world arena. As the European example shows, regimes do not suppress sovereignty, quite the opposite they support nations in their adoption of modern realities helping governments in their domestic issues and providing them with new external opportunities.¹⁷⁷ Thus, the regime approach of analyzing international organizations coincides with Hoffmann's ideas on nations, sovereignty and the role of interstate institutions in the world arena.

2.5. Conclusion

In this chapter, intergovernmentalist statements by Stanley Hoffmann are divided into four blocks of issues and can be summarized as follows:

The first issue is a nation-state, the main actor in the integration process and world politics as a whole that Hoffmann describes as a "form of social organization" where government, as the highest authority eligible for legitimate use of force within its subject territory, manages national community by means of laws and norms based on common values and which has public support for the policy it pursues. The governmental policy in turn is driven by national interests that are formed by politicians' vision of state's internal political, social and economic environment and its position in the world arena or, in other words, by the vision of national situation in accordance with Hoffmann's terminology. For every country it is common to behave in accordance

¹⁷⁶S.HOFFMANN, "The Role of International Organization: Limits and Possibilities", *op. cit.*, p. 366.

¹⁷⁷S.HOFFMANN, "Reflections on the Nation-State in Western Europe Today", *op. cit.*, pp. 33-35.

with national character that represents its political culture. The inalienable right of any state to exercise power within their domestic borders – sovereignty – is indivisible under no condition including integration.

The second issue is international milieu, the arena where nation-states interact. By this Hoffmann means a moderate system that consists of a scope of different chessboards, the fields of international relations such as world trade, collective security, space study, financial markets, etc., where states and other global actors bargain, compete and cooperate. The rules of the game in each chessboards are different depending on the weaknesses and strengths of players and – what is more important – conditions of interdependence. All chessboards are interconnected, which on the one hand allows actors to compensate losses in one of them by benefits in another and, on the other, restricts players from applying their powers in full.

In addition, this system is characterized by increasing the influence of domestic events on world politics and the growing importance of transnational actors and personal factor in international relations, although the latter was also common in the past.

Inside the international milieu, special conditions can occur which facilitate the occurrence of integration and corresponds to the third block of issues.

Hoffmann distinguishes internal and external conditions that can promote and accelerate the process. The first internal requirement is “national integration”, this means that the community which decides to unify with a larger community should be formed as a nation-state and its public officials should represent the interests of the national society as a whole and not its separate groups. As the main threat to domestic integration, the theorist points out “cleavages” that lead to division of the state into opposing blocks.

The second condition is the social support of integration that in turn consists of two dimensions. First is public approval that depends on moods in society and the second is political support by groups in power that is possible when pro-integration domestic actors, who are usually the economic and political elite, have access to power and are able to influence foreign policy decisions. Division of social support into public approval and political support by groups staying in power corresponds to state-society relations inherent to the nature of nation-states.

In the matter of external requisites, Hoffmann considers that national situations of potential member-states should be similar; it concerns not only common values but also political views on the past, present and future shared by their main leaders. Thus, it is better if states do not have many claims over each other relating to the past and that none of them are used to pursuing unilateral policy in the global arena. At present, two requirements are important: a similar degree of involvement in world affairs and constraints of international system that impel governments to integrate. As for the future, it is an asset that politicians see the future of their states as an integral part of the development process of the whole integrating community. In addition, it is significant that every potential member-state has its own particular interest in further inte-

gration not only common ones, and that there are charismatic leaders and public support in favor of it.

The fourth block of issues is consequences of integration that can be both positive and negative for nation-states. Among the positive are the possibilities to enlarge the common market, promote national companies abroad, reduce prices on exports and imports by abolishing customs tariffs, reform national economy in accordance with world standards and influence internal events of participating member-states. The negative effects include an increase in vulnerability from external changes, the limiting of governmental highest authority due to the expansion of domestic actors and the impossibility to control the enlarged market. In order to be prepared for these negative consequences Hoffmann calls on potential member-states to pay more attention to their anti-inflationary and labor policies and make reserves of indispensable goods and resources.

One of the most important aspects of integration is its supranational institutions that can also be interpreted as consequence of integration. Hoffmann sees supranational bodies as foreign policy instruments of national governments and not as a super-state that manages independent countries. He considers them as coordinating centers, whose functions include restraining states' unilateral actions, assuring that none of the member-states will act against each other and for attracting third countries to join the group. In order to be effective, supranational institutions should be supported and approved by the population of participating states, which is possible only in the case that citizens themselves will benefit from integration, unite states that share something in common whether it is region, ideology or similar industrial and technological development and operate in a number of different chessboards.

Analyzing the work of institutions that coordinate integration and the process as a whole, Hoffmann considers that its explanation can be largely facilitated by using the approach of regime theory developed by Robert Keohane, which is described in the next chapter.

CHAPTER 3

INSTITUTIONAL THEORY BY ROBERT KEOHANE

Keohane's contributions to the theory of international relations have been widely recognized in academic circles and his assumptions on current developments in world politics have a great impact. There is a wide variety of issues he specializes in from alignment of forces in the UN General Assembly, which his PhD thesis and first publications are concerned with,¹ to particular global problems such as world government, climate change, and common energy policy² that he investigates today. But what unites these distinct questions is that the institutionalist approach elaborated by Keohane in order to explain the phenomenon of cooperation is applicable to all of them in spite of their decided differences. It is the basic theory that the author uses as the "unique key" to contemporary history³ in order to explain its particularities and way of development.

¹*Vid.* R.KEOHANE, "The Study of Political Influence in the General Assembly", *International Organization*, Vol. 21, Issue 02, March 1967, pp. 221-237; R.KEOHANE, "Institutionalization in the United Nations General Assembly", *International Organization*, Vol. 23, Issue 04, September 1969, pp. 859-896; R.KEOHANE, "Who Cares About the General Assembly?", *International Organization*, Vol. 23, Issue 01, December 1969, pp. 141-149.

²For world government, see, for example, R.KEOHANE, *Power and Governance in a Partially Globalized World*, *op. cit.*; for climate change, A.OVODENKO and R.KEOHANE, "Institutional Diffusion in International Environmental Affairs", *Foreign Affairs*, Vol. 88, Issue 3, 2012, pp. 523-541; for energy policy, R.KEOHANE and D.VICTOR, "The Transnational Politics of Energy", *Daedalus*, Vol. 142, Issue 1, 2013, pp. 97-109.

³R.KEOHANE, *Power and Governance in a Partially Globalized World*, *op. cit.*, p. 1.

Institutionalism was first introduced *After Hegemony* (1984) and has been further refined in the author's subsequent books and articles. It is only one part of his contributions to the theory of international relations, but which some scholars consider to be the most important of his forty-year academic work.⁴ It is a complex theory that is still the subject of updating and modernization, coincidentally without great variations in its core concepts.

The main subject of Keohane's approach is institutions, which present sets of rules, norms, principles and decision-making procedures that coordinate ongoing cooperation processes between two or more states predetermining their behavior and limiting their activities.⁵ Nowadays institutions are usually associated with international organizations, but generally they range from conventions to inter-state associations.⁶ Institutions are very close to international regimes, the concept that was first introduced by Gerard Ruggie⁷ in the mid 1970s and had appeared before in International Law.⁸ According to the classic definition given by Stephen D. Krasner, regimes are considered as "sets of implicit or explicit principles, norms, rules, and decision-making procedures around which actors' expectations converge in a given area of international relations, [where p]rinciples are beliefs of fact, causation, and rectitude; [n]orms are standards of behavior defined in terms of rights and obligations; [r]ules are specific prescriptions or proscriptions for action; [d]ecision-making procedures are prevailing practices for making and implementing collective choice."⁹

Therefore, the terms of regimes and institutions are very similar, the only difference being that regimes are more abstract than institutions. For example, the UN as an institution is a certain organization with its history, authorities, missions and structure, while the environment in which states interact inside the UN is its regime. Thus, institutions shape regimes, make them tangible and recognizable. Institution without regime is just a cover, while regime is content. These two categories are rather attributes than the primary conditions of cooperation, which is the corner-stone of the institutional theory, but without them, it will be poor.¹⁰

For a better understanding of the theory of Keohane, it seems reasonable to divide his elaborations into four blocks of issues (in the same way as was made in the previous chapter dedicated to Stanley Hoffmann). The first block concerns those theo-

⁴M.SUHR, "Robert O.Keohane: a Contemporary Classics", *op. cit.*, p. 98.

⁵R.KEOHANE, "Multilateralism: an Agenda for Research", *International Journal*, Vol. 45, No. 4, Multilateralism: Old & New, Autumn 1990, p. 732.

⁶C.WALLANDER, H.HAFTENDORN and R.KEOHANE, "Introduction" in C.WALLANDER, H.HAFTENDORN and R.KEOHANE (Eds.), *Imperfect Unions: Security Institutions over Time and Space*, New York, Oxford University Press, 1999, p. 2.

⁷R.KEOHANE, "The old IPE and the new", *Review of International Political Economy*, Vol. 16, Issue 1, 2009, p. 35.

⁸P.KATZENSTEIN, R.KEOHANE, and S.KRASNER, "International Organization and the Study of World Politics", *International Organization*, Vol. 52, No. 4, Autumn 1998, p. 660.

⁹S.KRASNER, "Structural Causes and Regime Consequences: Regimes as Intervening Variables" in S.KRASNER (Ed.), *International Regimes*, Ithaca and London, Cornell University Press, 1983, p. 2.

¹⁰R.KEOHANE, "International Institutions: Two Approaches", *International Studies Quarterly*, Vol. 32, No. 4, December 1988, p. 393.

retical statements that relate to Keohane's understanding of the system of contemporary international relations, which in accordance with the author is characterized by Nonhegemonic cooperation, explained in the first section of the present chapter. The second block of issues relates "complex interdependence" that pursuant to the author implies the demand for regimes and is summarized in the second section. The third block contains theoretical elaborations regarding the main concept of Keohane's approach – institutions – including their functions and transformation, which consequently refers to the third section. The fourth block of issues represented in the fourth section refers to consequences that follow the rapprochement of countries, which also includes classification of regimes.¹¹

3.1. Institutional view of international order: Nonhegemonic cooperation

Keohane developed his approach at the time when tension caused by the Cold War had decreased and a new international order was taking the place of the bipolar system. At that time it was clear that the world was going to change and new actors and new kinds of relationships that would characterize it needed new theories and approaches able to explain them. In this regard, Keohane's institutionalist understanding of international order is a very new approach, different from traditional realist and liberal views, that does not reject their ideas but tries to embody their main points.¹²

Keohane himself stated that these theories do not contradict but complement each other because both of them are actor-orientated¹³ and rooted in a "utilitarian view of the world", where relations between countries represent political and economic exchanges based on bargaining and each state performs rationally in order to pursue its self-interests.¹⁴ He finds that realism is useful as a "first-cut" to describing world politics,¹⁵ a clue to understanding states' behavior, preferences and strategies, while liberalism is a complex theory that explains a phenomenon of cooperation. This ability of institutionalism to synthesize ideas of different approaches enables it to assign current trends in world politics. In addition, this approach is sufficiently flexible to be applied to various aspects of international relations from those that are most pressing for states, such as economic and security issues, to global ones like environmental problems. Institutionalism successfully explains states' behavior in all of them.¹⁶

¹¹Proceeding from the system-subsystem model used in the thesis, statements regarding Nonhegemonic cooperation and complex interdependence refer to system level because together they demonstrate the conditions, within which integration takes place, while theoretical elaborations regarding the nature of institutions and consequences of integration correspond to subsystem level.

¹²M.SUHR, "Robert O.Keohane: a Contemporary Classics", *op. cit.*, p. 102.

¹³R.KEOHANE, *Power and Governance in a Partially Globalized World*, *op. cit.*, p. 6.

¹⁴R.KEOHANE and J.NYE, "Power and Interdependence Revisited", *op. cit.*, p. 728.

¹⁵R.KEOHANE, *Power and Governance in a Partially Globalized World*, *op. cit.*, p. 6.

¹⁶R.KEOHANE and L.MARTIN, "The Promise of Institutional Theory", *International Security*, Vol. 20, No. 1, Summer 1995, p. 43.

Using Lokotosian terminology the “hard core”¹⁷ of institutionalism concludes five main assumptions that characterize modern international relations, the first three of which are borrowed from realism, which are: 1) states continue being “primary actors” on the world stage; 2) they behave rationally in order to maximize their power; 3) there is no altruism in world politics and every state pursues its own interests; 4) there is no enforcement mechanism of agreements; 5) states attempt to increase their credibility and obtain information about other states’ incentives.¹⁸

Thus, Keohane does not dramatically change dramatically realism’s hard core, but he “accommodates” its assumptions,¹⁹ adding two new ones and creating, therefore, a new international relations theory. Nevertheless, even though the author does not deny realism’s concepts, speaking about the theoretical nature of institutionalism, he confidently prefers it to liberalism,²⁰ as well as his critics,²¹ and calls himself a liberal.²²

Thus, taking realist understanding of positions of nation-state in the world system as read, Keohane now turns to the basic concept of liberal thought – cooperation.

For him, cooperation is a very unclear term that primarily should be distinguished from “harmony” and “discord” since it makes actors adjust their policies towards each other.²³ It is not contrary to conflict, but it is the best way to overcome it.²⁴

For him, the very nature of cooperation as well as its main attributes and characteristics are the subjects of change from one period in history to another under corresponding circumstances, “world views,”²⁵ dominant ideas and balance of powers.

¹⁷Imre Lakatos’s methodological approach states that every successful theory has a “hard core” that contains its fundamental ideas, dogmas, which cannot be changed since they are considered to be “irrefutable”. The “core” is surrounded by a “protective belt” consisting of “auxiliary hypotheses” developed to try out the original theory. These hypotheses are recognized as “interpretive” theories, and their assumptions can be modified. Efficiency of a theory is determined by its ability to produce “novel facts”, which “intermittently” develops a theory assuring on a large scale its “consistently progressive theoretical shift”. Even if examples that Lakatos has used to explain his methodological approach are taken from Natural Sciences, nowadays, it is also widely used in Social Sciences (Vid. C.Elman, M.Elman (Eds.), *Progress in International Relations Theory: Appraising the Field*, London, MIT Press, 2003). Vid. I.LAKATOS, “Falsification and the Methodology of Scientific Research Programmes” in J.WORRAL and G.CURRIE (Eds.), *The Methodology of Scientific Research Programmes: Imre Lakatos. Philosophical Papers, Volume 1*, Cambridge, Cambridge University Press, 1989 (3rd edition), pp. 47-49.

¹⁸R.KEOHANE and L.MARTIN, “Institutional Theory as a Research Program” in C.ELMAN and M.ELMAN (Eds.), *Progress in International Relations Theory: Appraising the Field*, *op. cit.*, p. 113.

¹⁹*Ibid.*, p. 86.

²⁰*Ibid.*, p. 92.

²¹R.KEOHANE, “Ideas part-way down”, *Review of International Studies*, No. 26, 2000, p. 125.

²²R.KEOHANE, “Twenty Years of Institutional Liberalism”, *International Relations*, Vol. 26, No. 2, June 2012, p. 132.

²³Harmony is a situation when actors attain their goals “automatically” without interactions because both of them are satisfied with the behavior of one another. Discord occurs when states’ interests contradict each other and relations between them are similar to zero-sum game. Vid. R.KEOHANE, “International Institutions: Two Approaches”, *op. cit.*, p. 380.

²⁴R.KEOHANE and L.MARTIN, “Institutional Theory as a Research Program”, *op. cit.*, p. 92.

²⁵J.GOLDSTEIN and R.KEOHANE, “Ideas and Foreign Policy: an Analytical Framework” in J.GOLDSTEIN and R.KEOHANE (Eds.), *Ideas and Foreign Policy: Beliefs, Institutions, and Political Change*, Ithaca and London, Cornell University Press, 1993, p. 8.

Present-day cooperation in turn could be described in terms of high level of interdependence, quantity of actors engaged, and institutionalization of interstate interactions. Current world politics is organized in a way that the country's notion to forge partnerships with others is not just a decision; it is its compelling need, whose original roots are difficult to find, because cooperation has become an indispensable condition of the successful running of all spheres of international relations from joint manufacture and division of labor to the world financial system.

Keohane has named this current cooperation model as a "Nonhegemonic" one because there is no single state or power that is able to control it.²⁶ He finds that nowadays cooperation as a system is much more difficult to maintain than it was in the past. Relations were easier before, there was one predominant force that created regimes, which supported its ascendancy and at the same time satisfied other actors. Cooperation and hegemony complemented each other; states pursued asymmetrical, but at the same time reciprocal interests, that made collaboration benefit all sides despite inequality in the distribution of power. The Marshall Plan is a classic example of this kind of "exchange relationship", when the United States' government provided material and financial assistance to the European countries in return for obeisance and future dominance.²⁷ The USA was the only state able to support regimes by covering their costs, reducing uncertainty among partners and regulating their behavior. They played a stabilizing and at the same time protective role in the system. In addition, their ascendant military power, sufficient to control and coordinate regimes that they had created, predetermined American "hegemonic leadership"²⁸. This leadership, that should not be confused with dictatorship, was in favor of less powerful countries since it released them from additional costs of maintaining common institutions, ensured other states' compliance with obligations, and made foreign relations more confident. According to Keohane, American hegemony flourished from the end of World War II and has been declining since the end of the 1960s with the growth of economic and political capabilities of Europe and Japan.²⁹

It is not to say that the USA has lost its dominant position in the world. Keohane considers that America remains "the most powerful state in the world system" and since the collapse of the Soviet Union there is no single state that can compete with its dominance.³⁰ Moreover, its importance is not only limited to its status as the main military and economic power that it has possessed since the epoch of WWII that started the "American century" (in Henry Luce's terms)³¹, but

²⁶R.KEOHANE, *After Hegemony: Cooperation and Discord in the World Political Economy*, op. cit., p. 244.

²⁷*Ibid.*, p. 131.

²⁸*Ibid.*, p. 136.

²⁹*Ibid.*, p. 9.

³⁰P.KATZENSTEIN and R.KEOHANE, "Varieties of Anti-Americanism: a Framework for Analysis" in P.KATZENSTEIN and R.KEOHANE (Eds.), *Anti-Americanism in World Politics*, New York, Cornell University Press, 2007, p. 308.

³¹Cited by P.Katzenstein and R.Keohane: P.KATZENSTEIN and R.KEOHANE, "Conclusion: Anti-Americanism and the Polyvalence of America" in P.KATZENSTEIN and R.KEOHANE (Eds.), *Anti-Americanism in World Politics*, op. cit., p. 316. Original text: H.LUCE, "The American Century", *LIFE Magazine*, Vol. 10, No. 7, February 17, 1941, pp. 61-65.

also includes its enormous impact on formation of the modern system of international relations³² and its attributes such as globalization and spread of capitalism³³ and democratic values.³⁴ Thus, for example, the USA is still the world's largest economy by GDP,³⁵ it still has the highest military spending,³⁶ and the US dollar remains the main reserve currency (in accordance with IMF by 2012, 61.9% of foreign exchange reserves are held in US dollar).³⁷

The case is that American hegemony was widely challenged with the changes that took place in three regimes where it possessed dominant positions which are international monetary, trade and oil regimes.³⁸ Thus, international monetary regime based on Bretton Woods arrangements promoting dollar convertibility to gold at a constant price was changed to floating rates of exchange after American renunciation of the gold standard in 1971 and subjection of currency exchanges to market laws.³⁹ Trade regime based on GATT agreements committed to liberalization of trade and non-discrimination had become ineffective with the rise of governmental protectionist policies by the 1970s.⁴⁰ As for oil regime, which during the epoch of American hegemony was not as institutionalized as trade and monetary issues, but had been controlled by large American and British oil companies (especially in the field of price regulation), it was challenged with the rising importance of oil-producing countries in the sphere of oil price determination.⁴¹

Consequently, with the decline of hegemony of the USA the role it played before has transferred gradually to international regimes and institutions that currently regulate relationships among countries. Thus, regimes, that were first created in order to maintain American dominance then became able to coordinate cooperation themselves without external control. They cover different spheres of states' interactions from trade and collective security to protection of World Heritage Sites, but the main condition that they are based on is "mutual adjustment of policies"⁴² and reciprocity. In that context, regimes can be compared to a floating exchange rate, where a state's course is fixed by other countries' demands.

In the world after hegemony, states continue to be egotistical and rational (i.e. their decisions are reasoned, focused, well-defined, and match reality),⁴³ they decide

³²P.KATZENSTEIN and R.KEOHANE, "Conclusion: Anti-Americanism and the Polyvalence of America" in P.KATZENSTEIN and R.KEOHANE (Eds.), *Anti-Americanism in World Politics*, *op. cit.*, p. 316.

³³*Ibid.*, p. 309.

³⁴P.KATZENSTEIN and R.KEOHANE, "Varieties of Anti-Americanism: a Framework for Analysis", *op. cit.*, p. 31.

³⁵WORLD BANK database: Gross Domestic Product 2013 rating, <http://databank.worldbank.org/data/download/GDP.pdf> [10-09-2014].

³⁶STOCKHOLM INTERNATIONAL PEACE RESEARCH INSTITUTE, *SIPRI Fact Sheet*, April 2014, p. 2, http://books.sipri.org/product_info?c_product_id=476# [10-09-2014].

³⁷IMF, "Appendix I: International Reserves, Table I.2: Share of National Currencies in Total Identified Official Holdings of Foreign Exchange", *IMF Annual report 2013*, <http://www.imf.org/external/pubs/ft/ar/2013/eng/pdf/a1.pdf> [07-08-2014].

³⁸R.KEOHANE, *After Hegemony*, *op. cit.*, p. 186.

³⁹*Ibid.*

⁴⁰*Ibid.*, p. 188.

⁴¹*Ibid.*, p. 130.

⁴²*Ibid.*, p. 194.

⁴³R.KEOHANE, "Rational Choice and International Law", *Journal of Legal Studies*, Vol. 31, No. 1, January 2002, p. 308.

to cooperate since in many cases it is the only way to accomplish their ends. However, those decisions are harder to take because the bargaining process has become more complicated and the number of factors that form state preferences has significantly increased. The more equal states become in power and capabilities, the closer they are to a Hobbesian world of "all against all,"⁴⁴ and the thornier cooperation is. In this situation, regimes take charge of coordination of states' interactions. They should in no way be considered as a world government since they do not constrain states from participating and do not restrict their sovereignty, they are rather similar to "quasi-agreements" that are legally unenforceable, but at the same time are vital in order to organize relations among partners in mutually beneficial ways.⁴⁵ This prioritization of state before institutions is very important for understanding Keohane's theory because, for him international regimes are intergovernmental arrangements⁴⁶ made by states as the dominant actors, which aim to "reflect [their] preferences and power",⁴⁷ and play the role of "intermediate factors" between a world system structured by distribution of power and negotiations natural to this system.⁴⁸

Another note that should be made regarding Nonhegemonic cooperation is that it did not lead to equality among states. Moreover, imbalance in capabilities and traditional struggle for power have been transmitted to international regimes where both "overrepresented" and "underrepresented" countries can be found.⁴⁹

In the system of non-hegemonic cooperation, states consider institutions as instruments of international intercourse that play definite roles in their foreign policies and coordinate multilateral relations among actors on the whole. There are certain circumstances that favor creation of its institutions in accordance with Keohane's theory, which the following section is dedicated to.

3.2. "The demand" for regimes determined by complex interdependence

Multilateral relations through institutions have become the reality of contemporary international relations. The number of intergovernmental only organizations that operate to the full has increased significantly since the end of World War II from less than 100 in 1945, to almost 200 in 1960s, over 600 in 1980s⁵⁰ and more than 1800 in the decade of 2000⁵¹ and continues growing. That makes scientists think about the conditions or circumstances that are most favorable for the creation of common institutions

⁴⁴R.KEOHANE, *After Hegemony*, *op. cit.*, p. 258.

⁴⁵*Ibid.*, p. 89.

⁴⁶R.KEOHANE and J.NYE, "Interdependence and World Politics" in R.KEOHANE and J.NYE, *Power and Interdependence: World Politics in Transition*, Boston, Little, Brown and Company, 1977, p. 5.

⁴⁷R.KEOHANE, "International Institutions: Two Approaches", *op. cit.*, p. 382.

⁴⁸R.KEOHANE and J.NYE, "Interdependence and World Politics", *op. cit.*, p. 18.

⁴⁹R.KEOHANE, "Who Cares About the General Assembly?", *op. cit.*, p. 142.

⁵⁰R.KEOHANE, "The Analysis of International Regimes: Towards a European-American Research Programme" in V.RITTBERGER (Ed.) with the assistance of P.MAYER, *Regime Theory and International Relations*, Oxford, Clarendon Press, 1995, p. 34.

⁵¹UNION OF INTERNATIONAL ASSOCIATIONS, "International Organizations by Type 1999/2000", www.uia.be/international-organizations-type-19992000 [22-05-2013].

and what underlies states' incentives to establish them, in other words, using Keohane's metaphor that factors promote "demand"⁵² for regimes.

As mentioned above, regimes arise from discord rather than from harmony. States interact under anarchy which has been even more significant since the USA, the only country able to control the world system as a single predominant power, lost its advantageous position. Under the circumstances of inequality, distrust, competitiveness and conflict that are endogenous to international politics, states create regimes in order to stabilize their relations. In such a way, conflictogenic, adversarial atmosphere in the world arena does not deter countries from cooperation, but on the contrary forces them to collaborate, and as such represent a basis for explaining why regimes are in demand.⁵³

As for the immediate causes that lead to creation of institutions, the main one is the increase of a special type of interdependence – the one that Keohane calls "complex interdependence".⁵⁴ That not solely concerns interactions among actors within joint manufacture or seeking solutions to shared problems, it is a much more complicated process in international relations. Complex interdependence is possible in a situation where there is mutual dependence (which might be asymmetrical) between countries⁵⁵ in "international transactions", among which he distinguishes "flows of money, goods, people, and messages across international boundaries".⁵⁶

Complex Interdependence leads to institutionalization of interstate relations and has three main characteristics:

First, it occurs when states, as well as their societies, connect with each other through "multiple channels" that include cooperation formed as *transgovernmental* (among states), interstate (between states), as well as *transnational* relations⁵⁷ (among states' governments, societies and entrepreneurs).⁵⁸

Second, there is no "hierarchy" of common issues because of the equal importance of all of them; interconnection between countries is permanent and strong in such a manner that questions related to domestic prerogative might be seen as part of the issues of foreign policy concern and vice versa.

Third, states do not use military force on those countries with which they are bound by complex interdependence,⁵⁹ instead of this, interdependence itself becomes a real power.⁶⁰

⁵²R.KEOHANE, "The Demand for International Regimes", *op. cit.*, p. 327.

⁵³*Ibid.*, p. 333.

⁵⁴R.KEOHANE and J.NYE, "Realism and Complex Interdependence" in G.GRANE and A.AMAWI (Eds.), *The Theoretical Evolution of International Political Economy*, New York, Oxford University Press, 1997, p. 133.

⁵⁵R.KEOHANE and J.NYE, "Interdependence and World Politics", *op. cit.*, p. 8.

⁵⁶*Ibid.*, p. 7.

⁵⁷R.KEOHANE and J.NYE, "Realism and Complex Interdependence", *op. cit.*, p. 134.

⁵⁸R.KEOHANE and J.NYE, "Translational Relations and World Politics: A Conclusion" in R.KEOHANE and J.NYE, *Translational Relations and World Politics*, Harvard University Press, Cambridge, 1972, p. 383.

⁵⁹R.KEOHANE and J.NYE, "Realism and Complex Interdependence", *op. cit.*, p. 134.

⁶⁰R.KEOHANE and J.NYE, "Power and Interdependence Revisited", *op. cit.*, p. 728.

However, it is necessary to take into account that complex interdependence does not neglect the importance of military power. Thus, Keohane notes that states still prioritize security issues over any other,⁶¹ and it is those states that possess both military and economic power who are considered as leaders in different international regimes.⁶² Moreover, interdependence in security issues is what benefits all members of a group, since it assures their security and maintains the established balance of power in a community.⁶³ The case is that in the situation of complex interdependence the most effective measures to pursue state's interests are economic ones.⁶⁴ All disputes in this case are subject to settlement through negotiations, capabilities of sides are not required to be equal, moreover, usually their interests and advantages vary greatly, but all of them benefit even if not proportionally.⁶⁵

This situation of complex interdependence is more an "ideal type"⁶⁶ of interstate relations than a universal one,⁶⁷ but when it occurs, most commonly within a limited number of actors, it becomes the main demand factor for international institutions.

High level of interdependence directly leads to enlargement of areas of common interests as well as to an increase in the density of issues. That in turn leads states to become interested not merely in the creation of regimes, but also in the maintenance of them⁶⁸ because, in the case of collaborating with alternative partners the closer the cooperation among members the higher the costs that have to be incurred.⁶⁹ Insofar as every country as a "utility-maximizer"⁷⁰ aims to reduce expenses, it is rational to strengthen already existing institutions and prefer the partners within them to third party countries.

Complex interdependence is the main, but not the only factor, that impacts on increasing the demand for regimes, there are also many others. Among them is a favorable "contractual environment"⁷¹ which happens when states' preferences, that are subject to change under the impact of the externalities, overlap with each other. In this context, creation of regimes is a response to challenges of the system. For instance, one state's imposture of constraints in trade could make another one interested in concluding an agreement that will facilitate it;⁷² double-taxation will probably bring sides to

⁶¹R.KEOHANE and J.NYE, "Power and Interdependence in the Information Age", *Foreign Affairs*, Vol. 77, No. 5, September-October 1998, p. 84.

⁶²R.KEOHANE and J.NYE, "Realism and Complex Interdependence", *op. cit.*, p. 135.

⁶³R.KEOHANE and J.NYE, "Interdependence and World Politics", *op. cit.*, p. 9.

⁶⁴R.KEOHANE and J.NYE, "Power and Interdependence Revisited", *op. cit.*, p. 733.

⁶⁵R.KEOHANE and J.NYE, "Interdependence and World Politics", *op. cit.*, p. 8.

⁶⁶R.KEOHANE and J.NYE, "Power and Interdependence Revisited", *op. cit.*, p. 731.

⁶⁷R.KEOHANE and J.NYE, "Globalization: What's new? What's not? (And so what?)", *Foreign Policy*, Spring 2000, p. 116.

⁶⁸R.KEOHANE, "The Analysis of International Regimes...", *op. cit.*, p. 36.

⁶⁹P.KATZENSTEIN, R.KEOHANE, and S.KRASNER, "International Organization and the Study of World Politics", *op. cit.*, p. 662.

⁷⁰R.KEOHANE, "The Demand for International Regimes", *op. cit.*, p. 335.

⁷¹R.KEOHANE, "The Analysis of International Regimes...", *op. cit.*, p. 35.

⁷²R.KEOHANE, "The Demand for International Regimes", *op. cit.*, p. 330.

negotiate the customs regime between them in order to reduce the price of products and thus increase industrial competitiveness. This situation, when the impact of externalities leads to the creation of an institution, can happen not only between two states but also among a larger number of actors. For instance, The International Energy Agency of major oil-consuming countries was created in response to OPEC in order to deal with problems in oil supply,⁷³ The Warsaw Treaty Organization was established in reaction to NATO, The International Renewable Energy Agency has been developed in order to facilitate collaboration in this comparatively new sphere of world politics,⁷⁴ etc. Thus, it is a fairly typical practice when demand for regimes is encouraged by the challenges of the system.

At the same time, it is also important that states should have similarities in forms of governance, political views, and ideologies. In this respect, Keohane finds that only democracies are able to create effective international regimes. It happens because successful institutions need to be based on complex interdependence that in turn requires special conditions, where minimum requirements are peaceful relations and unacceptability of military power. It is common knowledge that democracies do not attack each other,⁷⁵ they can and do follow the policy of peaceful expansion by different means, which include direct foreign investments, control over natural resources,⁷⁶ influence through financial institutions and information flow, promotion of human rights, etc., but they never use brutal military force at least not against other democracies. This commitment to “democratic peace”⁷⁷ makes this form of government not only the best ever created,⁷⁸ as Keohane argues, but also the most appropriate one for the establishment of international regimes. Besides, similarity in economic systems is also an important precondition to long-term cooperation within an institution. In these aspects, the most obvious is that states should recognize capitalism, or at least its main elements, as the basis of their economies. Unlike his view on democracy Keohane does not consider the capitalist system to be the best one ever elaborated, but he finds that regimes among capitalist countries are better institutionalized and more functional.⁷⁹ In addition, limited numbers of actors,⁸⁰ shared social values,⁸¹ cultural,

⁷³J.COLGAN, R.KEOHANE and T.GRAAF, “Punctuated equilibrium in the energy regime complex”, *The Review of International Organizations*, Vol. 7, Issue 2, June 2012, p. 124.

⁷⁴*Ibid.*, p. 128.

⁷⁵S.WALT, “International Relations: One World, Many Theories”, *Foreign Policy*, No. 110, Special Edition: Frontiers of Knowledge, Spring 1998, p. 100.

⁷⁶R.KEOHANE, *Power and Governance in a Partially Globalized World*, *op. cit.*, p. 55.

⁷⁷P.KATZENSTEIN, R.KEOHANE and S.KRASNER, “Preface: International Organization and Its Golden Anniversary” in P.KATZENSTEIN, R.KEOHANE and S.KRASNER (Eds.), *Exploration and Contestation in the Study of World Politics*, Massachusetts and London, The MIT Press, 2002 (3rd edition), p. 5.

⁷⁸R.KEOHANE, “Global Governance and Legitimacy”, *Review of International Political Economy*, Vol. 18, Issue 1, 2011, p. 100.

⁷⁹R.KEOHANE and S.HOFFMANN, “Institutional Change in Europe in the 1980s” in R.KEOHANE and S.HOFFMANN (Eds.), *The New European Community*, Oxford, Westview Press, 1991, p. 6.

⁸⁰E.OSTROM and R.KEOHANE, “Introduction” in E.OSTROM and R.KEOHANE (Eds.), *Local Commons and Global Interdependence: Heterogeneity and Cooperation in Two Domains*, London, SAGE, 1995, p. 5.

⁸¹R.KEOHANE, “International Institutions: Can Interdependence Work?”, *op. cit.*, p. 91.

linguistic and regional proximity, and states' predisposition to each other help to foster the creation of a contractual environment.

Well-defined leadership of a powerful member or members is also an important condition for the construction of a regime. Initiatives to institutionalize cooperation have more chance to succeed in the event that they are taken by countries with extensive capabilities. Keohane's statement that there is no single predominant actor able to coordinate international order refers to the world system as a whole, but it does not have any relevance to institutions of regional collaboration. As practice has shown, the most successful institutions, especially in the case of integration, have been developed under certain leadership of particular states. For instance, it was the USA, which united Mexico and Canada in NAFTA, and it is France and Germany that are considered as a driving force in the EU from the very beginning. At the same time, communities where the dominant states are not well defined suffer from uncertainty, a slow development process and overlapping of already existing interstate bodies such as the case of African integration, where many initiatives have been taken but none of them yielded real benefits to participating states, or the Arab world where the leading country has not been determined yet. The importance of leadership and power in the construction of regimes should not be overestimated, because parity-based institutions can make as much difference to cooperating sides as those where the dominance of one of the member-states is evident, nevertheless, it is imperative that this process be simplified significantly if these two conditions are present.⁸² At the same time, as a rule of thumb, institution management becomes more effective if a single or limited number of states perform it. For example, organizations with weighted voting such as the IMF or the IEA take and implement their decisions faster than those where the unanimity principle is applied.⁸³ Thus, the existence of a "core group"⁸⁴ of high powered states that are interested in cooperation development significantly increases the demand for institutions as well as the effectiveness of collective actions.⁸⁵

Therefore, in accordance with Robert Keohane, the demand for regimes implies growth of complex interdependence, pressure of externalities, similarities of domestic situations and presence of contractual environment, strong leadership and political will. Altogether, these factors create favorable conditions for establishment of integrating community, i.e. the "subsystem" of the "system"⁸⁶ of international relations. That

⁸²R.AXELROD and R.KEOHANE, "Achieving Cooperation Under Anarchy", *World Politics*, Vol. 38, No.1, October 1985, p. 250.

⁸³R.KEOHANE, "International Institutions: Can Interdependence Work?" in *Foreign Policy*, No. 110, Spring 1998, p. 91.

⁸⁴R.KEOHANE, "The international energy agency: state influence and transgovernmental politics", *International Organization*, Vol. 32, Issue 04, September 1978, p. 945.

⁸⁵E.OSTROM and R.KEOHANE, "Introduction", *op. cit.*, p. 8.

⁸⁶As stated in Chapter 2, the present PhD thesis is modeled in accordance with system-subsystem approach applied in analogy with Esther Barbé's explanation of European integration. E.Barbé considers international milieu as "system" and the EU as its "subsystem". (*Vid.* E.BARBÉ, "La Unión Europea en las Relaciones Internacionales. Debates para el Análisis", *op. cit.*, p. 19). Explaining the EU as a subsystem, E.Barbé makes parallels with "security-community" a term elaborated by Karl Deutsch. Deutsch created his theory in the post-World War II epoch with the main aim to find the way of "peaceful change" and

division into “system” and “subsystem” levels comes in line with the classic dilemma that the world community faces – “unity” vs. “heterogeneity” – where appreciation of common features leads it to “universalism”, while highlighting of differences is conducive to “regionalism”.⁸⁷ Keohane’s approach permits the understanding of the nature of regimes that creates the “structure” of subsystem within which its participating countries, as “agents”, cooperate.⁸⁸ The nature of regimes can be seen through explanation of their functions and transformation causes, explained in the next section.

3.3. Nature of international regimes: functions and reasons of transformation

Regimes play an important part in world politics even in the absence of hard power and enforcement mechanisms determined by particularities of their roles or functions, which in the present section are used as synonyms. It is difficult to say which of the functions is the most significant one because all of them are closely inter-related and overlap with one another, nevertheless, what they have in common is an instrumentalist character⁸⁹ of varying degree and that states consider them as a means of foreign policy. In total, Keohane highlights six functions of international regimes

learning from the dramatic experience of war in order to avoid its recurrence in the future. In accordance with him, this task could be accomplished by means of establishment of “security-community”, by which he means an integrated organization within which each member is assured that the other members will not attack it and all disputes between them will be settled peacefully. Security-community could be “amalgamated” or “pluralistic”, “amalgamation” refers to uniting splintered entities (states) in a larger one that will be governed by a single organ, while “pluralistic community” does not imply common governance. Both pluralistic and amalgamated communities are considered to be effective if they succeed in preserving peace among units. Security-community is likely to be created if three main conditions are met: shared interconnected political values that in total encapsulate a common “way of life”, the ability of integrating units to intercommunicate without the use of force and – what is also very important – to predict each other’s behavior proceeding from their own notions and standards. Other conditions include a wide range of transactions among units in different spheres and the existence of subsequent institutions aimed at regulating them, mobility of people, reciprocal benefits, material rewards and compensation, openness of political elites to new members, administrative base for integration and transnational social communications. *Vid. Ibid.*, p. 17; K.DEUTSCH et al., “Political Community and the North Atlantic Area” in B.NELSON and A.STUBB (Eds.), *The European Union: Reading on the Theory and Practice of European Integration*, London, Lynne Rienner Publishers, Inc., 1998 (2nd edition), pp. 116-118; 127-134.

⁸⁷M.VELASCO VALLEJO, *Las Organizaciones Internacionales*, Madrid, Editorial Tecnos, 2006 (14th edition), p. 49.

⁸⁸E.BARBÉ, “La Unión Europea en las Relaciones Internacionales. Debates para el Análisis”, *op. cit.*, p. 17. In accordance with system-subsystem model applied by E.Barbé on the case of European integration, the EU as a subsystem is a “structure”, while its participating countries are its “agents”. Both, “agents” and “structure” are “interdependent” with each other. E.Barbé also applies a “structure”-“agent” relations model to the global arena and the EU, interpreting the former as a “structure” and the latter as its “agent”. The same model can be applied to members of the EU and global arena, where EU countries are “agents” inside the “structure” of world community (*Vid. Ibid.*, p. 17). However, in the present PhD thesis, the simplest version of this model is applied, i.e. the “system” is international milieu, the “subsystem” is integrating community, the “subsystem” creates the “structure”, within which its participating countries act as its “agents”.

⁸⁹R.KEOHANE and S.HOFFMANN, “Conclusion: Structure, Strategy, and Institutional Roles” in R.KEOHANE, J.NYE and S.HOFFMANN, *After the Cold War. International Institutions and State Strategies in Europe, 1989-1991*, Massachusetts and London, Harvard University Press, 1993 (3rd edition), p. 395.

that are equally important and thus the sequence, which is given below, does not refer to their hierarchy.⁹⁰

The first one is to provide members with qualitative and reliable information. At all times states have tried to be aware of their rivals and allies' situation; with the rejection of secret diplomacy it has become more and more difficult. In the world after hegemony, the basis of the international system is information⁹¹ which countries require as much as they need natural resources. In this regard, regimes have been considered as "natural"⁹² quarries of information that can be obtained by legal ways. The system provides its members with equal access to information and they can require additional data as the need arises. Keohane argues that informational functions are the most important ones, which a regime exercises especially in questions related to finances.⁹³ In information-rich environments, states are more confident and open to each other, cooperation is more profound, there are greater possibilities for mutually beneficial agreements to be concluded and shared problems to be resolved. In such circumstances, states view each other as partners not as potential enemies. Apart from the fact that information is an indispensable condition of effective relations, it is a source of power that is going to be the main one in world politics.⁹⁴ This statement relates to actors as well as to institutions, who by using information do not change states' behavior but affect and manipulate their activities and decisions.⁹⁵ It empowers regimes to subordinate and hold their members, because without them the process of data mining would be very expensive and complicated for states. Obviously, they are not monopolists on feeding information, but they have been considered as the best providers in this sphere.

In addition to data support within the regime, institutions spread information about themselves and participating states to the external world, facilitating therefore communication with non-member-states as well as inter-institutional cooperation. This is part of the second role that regimes play in world politics: they are not only responsible for fence-mending with third countries and organizations, but on frequent occasions for counterbalancing them.⁹⁶ As in business, regimes can compete, take over and replace each other; they can be rivals in the political arena in a similar way as corporations in the market. For instance during the Cold War, the USA considered CSCE as a challenger to NATO in the creation of a system of collective defense in Europe and tried to combat it especially through institutional means in order to implement American grand strategy toward the region. Even though in this case both insti-

⁹⁰*Ibid.*, pp. 395-401.

⁹¹A.MORAVCSIK, "Robert Keohane: Political Theorist" in A.MORAVCSIK and H.MILNER (Eds.), *Power, Interdependence, and Nonstate Actors in World Politics*, Princeton and Oxford, Princeton University Press, 2009, p. 253.

⁹²A.OVODENKO and R.KEOHANE, "Institutional Diffusion...", *op. cit.*, p. 523.

⁹³R.KEOHANE, *After Hegemony: Cooperation and Discord...*, *op. cit.*, p. 92.

⁹⁴R.KEOHANE and J.NYE, "Power and Interdependence in the Information Age", *op. cit.*, p. 87.

⁹⁵R.KEOHANE and L.MARTIN, "Institutional Theory as a Research Program", *op. cit.*, p. 104.

⁹⁶R.KEOHANE and S.HOFFMANN, "Conclusion: Structure, Strategy, and Institutional Roles", *op. cit.*, p. 398.

tutions came to a peaceful co-existence⁹⁷ (NATO is treated as a military alliance while the CSCE, now the OSCE, as a security organization for promoting human rights, democratization, arms control, etc.)⁹⁸ the outcomes of such confrontation between regimes can be unpredictable.

The third function of institutions is to be an influential source for actors that is able to enhance or limit their capabilities.⁹⁹ Those, who draw up the agenda or have more votes in decision-making process maximize their benefits of cooperation and assert influence on their partners. An access to establishing rules and norms within an organization puts a state in a more advantageous position compared to those who are deprived of this privilege. Germany's domination in the EU that plays a certain rule-making role in the community nowadays can serve as an example. Depending on the norms and principles of institutions, dominant countries can reinforce their powerful position while weaker ones can use their right to vote to equalize opportunities, within a regime the latter can also unite their forces in order to influence the system more significantly¹⁰⁰, as happened at the UN General Assembly during the Cold War when the Non-Aligned Movement launched by relatively small powers found wide support and increased the importance of its members.¹⁰¹ Hence, institutions are mini-international arenas where states exercise power, compete and even establish temporary coalitions; at the same time they are instrumental in pursuing national interests.

Regimes do not form the role of bargaining among countries; on the contrary, they are themselves the results of bargaining¹⁰² which is still considered to be the basis of inter-state relations,¹⁰³ what institutions do is to create a favorable environment for it, which is the fourth function they exercise. Negotiations entail significant expenses related with the organizational process, studying partner's preferences, the subject of bargaining, common interests, cooperation conditions, etc. Altogether these expenses are known as "transaction costs", to which Keohane pays particular attention.¹⁰⁴ Institutions are gainful for states because, as permanent platforms for cooperation they considerably reduce these costs.¹⁰⁵ By using them governments save time and money, interactions become steady and partners trust each other more. In addition, regimes are useful for them not only as instruments of "diplomatic activities" directed to

⁹⁷J.NYE, R.KEOHANE, "The United States and International Institutions in Europe after the Cold War" in R.KEOHANE, J.NYE and S.HOFFMANN (Eds), *After the Cold War. International Institutions and State Strategies in Europe*, op. cit., pp. 124-125.

⁹⁸ORGANIZATION FOR SECURITY AND CO-OPERATION IN EUROPE, "Who We Are", <http://www.osce.org/who> [05-08-2013].

⁹⁹R.KEOHANE and S.HOFFMANN, "Conclusion: Structure, Strategy, and Institutional Roles", op. cit., p. 395.

¹⁰⁰R.KEOHANE, "The Big Influence of Small Allies", *Foreign Policy*, No. 2, Spring 1971, p. 182.

¹⁰¹R.KEOHANE, "Lilliputians' Dilemmas: Small States in International Politics", *International Organization*, Vol. 23, Issue 02, March 1969, p. 291.

¹⁰²R.KEOHANE, *Power and Governance in a Partially Globalized World*, op. cit., p. 16.

¹⁰³R.KEOHANE and J.NYE, "Translational Relations and World Politics: A Conclusion", op. cit., p. 380.

¹⁰⁴A.MORAVCSIK, "Robert Keohane: Political Theorist", op. cit., p. 253.

¹⁰⁵M.SUHR, "Robert O.Keohane: a Contemporary Classics", op. cit., p. 98.

fence-mending with other governments,¹⁰⁶ but also for favoring communication with non-governmental actors such as transnational companies. In this regard, Keohane argues that nowadays only international institutions are capable of facilitating and stimulating what he has termed “translational relations”, a very new kind of cooperation in world politics that includes *transgovernmental* and *transnational* interactions.¹⁰⁷ This obvious advantage makes regimes an essential instrument for states, without which they cannot pursue their foreign policies.

The fifth function concerns monitoring the performance of juridical obligations. In spite of the fact that regimes are based on the respect of sovereignty and parity rate, they possess some form of soft power to exercise control over states’ legal responsibilities. Within an institution actors interact with a view to the future, i.e. that principally they are orientated toward long-term cooperation. For a state, in a short-term perspective, breaking rules can be beneficial, but the threat that it can provoke its partners to behave similarly and cause a “collective bad” deters it from doing that.¹⁰⁸ This “collective bad” is critical for members since it leads to the collapse of regime and leaves them without their customary cooperation platform. In addition, disregard of rules damages a country’s reputation, crucial for striking good bargains,¹⁰⁹ and can bring about its exclusion. Since the price for betrayal and violation of rules is too high¹¹⁰ that short-term advantages do not cover it, none of the participating states are interested in incurring additional costs and neither in losing their credibility leaving them in isolation or being excluded from organizations, it is rational for them to respect common principles and norms that prevents cheating and inappropriate behavior.

Nevertheless, monitoring performance is not the only juridical role that institutions play in world politics. Keohane notes also that during the last twenty years regimes have been empowered dramatically in the sphere of legalization and administration of justice in different aspects of international relations from interstate trade disputes to judgment of persons guilty of crimes against humanity. In parallel, the number of international legal institutions such as The European Court of Human Rights, The International Criminal Court,¹¹¹ The Court of the Eurasian Economic Community, etc. has increased significantly as has their importance. Today, legalization has become the property of international bodies¹¹² making participation in regimes a vital necessity for their member-states.

The sixth and final function, which is the only one that does not have an instrumentalist character, relates to the ability of institutions to alter governments’ for-

¹⁰⁶R.KEOHANE and J.NYE, “Translational Relations and World Politics: An Introduction” in R.KEOHANE and J.NYE (Eds.), *Translational Relations and World Politics*, *op. cit.*, p. xii.

¹⁰⁷*Ibid.*, p. xxv.

¹⁰⁸R.KEOHANE, *After Hegemony: Cooperation and Discord...*, *op. cit.*, p. 105.

¹⁰⁹*Ibid.*, p. 105.

¹¹⁰R.AXELROD and R.KEOHANE, “Achieving Cooperation Under Anarchy”, *op. cit.*, p. 250.

¹¹¹Examples from R.KEOHANE, “Twenty Years of Institutional Liberalism”, *op. cit.*, p. 132.

¹¹²*Ibid.*, p. 128.

eign policy priorities.¹¹³ Nowadays, they are even more successful in changing member-states' preferences and decisions, more than member-states themselves.¹¹⁴ For instance, every government would rather cooperate with a partner from its integration community that shares its values and pursues common interests, than with a state with which it communicates rarely, even if initial incentives were opposite. This statement becomes clear in the example of the EU where commercial, financial and political interactions are more intensive and permanent among the member-states than with the rest of the world.¹¹⁵ It happens because regimes assist member-states to calculate their capabilities, compare them with others and therefore fit their preferences into the panorama.¹¹⁶ Regimes can assert influence on the formation process of state preferences in two ways: on the one hand, they emphasize certain questions subsequently favoring an actor in a particular issue, on the other hand, they limit the range of measures and levers that a government use in its foreign policy therefore restraining its incentives.¹¹⁷

Thus, the main functions of regimes are the following:

- To provide member-states with equal access to reliable and qualitative information;
- To cooperate with other institutions and balance them if the situation so requires;
- To impact on the state's capabilities within regime enhancing or on the contrary limiting them depending on the position the state occupies;
- To facilitate cooperation among member-states, their citizens, governments and non-governmental actors by creating favorable conditions for bargaining and reducing transaction costs;
- To carry out juridical duties by monitoring performance of legal obligations and administer justice at interstate disputes;
- To assert influence on states' preferences and decisions.

The role institutions play in world politics is prominent and indispensable; they unite nations, link them together and assure cooperation, the functions they exercise are obvious reasons why states decide to establish multilateral bodies and maintain them. Nevertheless, the particularities of institutions are not limited only to the roles they play, another aspect of their nature is their ability to be developed and transformed.

¹¹³R.KEOHANE and S.HOFFMANN, "Conclusion: Structure, Strategy, and Institutional Roles", *op. cit.*, p. 401.

¹¹⁴R.KEOHANE, "International Institutions: Two Approaches", *op. cit.*, p. 382.

¹¹⁵R.KEOHANE and S.HOFFMANN, "Institutional Change in Europe in the 1980s", *op. cit.*, p. 14.

¹¹⁶R.KEOHANE and J.NYE, "Power and Interdependence Revisited", *op. cit.*, p. 742.

¹¹⁷*Ibid.*, p. 743.

Speaking of transformation of regimes, it is necessary to note that they are sensible constant structures. Their decentralization, informality, absence of enforcement mechanisms and voluntary nature of participation¹¹⁸ make them very useful for states so much so that they could not conduct foreign policies without them. Governments do not view common institutions as a threat to restrictions of sovereignty, quite the opposite, in many cases authorities use them in order to increase or to confirm their power. The government takes advantage of its exclusive competence to create international regimes¹¹⁹ and conclude treaties on behalf of the state as a source of enhancing its profile in domestic issues.

The main reason for the permanence of international institutions is the fact that they are very difficult and expensive to create,¹²⁰ thus states consider their maintenance and conforming to rules and principles to be cheaper, and i.e. more rational, than their violation. None of them are interested in collapsing regimes because anarchy in world politics could follow, but more than that states are wary of exclusion from institutions since it causes isolation and losses. Another consideration is that without regimes and respect of their norms long-term collaboration is impossible. In this particular case, state's reasoning is easier to understand using Rousseau's stag hunt game theory rather than a classic Prisoner's dilemma that occurs when success is much more likely in cooperation than in a single-player game; that needs participants' confidence and mutual intention to long term co-operation.¹²¹ In these circumstances, being rational, a state rejects benefits that it can achieve playing alone in favor of greater gains that are attainable by coming into line with others.

Constant nature of regimes comes in line with their ability to be transformed. Transformation is their way of development, institutionalization and embranchment, which explains the reason why institutions continue to exist even when the purposes they had been created for are not currently relevant. The majority of actual regimes have not been established "de novo" but raised from already existing ones.¹²² There are no rules that clarify under what conditions institutions transform because they largely depend on issue-areas and political context, but some observations could be made, the most evident of which are outlined below:

- Changes in states' preferences. It is the most apparent reason that leads to alterations in the system that can be caused by domestic changes in government, party coalitions or political bodies.¹²³ Foreign-policy favors can also be altered through learning, the process when a state's beliefs and views trans-

¹¹⁸A.MORAVCSIK, "Robert Keohane: Political Theorist", *op. cit.*, p. 253.

¹¹⁹R.KEOHANE and J.NYE, *Poder e Interdependencia: la Política mundial en Transición*, Buenos Aires, Grupo Editor Latinoamericano S.R.L., 1988, p. 18.

¹²⁰R.KEOHANE, *After Hegemony: Cooperation and Discord...*, *op. cit.*, p. 100.

¹²¹R.AXELROD and R.KEOHANE, "Achieving Cooperation Under Anarchy", *op. cit.*, p. 229.

¹²²R.KEOHANE, "International Institutions: Two Approaches", *op. cit.*, p. 390.

¹²³R.KEOHANE, "Multilateralism: an Agenda for Research", *op. cit.*, p. 742.

form as it digests new information and experience.¹²⁴ The more powerful the country, the more considerable changes in regimes are expected.

- “Dissatisfaction” of actors with cooperation conditions. Keohane argues that discontent of member-states, especially the most powerful ones, with the rules of the regime leads to innovations.¹²⁵ Their significance depends on the level of dissatisfaction, states’ openness to changes and homogeneity of their interests in a certain area which is planned to be transformed.¹²⁶
- Changes in power. Institutionalism has adopted many concepts of realism and the statement that changes in power lead to transformation of a regime is one of them.¹²⁷ Regimes capitalize on power¹²⁸ as well as on all interstate relations as a whole. They are some kind of mini-arenas where balance of forces takes place. As the balance changes, the structure, purposes and forms of institutions could change too.
- Challenges of the world system. Transformation of institutions could be considered as their response to changes in the global arena. In this case, institutions modernize in order to correspond to new realities.

The presence of these conditions does not lead directly to the transformation of institutions but can shed light on that process. There are instances where more than one of the causes mentioned above have taken place. For example, the regime of American-Japanese relations in the military sphere has changed significantly during the last sixty years. Japan was the enemy of the US during, and for some years after, World War II, then a state under protectorate in the 1950s, a stronghold of American forces during the course of the Cold War, while nowadays it is considered as the principal ally of the USA in South-East Asia. This transformation coincided with changing American preferences towards Japan, the situation in the world arena and the process of Japan’s growth as an economic power.¹²⁹ Thus, three of the above stated conditions followed that transformation.

Another compelling example is NATO. In accordance to realist assumptions this security institution should have been disintegrated after the collapse of the Soviet Union, its potential enemy. But this did not happen, on the contrary, nowadays it is the most powerful military body, one which continues growing. As Celeste Wallander and Robert Keohane argue, it can be explained by the fact that NATO has successfully

¹²⁴R.KEOHANE and J.NYE, “Power and Interdependence Revisited”, *op. cit.*, p. 749.

¹²⁵J.COLGAN, R.KEOHANE and T.GRAAF, “Punctuated equilibrium in the energy regime complex”, *op. cit.*, p. 118.

¹²⁶*Ibid.*, p. 139.

¹²⁷C.WALLANDER, H.HAFTENDORN and R.KEOHANE, “Introduction”, *op. cit.*, p. 13.

¹²⁸R.KEOHANE, “Twenty Years of Institutional Liberalism”, *op. cit.*, p. 135.

¹²⁹R.KEOHANE, “Tariff Wars. The Rise of the Trading State: Commerce and Conquest in the Modern World”, *Society*, Vol. 24, Issue 5, July-August 1987, p. 89.

transformed from a military alliance into a security management institution¹³⁰ and has expanded its functions from defense to maintaining international peace and security. This example of transformation could be described in terms of two causes: changes in states' preferences and challenges of the world system.

Transformation of regimes is the way of their evolution. On the one hand, it is the internal process that refers to relations among the member-states, on the other hand, it is the indicator of changes in their internal affairs and in the world arena as a whole.

Studying the nature of international regimes leads on to the fourth block of issues – classification of institutions and effects of their creation. These issues are united in one block because they involve stating the facts regarding the processes that have already been carried out, i.e. establishment of a regime leads to the need to classify it and calculate its effects.

3.4. Classification of regimes and their positive and negative effects

Regarding classification of regimes it should be noted that in this chapter, classic typology of institutions by competence, membership criteria, mandates, functional responsibilities, etc. has not been disputed, but in particular Keohane's method to range organizations is analyzed.

In such a manner, classification "by Keohane" provides two certain observations that are crucial for his model.

The first is that the function of an institution underlies its form.¹³¹ Thus, organizations established for the interchange of views usually have the form of international forums or conferences whose decisions are not mandatory to implementation; in the case of closer cooperation, for instance in the sphere of integration, regimes are notable for their high level of institutionalization and supranational bodies with extensive powers, etc.

The second is that the form and particularities of a regime vary from one issue to another.¹³² Balance of power, diplomatic landscape, priority of interests, coalitions-building and bargaining processes are different for every case.¹³³ In one sphere, a state can make concessions while in another they are not admissible. The form of cooperation that is appropriate for economic regimes does not involve a military one. Thus, every issue-area has its own types of institutions.

¹³⁰C.WALLANDER, H.HAFTENDORN and R.KEOHANE, "Conclusions" in C.WALLANDER, H.HAFTENDORN and R.KEOHANE (Eds.), *Imperfect Unions: Security Institutions over Time and Space*, *op. cit.*, p. 325.

¹³¹*Ibid.*, p. 327.

¹³²R.KEOHANE, "Multilateralism: an Agenda for Research", *op. cit.*, p. 749.

¹³³R.KEOHANE and J.NYE "Introduction: The Complex Politics of Canadian-American Interdependence", *International Organization*, Vol. 28, Issue 04, September 1974, p. 597.

It is evident to classify institutions by the scope of activity i.e. military, economic, educational, cultural, social, etc., but Keohane, by reference to two assumptions mentioned above, took this a step further. In every field he distinguishes different forms of regimes that are suitable only for each particular area.

For example, he and David G. Victor find that for environmental and energy issues the most appropriate type of institutions is “regime complex”. Regime complex is the situation where there is no single institution that is responsible for cooperation in the field, but there are “complexes” of institutions that jointly coordinate it.¹³⁴ For example, in the context of climate change, the Montreal protocol aims to eliminate emissions of substances that deplete the ozone layer;¹³⁵ the Kyoto protocol to the United Nations Framework Convention on Climate Change is orientated to dealing with greenhouse gas emissions; the Intergovernmental Panel on Climate Change and different national science agencies investigate climate change and its potential effects; the World Bank finances development of clean technologies; while multilateral clubs of a limited number of participating states such as Major Economies Meetings on Energy Security and Climate Change, or similar groups within G8 and G20, try to find their own way of dealing with this problem.¹³⁶ Thus, many institutions manage this problem, but there is no single integrated one. It happens because environment and energy issues are very difficult to coordinate due to the great number of parties concerned,¹³⁷ very close linkage of different problems, a high level of cooperation risks and expenses and uncertainty about potential gains.¹³⁸

Among security institutions, Robert Keohane and his colleague Celeste Wallander distinguish ones that deal with threats and others that are created to cope with risks. Hence, security-orientated organizations come under two headings: exclusive and inclusive. Exclusive institutions provide measures to identify and counter external threats, they take the form of alliances and are directed against potential enemies. Inclusive arrangements involve states that can pose risks to each other in order to avert them. They deal with internal problems rather than outside ones and take the form of security management institutions. The UN and OSCE are inclusive organizations because they unite very different states from political and ideological points of view in order to promote cooperation among them and prevent the rise of security dilemmas, while The Warsaw Treaty Organization and NATO during the Cold War were exclusive institutions since for them the security threats were evident.¹³⁹ Exclusive arrangements in turn are classified as designed and spontaneous.¹⁴⁰ Designed

¹³⁴R.KEOHANE and D.VICTOR, “The Transnational Politics of Energy”, *op. cit.*, p. 105.

¹³⁵UNITED NATIONAL ENVIRONMENT PROGRAMME, “The Montreal Protocol on Substances that Deplete the Ozone Layer”, September 16, 1987, http://ozone.unep.org/new_site/en/Treaties/treaties_decisions-hb.php?nav_id=6 [13-06-2013].

¹³⁶*Vid.* R.KEOHANE and D.VICTOR, “The Regime Complex for Climate Change”, *Perspectives on Politics*, Vol. 9, Issue 1, 2011, pp. 9-12.

¹³⁷R.KEOHANE and D.VICTOR, “The Transnational Politics of Energy”, *op. cit.*, p. 98.

¹³⁸R.KEOHANE and D.VICTOR, “The Regime Complex for Climate Change”, *op. cit.*, p. 8.

¹³⁹*Vid.* C.WALLANDER, H.HAFTENDORN and R.KEOHANE, “Introduction”, *op. cit.*, pp. 23-29.

¹⁴⁰C.WALLANDER, H.HAFTENDORN and R.KEOHANE, “Conclusions”, *op. cit.*, p. 327.

institutions are permanent and orientated toward a wide range of issues, while spontaneous ones, like the UN peacekeeping missions, cope with *ad hoc* threats and dissolve once the hazard has been dealt with.

In economic affairs, Keohane distinguishes a special type of *insurance-orientated regimes* that occur when states do not have total regulatory control over an issue and take preventive measures in order to eliminate their risks and probable consequences of force majeure circumstances.¹⁴¹ Insurance-orientated regimes are not very common, in contrast to control-orientated ones that are created in order to exercise control and monitor states' compliance with internal rules of a regime and their relations with third parties.¹⁴² Insurance-orientated regimes frequently take the form of amendments to main documents such as the emergency arrangement of the IEA that oblige participating countries to share oil supplies in the event of unforeseen circumstances.¹⁴³ As for control-orientated regimes, the majority of economic institutions such as WTO, ASEAN, and OECD belong to this type of institutions,¹⁴⁴ which is common not only for trade and financial issues, but also for military and political ones.

Thus, according to Keohane's systematization, different kinds of regimes correspond to different spheres of cooperation. Nevertheless, some classifications could be universal, for example by reference to the form of membership, which divide regimes into three categories¹⁴⁵:

- "Restricted institutions" such as EU, OPEC, NATO, etc. unite states that are *only* European, *only* petroleum-exporting or, in the case of NATO, *only* those who have signed the particular agreement. In such communities, countries share a complex of common interests and have strong preferences to cooperate conditioned by the close and permanent character of interactions. The main sense of these institutions would be lost if they became open to accession by other states. Their membership is determined by a set of geographic, economic and political conditions, which makes the process of joining them very complicated. The special feature of this type of regime is the fact that they involve their participants in *cartelization*, because, as in industry, interdependence among them is very high.
- "Conditionally open institutions" (IMF, GATT, WTO, etc.) in theory accept all countries that express the will to join them, but first they have to agree with certain conditions of accession and comply with entrance requirements. Institutions have the right to exclude states in the event that they do not obey commitments, which could be different from one member to another and which is why they benefit from participation to a varying degree. The main

¹⁴¹R.KEOHANE, "The Demand for International Regimes", *op. cit.*, p. 352.

¹⁴²*Ibid.*, p. 351.

¹⁴³*Ibid.*, p. 353.

¹⁴⁴*Ibid.*, p. 351.

¹⁴⁵R.KEOHANE, "The Analysis of International Regimes...", *op. cit.*, pp. 39-41.

function of this type of institution is to facilitate *collaboration*.

- “Open institutions” such as the UN and OSCE are useful as a regulatory mechanism designed to coordinate relations among the participating countries, nevertheless, they are not effective if decisive actions are needed. They create a setting for the exchange of opinions and thus their main function is confined to *consultation*. Open institutions place minimal accession requirements and are therefore characterized by large membership.

This classification of regimes is primarily based on the degree of costs states are ready to incur to join them, or in other words, on the “price of admission”.¹⁴⁶ The more they pay, the more interested they are in becoming a member of a regime.

From a legal viewpoint, classification is also universal. Thus, institutions can be formal and informal. Formal means that their rules and terms are encased in an agreement, while informal character of institutions indicates its absence.¹⁴⁷ Informal institutions do not have supranational and regulatory bodies and compliance of their norms is difficult to monitor.

The difference exists not only among institutions but also inside them. Theoretically, within an institution it is possible to distinguish “system-determining” players that are crucial and irreplaceable; “system-influencing” states that could not change the regime alone, but have a considerable impact on its operation; “system-affecting” countries that need to form a coalition in order to make a difference to the regime; and “system-ineffectual” participants that do not have real power.¹⁴⁸ It is not to say that all these types of states should appear in any one institution, but rather reconfirm that even though there is no single predominant country in the world arena countries are still unequal and put their power and national interests ahead of common good.

Thus, institutions are different from each other in many aspects and also in the influences they have on participating countries, which generally can be divided into positive and negative effects.

Institutions are instruments of foreign policy, and the amount of benefits from them entirely depends on the way they are used by states. On the other hand, institutions are an external power that affect members to a varying degree depending on internal particularities of countries and levels of development. Obviously, states join organizations and enter into international agreements aiming to derive benefits, but none of them are impervious to negative effects of participation in regimes. For instance, under the conditions of a common market, rich countries increase their profits because their industries are more competitive compared to poor countries, although at the same time, freedom of movement puts poor countries with cheap labor in a more advantageous position since rich countries with expensive labor costs cannot compete

¹⁴⁶R.KEOHANE, “The Analysis of International Regimes...”, *op. cit.*, p. 41.

¹⁴⁷J.GOLDSTEIN, M.KAHLER, R.KEOHANE and A.SLAUGHTER, “Introduction: Legalization and World Politics”, *International Organization*, Vol. 54, Issue 03, June 2000, p. 392.

¹⁴⁸R.KEOHANE, “Lilliputians’ Dilemmas: Small States in International Politics”, *op. cit.*, pp. 295-296.

with them.¹⁴⁹ Thus, what is beneficial from one point is lossmaking from another. The fact is that current institutions cover a wide range of interstate interactions, and thus affect different aspects of their internal affairs from social development to environmental problems. The same impact of international regimes can have positive as well as negative effects, the most important of which are described below.

Democracy-enhancing effect. Notwithstanding that institutions themselves suffer from the “democratic deficit”¹⁵⁰ followed by the practice that political elites, not ordinary people, make decisions, Keohane argues that many institutions foster democracy in participating countries.¹⁵¹ It can be explained by the fact that regimes generally promote public good with the aim of benefiting all members of the community, which is assumed as an intention to put the interests of all ahead of the individual.¹⁵² In such a manner, regimes are partially democratic since they are created “for the people” and “of the people”, but not “by the people”¹⁵³. In addition, it is common that institutions induce states to adopt democratic principles such as respect for human rights or greater freedom for citizens, by imposing special conditions of admission or for receiving loans.¹⁵⁴ At the same time, fundamental democratic ideas such as equality of nations and all forms of non-discrimination underlie the creation of institutions. Thus, on joining a regime a state automatically recognizes them. The democracy-enhancing effect should be considered, without doubt, as a positive one that stresses the moral side of institutions and their importance for the public.

Foreign capital influx. Nowadays, traditional division of low and high politics has become obsolete;¹⁵⁵ increasingly countries put their economic benefits ahead of political ones and focus their outward strategies primarily on them. “Home governments” of transnational companies dispute with the “host governments” of the countries¹⁵⁶ where these enterprises invest, and advocate their interests as if they were national, while inter-state relations concern more trade and finance than military or political questions. As globalization arises, financial flow spreads out more rapidly on an international level than on a domestic one. Nowadays, capital crosses borders and moves faster and cheaper from one country to another in such a way that no state has the capability to control it.¹⁵⁷ States are interested in attracting global capital in order to quicken their industrial development; they abolish borders, not for foreign goods,

¹⁴⁹R.KEOHANE, *Power and Governance in a Partially Globalized World*, *op. cit.*, p. 205.

¹⁵⁰R.KEOHANE, “International Institutions: Can Interdependence Work?”, *op. cit.*, p. 91.

¹⁵¹R.KEOHANE, S.MACEDO and A.MORAVCSIK, “Democracy Enhancing Multilateralism”, *International Organization*, Vol. 63, Issue 01, January 2009, p. 6.

¹⁵²*Ibid.*, p. 6.

¹⁵³*Ibid.*, p. 15.

¹⁵⁴*Ibid.*, pp. 16-18.

¹⁵⁵R.KEOHANE and J.NYE, “Translational Relations and World Politics: A Conclusion”, *op. cit.*, p. 378.

¹⁵⁶Review by R.KEOHANE, “Not “Innocents Abroad”: American Multinational Corporations and the United States Government”, *Comparative Politics*, Vol. 8, No. 2, January 1976, p. 307.

¹⁵⁷H.MILNER and R.KEOHANE, “Internationalization and Domestic Politics: An Introduction” in R.KEOHANE and H.MILNER (Eds.), *Internationalization and Domestic Politics*, Cambridge, Cambridge University Press, 1996, p. 12.

but for foreign investments that allow them to resolve the economic problems that governments are unable to manage due to scarce national financial resources. In parallel, it is also the way to deal with the problems of supply on the labor market. Keohane argues that generally, overseas investments lead to technological progress and growth of the material well-being,¹⁵⁸ increase efficiency of the global economy as they are directed on maximization of rates of return on invested capital and minimization of expenses; and promote international equity because finances go from developed to developing countries.¹⁵⁹ Foreign capital influx is one of the main reasons why states join economic regimes and change preferences in their favor. Even if it leads to different outcomes, not all of which are to the good of the states, for instance, generally, investors operate in those sectors from where they can obtain more profits than in those that are important for a state's development, countries benefit from FDI more than they lose, and this effect is recognized as a positive one.

Liberalization of national economy. This effect is affiliated with states' involvement in trade and financial institutions. Once governments join an international trade union, mutually refusing protectionist measures, they not only open external markets for domestic industries but also let foreign producers into internal ones. The existence of foreign investors and growth of the domestic private sector cause a loss of governmental advantageousness and its dominant position in national production, thus decreasing its authority. This effect could be considered as a positive one for a country in general, but it is rather negative for its government. Nevertheless, the experience of some authoritative countries, such as Cuba and North Korea, shows that the opportunity costs of non-participation in international trade regimes are much higher than disbursements that a state can expend when it participates in cooperation processes.¹⁶⁰

Relaxation of central rule. Entering institutions, governments accede to exchange part of their sovereignty and juridical freedom for institutional benefits¹⁶¹ and therefore limiting their power. They become dependent on the approval of their partners and accountable to international and supranational bodies. In parallel, domestic entrepreneurs, that gain from a state's participation in international regimes and play an important role in national economy, obtain more capabilities to put pressure on government, this also includes foreign producers that do business in that country.¹⁶² By joining institutions, governments also lose some control over state's administrative and territorial units because the latter ones receive access to the world arena. For instance, some international organizations, such as The Assembly of European Regions,

¹⁵⁸R.KEOHANE, V.DOORN OOMS, "The Multinational Enterprise and World Political Economy", *International Organization*, Vol. 26, Issue 01, December 1972, p. 98.

¹⁵⁹R.KEOHANE and V.DOORN OOMS, "The Multinational Firm and International Regulation", *International Organization*, Vol. 29, Issue 01, December 1975, p. 172.

¹⁶⁰H.MILNER and R.KEOHANE, "Internationalization and Domestic Politics: An Introduction", *op. cit.*, p. 14.

¹⁶¹R.KEOHANE, *Power and Governance in a Partially Globalized World*, *op. cit.*, p. 208.

¹⁶²H.MILNER and R.KEOHANE, "Internationalization and Domestic Politics: An Introduction", *op. cit.*, p.19.

which promotes cooperation not among countries but among their regions, are in favor of increasing their autonomy. This effect has positive as well as negative effects depending on which particular group within the state is analyzed.

Vulnerability to external crises. The current economic crisis has shown how interdependent the international community is and how vulnerable states are to external pressures that could lead to domestic economic and political crises.¹⁶³ Obviously, the effect that produces changes in regime depends on internal particularities, decision-making procedures and authority of government in every individual state, but it cannot be denied as to whether or not any country can evade external impact. Economically, collapse in one state's economy leads to changes in trade balance with others; politically, one member's involvement in a conflict affects all its partners within the military community in terms of collective defense; socially, popular discontent in one country could lead to civil unrest in another, etc. Thus, when entering regimes, states become vulnerable to institutional changes and are influenced by others, which could be considered as a negative effect.

Therefore, regimes have indirect effects on states' internal affairs; nevertheless, they shouldn't be overestimated since institutions are primarily instruments rather than an external power, and every country is free to participate or ignore them.

Studying theoretical statements by Robert Owen Keohane regarding institutions enables understanding of the "structure" of "subsystem" created by an integrating community, for understanding the nature of "agents'" behavior in this structure, liberal intergovernmentalism by Andrew Moravcsik, chosen as the core theory of the thesis, should be studied.

3.5. Conclusion

In this chapter, Institutional theory by Rober Owen Keohane is represented by four blocks of issues, all of which, to a varying degree, deal with the processes related to the work of institutions that states, countries, or more precisely governments establish in order to promote cooperation. International institutions are considered as sets of rules, norms, principles, measures and procedures focused on creating a favorable environment for inter-state communications, reducing uncertainty and increasing credibility.

The first block of issues concerns the institutionalist view of international order. Similar to the realists from whom Keohane adopted many concepts, he finds that states are primary actors in the world arena, they are rational and egoistic, pursue national interests and interact with each other under anarchy. At the same time, as liberalists, he considers that cooperation is an indispensable condition for states' sur-

¹⁶³H.MILNER and R.KEOHANE, "Internationalization and Domestic Politics: A Conclusion" in R.KEOHANE and H.MILNER (Eds.), *Internationalization and Domestic Politics*, *op. cit.*, p. 246.

vival because it is the only way to overcome conflicts and ensure peaceful development. In accordance with Keohane, nowadays the world lives in Nonhegemonic cooperation – a situation where there are leaders among countries, but there is no single hegemon able to control the entire system of international relations. Nonhegemonic cooperation has become possible after the USA, that had been maintaining hegemonic stability from WWII to the 1970s, lost complete dominance (but not leadership) in the spheres of trade, energy and monetary issues. The USA is still the most powerful country in the world, which no one state can challenge, but it is not as powerful as before. Instead of the US the role of regulator of international affairs has passed to institutions, which usually reflect the interests of their members.

The second block of issues concerns the demand for institutions under the conditions of the international system of Nonhegemonic cooperation. The main factor that encourages this demand is the growth of complex interdependence, the situation that occurs when countries communicate with each other through permanent multiple channels, share common interests in a range of equally important spheres and do not consider military force as a source of power. Besides, the auspicious situation in the world arena and similarities in the forms of government, economic systems and social values create a contractual environment that also favors demand, while for its maintenance the existence of a core group of leading members and strong political will is a necessity.

The third block of issues reflects the nature of institutions demonstrated through the roles they play and their ability to transform. Institutions exercise six main functions: They provide member-states with equal access to reliable and qualitative information; bear responsibility for interactions with other multilateral groups, which also includes counterbalancing them; influence states' capabilities, enhancing or limiting them depending on the position held; facilitate bargaining among participating countries and reduce transactions costs of transgovernmental and transnational relations; implement juridical tasks such as monitoring performance of liabilities, legalizing rules and norms and administrating justice in international disputes; and impact on states' preferences and decisions. They are very useful tools of foreign policy, which none of the members are willing to lose.

Institutions are relatively constant structures capable of transformation, which can be caused by changes in national preferences and balance of power, mutual dissatisfaction by ongoing conditions of cooperation and external challenges from the world system. Transformation is a constant of regime development that explains their permanency.

The fourth block of issues refers to effects of creation of regime that also includes their classification. Regarding classification, Keohane finds that the institutional form differs from one issue-area to another due to its particularities and importance for states and is based on the function it was created for. Forms of military institutions are suitable only for security issues, environmental ones to the area of ecology, and economic to the spheres of trade and finances. Nevertheless, there are universal types of

classification such as by membership criteria or the binding power of institutional rules. By membership criteria typology, institutions can be “restricted”, “conditionally open” and “open”. From the legal binding power they have they can be formal and informal.

The increasing role that institutions play in the global arena causes them to become an external power that has different effects on participating countries. Among the positive ones should be noted an enhancing of democracy, foreign capital influx and liberalization of national economies; among the negatives are a relaxation of the central power and an increase of states’ vulnerability to external crises.

Institutional theory by Robert Keohane has impacted greatly on the formulization of other theoretical approaches, including Liberal Intergovernmentalism by Andrew Moravcsik represented in the next chapter, that in accordance to the author derives from the regime theory,¹⁶⁴ while its origins lie in Intergovernmentalism by Stanley Hoffmann.¹⁶⁵ As distinct from Institutionalism, the LI approach studied in the next chapter pays closer attention to “agents” of integrating community rather than its “structure”.

¹⁶⁴A.MORAVCSIK, “Liberal Intergovernmentalism and Integration: A Rejoinder”, *Journal of Common Markets*, Vol. 33, No. 4, December 1995, p. 612.

¹⁶⁵S.GEORGE, *Politics and Policy in the European Union*, Oxford, Oxford University Press, 1996 (3rd edition), p. 51; S-S.JO, “The Evolution of European Integration Theory” in S-S.JO, *European Myths: Resolving the Crises in the European Community/European Union*, Lanham, University Press of America, Inc., 2007, p. 17; R.GINSBERG, *Demystifying the European Union: The Enduring Logic of Regional Integration*, Lanham, Rowman & Littlefield Publishers, Inc., 2010 (2nd edition), p. 67; F.SCHIMMELFENNIG, “Liberal Intergovernmentalism” in A.WIENER and T.DIEZ (Eds.), *European Integration Theory*, New York, Oxford University Press, 2004, p. 75.

CHAPTER 4

LIBERAL INTERGOVERNMENTALISM BY ANDREW MORAVCSIK

Andrew Moravcsik considers Liberal Intergovernmentalism (LI) as a rationalist,¹ “baseline”,² “multi-causal”³ broad theory able to describe the entire development process of regional integration⁴ as well as its particular aspects. The approach explains integration as a three-level process of *national preferences formation, inter-state bargaining* and delegation of sovereignty to *supranational institutions*.⁵ It means that primarily actors determine their interests comparing benefits and losses of cooperation; in the case that gains outweigh losses and states take a decision on coming into line with others, they then pass to the second level, the negotiation process, where they bargain and come to a coordinated solution, and then to the institutional stage in order to put into practice the outcomes of bargaining.⁶ Each of the stages in turn has a number of

¹A.MORAVCSIK, “Bringing Constructivist Theories of the EU out of the Clouds: Have they Landed Yet?”, *European Union Politics*, Vol. 2, No. 2, June 2001, p. 229.

²Here Moravcsik refers to the fact that other integration theories use LI as a point of reference or at least they are compared with it. *Vid.* A.MORAVCSIK, “Liberal Intergovernmentalism and Integration: A Rejoinder”, *Journal of Common Markets*, Vol. 33, No. 4, December 1995, p. 611; A.MORAVCSIK and F.SHIMMELFENNIG, “Liberal Intergovernmentalism”, *op. cit.*, p. 67.

³A.MORAVCSIK, “The Choice for Europe: Current Commentary and Future Research (a Response to James Caporaso, Fritz Scharpf, and Helen Wallace)”, *Journal of European Public Policy*, Vol. 6, Issue 5, March 1999, p. 172.

⁴A.MORAVCSIK and F.SHIMMELFENNIG, “Liberal Intergovernmentalism”, *op. cit.*, p. 68.

⁵A.MORAVCSIK, “Liberal Intergovernmentalism and Integration...”, *op. cit.*, p. 612.

⁶A.MORAVCSIK, “Disciplining Trade Finance: The Origins and Success of the OECD Export Credit Arrangement”, *International Organization*, Vol. 43, Issue 1, Winter 1989, p. 176.

impact factors, whose importance differs depending on the nature and circumstances of the issues they have been applied to.

Towards implementing this scheme of cooperation, a great synthesis⁷ of different theoretical approaches is used which have two basic concepts in common: states are primarily actors, the “masters” of integration that is the result of their “rational choice”;⁸ and the final cause of their activities is to achieve private gains.⁹ Thus, for an explanation of national preferences, Moravcsik applies approaches concerned with economic and geopolitical priorities; in order to describe bargaining process and its results he analyzes theories that emphasize the role of “interstate bargaining power”;¹⁰ while for working with interstate institutions, he uses theoretical assumptions that stress the need for credible commitments. The range of theories could be widened or narrowed in terms of the issue they are used for; but the main condition is that in the case of preferences formation they should be liberal,¹¹ i.e. concentrate on relations between government and society¹² and highlight that different domestic groups participate in shaping foreign policy priorities, while for bargaining and delegation of sovereignty to supranational bodies, approaches should stress the rational nature of states driven by self-interests and intergovernmental character of negotiations.¹³

In this chapter, the analysis of LI is divided into four blocks of issues, similarly as in the second and third chapters. The three stages of integration process stated above correspond to the first three sections. Thus, the first section explains national preferences formation; the second is dedicated to international bargaining and two-level game that it accompanies; in the third, institutional choice is described; while the fourth section is related to the consequences of this choice.

4.1. National preferences

LI is a “bottom-up”,¹⁴ “preference-based” approach that explains states’ foreign policy decisions taking as a point of departure their domestic choices and favors ra-

⁷A.MORAVCSIK, “Bringing Constructivist Theories of the EU out of the Clouds...”, *op. cit.*, p. 229.

⁸A.MORAVCSIK, *The Choice for Europe. Social Purpose and State Power...*, *op. cit.*, p. 18.

⁹A.MORAVCSIK and F.SHIMMELFENNIG, “Liberal Intergovernmentalism”, *op. cit.*, p. 68.

¹⁰A.MORAVCSIK, *The Choice for Europe. Social Purpose and State Power...*, *op. cit.*, p. 19.

¹¹In total, Moravcsik defines four blocks, or paradigms, of rationalist IR theories that are realism, liberalism, institutionalism and epistemic theory, which in turn correspond to the main concepts of world politics: power (realism), preferences (liberalism), information (institutionalism) and beliefs (epistemic theory). *Vid.* A.MORAVCSIK, “Is Anybody Still a Realist? The Authors Reply”, *International Security*, Vol. 24, No. 2, Fall 1999, pp. 9-11.

¹²A.MORAVCSIK, “Liberal Theories of International Law” in J.DUNOFF and M.POLLACK (Eds.), *Interdisciplinary Perspectives on International Law and International Relations: The State of the Art*, Cambridge, Cambridge University Press, 2013, p. 83.

¹³A.MORAVCSIK, “Preferences and Power in the European Community: A Liberal Intergovernmentalist Approach”, *Journal of Common Market Studies* (30th Anniversary Edition), Vol. 31, No. 4, December 1993, pp. 480-481.

¹⁴A.MORAVCSIK, “Liberal Theories of International Law”, *op. cit.*, p. 87.

ther than constraints and influences of the international milieu.¹⁵ In this case, a state is considered as a representative organization of various social, political, cultural, military, economic and other groups that have different positions in society in relevance to their weight, power and influence; each of them promote self-interests at government level using all available channels,¹⁶ and communicate their priorities to the highest authorities, who in turn incorporate them and form foreign policy preferences.¹⁷ Pointing out the role of these groups, LI rejects an idealistic assumption on complete social understanding and absence of competitive interests inside a state,¹⁸ as well as the utopian belief that all segments of society can equally benefit from the policy that national administration pursues.¹⁹ Instead, it explains domestic affairs in terms of “principal-agent relations”,²⁰ where groups, as principals, delegate to governments, as agents, to represent their interests using all possible ways in order to be aware of how the latter hold entrusted responsibilities.²¹ In addition, the nature of *state-society* relations and preferences that have been chosen determines *state behavior* in the international arena.²²

Generally, Moravcsik explains preferences as a set of fundamental values chosen from other needs shaped around “states of the world”²³ that finally should lead a country to a desired outcome in the future.²⁴ In this case, they should not be confused with national interests that are relatively more constant and strategic,²⁵ while preferences on the contrary are not fixed²⁶ permanent categories and can be altered or modified, because of the previous decisions,²⁷ under the pressure of domestic groups, externalities, geostrategic threats, information manipulation, etc. In a matter of

¹⁵A.MORAVCSIK, “From the Outside In: International Relations and the ‘Obsolescence’ of Comparative Politics”, *APSA-CP Newsletter*, Summer 1996, p. 17.

¹⁶A.MORAVCSIK, “Liberal Theories of International Law”, *op. cit.*, p. 84.

¹⁷A.MORAVCSIK, “Preferences and Power in the European Community...”, *op. cit.*, p. 483.

¹⁸A.MORAVCSIK, “Liberal International Relations Theory: A Scientific Assessment” in C.ELMAN and M.ELMAN (Eds.), *Progress in International Relations Theory: Appraising the Field*, Cambridge, MIT Press, 2003, p. 162.

¹⁹*Ibid.*, p. 163.

²⁰A.MORAVCSIK, R.KEOHANE and A.SLAUGHTER, “Legalized Dispute Resolution: Interstate and Transnational”, *International Organization*, Vol. 54, Issue 3, Summer 2000, p. 463.

²¹A.MORAVCSIK and K.NICOLAÏDIS, “Explaining the Treaty of Amsterdam: Interests, Influences, Institutions”, *Journal of Common Market Studies*, Vol. 37, Issue 1, March 1999, p. 66.

²²A.MORAVCSIK, “Liberalism and Localism in the World Economy” in K.YAMAMURA (Ed.), *A Vision of a New Liberalism? Critical Essays*, Stanford, Stanford University Press, 1997, p. 88.

²³Here Moravcsik uses the term “states of the world”, where “states” are not considered as countries but as “fundamental interests” common and desired by all nations irrelevant to their particularities. *Vid.* A.MORAVCSIK, “Liberal International Relations Theory: A Scientific Assessment”, *op. cit.*, p. 164.

²⁴*Vid.* A.MORAVCSIK, *The Choice for Europe. Social Purpose and State Power...*, *op. cit.*, p. 24 and A.MORAVCSIK, “Liberal International Relations Theory: A Scientific Assessment”, *op. cit.*, p. 164.

²⁵A.MORAVCSIK, “Disciplining Trade Finance...”, *op. cit.*, p. 191.

²⁶For liberalists as well as for institutionalists and realists, preferences is one of the core concepts of the theory, the difference is that in institutionalism and realism, they are “fixed (or [at least] irrelevant”, while in liberalism they are the subjects of change. Institutionalists pay attention to how external factors, especially information, can modify states’ strategies keeping initial preferences unaltered, when for liberalists changes in the preferences themselves is the matter of primary concern. *Vid.* A.MORAVCSIK, “Liberalism and Localism in the World Economy”, *op. cit.*, p. 90.

²⁷A.MORAVCSIK, “The Future of European Integration Studies: Social Theory or Social Science?”, *Millennium*, Vol. 28, No. 4, Autumn 1999, p. 380.

terminology, they are closer to “goals” and priorities than to “policy”, “strategy”, “tactics”, “objectives” and other terms widely used in political science.²⁸

States are driven not by a single preference, but by a *series* of different preferences²⁹ which represent a complex of absolute and relative gains.³⁰ In the case of integration, two groups of preferences are worth considering – driven by economic and geopolitical matters – where economic ones determined by asymmetrical interdependence are predominant.³¹ In this respect it is necessary to note that even in the analysis of the EU, where geopolitical reasons of integration are evident, Moravcsik gives priority to pure commercial interests of member-states’ domestic producers, and secondly – macroeconomic considerations of corresponding governments³² driven by restrictions of the global economy³³ and only after geostrategic and ideological considerations.

From the economic point of view, integration is driven by the necessity to regulate commercial and financial cooperation in the context of regional interdependence,³⁴ which is most often asymmetrical, and after that, when trade among countries increases, manage the situation with monetary cooperation. Customs tariffs, state subsidies, protectionist policies, currency devaluation and unstable exchange rates pose barriers to international trade and employment of capital abroad, which makes states change their practices in order to facilitate cooperation establishing its norms and making mutual concessions.³⁵ Primarily, it concerns three main economic segments: *industry, agriculture* and *services*,³⁶ where preferences of domestic groups and authorities are of utmost importance. Therefore, governments promote cooperation in these spheres towards opening markets of their partners for domestic producers when demands of the latter are so high that the use of external links is needed to satisfy them,³⁷ other reasons can be the relevancy of reforming and additional regulation of domestic economy as well as incentive to cut state aid.³⁸ Domestic groups in turn also push integration further, in the first place when they are strong enough to compete with foreign producers, thus, for example, in the EU, historically the main drivers of

²⁸A.MORAVCSIK, “Taking Preferences Seriously: A Liberal Theory of International Politics”, *International Organization*, Vol. 51, No. 4, Autumn 1997, p. 519.

²⁹A.MORAVCSIK, *The Choice for Europe. Social Purpose and State Power...*, *op. cit.*, p. 5.

³⁰Absolute gains refer to outcomes of “zero-sum” bargaining (victory of one state means defeat of another), while relative gains are the results of “positive-sum” bargaining (both countries win something but less than under “zero-sum” bargaining). *Vid.* A.MORAVCSIK, *The Choice for Europe. Social Purpose and State Power...*, *op. cit.*, p. 25.

³¹A.MORAVCSIK, “Preferences and Power in the European Community...”, *op. cit.*, p. 480.

³²A.MORAVCSIK, *The Choice for Europe. Social Purpose and State Power...*, *op. cit.*, p. 3.

³³A.MORAVCSIK, “Federalism in the European Union: Rhetoric and Reality”, K.NICOLAÏDIS and R.HOWSE (Eds.), *The Federal Vision: Legitimacy and Levels of Governance in the US and the EU*, Oxford, Oxford University Press, 2001, p. 177.

³⁴A.MORAVCSIK, “Introduction. Europe without Illusions” in A.MORAVCSIK (Ed.), *Europe without Illusions*, Lanham, University Press of America, 2005, p. 3.

³⁵A.MORAVCSIK, *The Choice for Europe. Social Purpose and State Power...*, *op. cit.*, p. 35.

³⁶*Ibid.*, p. 36.

³⁷*Ibid.*, p. 38.

³⁸*Ibid.*, p. 37.

liberalization of regional trade are industrialists in Germany and farmers in France who hold dominant positions in their respective economies.³⁹ Along with that, another important reason why states promote integration is an incentive to close herewith their internal regional market from third countries, this happens when domestic producers are keen enough to compete with each other, but not with international rivals.⁴⁰

Opposition to economic integration can also be both from the side of government and the side of domestic groups. In this way the highest authorities intend to preserve national values and particularities curbing imports of products, whether they be goods or services, that do not meet domestic requirements concerning quality, consumer rights, intellectual property, ideological beliefs and life-style, environmental protection norms, etc.,⁴¹ as well as preserving their domestic non-competitive industries from external aggression, subsidizing them for as long as state budget permits. As for interest groups, their choice depends on the position they hold. Thus, non-producers, for example consumers, are likely to oppose outside interference in internal regulation rather than external tariff changes because their interests are directly affected in this case.⁴²

Another controversial and difficult aspect of economic integration is monetary cooperation. As practice shows, success in this sphere depends primarily on the convergence of monetary and macroeconomic policies of member-states, in other words the support and regulation of common monetary institutions could be visible, but the decisive factors are domestic ones.⁴³

Monetary cooperation is a comprehensive issue and for the purpose of this section only one aspect – exchange rate stabilization – will be analyzed in order to demonstrate the internal process of economic preferences formation. To understand how the regulation of conversion rates works two characteristics (*level* of exchange rate and its *stability*)⁴⁴ and three variables (*capital mobility, conditions of economic interdependence* and *rate of inflation* in every particular member-state) should be taken into account.

Rising capital mobility caused by an increase in the number of interstate dealings puts pressure on governments in the field of exchange-rate regulation constraining their privilege to pursue an autonomous monetary policy; trade interdependence contributes to a decreasing of exchange-rate instability, but not to fixing it; while the inflation rate, which becomes the decisive factor in this case, shows how economies of different countries converge with each other.⁴⁵ Again, in this sphere of monetary cooperation, states' positions reflect a range of different interests of internal actors. Thus, exporters and companies able to compete with import products appreciate a lower

³⁹*Ibid.*, p. 38.

⁴⁰*Ibid.*, p. 39.

⁴¹A.MORAVCSIK, "Liberalism and Localism in the World Economy", *op. cit.*, pp. 97-98.

⁴²A.MORAVCSIK, *The Choice for Europe. Social Purpose and State Power...*, *op. cit.*, p. 40.

⁴³A.MORAVCSIK, "Idealism and Interest in the European Community: The Case of the French Referendum", *French Politics and Society*, Vol. 11, No. 1, Winter 1993, p. 48.

⁴⁴A.MORAVCSIK, *The Choice for Europe. Social Purpose and State Power...*, *op. cit.*, p. 45.

⁴⁵*Ibid.*, p. 42.

exchange rate of domestic currency in order to make their products cheaper, while on the contrary, producers of non-tradable goods, consumers and investors favor a strong currency because for producers it makes the price of their products closer to price of their competitors in domestic and regional markets, for consumers it allows them to buy more goods, and for investors it extends the value of their investments abroad. As for stability, exporters and investors choose a stable exchange-rate because it reduces their risks and transaction expenses, while producers of non-tradable goods prefer unstable ones because in this case their benefits from macroeconomic policy pursued by governments in order to stimulate economy would be higher.⁴⁶ As is very often the case in regional integration, the power of exporters and investors outweighs the relative significance of other domestic actors, state preferences incline towards exchange-rate stabilization. As soon as this occurs, states' wellbeing largely depends on their inflation rate; thus if we compare two states with low and high inflation in the situation of stable exchange-rate, internal growth will be higher in the state with lower inflation because the costs of its exports will be lower.⁴⁷ In order to prevent such disproportion and implement a common monetary policy beneficial for all member-states, economies of integrating countries should converge, in other words, they should be similar to each other in the main spheres such as state spending, interest and inflation rates, and the costs that states pay for that should not be extremely high.⁴⁸ To that end weak-currency countries, such as France, Italy and Spain in the case of the EU,⁴⁹ adopt strong-currency countries' model, such as the German one, of low inflation and interest rates, low salary growth, cuts in government spending and encouraging savings, while strong-currency economies weaken their constraints and allow more public spending, higher inflation and wage growth, and after, that somewhere in the middle, these models overlap.⁵⁰

Monetary cooperation not only facilitates relations on an internal regional level and decreases states' transaction costs but also solves external problems. In the case of the EU, common monetary policy released the region from the risk posed by a volatile US dollar and the internal dependence on the German Bundesbank.⁵¹

It is not obligatory that preferences are stated on material interests,⁵² many of them are driven by will of power and domination, which Moravcsik considers as geo-

⁴⁶*Ibid.*, p. 45.

⁴⁷*Ibid.*, p. 46.

⁴⁸A.MORAVCSIK, "Europe After the Crisis: How to Sustain a Common Currency", *Foreign Affairs*, Vol. 31, No. 3, May-June 2012, <http://www.foreignaffairs.com/articles/137421/andrew-moravcsik/europe-after-the-crisis> [21-11-2013].

⁴⁹*Ibid.*, p. 55.

⁵⁰ Concerning the present economic crisis in the EU, Moravcsik finds its reasons primarily in the fact that this model of mutual adjustment of different Northern and Southern European economies has not been realized. Wage growth in Germany was lower than in the rest of Europe, which made its exports more competitive and trade surplus significant Prosperity in Germany and decline in the south are "two sides of the same coin" and the crisis could be overcome only if costs of recuperation were to be incurred both by deficit and surplus countries. *Vid.* A.MORAVCSIK, "Europe after the Crisis", *New York Times / International Herald-Tribune*, 23 April 2012, <http://www.nytimes.com/2012/04/23/opinion/europe-after-the-crisis.html?pagewanted=1&r=2&ref=global> [21-11-2013]; "Europe After the Crisis: How to Sustain a Common Currency", *op. cit.*

⁵¹A.MORAVCSIK, "Introduction. Europe without Illusions", *op. cit.*, p. 13.

⁵²A.MORAVCSIK, *The Choice for Europe. Social Purpose and State Power...*, *op. cit.*, p. 23.

political and places them in a secondary position after economic priorities.⁵³ In the case of regional integration, geopolitical preferences are not separate from economic ones; on the contrary they are interdependent and interwoven. Thus, on the one hand, states bound with collective security obligations or other politico-military agreements appear to favor more cooperation with each other in the economic sphere with each other, rather than those that are free from such commitments, while on the other hand, nowadays, economic interdependence is one of the most useful and widely used levers on political decisions.⁵⁴

For many scholars,⁵⁵ geopolitical explanations of regional integration and in particular the EU remain the most comprehensive ones. In such a way, they stress four theoretical models able to account for integration from this point of view. First is the *balance of power* approach that explains integration as a response to a common threat posed by the Soviet Union and the expansion of Communist ideas inside and outside the region. The second theory, which like the previous one is based on realist concepts, emphasizes *balancing* strategy and promotes the independence of Europe from two dominant powers formed during the Cold war. The third approach, the Institutional one, views regional integration in *collective security* terms that stresses the importance of political and military cooperation, not for countering external threats but for settling disputes inside the alliance especially among its three main powers – Britain, France and Germany. And, the fourth explanation based on a Liberal Constructivist ideas focuses on *pro-European ideology* that according to its exponents finds public support as well as the endorsement of national elites.⁵⁶

The significance of geopolitical preferences changes from issue to issue and – obviously – from region to region. However, Moravcsik considers them as too simple explanations⁵⁷ and finds that geopolitical matters are more important in the event of economic benefits when they are hard to calculate or have already been obtained.⁵⁸

Among other matters, besides geopolitical and economic ones, ideological preferences may also be considered, which can be taken into account in the spheres where pressure from domestic producers is not as high, for example in the case of institutional reformation.⁵⁹ In this regard, it is worthwhile to note Moravcsik's observation that democracies have more chance of being integrated deeply and lastingly because of the diversification of interest groups, separation of powers and the independence of each of the branches of government integration, which goes slowly but profoundly reaching into the ever varying strata of society.⁶⁰

In general, Political Economy, which according to Moravcsik explains state interests best of all, predicts that preferences should correspond to the five following features. First, they differ from one country to another depending on its particulari-

⁵³A.MORAVCSIK, "The Future of European Integration Studies: Social Theory...", *op. cit.*, p. 375.

⁵⁴A.MORAVCSIK, *The Choice for Europe. Social Purpose and State Power...*, *op. cit.*, p. 27.

⁵⁵Especially it concerns institutionalist, realist and neo-realist schools (*Ibid.*, p. 29).

⁵⁶*Ibid.*, pp. 29-31.

⁵⁷A.MORAVCSIK, "The European Constitutional Settlement", *World Economy*, Vol. 31, Issue 1, January 2008, p. 160.

⁵⁸A.MORAVCSIK, "The Choice for Europe: Current Commentary and Future Research...", *op. cit.*, p. 174.

⁵⁹A.MORAVCSIK, "The Future of European Integration Studies: Social Theory...", *op. cit.*, p. 387.

⁶⁰A.MORAVCSIK, "Liberalism and Localism in the World Economy", *op. cit.*, p. 110.

ties, strengths and weaknesses, thus, states are likely to promote cooperation and trade liberalization in those spheres where they are more competitive. Second, changes in preferences correspond to shifts in other fields, whether it concerns the global economic environment, developments in regional interdependence or correlations in powers of domestic groups. Third, in the case of coordination of economic policy with other policies, states should take into account their bilateral and multilateral consents as well as principles of unilateral activities rather than pure geostrategic concerns. Fourthly, states' geopolitical considerations should work for economic achievements and not the other way around. And the fifth feature, which is more an observation, is that integration will lead to strict division among domestic interest groups. Thus, in trade policy, enterprises will be divided into competitive and noncompetitive, in legal harmonization – in those groups that favor or oppose new standards; while in monetary policy, the main disputes will be around inflation policy, public spending and division of domestic industries in accordance with their tradability.⁶¹

Analysis of state preferences shows how domestic groups participate in foreign policy formation influencing governments in every possible way; not least the importance they play in the negotiation process putting pressure on representatives and forming coalitions with each other and with interest groups of other countries.⁶² This kind of relations between governments and their constituencies go in parallel with inter-state bargaining – the second stage of Moravcsik's integration model analyzed in the next section of the present chapter.

4.2. International bargaining

Pursuant to Moravcsik, international bargaining is accompanied by special state-society relations, as mentioned above, known using the terminology of Robert Putman as "two-level game".⁶³

According to this game politicians represent their countries balancing between two fields – domestic and international. On the international level, they are constrained by what other countries will agree to, while on the domestic level the matter of their primary concern is what the Parliament will ratify.⁶⁴ Each statesman advocates the "win-sets" of his/her country considered as a complexity of desirable outcomes of bargaining captured in an agreement, whose benefits outweigh transaction costs and which are likely to be ratified at home.⁶⁵ During the entire negotiation process he or

⁶¹A.MORAVCSIK, *The Choice for Europe. Social Purpose and State Power...*, *op. cit.*, pp. 49-50.

⁶²A.MORAVCSIK, "Liberal Theories of International Law", *op. cit.*, p. 89.

⁶³Cited by A.Moravcsik: A.MORAVCSIK, "Integrating International and Domestic Theories of International Bargaining" in P.EVANS, H.JACOBSON and R.PUTNAM (Eds.), *Double-Edged Diplomacy: International Bargaining and Domestic Policies*, Berkeley, University of California Press, 1993, p. 4. Original text: R.PUTMAN, "Diplomacy and Domestic Politics: The Logic of Two-level Games", *International Organization*, Vol. 42, No. 3, Summer 1988, pp. 427-460.

⁶⁴A.MORAVCSIK, "Integrating International and Domestic Theories of International Bargaining", *op. cit.*, p. 15.

⁶⁵*Ibid.*, p. 23.

she has to coordinate actions with domestic groups, whose pressure increases when negotiations are coming to an end because the eventual result of the whole work depends on the parliamentary decision to ratify or not the final document.⁶⁶

The Two-level game approach allows analysis of the negotiation process from three sides: international, domestic and individual. On the international level, state's foreign policy is not the privilege of the highest authorities anymore; instead it becomes similar to a "billiard ball" between external and internal affairs.⁶⁷ In such circumstances, changes in the international arena are viewed as externalities that affect the domestic situation as well as instruments that interest groups use in order to achieve their private goals.⁶⁸

On the domestic level, the approach shows the process of struggle among interest groups whose preferences will affect foreign policy formation more deeply. Each internal player possesses "relative bargaining power" that is measured by its access to four main political leverages over exterior policy, which are *initiative* (the right to policy initiation), *institutions* (here referring to organs responsible for decision-making), *information* (particular knowledge relevant to concrete issue of bargaining), and *ideas* (ideological matters aimed at justifying the position that has been chosen).⁶⁹ The more access a group has to these instruments the greater the influence it exerts.

On the individual level, personal perceptions and behavior patterns of political leaders are matters of primary concern. Moravcsik defines three types of statesmen – "statesman-as-agent", "statesman-as-dove" and "statesman-as-hawk" – in accordance with the range of outcomes he/she finds acceptable for their states. *Statesman-as-agent* represents the interests of the majority of the domestic electorate, trying in this way to justify the confidence of his/her government and people and avoiding any conflict with society; *statesman-as-dove* prefers to negotiate going beyond the restraints which interest groups put him/her under in order to give an appropriate response to the external challenges that face the state, understanding that some provisions he/she agrees on are not the best for the country; while *statesman-as-hawk* goes even further proceeding from his/her personal priorities or representing a position that does not correspond to the interests of the majority of domestic groups.⁷⁰

⁶⁶A.MORAVCSIK, "Armaments among Allies: Franco-German Weapons Cooperation, 1975-1985" in P.EVANS, H.JACOBSON and R.PUTNAM (Eds.), *Double-Edged Diplomacy: International Bargaining and Domestic Policies*, *op. cit.*, 160.

⁶⁷A.MORAVCSIK, "Integrating International and Domestic Theories of International Bargaining", *op. cit.*, p. 5.

⁶⁸*Ibid.*, p. 17.

⁶⁹A.MORAVCSIK, "Why the European Union Strengthens the State: Domestic Politics and International Cooperation," paper presented at the Annual Meeting of the American Political Science Association, New York (1-4 September 1994), p. 5, <http://www.princeton.edu/~amoravcs/library/strengthen.pdf> [2-12-2013].

⁷⁰A.MORAVCSIK, "Integrating International and Domestic Theories of International Bargaining", *op. cit.*, pp. 30-32.

Thus, the two-level game is an approach that shows relations between representatives and their electorate during the whole process of negotiations which should be considered as an integral part of bargaining.

In general, Moravcsik distinguishes two bargaining theories – supranational and intergovernmental. The supranational bargaining theory stresses the role of supranational officials and entrepreneurs in a negotiation process that focuses on effective results for the whole community rather than honest distribution of benefits among participating states.⁷¹ Insofar as LI explains integration as an *intergovernmental* process, the supranational bargaining theory seems irrelevant to this approach because it dismisses such decisive LI concepts as voluntarily participation,⁷² priority of national interests, stand-alone principle, and equal access to information.⁷³ All these patterns coincide with the intergovernmental (“state-to-state”)⁷⁴ bargaining theory that Moravcsik’s explanation of negotiation process implies.

There are three core concepts the intergovernmental bargaining theory is based on. First, a nation-state, which is viewed as a *unitary actor* although it combines interests of various domestic players⁷⁵ and benefits more from integration into community than from autonomous unilateral policy or alternative coalitions.⁷⁶ In other words, a state decides to collaborate with a certain group of states when transaction expenses of this cooperation are lower than opportunity costs related to the price of non-cooperation or cooperation with another group.⁷⁷ Second, there is equal access to information regarding the position of each state, potential clauses of agreements, predicted role of institutions, etc.,⁷⁸ which is the essential condition for successful bargaining since the hiding of information and initial preferences is a common cause of deadlocked negotiations.⁷⁹ Third, each state owns its relative bargaining power which underlines its stance in negotiations and accounts for outcomes of bargaining. Relative bargaining power is defined by circumstances of asymmetrical interdependence in each particular case.⁸⁰ In accordance with this statement, those who gain more from integration sacrifice and pay more, while those who gain less have more possibilities

⁷¹A.MORAVCSIK, *The Choice for Europe. Social Purpose and State Power...*, *op. cit.*, p. 55.

⁷²A.MORAVCSIK, “Introduction. Europe without Illusions”, *op. cit.*, p. 8.

⁷³A.MORAVCSIK, *The Choice for Europe. Social Purpose and State Power...*, *op. cit.*, p. 55.

⁷⁴A.MORAVCSIK, “Negotiating the Single European Act: National Interests and Conventional Statecraft in the European Community”, *International Organization*, Vol. 45, Issue 1, Winter 1991, p. 48.

⁷⁵A.MORAVCSIK and F.SHIMMELFENNIG, “Liberal Intergovernmentalism”, *op. cit.*, p. 69.

⁷⁶The most prominent example of creation of alternative coalitions is the UK’s policy toward European integration at its early stages of development when Britain created the European Free Trade Association as an alternate block to the EU. *Vid.* A.MORAVCSIK, “Preferences and Power in the European Community...”, *op. cit.*, p. 502-503.

⁷⁷A.MORAVCSIK, “Idealism and Interest in the European Community...”, *op. cit.*, p. 48.

⁷⁸A.MORAVCSIK, *The Choice for Europe. Social Purpose and State Power...*, *op. cit.*, p. 61.

⁷⁹A.MORAVCSIK, “Theory and Method in the Study of International Negotiation: A Rejoinder to Oran Young on A New Statecraft?”, *International Organization*, Vol. 53, No. 2, Autumn 1999, p. 814.

⁸⁰A.MORAVCSIK, “Sequencing and Path Dependence in European Integration”, paper presented at the Conference on “The Sequencing of Regional Economic Integration: Issues in the Breadth and Depth of Economic Integration in the Americas”, Notre Dame (September 2005), p. 15, <http://www3.nd.edu/~jbergstr/MoravcsikSept2005.pdf> [27-11-2013].

to set conditions because for them opportunity costs are not very high.⁸¹ In this case, there should be no place for the illusion that less powerful players can gain as much as the more powerful do. In many respects, multilateral bargaining depends on decisions and interests of core states and their own interests,⁸² where those who can pay more gain more, and where actors that are more powerful have privilege because for them it is easier to drop out of bargaining than for less fortunate partners.⁸³ Even so, in accordance with LI approach, cooperation is not intended to be equally beneficial for all of players but proportionately beneficial for each of them, in other words, gains of a given state should outweigh its losses, but the amount varies from country to country.

Asymmetrical interdependence, which implies states' relative bargaining power, is also the cause of "issue linkages" that negotiators frequently deal with. Issue linkages occur when states have very different preferences in two spheres but they can make concessions in one of them in order to gain in another.⁸⁴ Even if they are not the best form of negotiations that can be imagined, because they do not imply absolute wins, issue linkages are viewed as the "second-best strategy" that states apply at the terminal stages of negotiations, constrained by necessity to compensate their losses by at least relative gains⁸⁵ and form them as "package deals",⁸⁶ which makes final agreements beneficial for all players. Issue linkages are unlikely to appear when state preferences in one sphere are extremely intense because there is low probability of reciprocal adjustments;⁸⁷ they take place most frequently in interrelated spheres dividing the bargaining process in several blocks or "pillars" which makes negotiation easier and more effective.⁸⁸

The most difficult part of issue linkages is the question of distribution of transaction costs which usually faces strong opposition from the side of domestic groups. When signing package deals states win and lose simultaneously, conceding that all of them will incur expenses that can provoke popular discontent.⁸⁹ Theoretically, costs of issue linkages can be distributed in three ways: first, gains and losses fall within the same group; second, benefits accrue to one group while costs are passed on to consumers, taxpaying public and third-countries producers – those who are not organized as a group; and third, there is no certain group that will incur expenses because the implementation details of an agreement are not well defined or project execution

⁸¹A.MORAVCSIK and F.SHIMMELFENNIG, "Liberal Intergovernmentalism", *op. cit.*, p. 71.

⁸²A.MORAVCSIK, "European Federalism and Modern Social Science: A Rejoinder on the Maastricht Referendum", *French Politics and Society*, Vol. 11, No. 2, Spring 1993, p. 85.

⁸³A.MORAVCSIK, "The European Armaments Industry at the Crossroads", *Survival*, Vol. 32, No. 1, p. 79.

⁸⁴A.MORAVCSIK, *The Choice for Europe. Social Purpose and State Power...*, *op. cit.*, p. 65.

⁸⁵A.MORAVCSIK, "Preferences and Power in the European Community...", *op. cit.*, p. 506.

⁸⁶A.MORAVCSIK, "Why international cooperation strengthens national executives: the case of the European Community", 1995, p. 6, Archive of European Integration, <http://aei.pitt.edu/6966/> [28-11-2013].

⁸⁷A.MORAVCSIK, *The Choice for Europe. Social Purpose and State Power...*, *op. cit.*, p. 55.

⁸⁸A.MORAVCSIK and K.NICOLAÏDIS, "Keynote Article: Federal Ideals and Constitutional Realities in the Treaty of Amsterdam", *The European Union 1997: Annual Review of Activities, Special Issue of Journal of Common Market Studies*, Vol. 36, September 1998, p. 31.

⁸⁹A.MORAVCSIK, "Preferences and Power in the European Community...", *op. cit.*, p. 505.

is set aside.⁹⁰ However, as practice shows, the more powerful groups involved are the greater the probability is that the costs of issue linkages will be diffused on ordinary people and third-countries' players.⁹¹

Another disadvantage of package deals is that they are usually considered as high-risk ventures and need very careful implementation by the government. For this reason authorities in some cases resort to providing additional subsidies to vulnerable sectors of the economy in order to balance the losses and gains of issue linkages and prevent frustration of domestic groups, as was the case in Europe in the 1960s and 1970s when subsidies were paid to French farmers and German industrialists in order to smooth the liberalization program.⁹²

Once countries explain their positions, bargain, converge their interests and find a solution that matches at least partially their initial preferences, in other words when they come to the "lowest common denominator",⁹³ they face the need to secure the achievements they have obtained. That becomes possible with cooperation on the supranational level – the third stage of Moravcsik's model, which is described in the third section.

4.3. Cooperation in Supranational institutions: need for credible commitments

Cooperation on the supranational level proceeds from the outcomes of inter-state bargaining. In this situation, the most important question that concerns negotiating sides is the distribution of benefits. The most suitable model that Moravcsik proposes in this case is the Pareto-efficient outcome which implies the idea that some players can gain without harming others.⁹⁴ That is only possible if states promoting their interests take into account that there is a framework of optimal solutions, or "Pareto-frontier"⁹⁵ using academic terminology, going beyond which one's benefits can turn into losses for another.

In the matter of distribution of benefits, once again the logic of asymmetrical interdependence works. For example, in industrial projects it takes the form of "juste retour" when an actor's share of profit is directly proportional to its contribution.⁹⁶ In addition to that, Moravcsik also points out the existence of *direct* and *indirect* beneficiaries of international bargaining. Direct beneficiaries get a profit from domestic poli-

⁹⁰A.MORAVCSIK, *The Choice for Europe. Social Purpose and State Power...*, *op. cit.*, p. 65.

⁹¹*Ibid.*, p. 55.

⁹²A.MORAVCSIK, "Preferences and Power in the European Community...", *op. cit.*, p. 506.

⁹³A.MORAVCSIK, "Negotiating the Single European Act: National Interests and Conventional Statecraft...", *op. cit.*, p. 25.

⁹⁴A.MORAVCSIK and K.NICOLAÏDIS, "Explaining the Treaty of Amsterdam...", *op. cit.*, p. 72.

⁹⁵A.MORAVCSIK, "The European Constitutional Settlement", *op. cit.*, p. 163.

⁹⁶A.MORAVCSIK, "The European Armaments Industry at the Crossroads", *op. cit.*, p. 74.

cy changes and reforms subsequent to the results of bargaining, while indirect ones benefit from analogical changes in state-partners.⁹⁷

Not only are the distribution of benefits considered as outcomes of bargaining, also the relevant regimes that have been created and developed under the negotiation process are recognized as the outcome,⁹⁸ which leads to explanation of the institutional part of cooperation.

In order to explain why states create supranational institutions and partially sacrifice national sovereignty in their favor Moravcsik points out three theories. The first approach emphasizes the *ideological* aspect, according to which states accept integration when their leading domestic groups share federalist ideas. The second explanation supported by neofunctionalists stresses *technocratic* assumptions that institutions are needed for centralized coordination of the integration processes, which is considered as more efficient than the national one. The third approach relates to *credible commitments* that states accept and enforce others to accept to assure that the outcome of bargaining will be implemented.⁹⁹ Moravcsik agrees with the rationality of the first two theories finding that ideological support is really essential for governments in order to domestically justify their policies¹⁰⁰ and that centralized coordination is indeed more efficient.¹⁰¹ Nevertheless, these two explanations are contributory to the main one, which is the third, related to credible commitments.

This approach focuses on the behavior of governments which once again play the two-level game. Entering the integrating community, states affirm their commitments to the norms and regulations adopted under bargaining process and assure themselves that other states also will do the same. It is a way to “lock in” future cooperation with integrating community partners against opposition from the part of domestic groups.¹⁰² By these means governments secure themselves from two sides – domestic and international. On the international level, once they have entered institution their partners and they are obliged to keep to the established order; while on the domestic level, affiliation with integration community gives them additional power to not change the chosen political course even under pressure from interest groups.

The credible commitments explanation of states’ reasons for joining integrating groups corresponds to Moravcsik’s view on institutions influenced, as he notes, by Keohane’s institutionalist theory. Thus, Moravcsik also argues that institutions create a regime that allows states to collectively find solutions to common problems and generate national welfare by decreasing transaction costs of cooperation, giving equal access to information about other states’ preferences, positions and promoting confi-

⁹⁷A.MORAVCSIK, “Liberal Theories of International Law”, *op. cit.*, p. 88.

⁹⁸A.MORAVCSIK, “Disciplining Trade Finance...”, *op. cit.*, p. 197.

⁹⁹A.MORAVCSIK and K.NICOLAÏDIS, “Explaining the Treaty of Amsterdam...”, *op. cit.*, p. 76.

¹⁰⁰A.MORAVCSIK, *The Choice for Europe. Social Purpose and State Power...*, *op. cit.*, p. 74.

¹⁰¹A.MORAVCSIK, “Conservative Idealism and International Institutions”, *Chicago Journal of International Law*, Vol. 1, No. 1, Autumn 2000, p. 295.

¹⁰²A.MORAVCSIK, *The Choice for Europe. Social Purpose and State Power...*, *op. cit.*, p. 73.

dence inside the community.¹⁰³ Once again, the same LI principles work here: nation-state is a unitary actor, whose decisions are influenced by domestic groups; its role is to represent the interests of the society it governs, but usually not all interests are represented; and state behavior, whether it favors cooperation or on the contrary opposes it, is determined by the intensity of domestic preferences and priorities.¹⁰⁴

Institutions manage relations among nations only after states have given them grounds for that, which is usually expressed in transfer of sovereignty. Moravcsik defines two ways in which it can happen: by pooling and by delegation. *Pooling sovereignty* occurs when states accept that issues will be decided in a different way from consensus¹⁰⁵ (by *qualified majority voting* for example);¹⁰⁶ while *delegation of sovereignty* is the situation when states give supranational officials the right to take certain decisions autonomously without preliminary voting.¹⁰⁷ Delegation is politically more risky but considered as a more efficient venture, while pooling is less risky and less efficient.¹⁰⁸ States resort to pooling sovereignty when they intend to facilitate legislation and decision-making procedures, while delegation of sovereignty is needed for assuring implementation of decisions made and compliance with accepted obligations.¹⁰⁹ When a state delegates or pools sovereignty its intention to put a question onto agenda, or on the contrary to avoid it, will most probably receive an immediate response from the relevant institution representing all member-states and will have a greater impact on its future commitments,¹¹⁰ in other words, transfer of sovereignty is a very significant step in the integration process, after which any operation by state in this sphere will cause a massive political outcry.

In order to give reasons that can drive a state to transfer national sovereignty Moravcsik points out three circumstances that have much in common with Keohane's explanations.¹¹¹ The first one is the promise of *the potential gains from cooperation* that

¹⁰³A.MORAVCSIK and F.SHIMMELFENNIG, "Liberal Intergovernmentalism", *op. cit.*, p. 72.

¹⁰⁴A.MORAVCSIK, "Federalism and Peace: A Structural Liberal Perspective", *Zeitschrift für internationale Beziehungen*, Vol. 1, Spring 1996, p. 126.

¹⁰⁵A.MORAVCSIK, *The Choice for Europe. Social Purpose and State Power...*, *op. cit.*, p. 67.

¹⁰⁶A.MORAVCSIK, "Preferences and Power in the European Community...", *op. cit.*, p. 510.

¹⁰⁷A.MORAVCSIK, *The Choice for Europe. Social Purpose and State Power...*, *op. cit.*, p. 67.

¹⁰⁸A.MORAVCSIK, "Preferences and Power in the European Community...", *op. cit.*, p. 510.

¹⁰⁹A.MORAVCSIK, *The Choice for Europe. Social Purpose and State Power...*, *op. cit.*, p. 76.

¹¹⁰A.MORAVCSIK, "Liberal Intergovernmentalism and Integration...", *op. cit.*, p. 621.

¹¹¹LI compliance with Intergovernmentalism by Stanley Hoffmann and Institutionalism by Robert Owen Keohane has already been shown by previous chapters and the present one, which demonstrably confirms the presence of common features of these three theories. In this situation, it seems important to note that LI is based not only on the similar theoretical elaborations in the field of integration theories, but also on the latest. Thus, in the analysis of integration theory evolution done by Dale L. Smith and James Lee Ray, the authors find that Hoffmann's intergovernmentalism and Keohane and Nye's institutionalist theory came into the arena when it became obvious that neofunctionalist prognosis does not correspond to reality and the academic community faced new questions difficult to understand using previous explanations, allowing herewith new "revised", in the Lakatosian sense, approaches to change the field, which can be understood that they are the latest ones in the field. In the 1950's, there were two major sects in regional integration theory – transactionism by Karl Deutsch and neofunctionalism by Haas. Transactionism by K.Deutsch has already been mentioned in the previous chapter, when his "security community" term is explained. As for Haas's neofunctionalist approach, it is necessary to note that it was developed from fuctionalism which had been criticized for its inability to explain why integration happens in one sphere and not in others. For him, integration is driven not by European masses but rather by particular interest

are generally confined to reducing transaction costs, building trust among partners, and prompt, effective solution of problems. The second is *the level of uncertainty* that exists in the issues institutions are dedicated to. Where the course of events is predictable and states positions are very clear, some members can prefer decision-making by consensus but that is more common in the initial stages of integration, at the later stages in order to decrease uncertainty of partners' behavior transfer of sovereignty is needed. The third circumstance is *the political risk* of governments and domestic groups to lose their independence. States are likely to transfer sovereignty in those spheres where setting of agenda, decision-making procedures, and enforcement and implementation mechanisms suggest minimal possible losses,¹¹² i.e. they need a system of cooperation that efficiently manages asymmetrical interdependence and solves problems, but at the same time minimally infringes their sovereignty.¹¹³ Thus, it is most probably that states transfer sovereignty in the spheres where potential gains are high, uncertainty over partners is also high, while potential political risks are low.

Even if Moravcsik agrees with the importance of supranational bodies, he finds their assistance less relevant than his colleagues that share neo-functional ideas.¹¹⁴

groups that make choice in favor of supranational instruments when they find it beneficial and push the process involving new spheres of cooperation. Integration is considered as a "two-way" mechanism where institutions and groups that are involved in it exert mutual influence on each other

Deutsch's ideas have mostly been superseded in favor of neofunctionalist ideas to the beginning of 1960's, while the latter were questioned because of three major circumstances. First, it is the re-stated discourse about the importance and influence of member-states' autonomous decisions on integration, such as de Gaulle's policy that had slowed down the process. Second, it is the confusion of neofunctionalism based on automatic spillover to explain the deceleration and layoff of integration processes that took place in Europe. And, the third circumstance is events that occurred in the international arena at this time such as the collapse of the Bretton-Wood system and oil crisis that made the global community speak about world interdependence. Herewith, Dale L. Smith and James Lee Ray demonstrate the chain of theories prevailing in explanation of integration within the IR school (Transactionism – Neofunctionalism – and now Intergovernmentalism and Institutionsism), which shows that the elaborations by Hoffmann and Keohane, which LI is based on, are the latest ones. *Vid.* D.SMITH and J.RAY, "European Integration: Gloomy Theory versus Rosy Reality" in D.SMITH and J.RAY (Eds.), *The 1992 Project and the Future of Integration in Europe*, New York, M.E. Sharpe, 1993, pp. 30-32; E.HAAS, "The Uniting of Europe" in B.NELSON and A.STUBB (Eds.), *The European Union: Reading on the Theory and Practice of European Integration*, London, Lynne Rienner Publishers, Inc., 1998 (2nd edition), p. 139; 141-143; K.DEUTSCH, et al., "Political Community and the North Atlantic Area" in B.NELSON and A.STUBB (Eds.), *The European Union: Reading on the Theory and Practice...*, *op. cit.*, p. 116; D.SMITH and J.RAY, "European Integration: Gloomy Theory versus Rosy Reality", *op. cit.*, p. 31.

¹¹²A.MORAVCSIK, "Preferences and Power in the European Community...", *op. cit.*, p. 511.

¹¹³A.MORAVCSIK and K.NICOLAÏDIS, "Keynote Article: Federal Ideals and Constitutional...", *op. cit.*, p. 33.

¹¹⁴*Ibid.*, p. 519. Speaking about neo-functionalists, Moravcsik refers to those authors who created the theoretical basis of the subsequent theory, in particular: Ernst Haas, Philippe Schmitter, Leon Lindberg, Stuart Scheingold, Donald Puchala, Joseph Nye. *Vid. Ibid.*, p. 474. See, for example, E.HAAS, *The Uniting of Europe: Political, Social and Economic Forces, 1950-1957*, Stanford, Stanford University Press, 1958; P.SCHMITTER, "A Revised Theory of Regional Integration" in L.LINDBERG and S.SCHEINGOLD (Eds.), *Regional Integration: Theory and Research*, Cambridge, Harvard University Press, 1971; D.PUCHALA, "Of Blind Men, Elephants and International Integration", *Journal of Common Market Studies*, Vol. 10, Issue 3, pp. 267-285; J.NYE, *International Regionalism*, Boston, Little, Brown and Company (2nd edition), 1968; L.LINDBERG, *The Political Dynamics of European Economic Integration*, Stanford, Stanford University Press, 1963. In this situation, it seems reasonable to mention what neo-functional colleagues of Andrew Moravcsik consider regarding LI. For example, Leon Lindberg finds Moravcsik's statement that interdependence with other members of an integrated community makes governments and their leaders more resistant to pressure of domestic interest groups, comes in line with neofunctionalist considerations that imply the same logic. The case is that similarly to governments on national level, supranational bodies on

Supranational bodies are good for facilitating and managing cooperation, they are the only new way of political organization since the Westphalia system of states of sovereignty,¹¹⁵ but they will never take the place of nation-states. Instead of that their main function is to allow states to adjust to interdependent international milieu or – using Alan Milward’s expression – “to cope with globalization”.¹¹⁶ The claim of many nationalists that supranational institutions supposedly undermine nations’ sovereignty is unsupportable because even after integration nation-states reserve their right to decide the most prominent issues such as tax assessment, public assistance, law making, health care, education, national defense, etc. Moreover, even in those spheres where institutions have power, for example in common monetary policy or in collective defense, governments wield the authority to control their actions and no significant decision can be taken without the prior consent of member-states.¹¹⁷ In such a manner, the existence of supranational institutions does not undermine the fact that integration was and remains a type of *intergovernmental* cooperation.

However, even if international bodies do not replace governments, establishment of supranational institutions and transferring sovereignty to them gives certain powers to supranational officials, studied in the next section, who together with these authorities, embraces Moravcsik’s contributions to the study of regional integration which should not be overlooked.

4.4. Effects of institutional choice

By transferring sovereignty states vest officials of supranational bodies with certain authority that is generally reduced to “external representation”, “enforcement”

intergovernmental level gain partial autonomous maneuvering and manipulation with asymmetries in state preferences.

Another of Lindberg’s comments concerns the outcome of bargaining. He argues that governmental forces during the process of negotiations matter equally as much as supranational ones do. Proceeding from the statement that national preferences are subject to change, especially under the influence of externalities and proposals, coming from supranational bodies, Lindberg challenges governments’ ability to keep the whole bargaining process under their control and to know exactly how to unite the odds and ends of final documents and how make others come to common decision. Integration for him is a system to which each particular government belongs and whose collapse would be destructive for all its members, and for purposes of its operating attendance of supranational agencies is required. In general terms, Lindberg states that Moravcsik’s contribution is worth taking into consideration by neofunctionalists, it encourages transatlantic academic dialogue concerning theorizing regional integration and can serve as a basis for further rationalist study especially in cooperation with the institutionalist school. *Vid.* L.LINDBERG, “Comment on Moravcsik” in S.BULMER and A.SCOTT (Eds.), *Economic and Political Integration in Europe: International Dynamics and Global Context*, Kent, Blackwell Publishers, 1994, p. 83; B.ROSAMOND, *Theories of European Integration*, London, Macmillan Press LTD, 2000, p. 145; L.LINDBERG, “Comment on Moravcsik”, *op. cit.*, 84.

¹¹⁵A.MORAVCSIK, “A Too Perfect Union? Why Europe Said “No”, *Current History*, Vol. 104, No. 685, November 2005, p. 359.

¹¹⁶Cited by A. Moravcsik and F. Shimmelfennig: A.MORAVCSIK and F.SHIMMELFENNIG, “Liberal Intergovernmentalism”, *op. cit.*, p. 73. Original text: A.MILWARD, *The European Rescue of the Nation-State*, London, Routledge, 2000 (2nd edition).

¹¹⁷A.MORAVCSIK, “Affirming Democracy in International Organizations” in J.GOLDSTEIN and J.PEVEHOUSE, *Global Challenges in 2030*, January 2010, <http://www.internationalrelations.com/2012/10/14/andrew-moravcsik-affirming-democracy-in-international-organizations/> [25-11-2013].

and “agenda-setting”¹¹⁸ or correct “policy initiation.”¹¹⁹ *External representation* concerns states’ consent that in negotiations with third countries the interests of the whole integrated community will be represented by a single agent. The position of the agent should be neutral, his/her authorities are issue-specific and time-limited and governments reserve their right to monitor the process of negotiation. *Agenda-setting*, relates to supranational bodies’ right to choose among a wide range of issues proposed by member-states, the most prominent states supply them with all necessary information and after that put these questions to a vote. Agenda-setting authority increases the efficiency of the work of institutions, and mitigates the risk that decisions on certain issues will be postponed and that the terms of final agreements will be extremely unfair, but at the same time it implies that not all member-states’ interests will be satisfied. *Enforcement* refers to the responsibility of supranational organs to monitor and control how member-states implement provisions of agreements representing a neutral external force aimed at making the realization of decisions more efficient and co-operation more confidential.¹²⁰

Apart from giving certain authority to supranational officials, there are other effects of institutional choice one of which relates to the question of democratic deficit, discussed extensively within the LI approach when institutional governance is under consideration.¹²¹ For example, Ralf Dahrendorf, “philosopher and politologist of freedom” as he is called in *El País*,¹²² finds that “internationalization “invariably means a loss of democracy”.¹²³ Moravcsik finds these perceptions misleading because they fail to reflect fully the nature and scope of responsibilities of supranational bodies. Traditionally, institutions are considered as democratic if they protect minorities’ rights, promote dialogue among opposing parties and groups, report back to domestic constituents,¹²⁴ and directly represent the interests of the electorate,¹²⁵ but this definition is better suited to national institutions, while analysis of supranational bodies needs a different approach. The case is that democracy mostly relates to issues of nation-states rather than international organizations, but integrated communities are not super-states and never would be, they are just arrangements that serve governments and

¹¹⁸A.MORAVCSIK, “Preferences and Power in the European Community...”, *op. cit.*, p. 511.

¹¹⁹A.MORAVCSIK, “A New Statecraft? Supranational Entrepreneurs and International Cooperation”, *International Organization*, Vol. 53, Issue 2, Spring 1999, p. 272.

¹²⁰A.MORAVCSIK, “Preferences and Power in the European Community...”, *op. cit.*, pp. 511-512.

¹²¹In the present PhD thesis, issues related to democratic deficit are also explained in the second and third sections of the chapter 5 dedicated to theoretical elaborations by Lisa L. Martin and Kalypso Nicolaïdis.

¹²²W.OPPENHEIMER, “Ralf Dahrendorf, Filósofo y Politólogo de la Libertad”, *El País*, June 19, 2009, http://elpais.com/diario/2009/06/19/necrologicas/1245362402_850215.html [01-03-2015].

¹²³Cited by A.Moravcsik: A.MORAVCSIK, “Affirming Democracy in International Organizations”, *op. cit.* Original text: R.DAHRENDORF, “The Third Way and Liberty: An Authoritarian Streak in Europe’s New Center”, *Foreign Affairs*, Vol. 78, No. 5, September-October 1999, <http://www.foreignaffairs.com/articles/55399/ralf-dahrendorf/the-third-way-and-liberty-an-authoritarian-streak-in-europes-new> [01-03-2015].

¹²⁴A.MORAVCSIK, R.KEOHANE and S.MACEDO, “Constitutional Democracy and World Politics: A Response to Gartzke and Naoi”, *International Organization*, Vol. 65, Issue 03, July 2011, p. 599.

¹²⁵A.MORAVCSIK, “Conservative Idealism and International Institutions”, *op. cit.*, p. 307.

different domestic groups to achieve their goals, and accordingly the demands on them should be lower than on states.

In democratic countries, institutions of primary public concern are those related to law-making, health care, education, social assistance and taxation,¹²⁶ which are not within the terms of reference of supranational bodies because all of them are financed by tax payments, which intergovernmental organizations do not collect or collect to a very small extent.¹²⁷ Whereas the competence of supranational organs lies primarily in the area of movement of goods, services and factors of production, exchange rate stabilization, competition and monetary policy, foreign-aid¹²⁸ and other spheres related to a limited number of interest groups, but not the population on the whole. In other words, the issues that supranational institutions deal with do not suppose the direct participation of the public and neither affects the interests of each citizen, which shows their orientation different to public concern but not their an undemocratic nature.

Moravcsik not only rejects the statement that supranational organs are non-democratic, but in contrast he claims that they do enhance democracy, fortifying his position with the following arguments. First, international organizations are kept under the tight control of national authorities, who in turn are accountable to their domestic constituencies. No decision can be made without member-states' approval and no clause of an agreement can be implemented without its ratification by the respective parliaments, giving citizens a circumstantial advantage to affect world politics. Second, international organizations extend states' possibilities allowing them to increase domestic welfare and bolster their influence in the global arena in return for pooling sovereignty.¹²⁹ In other words, cooperation enables nations to export their products, services and ideas, improve the milieu, assert their rights at home and abroad, promote collective defense, etc., i.e. it enlarges *democratic choice* of citizens by expanding their horizons.¹³⁰ Third, international organizations push forward the process of democratization, controlling how national governments protect civil rights and compelling them to adopt high democratic standards.¹³¹ For example, by joining regimes created by international documents concerning human rights such as the UN Declaration of Human Rights, European Convention for the Protection of Human Rights and Fundamental Freedoms, the Inter-American Convention on Human Rights, and the UN Covenant on Civil and Political Rights, governments undertake obligations to account for their activities in these spheres to supranational institutions showing their commitment to democratic values and enhancing herewith citizens'

¹²⁶A.MORAVCSIK, "In Defense of the Democratic Deficit: Reassessing Legitimacy in the European Union", *Journal of Common Market Studies* (40th Anniversary Edition), Vol. 40, No. 4, November 2002, p. 615.

¹²⁷*Ibid.*, p. 608.

¹²⁸A.MORAVCSIK, "Introduction. Europe without Illusions", *op. cit.*, p. 31.

¹²⁹A.MORAVCSIK, "Affirming Democracy in International Organizations", *op. cit.*

¹³⁰A.MORAVCSIK, "Conservative Idealism and International Institutions", *op. cit.*, p. 294.

¹³¹A.MORAVCSIK, "Affirming Democracy in International Organizations", *op. cit.*

confidence that their rights will be truly protected.¹³² The same effect of spreading democratic values can be observed not only vertically when supranational institutions interact with national governments, but also horizontally when they co-operate with each other,¹³³ and conformism to democracy becomes the concept that unifies them.

Democracy-enhancing is not the only effect of integration that Moravcsik points out, analysis of already established integrated communities makes it possible to claim that there are many others that in general could be considered as positive.

It is difficult to state all consequences of integration, especially as many of them have already been pointed out in the previous theoretical chapter dedicated to the ideas of Stanley Hoffmann, but the analysis of already existing integrated communities allows us to note some additional effects that have not yet been stated. These observations are not interrelated with each other, but without noting them the analysis of LI would be incomplete.

The first consequence of integration is that it strengthens nation-states. Contrary to general opinion that integration makes highest authorities' influence on domestic events less relevant, Moravcsik argues that states' participation in coordinated cooperation enhances the power of governments. The case is that institutions which manage relations among integrating countries are formed in a way that only executives can take part in decision-making procedures which strengthens their positions over interest groups.¹³⁴ Institutions empower representatives in different ways, for example with the right to policy initiation which increases their autonomy over domestic pressure.¹³⁵ It is not to say that institutions break state-society ties, on the contrary principal-agent relations in supranational bodies are evident more than ever before, but they make agents' positions more constant against domestic changes.

Second, integration changes states' image at home and abroad. Integration is always a "means" not an "end"¹³⁶ which a government of any given country can use to increase its foreign confidence or enhance its "domestic credibility". For example, in this respect Moravcsik finds that the decision of the Mexican government to join NAFTA was determined not by economic gains, which were relatively low, but by necessity to demonstrate to partners its commitments to trade liberalization. In addition, there was a contradiction between the highest authorities that favored liberalization of trade and domestic protectionists who opposed it, in this situation foreign support represented by the US and Canada served the Mexican government to outweigh opposition.¹³⁷

¹³²A.MORAVCSIK, "The Origins of Human Rights Regimes: Democratic Delegation in Postwar Europe", *International Organization*, Vol. 54, Issue 2, Spring 2000, p. 217.

¹³³A.MORAVCSIK, R.KEOHANE and S.MACEDO, "Constitutional Democracy and World Politics...", *op. cit.*, p. 604.

¹³⁴A.MORAVCSIK, "Why the European Union Strengthens the State: Domestic Politics and International Cooperation," *op. cit.*, p. 3.

¹³⁵A.MORAVCSIK, "Preferences and Power in the European Community...", *op. cit.*, p. 507.

¹³⁶A.MORAVCSIK, "Introduction. Europe without Illusions", *op. cit.*, p. 9.

¹³⁷A.MORAVCSIK, "The Origins of Human Rights Regimes: Democratic Delegation in Postwar Europe", *op. cit.*, p. 247.

And, the third observation is that integration permits the launching and realization of projects whose implementation is impossible by unilateral means. Integration is a great opportunity to develop very strong intra-industrial links, which in contrast to inter-industry collaboration do not provoke conflicts among similar industrial sectors in integrating countries, but leads them to specialization in production of components of a unique final product. Intra-industrial cooperation allows the liberalization of trade to be beneficial for all member-states, binds the community and more importantly makes the final product competitive on the international market.¹³⁸ Moravcsik calls this kind of intra-industrial cooperation in a particular industrial sphere “co-development projects”, which allows industrialists to greatly reduce operating expenses and invite investments required for the production of advanced technology products.¹³⁹ One of the most illustrative examples of codevelopment projects is the European aircraft manufacturing company AIRBUS,¹⁴⁰ which nowadays is recognized as the leading company in this sphere and realizes half of all the aircraft orders in the world.¹⁴¹

Evaluation of experience of already existing communities makes it possible to claim that integration leads nations to peace and prosperity, establishment of peaceful relations and – what is also important – accumulation of power. In many respects it is thanks to integration that Europe now is a “quiet region”¹⁴² whose global influence is second only to the US. It possess all possible array of power being an international standards setter,¹⁴³ leading provider of capital abroad, exerting great civilian influence by economic and legislation levers, attracting new members through a very smart “neighborhood policy”¹⁴⁴ negotiating as a unique block at global trade organizations and holding the euro, the only serious rival to the US dollar.¹⁴⁵ Moravcsik calls the region the “second superpower”,¹⁴⁶ whose successful integration experience gives hope that the same prosperity and social welfare can be achieved in other regions.

Liberal intergovernmentalism by Andrew Moravcsik finds worldwide academic support and has been considered as one of the main integration approaches. Nevertheless, it is a developing theory open to refinement and improvement that has many followers, among who are Lisa L. Martin, Frank Schimmelfennig and Kalypso

¹³⁸A.MORAVCSIK, “Liberalism and Localism in the World Economy”, *op. cit.*, p. 98.

¹³⁹A.MORAVCSIK, “Arms and Autarky in European History”, *Daedalus*, Vol. 120, No. 4, Winter 1991, p. 35.

¹⁴⁰A.MORAVCSIK and P.COTHIER, “The Future of the European Armaments Industry”, *International Defense Review*, Vol. 4, September 1991, p. 962.

¹⁴¹AIRBUS, “Company: Welcome to the World of Airbus”, <http://www.airbus.com/company/> [12-2-2013].

¹⁴²A.MORAVCSIK, “Europe: The Second Superpower”, *Current History*, Vol. 109, No. 725, March 2010, p. 97.

¹⁴³*Ibid.*, p. 94.

¹⁴⁴A.MORAVCSIK, “Europe: The Quiet Superpower”, *French Politics*, Vol. 7, No. 3-4, September-December 2009, pp. 409-411.

¹⁴⁵A.MORAVCSIK, “Europe: The Second Superpower”, *op. cit.*, p. 94.

¹⁴⁶*Ibid.*, p. 91.

Nicolaïdis whose works in collaboration with Moravcsik have already been mentioned in this chapter and are analyzed in more detail in the next.

4.5. Conclusion

In this chapter, Liberal Intergovernmentalism by Andrew Moravcsik is explained through division into four blocks of issues, three of which corresponds to the three stages of the process of regional integration: state preferences formation, international bargaining and creation of institutions in order to consolidate the outcome of negotiations, while the last one refers to effects of institutional choice.

Regarding the first block – national preferences formation – nation-state, the corner stone of the theory, is considered, which Moravcsik understands as a representative organization of various interest groups each of which affects foreign policy formation according to the degree of its domestic influence. In this respect state preferences are viewed as a set of values that governments have chosen from domestic priorities under the pressure of their constituencies and internal circumstances. In the case of regional integration, two groups of preferences – economic and geopolitical–determine states' decisions, where economy-oriented priorities based on commercial interests of domestic groups and macroeconomic considerations of governments undoubtedly dominate.

The second block of issues relates to inter-state bargaining, which is accompanied by the “two-level game”, the model of state-society relations where governments are viewed as agents, authorized by domestic groups, the principals, to represent their interests in the world arena. In accordance with two-level game, politicians reporting the positions of their countries abroad have to balance between two spaces – international and domestic. On the international level, their actions are restrained by decisions of other states, while domestically the primary concern is what their constituencies would ratify. The range of outcomes that supposedly would be approved at home make up the “win-sets” of representatives that he or she intends to obtain.

Two-level game is most evident during the process of intergovernmental negotiations where states maintain their position proceeding from their relative bargaining power determined by patterns of asymmetrical interdependence.

In the third block of issues the institutional stage of cooperation is studied, to which negotiators pass in order to implement outcomes of bargaining. In the manner of asymmetrical interdependence the outcomes of bargaining are asymmetrical and the gains of states are proportional to their contributions. It does not imply that all actors will benefit from cooperation in the same way, but that they will profit in some way. Ideally, Moravcsik points out that the outcomes of bargaining should be Pareto-efficient, i.e. they should benefit one state without harming others.

The necessity of negotiators to affirm their commitments to the results of bargaining and to assure themselves that their partners will do the same explains states'

decision to make institutional choice and establish supranational bodies. On the one hand, by the way of institutional choice, governments obtain guarantees on the part of the integrating community and on the other hand, they “lock in” cooperation from domestic pressure preventing future political changes of the official course. States’ decision to join an institution depends on certain variables among which are potential gains of cooperation, the level of uncertainty in partners’ behavior and the political risk of losing sovereignty. Generally, institutional choice is most common when potential gains are high, uncertainty is also high, but the political risk is low.

On entering supranational organs, states by these means transfer part of their national sovereignty to them, which can be formed in two ways – by pooling and by delegation. Nations resort to pooling sovereignty when issues concern decision-making procedures, while delegation is needed for implementation of these decisions.

The fourth block of issues explains the effects of institutional choice. When transferring sovereignty states confer power on supranational officials to represent the entire integrated group in common fields of cooperation with third parties, initiate policies putting certain questions onto the agenda and to enforce the implementation of community decisions. Even so, according to Moravcsik the relative power of supranational bodies never makes them a substitute to governments and the final word always rest with nation-states.

Among other effects of institutions, Moravcsik finds that in addition to reducing transaction costs of cooperation and creating a favorable environment for negotiations – the functions that have already been pointed out by Keohane – institutions serve states as instruments of their foreign and internal policies, increasing domestic credibility of governments and enabling them to launch projects that cannot be implemented by unilateral means. Along with that, contrary to a statement that institutions are undemocratic, Moravcsik argues that they do enhance democracy encouraging member-states to accept high democratic international standards, giving them additional opportunities to assert influence abroad, export goods and services, promote their ideas, etc., and besides this, making them accountable to national governments and herewith to the citizens of participating countries.

LI introduced by Andrew Moravcsik is a developing theory of integration, open to new elaborations and contributions which are studied in the next chapter.

CHAPTER 5

CURRENT THEORETICAL DEVELOPMENTS IN LIBERAL INTERGOVERNMENTALISM

The present chapter is dedicated to theoretical contributions and novelties of those authors who have taken Andrew Moravcsik's liberal intergovernmentalism as the starting point of their research. Some of them concern issues that have not been studied yet, while others represent new interpretations to already posed problems.

Structurally, the chapter is divided into four sections, the first three sections relate correspondingly to theoretical elaborations made by Frank Schimmelfennig, Lisa L. Martin and Kalypso Nicolaïdis, while the fourth section deals with critics of LI. Some issues the authors deal with are very new and therefore find only one explanation in the scope of this work, while others such as the subjects associated with enlargement and democracy have found not contradictory but different interpretations each of which are represented here in subsequent parts.

5.1. Frank Schimmelfennig: rhetorical action, political conditionality, legacies

Frank Schimmelfennig considers LI as the most developed rationalist approach to the issue of regional integration that successfully explains its decisive moments¹

¹F.SCHIMMELFENNIG, "The Community Trap: Liberal Norms, Rhetorical Action, and the Eastern Enlargement of the European Union", *International Organization*, Vol. 65, Issue 01, December 2001, p. 47.

and could be used as a thought-provoker for further relevant investigation.² The issue he specializes in is enlargement and special bargaining techniques used during this process carried out with the case of the European Union.

Schimmelfennig shares the corresponding statement claimed from LI that enlargement is an “efficiency-driven” response of member-states to increased interdependence.³ His analysis of the process as well as related theoretical contributions come in line with the initial theory, in particular in those steps that concern states’ preferences formation and international bargaining taken as an “input” of the issue under research, while his major novelties are related more to its “outcome”.⁴

In the case of enlargement, on the stage of state preferences formation, Schimmelfennig distinguishes those member-states who favor the process – the “drivers” – and those who in contrast oppose it – the “brakemen”⁵ – where the primary attention is paid to the most relevant ones who are fully engaged in negotiations and whose positions are determined by their domestic circumstances.⁶

In general, without going into details of internal affairs of a given member-state, its enlargement preferences are underlined by self-interests and likely to be implied by *geographical proximity* to candidates for accession, corresponding *threats* and the opportunity of *influence*.⁷ Proceeding from *geographical proximity*, three arguments are worth noting. First, those member-states that are geographically closer to candidate-countries are more interdependent with them and thus more vulnerable to crises, conflicts and other political changes in their neighbor-states rather than the more distant members. Second, economic benefits increase with geographical proximity because of low transportation and communication expenses. And third, taking into account these political and economic statements, it is reasonable to note that those countries that have a common border with candidate member-states, or at least situated close to them, are likely to be drivers of their involvement.⁸ In the matter of *threats*, the experience of already existing integrated communities demonstrates that potential disputes could take place among those members and candidates who specialize in the same industrial fields or who equally claim financial aid from supranational organs and community funds. As far as potential *influence* opportunities are concerned, again proceeding from world integration experience, it may be stated that under conditions of asymmetrical interdependence in favor of community those states that are geographically closer to candidates gain more influence over them.⁹ This explains why

²F.SCHIMMELFENNIG, “The Normative Origins of Democracy in the European Union: Toward a Transformationalist Theory of Democratization”, *European Political Science Review*, Vol. 2, No. 2, 2010, p. 221.

³*Ibid.*, p. 221.

⁴F.SCHIMMELFENNIG, “The Community Trap: Liberal Norms, Rhetorical Action...”, *op. cit.*, p. 76.

⁵*Ibid.*, p. 49.

⁶F.SCHIMMELFENNIG, “Entrapped Again: the Way to EU membership negotiations with Turkey”, *International Politics*, Vol. 46, Issue 4, 2009, p. 416.

⁷F.SCHIMMELFENNIG, “The Community Trap: Liberal Norms, Rhetorical Action...”, *op. cit.*, pp. 49-53.

⁸*Ibid.*, pp. 50-51.

⁹*Ibid.*, p. 52.

Germany is considered the major beneficiary of Eastern enlargement of the EU¹⁰ and why France is known as its traditional brakeman.¹¹

Concerning the second stage of Moravcsik's model of decision-making process – interstate bargaining – Frank Schimmelfennig's theoretical contribution relates to the conditions of successful cooperative bargaining and "rhetorical entrapment" that takes place in a situation of highly divergent national preferences when states find themselves caught up or "entrapped" in commitments and decisions different to their initial priorities¹² and have to reach a common agreement.¹³

Schimmelfennig, referring to Daniel C. Thomas, states that there are certain conditions that facilitate successful entrapment. Thus, actors are likely to come to the lowest common denominator when rules of their behavior and norms applicable to the issue under consideration are undoubtedly *determined* and are *relevant*, or correspondent to existing regulatory regime of the community. These two conditions Schimmelfennig considers as fundamental and if they are not met entrapment is impossible. Along with them, the *precedent* made by previous negotiations on the question under discussion, *forum* organized by appropriate institutional bodies where community's norms are taken as a cornerstone, and *publicity* that allows people at large to be aware of talks in favor of successful negotiations.¹⁴ As for brakemen, whose positions in the case of enlargement are determined by their potential losses, their preferences could be changed if they receive significant compensations from the side of winners and these additional expenses incurred by winners are not higher than their potential benefits. If not so, favors of brakemen can be altered under the threat of exclusion, where losses are higher than losses of enlargement.¹⁵ In total, meeting all these conditions stated above creates an ideal situation for rhetorical entrapment,¹⁶ in other cases, at least *relevance + determinacy* and/or *precedent* are needed for reaching an agreement.¹⁷

In such a manner, Schimmelfennig's theoretical contributions fully conform to LI by Andrew Moravcsik. Nevertheless, in line with this approach, he concludes that it explains the process related to enlargement issues only to the point of "association regime", which allows member-states to open markets of candidates for their own

¹⁰F.SCHIMMELFENNIG, *The EU, NATO and the Integration of Europe: Rules and Rhetoric*, Cambridge, Cambridge University Press, 2003, p. 62.

¹¹F.SCHIMMELFENNIG, "The Community Trap: Liberal Norms, Rhetorical Action...", *op. cit.*, p. 53.

¹²D.THOMAS, "Explaining the Negotiation of EU foreign policy: Normative Institutionalism and Alternative Approaches", *International Politics*, Vol. 46, No. 4, 2009, p. 345.

¹³F.SCHIMMELFENNIG and D.THOMAS, "Normative Institutionalism and EU Foreign Policy in Comparative Perspective", *International Politics*, Vol. 46, No. 4, 2009, p. 501.

¹⁴F.SCHIMMELFENNIG and D.THOMAS, "Normative Institutionalism and EU Foreign Policy...", *op. cit.*, p. 494.

¹⁵F.SCHIMMELFENNIG, "The Community Trap: Liberal Norms, Rhetorical Action...", *op. cit.*, p. 54.

¹⁶F.SCHIMMELFENNIG and D.THOMAS, "Normative Institutionalism and EU Foreign Policy...", *op. cit.*, p. 500.

¹⁷*Ibid.*, p. 499.

products without giving candidates access to financial funds and without empowering them to participate in community decision-making.¹⁸ As for why participating countries nonetheless admit candidates to their organization, and how the “rational outcome” related to association graduates into a “normative one” referring to enlargement, the theory needs further elaboration. For these reasons, Schimmelfennig proposes his two major theoretical novelties – “rhetorical action”¹⁹ and “political conditionality”.²⁰

Rhetorical action relates to the *strategy* of drivers of enlargement toward its brakemen, which could be summarized as “strategic use of norm-based arguments”²¹ in favor of self-interests and is closely related to rhetorical entrapment discussed above. The main instrument of this strategy is *legitimacy*, whose norms determine standards of behavior, affiliation, rights and obligations of those who can become members of integrated community; it states the rules on how governance should be exercised, decisions to be implemented, the initiatives to be proposed, etc. All member-states should develop their policies in conformity with these rules in order to validate them using the legitimacy of the community as a “warrant” and “backing”,²² in other words guarantee, of their argumentation.²³ Theoretically, rhetorical action could be used by all actors: by these means less powerful actors can compel more powerful ones,²⁴ while those states who behave in accordance with institutional legitimacy increase their bargaining power on common issues.²⁵ In order to achieve their goals actors that use rhetorical action strategy can *manipulate* group identity, geographical variables, different points of eligibility criteria and different treatment of members;²⁶ and the primary sources for analyzing how they shape their arguments can be found in reports, public speeches, declarations, briefings, etc.²⁷

¹⁸F.SCHIMMELFENNIG, “The Community Trap: Liberal Norms, Rhetorical Action...”, *op. cit.*, 56.

¹⁹*Ibid.*, p. 48.

²⁰F.SCHIMMELFENNIG, S.ENGERT and H.KNOBEL, “Costs, Commitment and Compliance: The Impact of EU Democratic Conditionality on Latvia, Slovakia and Turkey”, *Journal of Common Market Studies*, Vol. 41, No. 3, 2003, p. 495.

²¹F.SCHIMMELFENNIG, “The Community Trap: Liberal Norms, Rhetorical Action...”, *op. cit.*, p. 62.

²²Frank Schimmelfennig borrows the terms “warrant” and “backing” from Stephen Toulmin, Richard Rieke and Allan Janik, who propose four-level mechanism of argumentation that generally could be summarized as follows: for creating a rational line of reasoning, first of all it is necessary to clearly determine the position that is planned to be defended (i.e. to distinguish *claims*), then, specify the “factual data” able to explain the position (indicate *grounds*), after that find where exactly these grounds are specified, thus they should appear in legal documents, formulas, laws of nature, etc. (find *warrants*), and finally the warrants should be checked that they are reliable enough to trust them, that subsequently refers to the fourth stage – the *backing*. Vid. S.TOULMIN, R.RIEKE and A.JANIK, *An Introduction to Reasoning*, New York, Macmillan Publishing Co., Inc., 1984 (2nd edition), pp. 25-26.

²³F.SCHIMMELFENNIG, “The Community Trap: Liberal Norms, Rhetorical Action...”, *op. cit.*, pp. 62-63.

²⁴F.SCHIMMELFENNIG, “The Normative Origins of Democracy in the European Union...”, *op. cit.*, p. 230.

²⁵F.SCHIMMELFENNIG, “The Community Trap: Liberal Norms, Rhetorical Action...”, *op. cit.*, p. 63.

²⁶*Ibid.*, pp. 68-70.

²⁷*Ibid.*, p. 66.

Another novelty proposed by Frank Schimmelfennig – *political conditionality* – also relates to the process of interstate bargaining²⁸ under the enlargement process, but in this case, as distinct from rhetorical action, it concerns external relations of integrated community, not the internal ones.

Political conditionality is a “top-down mechanism”²⁹ for determining rules, principles, norms and standards of behavior that should be followed by those candidate countries who claim community financial support, association status and – ultimately – membership in order to obtain all these gains.³⁰ Using political conditionality, an integrated group makes candidates conform to legitimacy of their community. The efficiency of this mechanism depends on the size of potential benefits organizations can offer³¹ and “adoption costs”³² candidates should incur.

In his research, Schimmelfennig finds that when applied, political conditionality frequently takes the form of “reinforcement by reward” strategy and is widely used by integrated communities in relations with their neighbors and candidate countries. This strategy implies the practice of extending benefits to those “target” states that have fulfilled prescribed norms. The size of these potential gains varies from technical assistance and financial aid to internal market access and membership. As distinct from “reinforcement by punishment” and “reinforcement by support” the other two strategies of political conditionality, summarized by charging penalties if norms have not been complied in one case and giving absolute support in the other, “reinforcement by reward” gives community wide scope for maneuver. Thus, for example, it allows the integrated group to control target countries’ behavior without coming into long-term agreements with them. The most efficient means for this form of coercion are intergovernmental ones, while institutionally they usually take the form of treaties on cooperation, trade, association and – ultimately – admission agreements.³³

The practical issue, to which Schimmelfennig applies the mechanism of political conditionality, is the European Neighborhood Policy (ENP).³⁴ In this particular case, the legal framework of norms prescribed to candidates is posed by liberal principles³⁵

²⁸S.LAVENEX and F.SCHIMMELFENNIG, “EU Democracy Promotion in the Neighborhood: From Leverage to Governance?”, *Democratization*, Vol. 18, No. 4, August 2011, p. 892.

²⁹F.SCHIMMELFENNIG and H.SCHOLTZ, “EU Democracy Promotion in the European Neighborhood: Political Conditionality, Economic Development and Transnational Exchange”, *European Union Politics*, Vol. 9, No. 2, 2008, p. 192.

³⁰F.SCHIMMELFENNIG and H.SCHOLTZ, “Legacies and Leverage: EU Political Conditionality and Democracy Promotion in Historical Perspective”, *Europe-Asia Studies*, Vol. 62, No. 3, May 2010, p. 445.

³¹F.SCHIMMELFENNIG and H.SCHOLTZ, “EU Democracy Promotion in the European Neighborhood: Political Conditionality...”, *op. cit.*, p. 191.

³²T.FREYBURG, S.LAVENEX, F.SCHIMMELFENNIG, T.SKRIKKA and A.WETZEL, “Democracy Promotion through Functional Cooperation? The Case of the European Neighborhood Policy”, *Democratization*, Vol. 18, No. 4, August 2011 (b), p. 1032.

³³F.SCHIMMELFENNIG, S.ENGERT and H.KNOBEL, “Costs, Commitment and Compliance: The Impact of EU Democratic Conditionality...”, *op. cit.*, pp. 496-497.

³⁴F.SCHIMMELFENNIG and H.SCHOLTZ, “EU Democracy Promotion in the European Neighborhood: Political Conditionality...”, *op. cit.*, p. 188.

³⁵*Ibid.*, p. 190.

and democratic ideals that he recognizes as the basis of European collective identity.³⁶ In addition, the rules that the organization makes target countries obey are confined to human rights protection, holding of fair elections,³⁷ public participation, accountability of highest authorities,³⁸ market system of economy and supremacy of law.³⁹ This mechanism aims to promote democratization of candidate countries and bring their domestic legitimacy in line with the EU's *acquis communautaire* referring to the complex of regulatory instruments adopted by the European supranational bodies.⁴⁰ For these purposes, the EU chooses different political, social and sectorial "targets", where political ones refer to the practice of elections, separation of powers, and regard for democratic freedoms and liberties; social ones concern programs focused on education, human wellbeing, and promotion of liberal ideas; while sectorial approach relates to those fields where particular candidate countries need assistance most of all.⁴¹

For political democratization the EU applies "governance model" aimed at managing the three pillars of democracy – *transparency, accountability and participation* – that works best of all if subjects for change are relevant to *acquis communautaire*, candidates are open to the international community, they are highly interdependent with the EU and their relations with the organization are formed as institutions.⁴² Even if this method does not lead to immediate sweeping changes in target countries, Shimmerfennig recognizes it as a good practice for preparing a site for further democratic developments.⁴³

For social democratization the EU launch programs intended to trigger growth of common wealth in candidate countries and increase transnational interactions among their citizens and citizens of the union, which confirms the thesis that democratic ideas are assimilated better by societies of those states where economic growth and level of "transnational exchange" are high.⁴⁴

In parallel with political and social democratization, the EU cooperates with candidate countries in certain sectors of mutual interest. Thus, for Ukraine it is energy⁴⁵ and transport sectors,⁴⁶ for Morocco, Moldova and again Ukraine it is migration

³⁶F.SCHIMMELFENNIG, "Entrapped Again: the Way to EU membership negotiations with Turkey", *op. cit.*, p. 414.

³⁷F.SCHIMMELFENNIG and H.SCHOLTZ, "EU Democracy Promotion in the European Neighborhood: Political Conditionality...", *op. cit.*, p. 190.

³⁸T.FREYBURG, S.LAVENEX, F.SCHIMMELFENNIG, T.SKRIPIKA and A.WETZEL, "Democracy Promotion through Functional Cooperation?...", *op. cit.*, p. 1026.

³⁹F.SCHIMMELFENNIG, "Entrapped Again: the Way to EU membership negotiations with Turkey", *op. cit.*, p. 420.

⁴⁰A.CIRTAUTAS and F.SCHIMMELFENNIG, "Europeanisation Before and After Accession: Conditionality, Legacies and Compliance", *Europe-Asia Studies*, Vol. 62, No. 3, May 2010 (b), p. 421.

⁴¹S.LAVENEX and F.SCHIMMELFENNIG, "EU Democracy Promotion in the Neighborhood...", *op. cit.*, p. 889.

⁴²*Ibid.*, pp. 895-897.

⁴³T.FREYBURG, S.LAVENEX, F.SCHIMMELFENNIG, T.SKRIPIKA and A.WETZEL, "Democracy Promotion through Functional Cooperation?...", *op. cit.*, p. 1047.

⁴⁴F.SCHIMMELFENNIG and H.SCHOLTZ, "Legacies and Leverage: EU Political Conditionality and Democracy...", *op. cit.*, p. 446.

⁴⁵S.LAVENEX and F.SCHIMMELFENNIG, "Relations with Wider Europe", *Journal of Common Market Studies*, Vol. 46, Annual Review, 2008, p. 157.

issues,⁴⁷ for the entire Eastern Europe, Caucasus and Central Asia it is water governance, etc.; the focus can also be made on conflict resolution such as in the situation of the Transdniestria dispute⁴⁸ or South Ossetia and Abkhazia cases.⁴⁹

This example of ENP demonstrates how the mechanism of political conditionality operates in practice allowing the community to promote its ideas abroad, prepare the basis for integration with candidate countries and their further involvement in the work of the organization.

In addition to pointing out the strategies of political conditionality as well as practical examples of its application, Schimmelfennig emphasizes “legacies”, or “shadows of the past”,⁵⁰ as factors that can facilitate its successful implementation.⁵¹ In a broad sense, the author understands “legacies” as regional or national particularities derived from the previous events that concern different aspects of life of society and have not lost their consequence today.⁵² By their definition, legacies relate to the historical background of a target country or region. Schimmelfennig divides them into *structural*, *institutional* and *interactional*, where structural legacies are determined by religion, cultural and civilization patterns, state’s stature in the past and special aspects of nation development; institutional legacies come from social particularities inherited from previous regimes; while interactional ones are provoked by corresponding events and decisions in the recent past.⁵³

It is obvious that any nation has many legacies, each of which is more or less relevant today; in these circumstances, it is usually elites who decide what legacies are principal nowadays and could be useful for achieving their goals.⁵⁴ The same technique is used by organizations in order to facilitate candidate countries’ involvement in integration.

Application of theoretical novelties offered by Frank Schimmelfennig – rhetorical action, political conditionality and use of legacies – allows better understanding of bargaining techniques that integrated communities exploit in order to deal with internal and external issues associated with the process of enlargement. In parallel with Schimmelfennig, this issue has also been discussed by Kalypso Nicolaïdis, whose explanations are studied in the third block of the present chapter, while now it is more

⁴⁶S.LAVENEX and F.SCHIMMELFENNIG, “Relations with Wider Europe”, *Journal of Common Market Studies*, Vol. 44, Annual Review, 2006, p. 145.

⁴⁷T.FREYBURG, S.LAVENEX, F.SCHIMMELFENNIG, T.SKRIPIKA and A.WETZEL, “Democracy Promotion through Functional Cooperation?...”, *op. cit.*, p. 1035.

⁴⁸S.LAVENEX and F.SCHIMMELFENNIG, “Relations with Wider Europe”, *op. cit.*, 2006, p. 145.

⁴⁹S.LAVENEX and F.SCHIMMELFENNIG, “Relations with Wider Europe”, *op. cit.*, 2008, p. 159.

⁵⁰A.CIRTAUTAS and F.SCHIMMELFENNIG, “Europeanisation Before and After Accession...”, *op. cit.*, p. 428.

⁵¹F.SCHIMMELFENNIG and H.SCHOLTZ, “Legacies and Leverage: EU Political Conditionality and Democracy...”, *op. cit.*, p. 448.

⁵²A.CIRTAUTAS and F.SCHIMMELFENNIG, “Europeanisation Before and After Accession...”, *op. cit.*, p. 426.

⁵³*Ibid.*, p. 429.

⁵⁴*Ibid.*, p. 430.

consistent to proceed to the works of Lisa L. Martin because she elaborates novelties related to the third stage of Moravcsik's model that concern institutions.

5.2. Lisa L. Martin: institutional effects, economic sanctions, democratic deficit

The research of Lisa L. Martin is based on previous theoretical statements made by Robert Keohane and Andrew Moravcsik related to the field of international choice. She shares their state-centric approach, analyzed in previous chapters, that proposes that institutions serve member-states by securing arrangements reached during the negotiation process,⁵⁵ providing reliable information about priorities of other members, establishing common norms, creating a favorable environment for achieving Pareto-efficient solutions and reducing transaction costs;⁵⁶ in other words, institutions aim to facilitate cooperation among participating countries, which is in accordance with Keohane's widely accepted formula considered as "mutual policy adjustment".⁵⁷ In addition to this, institutions are supposed to set rules of conduct for member-states,⁵⁸ changing in such a manner their standards of behavior. In accordance with Martin, this ability of institutions has been poorly investigated by the authors of the theory and thus its further research is required.⁵⁹

In collaboration with other scientists working in this field,⁶⁰ Lisa Martin proposes special classification of institutional effects aimed at changing states' behavior. Pursuant to this typology their level and the outcome depend on external pressure, the form and the goal of institutions, openness to domestic groups⁶¹ and particularities of the issues they were created for.⁶² This classification is supposed to answer how and under what conditions institutions might modify states' behavior,⁶³ a state changes its policy on entering an organization, and can this modification be definitely considered

⁵⁵L.MARTIN and B.SIMMONS, "Theories and Empirical Studies of International Institutions" in L.MARTIN and B.SIMMONS (Eds.), *International Institutions: an International Organization Reader*, Massachusetts, The MIT Press, 2001 (a), p. 454.

⁵⁶L.MARTIN, "An Institutionalist View: International Institutions and State strategies" in T.PAUL and J.HALL (Eds.), *International Order and the Future of World Politics*, Cambridge, Cambridge University Press, 1999, p. 81.

⁵⁷L.MARTIN, "Against Compliance" in J.DUNOFF and M.POLLACK (Eds.), *Interdisciplinary Perspectives on International Law and International Relations: The State of the Art*, New York, Cambridge University Press, 2013, p. 601.

⁵⁸L.MARTIN, "An Institutionalist View: International Institutions and State strategies", *op. cit.*, p. 81.

⁵⁹B.SIMMONS and L.MARTIN, "International Organizations and Institutions" in W.CARLSNAES, T.RISSE and B.SIMMONS (Eds.), *Handbook of International Relations*, London, Sage Publication LTD, 2001 (c), p. 195.

⁶⁰In particular with L. Botcheva and B.A. Simmons. *Vid.* L.MARTIN and B.SIMMONS, "Theories and Empirical Studies of International Institutions", *op. cit.*; L.BOTCHEVA and L.MARTIN, "Institutional Effects and State Behavior: Convergence and Divergence", *International Studies Quarterly*, Vol. 45, Issue 1, 2001, pp. 1-26.

⁶¹*Ibid.*, p. 1.

⁶²*Ibid.*, p. 5.

⁶³L.MARTIN and B.SIMMONS, "Theories and Empirical Studies of International Institutions", *op. cit.*, p. 460.

as one that has been provoked by institutions? – those questions that usually occur to scientists who intend to define institutional influences.⁶⁴

The logic of this classification proposes that there is an “average state behavior” taken as a starting point that deviates from the initial course under institutional pressure. When states deviate their policies towards the side of others it is a situation of “convergence” in standards of behavior, when the gap among them increases it is the case of “divergence”.⁶⁵

Proceeding from the initial predisposition of any supranational institution that implies delegation of power, just the fact of its establishment already leads to *convergence* of political behavior because in this manner states accept a policy common for all of them in a particular sphere whether it is trade, collective security or monetary cooperation.⁶⁶ In parallel, it is also logical that the more a country is interdependent with an institution,⁶⁷ and the better it copes with tasks it was created for,⁶⁸ the more committed this state will be to this institution.⁶⁹ These considerations derived from the previous studies partially shed light on the problem, but they mention nothing of the principles and regularities according to which institutions are supposed to change states’ behavior and which Lisa Martin intends to hypothesize.

The principles of institutional effects proposed by Martin are based on the game theory and their main variable is the level of “externalities”. In this case, “externalities” refer to the situation when the size of potential benefits that a state can achieve depends on the behavior of its partners. Martin points out two games characterized by a high level of externalities – the coordination game and Prisoner’s Dilemma.⁷⁰ In both

⁶⁴L.MARTIN, “Against Compliance”, *op. cit.*, p. 606.

⁶⁵L.BOTCHEVA and L.MARTIN, “Institutional Effects and State Behavior: Convergence and Divergence”, *op. cit.*, p. 5.

⁶⁶L.MARTIN and B.SIMMONS, “Theories and Empirical Studies of International Institutions”, *op. cit.*, p. 460.

⁶⁷L.MARTIN, “An Institutionalist View: International Institutions and State strategies”, *op. cit.*, p. 91.

⁶⁸J.GOLDSTEIN and L.MARTIN, “Legalization, Trade Liberalization, and Domestic Politics: A Cautionary Note”, *International Organization*, Vol. 54, Issue 03, June 2000, p. 630.

⁶⁹L.MARTIN, “An Institutionalist View: International Institutions and State strategies”, *op. cit.*, p. 91.

⁷⁰L.BOTCHEVA and L.MARTIN, “Institutional Effects and State Behavior: Convergence and Divergence”, *op. cit.*, p. 6. In reliance on the works of D. Snidal and A. Stein, Lisa Martin proposes four-game classification typical for four cases of cooperation, which are *collaboration*, *coordination*, *suasion*, *assurance*. The most studied one – the Prisoners’ Dilemma, which refers to *collaboration*, characterizes the situation when benefits from betrayal or cooperation are distributed in the following order: 3,3 – 1,4 – 4,1 – 2,2, where in the first case, one player gains more than another when he betrays and the other does not betray (4,1); in the second case, they both betray and gains are low (2,2); or in the third case, they both cooperate and gains are higher than in the second case (3,3). Thus, in the PD scenario it is more rational to cooperate because it is less risky and players do not lose a great deal. In the *Coordination* game, there are the following possible outcomes: 4,3 – 1,2 – 2,1 – 3,4, where the most beneficial outcomes – 3,4 or 4,3 – are possible only if one of the players concedes, because if both players stand their ground, the outcome – 1,2 or 2,1 – do not satisfy either of them since gains are very low. In this scenario, cooperation is once again beneficial for both players, but it is not equally beneficial. *Suasion* game is typical for situations of dominance of one player over another, this is the case of cooperation under hegemony and potential pay-offs have the following structure: 4,3 – 3,4 – 2,2 – 1,1, where the most promising outcomes – 3,4 or 4,3 – are possible for the dominant player only. In this scenario, player A persuades player B to cooperate promising side benefits by means of issue-linkages, which are relatively more beneficial for player B, or by threatening him which is less beneficial. Finally, in the *assurance* game, or Stag hunt, benefits could be summarized as follows: 4,4 – 1,3 – 3,1 – 2,2. In this situation, betrayal can be beneficial for A if B does not betray (3,1) but for both of them cooperation is

scenarios there are solutions that will satisfy all players that can be achieved only under the conditions of cooperation;⁷¹ the difference between them is that PD needs concerted efforts on policy adjustment⁷², while a mutually beneficial outcome of the coordination game implies achieving a Pareto-efficient balance of behavior.⁷³ Following this line of reasoning, Martin argues that a high level of externalities leads to cooperation that is possible only when participants deviate from their original course⁷⁴ to one which is more appropriate for all of them and therefore adjusting their policies, i.e. converging behavior.⁷⁵

Regarding divergence effects, a low degree of dependence on partners' behavior contributes but does not lead directly to increasing the gap in states' positions and there are other variables that become significant in this case, which are inconsistency of initial preferences⁷⁶ and particularities of domestic circumstances of each given state.⁷⁷ The role of these two factors turns out to be defining only when externalities are low,⁷⁸ in this situation inverse national priorities and divergent attitudes of domestic actors in member-states drive their respective governments to pursue opposite political courses.⁷⁹ Divergence can occur not only when political courses deviate, but also when one state approximates their behavior closer to institutional norms than others creating disproportion and thus provoking the effect of divergence.⁸⁰

Therefore, in accordance with Martin's classification, converging institutional effects are likely to be provoked in the situation when all actors understand that cooperation is the most appropriate way of handling collective problems, when dependence on other states' action is high and when empowered supranational institutions are well-designed to deal with terms of reference. Divergence effects in turn are supposed to occur when national preferences and interests of domestic actors of participating states are in different directions and the level of externalities is too low to alter them.

the best outcome (4,4). Vid. L.MARTIN, "Interests, Power, and Multilateralism" in L.MARTIN and B.SIMMONS (Eds.), *International Institutions: an International Organization Reader*, Massachusetts, The MIT Press, 2001 (d), pp. 41-55. (Cited by Lisa L. Martin: D.SNIDAL, "Cooperation Versus Prisoners' Dilemma: Implications for International Cooperation and Regimes", *American Political Science Review*, Vol. 79, December 1985, pp. 932-942; A.STEIN, "Coordination and Collaboration: Regimes in an Anarchic World" in S.KRASNER (Ed.), *International Regimes*, Ithaca, New York, Cornell University Press, 1983, pp. 115-140).

⁷¹L.MARTIN, "Interests, Power, and Multilateralism", *op. cit.*, p. 41.

⁷²*Ibid.*

⁷³B.SIMMONS and L.MARTIN, "International Organizations and Institutions", *op. cit.*, p. 196.

⁷⁴L.MARTIN, "Interests, Power, and Multilateralism", *op. cit.*, p. 41.

⁷⁵L.BOTCHEVA and L.MARTIN, "Institutional Effects and State Behavior: Convergence and Divergence", *op. cit.*, p. 7.

⁷⁶*Ibid.*, p. 8.

⁷⁷L.MARTIN and B.SIMMONS, "Theories and Empirical Studies of International Institutions", *op. cit.*, p. 464.

⁷⁸L.BOTCHEVA and L.MARTIN, "Institutional Effects and State Behavior: Convergence and Divergence", *op. cit.*, p. 10.

⁷⁹L.MARTIN and B.SIMMONS, "Theories and Empirical Studies of International Institutions", *op. cit.*, p. 464.

⁸⁰*Ibid.*, p. 463.

The influence of institutions is not only limited to convergence or divergence of states' behavior, their impact is much more significant and widespread. The very existence of international organizations creates new opportunities for participating countries, giving them new means for pursuing their interests and thus increasing the potential benefits that come from interaction of domestic and foreign politics.⁸¹ One subsequent example that can be given in this respect is the influence of information provided by institutions.⁸² Thus, the reliable and extensive information about preferences and incentives of other member-states may provoke different responses from domestic groups that is not always positive for cooperation. For instance, in the situation of complete information on distribution of benefits promised by institutional legalization of trade, those domestic actors who gain less or do not gain at all may undertake retaliatory protectionist measures and put up obstacles to block the conclusion of the respective treaties.⁸³ At the same time, those for whom legalization may be beneficial, for example judiciaries who may use international instruments for argumentation, are likely to mobilize their efforts for support of cooperation in this field.⁸⁴

Influence of information in parallel with other institutional effects⁸⁵ that can concern different aspects from the role of regions in integration⁸⁶ to resistant social movements as well as interdependence between international and domestic politics are the new fields of research where great theoretical contributions have already been made, but there are still issues that need further research.⁸⁷

Along with studying institutional effects, Martin's theoretical contribution can never be too highly appreciated in another block of issues of current investigation concern related to *economic sanctions*. This special foreign policy leverage has different interpretations and provokes largescale academic debates that in general aim to explain conditions of its effectiveness and mechanism of subsequent multilateral negotiations.⁸⁸

⁸¹J.FRIEDEN and L.MARTIN, "International Political Economy: Global And Domestic Interactions" in I.Katznelson and H.MILNER (Eds.), *Political Science: The State Of The Discipline*, New York, W.W. Norton, 2003, p. 123.

⁸²*Ibid.*, p. 122.

⁸³J.GOLDSTEIN and L.MARTIN, "Legalization, Trade Liberalization, and Domestic Politics..." , *op. cit.*, p. 630.

⁸⁴B.SIMMONS and L.MARTIN, "International Organizations and Institutions", *op. cit.*, p. 202.

⁸⁵L.BOTCHEVA and L.MARTIN, "Institutional Effects and State Behavior: Convergence and Divergence", *op. cit.*, p. 24.

⁸⁶L.MARTIN, "Economic and Political Integration: Institutional Challenge and Response" in B.EICHENGREEN and F.JEFFRY (Eds.), *Forging an Integrated Europe*, Ann Arbor, The University of Michigan Press, 2001 (e), (4th edition), p. 150.

⁸⁷J.FRIEDEN and L.MARTIN, "International Political Economy: Global And Domestic Interactions", *op. cit.*, p. 125.

⁸⁸E.MANSFIELD, "International Institutions and Economic Sanctions", *World Politics*, Vol. 47, No. 4, July 1995, p. 575. In his review article of theoretical explanations of economic sanctions, Edward Mansfield along with Martin's major subsequent work, draws attention to works of Michael Mastanduno, David A. Baldwin, Gary Clude Hufbauer, Jefferey J. Schott, and Kimberly Ann Elliott. *Vid.* L.MARTIN, *Coercive Cooperation: Explaining Multilateral Economic Sanctions*, Princeton, Princeton University Press, 1992; M.MASTANDUNO, *Economic Containment: COCOM and the Politics of East-West Trade*, Ithaca, New York,

The model of economic sanctions developed by Lisa Martin derives from the game theory approach, puts emphasis on cooperation problems⁸⁹ and finds substantial empirical validation.⁹⁰ Referring to previous relevant studies,⁹¹ she distinguishes *senders* or those states that place sanctions, where the main initiator is called the *leading sender*, and *target* countries, i.e. those against whom sanctions are imposed.⁹² Theoretically, sanctions could be multilateral – those that need support of allied countries and usually the leading sender incurs high costs⁹³ – and unilateral – those that do not require cooperation with others. The case is that unilateral sanctions, even if they are cheaper, are less effective than multilateral ones, because embargo of only one state does not produce much resonance in a target country which can use alternative partners in this situation.⁹⁴ In such a manner, cooperation becomes the central condition of effective economic sanctions which in this particular case is considered as common actions.⁹⁵ In this situation, the main task of the leading sender is to gain support of their allies who usually do not completely share its interests.⁹⁶ Generally, proceeding from the game theory, there are three potential scenario leading to imposing economic sanctions – *coincidence*, *coercion* and *co-adjustment* – that in practice are usually so inter-related that more than one takes place.⁹⁷ Coincidence occurs when sanctions do not go against allies' interests and cooperation is considered as the best course of events, this is the situation of the assurance game. In coercion scenario, similar to the cognominal game, the leading sender is interested in imposing sanctions more than its allies, who most often do not benefit at all from cooperation; in this case, the initiator uses threats or side-payments in order to gain their partners help. Finally, co-adjustment, that relates to the collaboration game, or PD, describes a situation when cooperation is not the best but the second best outcome which requires convergence of allies' behavior.⁹⁸

The model proposed by Lisa Martin is studied in the situation when all senders are the members of one organization, which makes them interdependent by their *institutional commitments* and shared interests. This gives various leverages to the leading sender to put pressure on its partners, whether it is using a sense of solidarity or linking issues from different fields of cooperation in order to provide allies with side-

Cornell University Press, 1992; D.BALDWIN, *Economic Statecraft*, Princeton, Princeton University Press, 1985; G.HUFBAUER, J.SCHOTT and K.ELLIOTT, *Economic Sanctions Reconsidered: History and Current Policy*, Washington, D.C., Institute for International Economics, 1990 (2nd edition).

⁸⁹L.MARTIN, *Coercive Cooperation: Explaining Multilateral Economic Sanctions*, *op. cit.*, p. 4.

⁹⁰L.MARTIN, "Credibility, Costs, and Institutions: Cooperation on Economic Sanctions", *World Politics*, Vol. 45, Issue 3, April 1993, p. 431.

⁹¹*Vid.* G.HUFBAUER, J.SCHOTT and K.ELLIOTT, *Economic Sanctions Reconsidered: History and Current Policy* 1990.

⁹²L.MARTIN, *Coercive Cooperation: Explaining Multilateral Economic Sanctions*, *op. cit.*, p. 10.

⁹³L.MARTIN, "Credibility, Costs, and Institutions: Cooperation on Economic Sanctions", *op. cit.*, p. 421.

⁹⁴L.MARTIN, *Coercive Cooperation: Explaining Multilateral Economic Sanctions*, *op. cit.*, p. 3.

⁹⁵*Ibid.*, p. 10.

⁹⁶L.MARTIN, "Credibility, Costs, and Institutions: Cooperation on Economic Sanctions", *op. cit.*, p. 408.

⁹⁷L.MARTIN, *Coercive Cooperation: Explaining Multilateral Economic Sanctions*, *op. cit.*, p. 15.

⁹⁸*Ibid.*, pp. 25-26.

payments, and thus reimburse their expenses incurred by placing economic sanctions.⁹⁹ These side-payments become one of the most vital questions in this situation, whose value depends on the *audience costs* the leading sender intends to pay for its support.¹⁰⁰

As previously stated, Martin has applied her model in different case-studies, among which is the example of economic sanctions imposed on Argentina during the Falkland war that shows how the theory works in practice. The conflict between Argentina and the UK broke out when on April 2, 1982 Argentina invaded the Falkland Islands, whose sovereignty has been disputed by both nations for two centuries. In response, Great Britain created a 200-mile exclusion zone around the islands. Until the end of April there were possibilities that the conflict could be resolved by diplomatic rather than military means, but these hopes were dashed when on May 1, Britain brought the confrontation to a state of warfare by sinking the enemy cruiser *General Belgrano* with the loss of 300 of the ship's crew. In reply to this action, negatively viewed by the international community, Argentinian planes attacked the British destroyer *HMS Sheffield* killing 30 crew members. The fighting continued until the end of June and ended with defeat of Argentinian forces and return of the British governor to the islands.¹⁰¹

During this time of conflict Britain maintained the policy of economic sanctions supported by its EU (EEC in this period) partners that implied placing an embargo on trade, financial operations, loan granting and arms sales to Argentina. For the EEC, subsequent losses were not extensively damaging, but for Argentina, 20% of whose goods were exported to the community, the economic pressure was high. In total, the period of sanctions is divided by Lisa Martin into three stages. The first stage theoretically refers to the assurance game and covers events that took place before the British military attack, when all member-states were interested in cooperation by planning to prevent military action and solve the conflict by peaceful means. The second and the third stages are two variations of the coercion game when EEC members were not interested in continued sanctions anymore and Britain had to use institutional instruments and incur additional costs to gain their support. In the second phase, which began with the outbreak of hostilities, the EEC, in spite of strong opposition from Ireland, decided not to suspend sanctions before their one-month limit had expired, this decision was determined by institutional solidarity and did not imply additional ex-

⁹⁹L.MARTIN, "Credibility, Costs, and Institutions: Cooperation on Economic Sanctions", *op. cit.*, p. 418.

¹⁰⁰Martin relates audience costs to those domestic expenses that the leading sender should incur, paying its allies for their support and/or those losses of its credibility and reputation that it should sustain in the international arena in case it defaults on carrying out its promises. These developments of the concept are made on the basis of the work of James D. Fearon. Cited by Martin: *Ibid.*, p. 413. Original text: J.FEARON, "Deterrence and the Spiral Model: The Role of Costly Signals in Crisis Bargaining", a paper presented at the annual meeting of the American Political Science Association, San-Francisco (August 30-September 2, 1990).

¹⁰¹L.MARTIN, "Institutions and Cooperation: Sanctions during the Falkland Islands Conflict", *International Security*, Vol. 16, No. 4, Spring 1992, pp. 146-152.

penses. Nevertheless, on the third stage, when the question on renewal of sanctions had arisen, the UK enlisted EEC aid only due to subsequent concessions in community budget and agricultural policies, which pictorially shows the use of issue-linkages in coercion games and once more confirms Martin's theory.¹⁰²

The scope of Martin's novelties is not limited only to institutional effects and economic sanctions, in addition to them she also writes about the problem of democratic deficit that has already been discussed in the chapter dedicated to Andrew Moravcsik. She finds that the core of the problem is in the lack of representation and accountability in supranational bodies¹⁰³ which could be resolved if there were greater access for national parliaments of member-states and its regional representatives to the process of decision-making related to community issues¹⁰⁴, which is not possible at present.¹⁰⁵ In accordance with Martin, this not only might find an answer to the question, but would also contribute to more efficient implementation of institutional decisions.¹⁰⁶

Issues that concern democracy under the conditions of integration have also been studied by Kalypso Nicolaïdis, another of Moravcsik's colleagues and followers, whose theoretical novelties are discussed in the next section.

5.3. Kalypso Nicolaïdis: demoicracy, sustainable integration, decentering of integration

Like Lisa L. Martin, Kalypso Nicolaïdis pays particular attention to the question of democratic deficit but, as distinct from her colleague, she does not propose certain solutions of the problem but rather offers a different interpretation. For her, the question is very close to the issue of identity that leads her to introduce the term "demoicracy" that she describes as a community of states and people that are governed simultaneously, but are not treated as one.¹⁰⁷

In the political theory, there are traditionally two ways of explaining democracy – intergovernmentalist and supranationalist. Intergovernmentalist argumentations are based on the assumption that democratic liberties are assured by states' sovereignty and for each citizen being part of a nation is the main guarantee that his/her opinion will get a hearing during elections and his/her interests will be represented. For supranationalists, on the contrary, democratic freedoms are not limited by national

¹⁰²*Ibid.*, pp. 154-172.

¹⁰³L.MARTIN, "Economic and Political Integration: Institutional Challenge and Response", *op. cit.*, p. 151.

¹⁰⁴*Ibid.* p. 152.

¹⁰⁵L.MARTIN, "International and Domestic Institutions in the EMU Process" in B.EICHENGREEN and J.FRIEDEN (Eds.), *The Political Economy of European Unification*, Boulder, Westview Press, 1994, p. 98.

¹⁰⁶L.MARTIN, "Economic and Political Integration: Institutional Challenge and Response", *op. cit.*, p. 152.

¹⁰⁷K.NICOLAÏDIS, "European Demoicracy and Its Crisis", *Journal of Common Market Studies*, Vol. 51, No. 2, 2013 (a), p. 351.

borders, and in the case of integration citizens of all member-states share common values and they are similar enough to each other to create a large community where supranational bodies will secure their liberties. Thus, for intergovernmentalists, a nation-state is ultimately responsible for the defense of democracy while according to their opponents, supranational organs could carry out this kind of responsibility.¹⁰⁸

Analyzing these two ways of understanding democracy, Nicolaïdis finds a third one that is not aimed at sealing the gap between them by being on middle ground, but comes from their imbalances and ambiguities.¹⁰⁹ The basis of this third way is “demoi”, which she defines as a “persistent plurality” of people who do not belong to one single group, but who by belonging to different groups are complimentary to each other.¹¹⁰ In this manner, prosperity of communities based on demoicratic values does not require uniqueness of common identity, but needs compatibility of different national identities,¹¹¹ and relations among demoicratic states are not governed by strict supranational bodies, but instead they are managed by principles of “transnational pluralism”¹¹² and “demoicratic ethics”.¹¹³ In internal affairs, i.e. inside the community, demoicracy recognizes, respects and defends national peculiarities of each member-state as well as rights and freedoms of every person,¹¹⁴ specializing more on transnational links and subsequent rights and duties rather than focusing on and monitoring the domestic situation of participating countries.¹¹⁵ In parallel, in a demoicracy, special attention is paid to complementability of national and supranational bodies where non-governmental actors could play the role of middleman among them, while, for example in such issues as citizenship or voting, integration institutions aim to increase democratic rights guaranteed by states rather than replace national governments.¹¹⁶ In addition, a demoicratic community is not ruled in accordance with vertical subjection to supranational agencies, but consistent to dialogue between different levels of governance including regional ones¹¹⁷ that promotes “minimum compatibility and maximum recognition” of rules and norms of each member-state.¹¹⁸

The philosophy of demoicracy also lies in the idea of sustainable integration that can be considered as another theoretical novelty proposed by Kalypso Nicolaïdis.

Sustainable integration focuses on specific short-term projects that embrace different spheres such as environmental and social threats, human and cultural development, political and energy security, etc. without prioritizing any of them but focus-

¹⁰⁸K.NICOLAÏDIS, “We, the People of Europe...”, *Foreign Affairs*, Vol. 83, No. 6, November-December 2004, pp. 99-100.

¹⁰⁹K.NICOLAÏDIS, “European Democracy and Its Crisis”, *op. cit.*, p. 353.

¹¹⁰K.NICOLAÏDIS, “We, the People of Europe...”, *op. cit.*, p. 101.

¹¹¹K.NICOLAÏDIS and R.HOWSE, “This is my EUtopia...’: Narrative as Power”, *Journal of Common Market Studies*, Vol. 40, No. 4, 2002, p. 774.

¹¹²K.NICOLAÏDIS, “We, the People of Europe...”, *op. cit.*, p. 101.

¹¹³K.NICOLAÏDIS, “European Democracy and Its Crisis”, *op. cit.*, p. 362.

¹¹⁴K.NICOLAÏDIS, “We, the People of Europe...”, *op. cit.*, pp. 102-104.

¹¹⁵K.NICOLAÏDIS, “European Democracy and Its Crisis”, *op. cit.*, p. 363.

¹¹⁶*Ibid.*, p. 364.

¹¹⁷K.NICOLAÏDIS, “We, the People of Europe...”, *op. cit.*, p. 104.

¹¹⁸K.NICOLAÏDIS, “European Democracy and Its Crisis”, *op. cit.*, p. 363.

ing once again on their compatibility that ultimately should lead to the growth of national welfare of participating countries¹¹⁹ and sustainable peaceful relations among them.¹²⁰

In the manner of democracy, sustainable integration is based on political ethics mutually respected by all member-states, whose fundamental principles could be summarized as follows: *empowerment, recognition, solidarity, decentering* and *ownership*.¹²¹ *Empowerment* aims to extend rights of the most socially disadvantaged sections of the community such as ethnic minorities, displaced persons, refugees and other groups whose interests are not represented enough in local elective bodies, by means of special institutional funds created for these purposes.¹²² The principle of *recognition* reflects the philosophy of democracy that respects and protects diversity inside the community focusing on complementability of identities rather than their similarity.¹²³ *Solidarity* in turn relates to the moral choice of all member-states that aims to embrace preferences laid in different and often contradictory fields of altruistic motivations, community's commitments, self-interests and common good.¹²⁴ It comes from strictly rational assumptions¹²⁵ and inspired by mutual confidence and accord based on long-term friendly relations with participating countries, but not by utopian belief in their unanimity.¹²⁶ *Decentering* relates both to internal and external affairs of the organization.¹²⁷ Thus, in the interior it implies devolution of power from the central institutions to regional bodies¹²⁸ that creates some kind of "tiered regime" which allows simultaneous use of supranational leverages when they are more useful and deal with problems on national level when it seems more efficient.¹²⁹ While in external matters, it purports establishment of such relations with non-member-states that lead to incorporation of their values with those promoted by the community rather than simple adaptation of partners' principles and norms to the conditions stipulated by the integration

¹¹⁹K.NICOLAÏDIS, "The JCMS Annual Review Lecture. Sustainable Integration: Towards EU 2.0", *Journal of Common Market Studies*, Vol. 48, Annual Review, 2010 (a), p. 23.

¹²⁰*Ibid.*, p. 26.

¹²¹*Ibid.*, p. 39.

¹²²K.NICOLAÏDIS and R.HOWSE, "This is my EUtopia...': Narrative as Power", *op. cit.*, p. 785.

¹²³K.NICOLAÏDIS, "The JCMS Annual Review Lecture. Sustainable Integration: Towards EU 2.0", *op. cit.*, p. 39.

¹²⁴K.NICOLAÏDIS and J.VIEHOFF, "The Choice for Sustainable Solidarity in Post-Crisis Europe", *Europe in Dialogue*, Issue 1, 2012, p. 32, http://www.bertelsmann-stiftung.de/cps/rde/xbcr/SID-46689CD7-A0181394/bst/Europe_in_Dialogue_01_2012_Solidarity.pdf [03-02-2014].

¹²⁵K.NICOLAÏDIS, "The JCMS Annual Review Lecture. Sustainable Integration: Towards EU 2.0", *op. cit.*, p. 40.

¹²⁶K.NICOLAÏDIS and J.VIEHOFF, "The Choice for Sustainable Solidarity in Post-Crisis Europe", *op. cit.*, pp. 40-41.

¹²⁷K.NICOLAÏDIS, "The JCMS Annual Review Lecture. Sustainable Integration: Towards EU 2.0", *op. cit.*, pp. 41-42.

¹²⁸D.BECHEV and K.NICOLAÏDIS, "From Policy to Polity: Can the EU's Special Relations with its 'Neighborhood' be Decentered", *Journal of Common Market Studies*, Vol. 48, No. 3, 2010 (b), p. 491.

¹²⁹C.COGLIANESE and K.NICOLAÏDIS, "Securing Subsidiarity: the Institutional Design of Federalism in the United States and Europe" in K.NICOLAÏDIS and R.HOWSE (Eds.), *The Federal Vision: Legitimacy and Levels of Governance in the United States and the European Union*, New York, Oxford University Press Inc., 2001, p. 279.

association.¹³⁰ Last but not the least is the principle of *ownership* that infers equal responsibility and participation of all subjects of integration including both supranational and national institutions in the actions and decisions of the community that should not cause patriotic feelings amongst its citizens, but should be equally nurtured and “sustained” by all member-states.¹³¹ The same principle might also be implemented in relationships with the external world providing candidates the possibility of accession to develop in cooperation with member-states terms of their future participation or/and association.¹³²

Sustainable integration, the main advantage of integration process, should involve all the most important aspects of development of each given member of a community. Kalypto Nicolaïdis determines sustainable integration as the ability to maintain the system, even when the political situation in some member-states is unstable, because embracement of different spheres of interests makes it invulnerable to short-term uncertainty.¹³³ In addition to this, she argues that sustainable integration in some matters may change the bargaining structure of inter-state negotiations¹³⁴ altering the emphasis from *inter-governmental* to *inter-social* relations on the one hand and from the prospects of *nations* to prospects of *generations* on the other.¹³⁵

In parallel with *demoicracy* and *sustainable integration*, Nicolaïdis develops a third block of theoretical novelties that relate to the question of enlargement already mentioned in the analysis of F. Schimmelfennig’s works. Nevertheless, even though Nicolaïdis deals with the same problem, as distinct from her colleague, she interprets it not as an internal issue of a community but as an instrument aimed at increasing its prestige and influence in the world. Her concept of enlargement¹³⁶ is based on the tactics of *decentering*,¹³⁷ which was previously mentioned and which she refers to as

¹³⁰D.BECHEV and K.NICOLAÏDIS, “From Policy to Polity: Can the EU’s Special Relations...”, *op. cit.*, p. 491.

¹³¹K.NICOLAÏDIS, “The JCMS Annual Review Lecture. Sustainable Integration: Towards EU 2.0”, *op. cit.*, p. 42.

¹³²D.BECHEV and K.NICOLAÏDIS, “From Policy to Polity: Can the EU’s Special Relations...”, *op. cit.*, p. 490.

¹³³K.NICOLAÏDIS, “The JCMS Annual Review Lecture. Sustainable Integration: Towards EU 2.0”, *op. cit.*, p. 24.

¹³⁴In works not related to sustainable integration and dedicated to analyses of interstate negotiations in already existing integrated communities, Kalypto Nicolaïdis applies the technique of bargaining similar to one used by A. Moravcsik, where, as a theoretical novelty, her proposal to divide issues under consideration into four groups of opposite, non-opposite, coalitional and asymmetrical preferences could be recognized. *Vid.* P.MAGNETTE and K.NICOLAÏDIS, “The European Convention: Bargaining in the Shadow of Rhetoric”, *West European Politics*, Vol. 27, Issue 3, 2004, pp. 392-393.

¹³⁵K.NICOLAÏDIS, “The JCMS Annual Review Lecture. Sustainable Integration: Towards EU 2.0”, *op. cit.*, p. 29.

¹³⁶Like her colleague Frank Schimmelfennig, Kalypto Nicolaïdis develops her vision of enlargement inseparably from the European experience; accordingly, her contributions to the issue are more like theoretical suggestions and proposals to the development of the Union rather than pure theoretical novelties. For her analysis of EU enlargement. *Vid.* D.BECHEV and K.NICOLAÏDIS, “From Policy to Polity: Can the EU’s Special Relations...”, *op. cit.*; K.NICOLAÏDIS and R.HOWSE, “This is my EUtopia...: Narrative as Power”, *op. cit.*; N.ONAR and K.NICOLAÏDIS, “The Decentering Agenda: Europe as a Post-colonial Power”, *Cooperation and Conflict*, Vol. 48, Special issue, June 2013 (a).

¹³⁷K.NICOLAÏDIS and R.WHITMAN, “Preface”, *Cooperation and Conflict*, Vol. 48, Special issue, June 2013 (b), p. 169.

“integration without accession”.¹³⁸ The case is that the “integration capacity” of a community puts some limits on accession of new candidates even if these candidates totally meet all subsequent requirements.¹³⁹ In this situation, it is necessary to look for new strategies of enlargement that theoretically will be able to maintain the influence of the integration association in the neighborhood even when the community cannot promise membership to all candidate-countries and simultaneously play to its strength in the global arena. In accordance with Nicolaïdis, these tasks could be accomplished using the technique of decentralization of integration that in the case of standard setting consists of three stages: *provincializing*, *engagement*, and *reconstruction(s)*.¹⁴⁰ *Provincializing* implies breaking away from the idea that the values promoted by a community should remain central and do not come under modification. *Engagement* aims to link the subsequent proposals and achievements of other nations, regions and civilizations with the concepts of the community, in other words to enrich its conceptual foundation.¹⁴¹ Finally, *reconstruction* purports application of the norms of the integration association that have been internationally refined on the basis of another organization, union or a region.¹⁴² This practice of sharing achievements and recreation of already existing models of development in new conditions can not only increase the normative influence of the community of origin but also establish a more stable global order. Thus, some successful practices could be applied by other organizations even if issues the latter deal with are substantially different from the field of activity of the institution where these practices had been created.¹⁴³ For instance, Nicolaïdis suggests that the method of “subsidiarity”¹⁴⁴ that characterizes the EU¹⁴⁵ could be efficiently used by the WTO¹⁴⁶ in spite of apparent differences between these two organizations. Alternatively, another example already implemented is the application of *dirigiste* practice of governmental control over national economy,¹⁴⁷ which was

¹³⁸D.BECHEV and K.NICOLAÏDIS, “From Policy to Polity: Can the EU’s Special Relations...”, *op. cit.*, p. 497.

¹³⁹*Ibid.*, p. 485.

¹⁴⁰K.NICOLAÏDIS and R.WHITMAN, “Preface”, *op. cit.*, p. 169.

¹⁴¹N.ONAR and K.NICOLAÏDIS, “The Decentring Agenda: Europe as a Post-colonial Power”, *op. cit.*, pp. 285-286.

¹⁴²*Ibid.*, p. 292.

¹⁴³R.HOWSE and K.NICOLAÏDIS, “Enhancing WTO Legitimacy: Constitutionalization or Global Subsidiarity?”, *Governance*, Vol. 16, Issue 1, January 2003, p. 90.

¹⁴⁴In addressing the question of WTO legitimacy, Nicolaïdis finds that the most appropriate scenario for the further development of the organization is application of the “global subsidiarity” model established by the EU. The model is based on three pillars: *institutional sensitivity* (understanding by the supranational authorities of domestic conditions and problems of member-states and subsequent adjustment to these conditions); *political inclusiveness* (involvement of different domestic groups in the process of negotiation); and *top-down empowerment* (commitment of supranational bodies to lend financial and institutional support to member-states in implementation of norms and reforms that their organization promotes). According to her, application of these three principles will best serve the entire organization to successfully execute its role in global management. *Vid.* R.HOWSE and K.NICOLAÏDIS, “Enhancing WTO Legitimacy: Constitutionalization or Global Subsidiarity?”, *op. cit.*

¹⁴⁵*Ibid.*, p. 75.

¹⁴⁶*Ibid.*, p. 73.

¹⁴⁷B.CLIFT, “Comparative Capitalisms, Ideational Political Economy and French Post-Dirigiste Responses to the Global Financial Crisis”, *New Political Economy*, Vol. 17, Issue 5, 2012, p. 567.

created in France¹⁴⁸ and is now widely used by South¹⁴⁹ and East Asia.¹⁵⁰ This practice of sharing ideas does not lead to territorial enlargement of a community, but allows its continued influence in the world as a normative power.¹⁵¹ Thus, norm-related instruments that exist in Schimmelfennig's concept of political conditionality here, in Nicolaïdis's argumentations, are supposed to increase and maintain influence of integrated associations in the world.

The present chapter has been demonstratively confirming that LI introduced by Andrew Moravcsik is a developing theory, which is open to new contributions and developments. As in all theories it has its strong and weak parts, the latter ones are demonstrated in the next section dedicated to critics of LI.

5.4. Critiques of LI by followers of theory of institutionalization, governance approach and in general terms

The first block of critics is composed by the followers of the theory of institutionalization.

Thus, the critique by Sandholtz and Sweet is driven by their understanding of the role and importance of transnational society created by those groups that are engaged in transnational activity across borders when regional integration takes place. Transnational society by itself cannot control decisions within the integrated community and does not create its single identity but it propels the process by putting pressure on governments.¹⁵² Reflection on transnational society has led Sandholtz and Sweet to formulate the institutionalization theory based on three pillars: "exchange, organization and rules".¹⁵³ In accordance with it, organizations are likely to be created when the range and intensity of exchange, or "trans-border transactions", are high and establishment of subsequent rules for their regulation is required. In this situation, removal of tariffs and harmonization of legislation are explained as necessary means and are taken in order to abolish barriers that might slow down transnational exchange.¹⁵⁴

The critics do not agree with Moravcsik on the point that transnational society and supranational actors do not autonomously influence the integration process and that their competence is strictly limited by responsibilities entrusted by govern-

¹⁴⁸K.NICOLAÏDIS and R.HOWSE, "This is my EUtopia...': Narrative as Power", *op. cit.*, p. 775.

¹⁴⁹G.PAPANEK, "Market or Government: Lessons from a Comparative Analysis of the Experience of Pakistan and India", *Pakistan development review*, Vol. 30, Issue 4, Part 1, Winter 1991, p. 601.

¹⁵⁰H.PARK, "Small Business in Korea, Japan and Taiwan", *Asian Survey*, Vol. 41, No. 5, September-October 2001, p. 864.

¹⁵¹K.NICOLAÏDIS and R.WHITMAN, "Preface", *op. cit.*, p. 169.

¹⁵²W.SANDHOLTZ and A.SWEET, "Integration, Supranational Governance, and the Institutionalization of the European Polity" in W.SANDHOLTZ and A.SWEET (Eds.), *European Integration and Supranational Governance*, New York, Oxford University Press, 1998, pp. 4-5.

¹⁵³*Ibid.*, p. 25.

¹⁵⁴*Ibid.*, pp.15-17.

ments.¹⁵⁵ Sandholtz and Sweet consider states as parts of supranational system and as parts they have great impact but cannot control the system and all transactions that compose integration.¹⁵⁶ Sandholtz and Sweet find LI is appropriate for explaining negotiation mechanism within institutional community system, but it is not effective enough for analysis of the whole process of regional integration.¹⁵⁷ They do not reject the intergovernmental nature of cooperation but they question Moravcsik's statements that the main driving force for this collaboration is the will of participating countries and that supranational bodies are no more than just agencies that serve governments. For them, supranational organs aim to promote interests of transnational society which in turn supports them in enhancing their relative autonomy from members.¹⁵⁸

Another institutional critique is provided by Geoffrey Garrett and George Tsebelis who criticize Moravcsik's concept of relative bargaining power and, as they believe, his casual perception of institutional choice. They find that Moravcsik's model of decision-making based on national preferences positions and negotiations among governments ignores the analysis of the process of how integration and regulations of subsequent agreements evolve. Nothing is said about the institutional mechanism of an organization¹⁵⁹ and about "balance of power" of major institutional bodies, whose change effects conditions of cooperation.¹⁶⁰ Regarding evaluation of power, they find that Moravcsik does not take into account positions of bargaining countries that leads to overestimation of the power of major actors and underestimation of capabilities of smaller players.¹⁶¹

As for the debate between intergovernmentalists and supranationalists, Garrett and Tsebelis argue that the former do not pay attention to the everyday work of integration communities generated in institutions, while the latter ignore the foundation represented by states that underlie this work.¹⁶²

The second group of critiques is represented by the followers of the governance approach. Thus, Norheim-Martinsen challenges intergovernmental concepts using the concrete example of European Common Security and Military Policy (CSDP), for whose effective implementation institutional governance created by the large number of personnel involved in the issue is significant.¹⁶³

¹⁵⁵W.SANDHOLTZ, "The Emergence of a Supranational Telecommunications Regime" in W.SANDHOLTZ and A.SWEET (Eds.), *European Integration and Supranational Governance*, *op. cit.*, p. 135).

¹⁵⁶*Ibid.*, p. 136.

¹⁵⁷W.SANDHOLTZ and A.SWEET, "Integration, Supranational Governance, and the Institutionalization...", *op. cit.*, p. 26.

¹⁵⁸*Ibid.*, p. 26.

¹⁵⁹G.GARRETT and G.TSEBELIS, "An Institutional Critique of Intergovernmentalism", *International Organization*, Vol. 50, Issue 02, March 1996, pp. 293-294.

¹⁶⁰G.GARRETT and G.TSEBELIS, "The Institutional Foundations of Intergovernmentalism and Supranationalism in the European Union", *International Organization*, Vol. 55, Issue 02, March 2001, p. 358.

¹⁶¹G.GARRETT and G.TSEBELIS, "An Institutional Critique of Intergovernmentalism", *op. cit.*, p. 270.

¹⁶²G.GARRETT and G.TSEBELIS, "The Institutional Foundations of Intergovernmentalism and Supranationalism in the European Union", *op. cit.*, p. 385.

¹⁶³P.NORHEIM-MARTINSEN, "Beyond Intergovernmentalism: European Security and Defense Policy and the Governance Approach", *Journal of Common Market Studies*, Vol. 48, No. 5, 2010, p. 1356.

The analysis of this sphere does not deny that interstate negotiations still imply CSDP and that governments continue as major actors in the European arena, but it shows that intergovernmental approach can only give a partial explanation of the process and it says nothing about everyday implementation of the policy. In this situation, the governance method is more appropriate because it can use preliminary studies of intergovernmental theory as its entering wedge and alter the accent from analyzing the powers that push integration to analyzing its system.¹⁶⁴

Governance means “coordinated management” based on the following concepts: a move from vertical hierarchical relations related to governments; participation of different players including civilians, business groups, institutions, and states themselves and their interaction with each other; and shared purposes aimed at creating stable, trustworthy relations. Governance is different from government because the latter means authority while governance relates to regulation mechanism.¹⁶⁵ In addition to this, it also implies, and what Norheim-Martinsen pictorially shows, that when it comes to studying “international sub-system” such as CSDP particular aspects inherent in community should also be taken into account.¹⁶⁶

In general terms, the critiques of Helen Wallace, James A. Caporaso and Fritz W. Schampf are worth noting.

Helen Wallace finds that the main contribution of Moravcsik’s theory is that it has changed the focus of studying regional integration from the analysis of the process itself to the explanation of state-system relations. At the same time, she criticizes Moravcsik for the “selective” logic of arguments that he chooses in order to support his theory and for using standards when he studies national preferences, while in accordance with Wallace, the position of each given state should be examined individually. In addition to this, she argues that Moravcsik’s approach is too strict, simple and “black and white”, that there is no space for understanding why governments sometimes make decisions that cannot be explained by pure rational argumentation.¹⁶⁷

Caporaso continues the line followed by Wallace criticizing Moravcsik on his selection of case studies, that in spite of their historical importance do not explain the process of integration as a whole. He finds that choosing cases makes it easier to prove the theory but simultaneously it shows LI’s inability to concur with theories aimed at explaining the entire mechanism of integration. In parallel, he emphasizes association of LI with Keohane’s institutionalism that is evident most of all when the stage of institutional choice is concerned.¹⁶⁸

¹⁶⁴*Ibid.*, p. 1360.

¹⁶⁵M.WEBBER, S.CROFT, J.HOWORTH, T.TERRIFF and E.KRAHMANN, “The Governance of European Security”, *Review of International Studies*, Vol. 30, 2004, pp. 4-8.

¹⁶⁶P.NORHEIM-MARTINSEN, “Beyond Intergovernmentalism: European Security and Defense Policy and the Governance Approach”, *op. cit.*, p. 1361.

¹⁶⁷H.WALLACE, J.CAPORASO, F.SCHAMPF and A.MORAVCSIK, “Review Section Symposium: the Choice for Europe: Social Purpose and State Power from Messina to Maastricht”, *Journal of European Public Policy*, Vol. 6, Issue 1, 2011, pp. 156-158.

¹⁶⁸*Ibid.*, pp.162-163.

Scharpf in turn points out that Moravcsik did not sufficiently use game theories, while an analogy to the needs of credible commitments, looking for guarantees of non betrayal and Prisoner's Dilemma, is obvious. In addition, he finds that LI underestimates the importance of supranational governance, which is significant in the case of air, transport and postal regulations.¹⁶⁹

Critiques of LI find explanation in the works of Donald B. Puchala, who gives analyses of debates between institutionalists represented by previously mentioned Wayne Sandholtz and Alec Stone Sweet, as well as Kenneth Armstrong and Simon Bulmer and intergovernmentalists in the name of Andrew Moravcsik. Arguments of Sandholtz and Sweet have already been explained, while Kenneth Armstrong and Simon Bulmer bias their explanations with historical institutionalism placing emphasis on behavioral patterns inherent to day-to-day operation of supranational institution¹⁷⁰ and regulatory governance regime aimed at resolving common problems.¹⁷¹ In this regards Moravcsik finds that everyday mechanism of supranational governance operate in accordance with those rules that had been primarily adopted by governments of participating countries.¹⁷² The same logic is applied to governance regimes by themselves, in line with which they can be established only after subsequent convergence of national preferences has taken place. In addition to this, Puchala points out that in LI close attention is paid to national leaders, whose importance is depreciated by institutionalists. Even if it is not definitely stated, it seems that Puchala is inclined more to intergovernmentalism¹⁷³ than to its opponents. The same preference is implied in his critique of Zielonka's work, who in order to explain the EU's intensive enlargement interprets the union as a "neo-medieval empire" that is unlikely to be formed into a nation-state one day, but that can be characterized by vague borders and "multi-level" governance.¹⁷⁴

In general, Puchala finds that a wide range of academic debates around regional integration and different theoretical proposals are fully justified because it is a "complex" subject whose importance for society is still not clearly determined.¹⁷⁵

The existence of critiques of LI demonstrates that it is open for improvements and new developments and therefore to further evolution.

¹⁶⁹*Ibid.*, pp. 165-167.

¹⁷⁰D.PUCHALA, "Institutionalism, Intergovernmentalism and European Integration: A Review Article", *Journal of Common Market Studies*, Vol. 37, No. 2, June 1999, p. 324.

¹⁷¹*Ibid.*, p. 326.

¹⁷²*Ibid.*, p. 324.

¹⁷³*Ibid.*, p. 328.

¹⁷⁴Book review by D.PUCHALA, *Europe as Empire: The Nature of the Enlarged European Union*, by J. Zielonka, *Journal of Common Market Studies*, Vol. 44, Issue 5, 2006, pp. 1108-1109.

¹⁷⁵D.PUCHALA, "Institutionalism, Intergovernmentalism and European Integration: A Review Article", *op. cit.*, p. 330.

5.5. Conclusion

In this chapter, current theoretical contributions in LI are divided into four blocks of issues in analogy with previous chapters. As Liberal intergovernmentalism is a developing approach it has caused new elaborations in the field of theorizing integration processes. Among those researchers who deal with the problem and have modernized the original theory without changing its core concepts are Frank Schimmelfennig, Lisa L. Martin and Kalypso Nicolaidis.

The first block of issues concerns elaborations made by Frank Schimmelfennig, who addresses the first two integration stages pointed out by Andrew Moravcsik focusing in particular on the process of enlargement. Thus, he distinguishes those states who promote involvement of new members into community calling them drivers and those who oppose it known as brakemen. The position that a given state takes, whether it is pro or contra, is determined by its national preferences that generally are formed according to conditions related to geographical proximity, the level of interdependence with candidate countries, threats or potential conflicts that may happen, and influence that member-states may exert in the case of enlargement.

Most often, inside a community there is no consensus on the question of enlargement that leads drivers to undertake particular rhetorical actions in order to bring brakemen to change their preferences, in other words to entrap them into agreements with candidate countries. The instrument of these actions is in using norm-based arguments that enable drivers to support themselves with accession criteria and pressure brakemen by their institutional commitments.

A similar situation also happens in external relations of a community, but in this case argumentations related to its principles, rules and norms allow member-states to modify the policies of candidate-countries that should behave consistently with standards imposed by the organization if they want to obtain benefits that it has promised or plan to become its member.

In addition to this, legacies, i.e. particularities, derived from the past that consolidate candidates with integration groups can play an important role in the process. Usually, because there are many legacies, it is elites who decide which of them are more appropriate for today with the aim of promoting further enlargement.

The second block of issues is dedicated to theoretical contributions by Lisa L. Martin, who unlike Frank Schimmelfennig, focuses her research on the third stage of integration process – the institutional choice – and in particular on the ways organizations change the behavior of its members, known as institutional effects.

There are two institutional effects that Martin distinguishes – convergence and divergence of national preferences. In accordance with her, convergence takes place when dependence on partners' behavior, that she understands as externalities, is very high. Divergence in turn occurs when externalities are low and therefore differences in national priorities and positions of domestic actors come to the fore.

In parallel with institutional effects, Martin also studies economic sanctions, where she distinguishes senders – those states who impose sanctions with a leading sender at the head – and target countries on whom they are imposed. She pays the main attention to multilateral sanctions because they are supposed to be more effective than unilateral ones where the most vital question is how the leading sender gains support of other member-states within an organization. In this situation, there are three potential scenarios of relations within a community based on game theory approach: coincidence, co-adjustment and coercion. Coincidence occurs when imposing sanctions is considered as the most appropriate decision for the whole community; co-adjustment – when it is the second best outcome; and coercion happens when other members are not interested in sanctions and the leading sender has to provide them with side-payments in other fields of their cooperation in order to enlist their support.

The third question Martin deals with, analyzed in the present chapter, is democratic deficit that she finds can be resolved along with increasing implementation efficiency if national parliaments and regional bodies of subsequent member-states obtain wider access to the community's decision-making process.

The third block of issues relates to elaborations by Kalypso Nicolaidis which similar to Lisa Martin's, concerns the question of democracy. Thus, the author proposes the term *demoicracy* closely associated with the identity question. She understands *demoicracy* as a community where states and simultaneously their citizens are governed together, but they are not considered as a single unit. *Demoicracy* is based on the principle of compatibility where nations do not lose their identities and their sovereignties creating a single *demos*, but where within an integrated group different identities do not contradict but in fact complement each other.

The principle of compatibility also lies in another Nicolaidis novelty – sustainable integration that is supposed to maintain integration even when individual governments have doubts about their further membership. Sustainable integration is possible when the cooperation process embraces many fields without prioritizing any of them. It implies common ethics, rather than strict rules, that compel states to empower the most socially disadvantaged groups, recognize each other's differences, share the feelings of solidarity and equal responsibility with other members based on long-term confident relations rather than pure altruism, and agree on complimentability of national and supranational bodies and a decentering approach to integration.

The last principle, decentralization of integration, also lies in Nicolaidis's understanding of enlargement. She finds that when the integration capacity of a community is exhausted its ideas and norm-based commitments can serve to increase its influence in the world as a normative power and most importantly to maintain this influence. For this, first it is necessary to provincialize the concepts, i.e. to break away from the idea that they are not liable for variation, then engage normative achievements of other regions and nations into them, and only after that to reconstruct them on new grounds.

The fourth block of issues deals with critiques of LI, which in the present work are limited to ones made by the followers of institutionalization theory, governance approach and general ones. Thus, LI is criticized for underestimation of transnational society; casual attention to continuous work of institutions; undervaluation of institutional governance mechanisms which are especially important in particular spheres of cooperation on supranational level (for example where European CSDP is concerned); "selective" method of finding arguments and cases in order to confirm the theory, and intentions to simplify the process of integration representing everything in "black and white". Some of these critiques are responded by Moravcsik, for instance he argues that everyday mechanism of supranational governance works in conformity with the rules established primarily by governments of participating countries, which emphasizes the role of intergovernmental cooperation over a supranational one.

However, the presence of the critiques of LI and debates around issues related to regional integration in general is justified by the fact that they deal with a "complex" subject which has many different dimensions and which needs further research.

Altogether, the current developments in LI and its critiques demonstrate that the approach is under development and it is open for new contributions, which will rationalize it, improve it and adjust to new challenges of integration processes.

PRACTICAL PART

CHAPTER 6

APPLICATION OF INTERGOVERNMENTALIST THEORY BY STANLEY HOFFMANN ON THE CASE OF INTEGRATION AMONG CIS COUNTRIES

This chapter corresponds to the conceptions described in the first three sections of the theoretical part dedicated to intergovernmentalist approach by Stanley Hoffmann – the nation-state as the main international actor, international milieu and conditions of integration – where greater importance is given to the latter.

In this paper, the main accent is placed on conditions of integration because it explains why among twelve members of the Commonwealth of Independent States only three states, Russia, Kazakhstan and Belarus, decided to deepen cooperation among them establishing the Customs Union in 2007 that became the first stage toward the creation of the Eurasian Economic Union. In parallel with this analysis, the chapter gives a brief historical overview of the events that occurred in the post-Soviet space from the dissolution of the USSR in 1991 to 2007 when the Agreement on creation of the single customs territory by Kazakhstan, Russia and Belarus was signed,¹ determining herewith its time-frame (1991-2007).

Hoffmann's consideration of nation-state as the main international actor, whose sovereignty is indivisible, is taken as read in this paper and is beyond doubt. The

¹ТАМОЖЕННЫЙ СОЮЗ, "Договор о Создании Единой Таможенной Территории и Формировании Таможенного Союза", *op. cit.*, (CUSTOMS UNION, "Treaty on the Establishment of the Common Customs Territory and Formation of the Customs Union", *op. cit.*).

other two variables emphasized by the theorist – national interests and national strategy (or style) are developed in parallel with the analysis of international conditions of integration (in particular, in the section dedicated to political support by groups in power).

The theorist emphasizes that national interests are the outcome of the outlook of national situation by politicians who govern states in a particular period of time and are empowered to conduct their foreign policies. In the present chapter, this statement is confirmed by demonstrating how attitudes toward Eurasian integration have been altering when groups in power in the CIS countries were changing; while the analysis of the scope of national interests is limited only to those that relate to integration issues.

Another of Hoffmann's theoretical concepts related to nation-state, which finds its application in the present paper, is the political culture as the complex of historically developed peculiarities and national mentality characteristics specific to a given nation-state that distinguishes it from others and characterize in general its political image in the world arena. The theorist calls it national style, national character or national strategy. In the present paper, the term "national character" is used, which is elaborated as remarks where internal conditions are analyzed.

As for applications of Hoffmann's theoretical considerations regarding international milieu and internal and external conditions of integration, they consequently correspond to the first, second and third sections of the present chapter.

6.1. International Milieu of the CIS Region: External Actors

As stated in the introduction of the present chapter, Hoffmann's vision of nation-state as the main actor in the world arena is taken as read and herewith the analysis of international milieu is made proceeding from a state-centered approach.

To remind ourselves what the theorist says about international milieu it is necessary to emphasize that for him it is an arena where nation-states interact in different chessboards, whose power differs from one to another, which makes them not use their capabilities in full and maintain herewith the stability and moderation of the system. This milieu is also characterized by the diversity of actors that do not struggle for territory, as it was in the past, but compete for influence. Along with it, according to Hoffmann, for international milieu, an increasing interdependence of internal and external affairs (i.e. changes in the former lead to changes in the latter, and vice versa), significance of the personal factor and presence of transnational society that exerts its influence on interstate relations, is typical.

All these theoretical statements find their practical confirmation in the case of international milieu limited to the CIS region and their application is made during development of the chapter. As in the paper the state-centered approach is used for understanding international milieu, first the policies of the actors that compose it are

analyzed and only after that subsequent conclusions on the nature of relations among them are drawn.

There are different players that act in the post-Soviet space that might be divided into groups: the main actors (twelve CIS countries) and external actors (great and middle powers interested in the region).

Regarding main actors, it is necessary to note that the Commonwealth of Independent States was created on 8 December 1991 by the Russian Federation, Republic of Belarus and Ukraine² that, exercising the rights of constituent countries of the Soviet Union, declared the extinction of the USSR as “a subject of international law”³ and disestablishment of its bodies.⁴ Open for accession⁵ the CIS was joined by the Republic of Azerbaijan, the Republic of Armenia, the Republic of Kazakhstan, the Republic of Kyrgyzstan, the Republic of Moldova, the Republic of Tajikistan, the Republic of Turkmenistan and the Republic of Uzbekistan that signed the Protocol to the Agreement on Creation of the Commonwealth of Independent States on 21 December 1991 in Almaty.⁶ The basic norms of the CIS were agreed by 11 countries by signing the Alma-Ata Declaration, where in parallel with commitment to the principles of international law it was confirmed that this organization does not have supranational power,⁷ while the further details of cooperation within the Commonwealth were embodied in the Charter of the CIS adopted on 22 January 1993.⁸ This fundamental document was not signed by Ukraine⁹ and Turkmenistan,¹⁰ which therefore could not be recognized

²*Vid.* Статья 1. СНГ, “Соглашения о Создании Содружества Независимых Государств”, *op. cit.*, (*Vid.* Article 1. CIS, “Agreement on Creation of the Commonwealth of Independent States”, *op. cit.*).

³*Vid.* Преамбула. *Ibid.*, (*Vid.* Preamble. *Ibid.*).

⁴*Vid.* Статья 14. *Ibid.*, (*Vid.* Article 14. *Ibid.*).

⁵*Vid.* Статья 13. *Ibid.*, (*Vid.* Article 13. *Ibid.*).

⁶РЕСПУБЛИКА БЕЛАРУСЬ, РОССИЙСКАЯ ФЕДЕРАЦИЯ (РСФСР), УКРАИНА, “Протокол к Соглашению о Создании Содружества Независимых Государств, подписанному 8 декабря 1991 года в г.Минске”, 21 декабря 1991, (REPUBLIC OF BELARUS, RUSSIAN FEDERATION (RSFSR), UKRAINE, “Protocol to Agreement on Creation of the Commonwealth of Independent States signed on 8 December 1991 in Minsk”, December 21, 1991), http://www.cismission.mid.ru/ii1_4.html [18-03-2014].

⁷СНГ, “Алма-Атинская Декларация”, 21 декабря 1991, (CIS, “Alma-Aty Declaration”, December 21, 1991), <http://www.cis.minsk.by/page.php?id=178> [18-03-2014].

⁸The provisions of the CIS Charter included regulations on membership (the document distinguished constituent countries, those that signed and ratified Agreements from 8 and 21 December 1991; member-states, those who signed the Charter; and associate members those, who intend to participate in a limited number of cooperation fields) and on Collective Security and Military-Political cooperation (“coordinated policy regarding international security, disarmament, and arms control”; “collective self-defense in accordance with Article 51 of the UN Charter; coordination of positions in the case of external threat and need of peacekeeping missions); economic, social and juridical cooperation (“formation of common economic space”; “coordinated credit and financial politics”; mutual investments; assistance in standardization of goods, etc.). In parallel, it established bodies of organization such as Council of Heads of States; Council of Heads of Governments; Council of the Ministers of Foreign Affairs; Council of Ministers of Defense; Council of Border Troop Commanders; Coordinating and Consultative Committee and Economic Court. *Vid.* СНГ, “Устав Содружества Независимых Государств”, 22 декабря 1993, (CIS, “Charter of the Commonwealth of Independent States”, December 22, 1993), <http://www.cis.minsk.by/page.php?id=180> [18-03-2014].

⁹In the case of Ukraine, Kiev’s vision of the CIS (of the President Kravchuk and the Parliament) was more as a “transitional body” rather than an efficient organization able to regulate relations among former Soviet republics. Even in the event of the Agreement on Creation of the Commonwealth of Independent States, the Parliament ratified it only amending reservations on “inviolability of borders” and rights of Ukraine over its own army, while regarding foreign policy, the commitment to “coordination” was changed

formally as member-states of the CIS, but rather as its founders and participating countries.¹¹ Georgia was a member of the organization from December 3, 1993¹² to August 18, 2009. Baltic States did not participate in establishment of the CIS¹³ preferring unilateral cooperation with former Soviet republics to a multilateral one (thus, they are not analyzed in the present paper).¹⁴

Along with the obvious consequence of the establishment of the CIS (the dissolution of the Soviet Union), this organization has played a number of other important roles for participating countries. The first is that the CIS has guaranteed the “peaceful disintegration” of the Union,¹⁵ or “civilized divorce” as is commonly said.¹⁶

The second, Russia was considered as the successor of the Soviet Union, including its status in the Security Council (as permanent member),¹⁷ and other international

by “consultation”. Thus, from the very beginning of CIS existence, Ukrainian government took the course on preventing any development that could limit its independence. The interests of Kiev toward the organization were limited to economic only, and such provisions of the Charter as Collective Security and Military-Political cooperation and number of bodies that it created (even if they were consultative) contradicted the undertaken policy. *Vid.* R.SOLCHANYK, *Ukraine and Russia: The Post-Soviet Transition*, Boston, Rowman & Littlefield Publishers, 2001, p. 68; R.SOLCHANYK, “Ukraine, Russia, and the CIS”, *Harvard Ukrainian Studies*, Vol. 20, Ukraine in the World: Studies in the International Relations and Security Structure of a Newly Independent State, 1996, pp. 28-29.

¹⁰In the case of Turkmenistan, the decision not to sign the CIS Charter was determined by “perpetual neutrality” course proclaimed by Ashgabat, which many provisions of the Charter contradicted. (*Vid.* С.ЛЕБЕДЕВ, “Жизнь После Развода”, Интервью Исполнительного Секретаря СНГ, *Российская Газета*, 2 февраля 2011, (S.LEBEDEV, “The Life After Divorce”, Interview with executive Secretary of the CIS, *Russian Newspaper*, February 2, 2011), <http://www.rg.ru/2011/02/02/lebedev.html> [03-07-2014].

¹¹СНГ, “О Содружестве Независимых Государств”, (CIS, “About the Commonwealth of Independent States”), <http://www.cis.minsk.by/page.php?id=174> [18-03-2014].

¹²Georgia was accepted by the CIS members in response to its request for accession from 8 October 1993. *Vid.* СНГ, “Решение о Вступлении Республики Грузия в Содружество Независимых Государств”, 22 октября 1993 года - 3 декабря 1993 года, (CIS, “Decision on Admission of the Republic of Georgia to the Commonwealth of Independent States”, October 22, 1993 – December 3, 1993), http://base.spinform.ru/show_doc.fwx?rgn=3938 [18-03-2014].

¹³СНГ, “О Содружестве Независимых Государств”, *op. cit.*, (CIS, “About the Commonwealth of Independent States”, *op. cit.*).

¹⁴Paul Kubicek finds that after the collapse of the Soviet Union, the matter of primary concern for its former republics has become their independence and the strength of the pro-independence movements varied from country to country, which explains why the attitudes of the CIS member-states to this organization were different. Thus, three groups of the former Soviet republics might be determined regarding the spread of pro-independence movements. The first is the Baltic States, where mobilization of the pro-independent masses was very high, and who did not participate in the CIS creation. The second group consists of Moldova, Azerbaijan, Ukraine and Georgia (and Turkmenistan, as Sergei A. Voitovich points out), which were more or less reluctant to the organization. The third group is the rest of the CIS countries, which had a more positive attitude toward cooperation within the Commonwealth. *Vid.* P.KUBICEK, “The Commonwealth of Independent States: an Example of Failed Regionalism?”, *Review of International Studies*, Vol. 35, Supplement 1, 2009, p. 251; S.VOITOVICH, “The Commonwealth of Independent States: An Emerging Institutional Model”, *European Journal of International Law*, Vol. 4, No. 1, 1993, p. 406.

¹⁵T.KUZIO, “Geopolitical Pluralism in the CIS: the Emergence of GUUAM”, *European Security*, Vol. 9, No. 2, Summer 2000, p. 83.

¹⁶Н.НАЗАРБАЕВ, *Евразийский Союз: Идеи, Практика, Перспективы. 1994-1997*, Москва, Фонд Содействия Развитию Социальных и Политических Наук, 1997, с. 25, (N.NAZARBAYEV, *Eurasian Union: Ideas, Practices, Prosperities. 1994-1997*, Moscow, Social and Political Sciences Development Fund, 1997, p. 25).

¹⁷S.VOITOVICH, “The Commonwealth of Independent States: An Emerging Institutional Model”, *op. cit.*, p. 405.

organizations.¹⁸ Along with it, all states declared themselves as democratic countries,¹⁹ proclaiming their exclusive right on rule making within their jurisdiction (all Soviet laws fell into disuse) and undertook obligations to respect inviolability of existing borders²⁰ (during the period under consideration (1991-2007) none of the separatist-minded regions were recognized by CIS participating countries).²¹

Third is that the CIS has become the mechanism to regulate cooperation among break-away republics,²² who for 70 years had belonged to the single system and whose connections were difficult to rupture in an instant²³ and which has defined the chessboards where the participating countries cooperate. Among these chessboards are security issues, control over nuclear weapons,²⁴ migration problems, economic and customs cooperation, transport and communications, environmental security, coordination of foreign policies, the fight against organized crime,²⁵ and commitment to create the institutional base for further collaboration.²⁶ In more detail, these chessboards of cooperation among the main actors in the CIS region are analyzed in the next chapter dedicated to complex interdependence.

As a practical matter in this paper, the main actors, the CIS members, are divided into two main groups – European and Asian – proceeding from their commonly-accepted geographical division.²⁷ The European part includes the Russian Federation, Belarus, Ukraine and Moldova,²⁸ while the Asian part in turn engages the Central Asian (CA) republics (Kazakhstan, Kyrgyzstan, Turkmenistan, Tajikistan, Uzbekistan) and Caucasus states (Georgia, Azerbaijan and Armenia)²⁹ being divided from each other by the Caspian Sea border with Russia on its south.³⁰ This division of the main actors in the CIS space is used also for the present and following chapters.

Proceeding to external actors, it is necessary to state that many great and middle powers are interested in the CIS region nowadays, among the most important ones

¹⁸*Ibid.*, p. 406.

¹⁹*Vid.* Преамбула. СНГ, “Алма-Атинская Декларация”, *op. cit.*, (*Vid.* Preamble. CIS, “Alma-Aty Declaration”, *op. cit.*).

²⁰*Ibid.*

²¹D.TRENIN, *The end of Eurasia: Russia on the Border Between Geopolitics And Globalization*, *op. cit.*, p. 93.

²²P.KUBICEK, “The Commonwealth of Independent States: an Example of Failed Regionalism?”, *op. cit.*, p. 237.

²³С.ГЛАЗЬБЕВ, “Таможенный Союз Белоруссии, Казахстана и России: Запуск Механизмов”, *Российский Экономический Журнал*, No. 11, 2009, с. 47, (S.GLAZYEV, “Customs Union of Belarus, Kazakhstan and Russia: the Engine Plays off”, *Russian Economic Journal*, No. 11, 2009, p. 47).

²⁴СНГ, “Алма-Атинская Декларация”, *op. cit.*, (*Vid.* Preamble. CIS, “Alma-Aty Declaration”, *op. cit.*).

²⁵*Vid.* Статья 7. СНГ, “Соглашения о Создании Содружества Независимых Государств”, *op. cit.*, (*Vid.* Article 7. CIS, “Agreement on Creation of the Commonwealth of Independent States”, *op. cit.*).

²⁶*Vid.* Статья 4. *Ibid.*, (*Vid.* Article 4. *Ibid.*).

²⁷NACIONES UNIDAS, “Indicadores de Desarrollo del Milenio: Agrupaciones a Nivel Mundial Y Regional”, <http://mdgs.un.org/unsd/mdg/Host.aspx?Content=Data/Regional/cis.htm> [14-04-2014].

²⁸*Ibid.*

²⁹IMF, “Regional Economic Outlook: Caucasus and Central Asia”, October 25, 2013, <http://www.imf.org/external/pubs/ft/reo/2013/mcd/eng/pdf/cca1013p.pdf> [14-04-2014].

³⁰D.NOHLEN, F.GROTZ and Ch. HARTMAN, *Elections in Asia and the Pacific. A Data handbook*, Vol. 1: Middle East, Central Asia and South Asia, New York, Oxford University Press Inc., 2004 (2nd edition), p. 5.

are Turkey, the EU, the USA, and China. All of them cooperate with the main actors in different chessboards competing for influence (not for territory). Even if some of them are more powerful than others, there is no single absolute leader, which makes the international milieu in the post-Soviet space stable and moderate, as was pointed out by Hoffmann.

Among the chessboards where external actors operate there are two common ones which are trade and investments. Their summaries are represented in figures 2 and 3, while analysis of data obtained is done describing each player in particular.

In the case of the figure dedicated to trade, for comparison matters, data regarding trade with the Russian Federation as the largest CIS member is also made.

Figure 2. Trade of the EU, RF, China, Turkey and the USA with CIS member-states, 2007

CIS countries	EU (27) EUR million, %				Russian Federation, USD million, %				China, USD million, %				Turkey, USD million, %				United States, USD million, %			
	Import		Export		Import		Export		Import		Export		Import		Export		Import		Export	
	Trade value	Partner share	Trade value	Partner share	Trade value	Partner share	Trade value	Partner share	Trade value	Partner share	Trade value	Partner share	Trade value	Partner share	Trade value	Partner share	Trade value	Partner share	Trade value	Partner share
Armenia	829.5	33.17	484.4	48.7	482.7	15.81	198.8	17.73	192.4	6.30	7.9	0.70	130.4	4.27	0.8	0.07	129.3	4.24	49.09	4.38
Azerbaijan	2,188.6	29.31	10,126.07	27.6	1,003.9	17.57	527.1	8.70	278.8	4.88	10.1	0.17	624.7	10.94	1,056.3	17.44	268.9	4.71	289.2	4.77
Belarus	6,637.7	21.75	6,000.01	43.7	17,204.9	59.96	8,878.6	36.57	815.8	2.84	484.5	2.00	139.01	0.48	67.8	0.28	392.4	1.37	348.6	1.44
Georgia	1,496.04	27.45	662.8	21.8	575.3	11.03	45.6	3.70	206.3	3.96	8.3	0.67	708.4	13.59	171.7	13.93	184.06	3.53	149.04	12.09
Moldova	2,051.7	45.57	999.1	50.6	498.6	13.51	232.7	17.35	202.9	5.50	0.99	0.07	166.8	4.52	32.09	2.39	46.8	1.27	15.17	1.13
Kazakhstan	8,292.9	26.9	18,401.4	45.2	11,573.	35.41	4,658.9	9.76	3,507.3	10.73	5,635.9	11.80	958.8	2.93	934.4	1.96	1,623.9	4.97	419.7	0.88
Kyrgyzstan	310.6	9.4	32.1	1.5	978.8	40.49	234.6	20.69	355.6	14.71	61.9	5.46	50.9	2.11	42.96	3.79	95.8	3.96	4.09	0.36
Russia	122,323.9	45.6	197,962.2	55.8	-	-	-	-	24,406.6	12.22	15,166.6	4.31	4,171.	2.09	13,392.6	3.80	9,407.	4.71	7,311.8	2.08
Tajikistan	148.2	12.8	347.9	35.3	759.7	30.9	97.3	6.6	275.02	11.2	8.3	5.6	n/a	3.6	n/a	27.1	37.6	1.5	0.4	0.2
Ukraine	30,697.7	36.66	17,040.	31.5	16,838.2	27.79	12,668.4	25.70	3,307.5	5.46	431.7	0.88	972.3	1.60	3,645.3	7.39	1,408.2	2.32	1,058.05	2.15
Turkmenistan	493.5	13.3	481.9	19.3	491.7	11.07	4,361.3	48.83	439.5	9.89	210.0	0.24	795.5	17.9	501.0	5.61	317.2	7.14	160.0	1.79
Uzbekistan	1,079.0	16	1,840.09	8.8	1,973.9	29	2,473.0	27	589.5	8.8	314.4	3.4	203.8	3.02	590.5	6.5	141,900	2.1	85,600	0.95

Source: for trade of EaP countries with the EU, EUROSTAT DATABASE, <http://ec.europa.eu/eurostat/data/database>; for percentage of export from CIS to the EU, WTO: *Trade profiles 2008*; for trade of China, Turkey, Russia and US with all CIS members (except Tajikistan,³¹ Turkmenistan,³² and Uzbekistan³³), WITS DATABASE, <http://wits.worldbank.org> (prepared by the author).

³¹For Tajikistan's trade relations with Russia, China and the USA, NATIONAL BANK OF TAJIKISTAN, Banking Statistics Bulletin, No. 12, p. 197, http://www.nbt.tj/files/statistic/Bulleten_12.pdf [05-07-2014]; for Tajikistan's trade relations with Turkey, ПОРТАЛ ИНФОРМАЦИОННОЙ ПОДДЕРЖКИ ЭКСПОРТА, "Внешняя торговля Республики Таджикистан", 2008, (INFORMATION PORTAL OF EXPORT SUPPORT, "Foreign Trade of the Republic of Tajikistan", 2008), http://export.by/?act=s_docs&mode=view&id=12496&type=by_class&indclass=43017&mode2=archive&doc=64 [04-07-2014].

³²For Turkmenistan's trade relations with Russia, China, the USA and Turkey, И.ДЖУМАЕВ, *Внешняя торговля Туркменистана: Тенденции, Проблемы И Перспективы*, Доклад No. 11, Ашхабад, Университет Центральной Азии: Высшая Школа Развития. Институт Государственного Управления и Политики, 2012, сс. 21-28, (I.DZHUMABAYEV, *Foreign Trade of Turkmenistan: Trends, Problems and Prospects*, Report No. 11, Ashgabat, University of Central Asia: Graduate School of Development. Institute of Public Policy and Administration, 2012, pp. 21-28), <http://www.ucentralasia.org/downloads/UCA-IPPA->

Figure 3. Foreign Direct Investments in the CIS countries, 2007

Countries*	FDI stock	% of total world	% of GDP	EU (27), USD mln /%		China, USD mln /%	USA, USD mln /%	Turkey, USD mln /%	Main investor countries	Nota bene
				Total	Main EU investors					
Russia	491,052	2.722	37.78	239,900/ 63.5%	Cyprus (129,699); Netherlands (33,293)	1,251/ 0.33%	13,875/ 3.67%	604/ 0.16%	The EU	Data available since 2009 (2009 FDI stock – 377.374)
Kazakhstan	44,590	0.247	42.53	19,586/ 43.9%	Netherlands (11,898); France (3,258)	1,470/ 3.3%	10,195/ 22.8%	399/ 0.8%	The EU; the USA	
Ukraine	38,059	0.211	26.27	22,916/ 77%	Cyprus (5,946); Germany (5,918)	9/0.03%	1,430/ 4.8%	117/ 0.4%	The EU	In accordance with UNCTAD bilateral FDI statistics total FDI stock in Ukraine is 29,543 ³⁴
Azerbaijan	6,598	0.037	19.96	2,054/ 29%	UK (701); Italy (505)	120/ 1.6%	236/ 3.3%	1,445/ 20%	The EU; Norway (1,443)	FDI origin data is available since 2009 (2009 FDI stock – 7,085)
Georgia	5,624	0.031	55.28	3,300/ 38%	The UK (958); Netherlands (566)	35/ 0.4%	1,133/ 13%	737/ 8.6%	The EU; the USA	FDI origin data is available since 2009 (2010 FDI – 8,534)
Belarus	4,483	0.025	9.90	2,888/ 29%	Cyprus (1,356)	19/ 0.2%	134/ 1.3%	518/ 5.2%	Russia	FDI origin data is available since 2010 (2010 FDI – 9,904)
Turkmenistan	3,980	0.022	21.57	n/a	n/a	39% ³⁵	n/a	9%	China, Russia	FDI origin data is available since 2012
Armenia	2,486	0.014	27.00	594/ 24%	France (182); Germany (185)	1/ 0.04%	181/ 7.2%	0/ 0	Russia	
Uzbekistan	2,176	0.012	9.73	n/a	UK (3%), Netherlands (3%)	4%	9%	n/a	Russia, Republic of Korea	Data regarding FDI geographical origin available since 2012
Moldova	1,877	0.010	42.64	1,521/ 60%	Netherlands (311), France (212), Cyprus (187), Romania (172)	14/ 0.5%	90/ 0.5%	26/ 3.5%	The EU, Russia (595)	FDI origin data is available since 2009 (2009 FDI stock – 2,530)
Tajikistan	1,013	0.06	27.25	n/a	UK (341.2)/ 15%	70.9/ 3.1%	129.61/ 6.2%	14.88/ 0.7%	Russia (1,022)	Data regarding FDI geographical origin available since 2011 (total FDI stock in 2011 for Tajikistan 2,218.21)
Kyrgyzstan	983	0.05	25.84	177/ 19%	The UK (85); Germany (54)	92/ 9.7%	76/ 8%	69/ 7.3%	The EU; Kazakhstan (149)	Data regarding FDI geographical origin available since 2009 (total FDI stock in 2009 for Kyrgyzstan – 940)

* CIS countries appears by FDI stock amount in the host economies in descending order

Source: for FDI stock in the host economies of all CIS members (except Moldova) by geographical origin, UNCTAD bilateral FDI statistics; for Moldova, IMF DATABASE, <http://www.imf.org/external/data.htm>; for Tajikistan, НАЦИОНАЛЬНЫЙ БАНК ТАДЖИКИСТАНА, *Анализ Инвестиционного Климата и Привлечения Инвестиций в Республике Таджикистан*, Душанбе, 2012 г. с. 19, (NATIONAL BANK OF TAJIKISTAN, *Analysis of Investment Climate and FDI attraction in the Republic of Tajikistan*, Dushanbe, 2012, p. 19), http://www.gki.tj/img/Analysis_.pdf, [06-07-2014]; for FDI stock in the host economy, its percentage of the world total FDI and percentage of FDI of the GDP of the host country corresponds to 2007, UNCTAD: Inward and outward foreign direct investment stock, annual, 1980-2012, <http://unctadstat.unctad.org/>. Percentage share correspondent to each of FDI stock of external actors in each of CIS countries made by the author based on the data provided by UNCTAD bilateral FDI statistics (prepared by the author).

WP11-Turkmenistan-Rus.pdf [24-06-2014] (data in the report is provided by the State Statistics Committee of Turkmenistan).

³³For Uzbekistan's trade with the EU, is in US dollars, B.ANDERSON and Y.KLIMOV, *Uzbekistan: Trade Regime and Recent Trade Developments*, Working Paper No. 4, University of Central Asia: Graduate School of Development. Institute of Public Policy and Administration, 2012, pp. 35-36), <http://www.ucentralasia.org/downloads/UCA-IPPA-WP4-Uzbekistan%20and%20Regional%20Trade.pdf> [24-06-2014] (data in the report is provided by the State Statistics Committee of Uzbekistan); for Uzbekistan's trade relations with Russia, China, Turkey and the USA, *vid.* Attached tables. STATE COMMITTEE OF THE REPUBLIC OF UZBEKISTAN, *Quarterly report – 2008*, <http://www.stat.uz/en/reports/136/> [24-06-2014].

³⁴In the cases of Kazakhstan and Armenia, there is no any difference in data or difference is very small. Regarding Azerbaijan, Belarus, Russia, Georgia there is no any difference in data or difference is very small but data relating to bilateral statistics available since the period later than 2007. In the case of Kyrgyzstan similar to Ukraine, there is difference provided by UNCTAD databases of bilateral FDI statistics and UNCTAD statistics of Inward and outward foreign direct investment stock, annual, 1980-2012. Thus, the latter shows 2009 FDI stock in Kyrgyzstan – 1 429 US mln (according to FDI bilateral statistics – 940 US mln).

³⁵Data regarding FDI geographical origin of Turkmenistan and Uzbekistan (percentage share) provided by Financial Times FDI Intelligence analyzed by Asian Development Bank Institute. *Vid.* ASIAN DEVELOPMENT BANK INSTITUTE, "Connecting Central Asia with Economic Centers", Interim Report, Tokyo, 2014, p. 42, <http://www.adbi.org/files/2014.04.21.book.connecting.central.asia.economic.centers.pdf> [06-07-2014].

Along with investments and trade chessboards, for all external players, the energy chessboard is also common, but the policies they pursue in this chessboard are different and might be better explained when each actor is analyzed individually, as is made in the case of Turkey, which the next part is dedicated to.

6.1.1. Turkey

There are three main chessboards, where Turkey has been operating in the CIS region: cooperation within Turkish-speaking nations, trade, and energy.³⁶

Ankara was the first who recognized independence of Central Asian republics³⁷ and Azerbaijan,³⁸ which are bound with Turkey by common ethnic and linguistic roots (Kazakh, Turkmen, Azeri, Uzbek and Kyrgyz languages belong to the Turkic group,³⁹ while Tajikistan linguistically is closer to Iran)⁴⁰. By this action, from the very beginning of independence of Turkic-speaking nations, Ankara started campaign on promoting its leadership among these countries, which has been largely supported by its Western partners and NATO allies. Turkey has been positioned as a political and economic model of development for these newly independent states, promoting herewith the ideas of pan-Turkism,⁴¹ which ideally might be spread from “the Adriatic Sea to the Great Wall of China”.⁴²

In order to promote relations⁴³ with these countries in economic, cultural, and technical cooperation⁴⁴ as well as liberalization of trade, in 1992 the Turkish Ministry for Foreign Affairs created the Turkish Agency for Cooperation and Development

³⁶Ю.КУДРЯШОВА, “Взаимодействие Турции со Странами Центральной Азии”, *Московский Государственный Институт Международных Отношений*, 27 октября 2009, (Y.KYUDRYASHOVA, “Relations among Turkey and Central Asian Republics”, *Moscow State Institute of International Relations*, October 27, 2009), <http://www.mgimo.ru/news/experts/document124764.phtml> [10-06-2014].

³⁷In the case of Tajikistan among the first countries who recognized its independence was Iran. *Vid.* MFA OF TURKEY, “Relations of Tajikistan with Iran”, <http://mfa.tj/en/relations-with-azian-afrikan-countries/tajikistan-iran.html> [10-06-2014]; MFA OF TURKEY, “Turkey’s Relations With Central Asian Republics”, http://www.mfa.gov.tr/turkey_s-relations-with-central-asian-republics.en.mfa [10-06-2014].

³⁸И.ГУСЕЙНОВА, *Гейдар Алиев – от Политического Руководителя к Общациональному Лидеру*, Баку, Тахсил, 2005, с. 28, (I.GUSEINOVA, *Heidar Aliyev – from Political Governor to Nation Leader*, Baku, Tahsil, 2005, p. 28).

³⁹TURKISH CULTURAL FOUNDATION, “A Brief History of Turkic Languages”, <http://www.turkishculture.org/literature/language-124.htm> [10-06-2014].

⁴⁰R.KAUFMAN and J.HARDT, *The Former Soviet Union in Transition*, New York, M.E. Sharpe, Inc, 1993, p. 976.

⁴¹P.PROBINS, “Between Sentiment and Self-Interest: Turkey’s Policy toward Azerbaijan and the Central Asian States”, *Middle East Journal*, Vol. 47, Issue 4, Fall 1993, p. 593.

⁴²A.MOURENZA, “Llegan los Turcos” in F.VEIGA and A.MOURENZA (Eds.), *El Retorno de Eurasia. 1991-2011: Veinte Años de Nuevo Gran Espacio Geoestratégico que Abrió Paso al Siglo XXI*, Barcelona, Ediciones Península, 2012, p. 222.

⁴³Turkish struggle for leadership in the region using cultural and linguistic tools might also be seen as a preventive policy in order not to allow Iran to increase its power among these countries, where the majority of the population is Muslim, using political leverages of Islam. *Vid.* P.PROBINS, “Between Sentiment and Self-Interest: Turkey’s Policy toward Azerbaijan and the Central Asian States”, *op. cit.*, p. 59.

⁴⁴Ю.КУДРЯШОВА, “Взаимодействие Турции со Странами Центральной Азии”, *op. cit.*, (Y.KYUDRYASHOVA, “Relations among Turkey and Central Asian Republics”, *op. cit.*).

(TIKA)⁴⁵ and started to organize Turkic summits (the first in 1992), participation in which, however, has not implied strong political commitments.⁴⁶ For cultural cooperation there is also the Turkic Cultures and Arts Joint Administration (TÜRKSOY),⁴⁷ which in parallel with four Central Asian republics, Turkey and Azerbaijan as member-states, includes observers from the Turkish Republic of Northern Cyprus, and autonomous regions in the Russian Federation (Altai, Bashkortostan, Khakas Republic, Yakutia, Tatarstan, Tyva) and Moldova (Gaugazia),⁴⁸ whose languages have Turkic origin as well.⁴⁹

During the first years of independence of Turkic-speaking nations (Turkey, Azerbaijan and the four Central Asian republics except Tajikistan), Ankara was trying to play the role of negotiator in order to establish relations between these newly independent states and the international community (primarily the EU and NATO), using its long-term relations with Brussels and Washington⁵⁰ and promoting herewith its own leadership.

However, very soon this mediation between the former Soviet republics and Western countries became unnecessary. One reason is that all Turkic-speaking nations were primarily focused on their internal state-building processes, preferring to establish multilateral policies⁵¹ using the support of all actors interested in the region (including Russia and Iran)⁵² and avoiding being constrained by the limits determined by Ankara.⁵³

Other causes that decreased Turkish possibilities to play the role of leader of the Turkic-speaking community were a difference in attitude toward some political conflicts. Thus, these former Soviet republics rejected the Turkish proposal on participation of the Turkish Republic of Northern Cyprus in the Turkic summits,⁵⁴ while in the case of the Nagorno Karabakh conflict between Azerbaijan and Armenia,⁵⁵ where Turkey supported Azerbaijan,⁵⁶ none of the CA republics wanted to sacrifice relations with CIS partners (primarily, Armenia and Russia in this case) in favor of Ankara.

⁴⁵A.MOURENZA, "Llegan los Turcos", *op. cit.*, p. 223.

⁴⁶B.RUBIN and K.KIRISCI, *Turkey in World Politics: an Emerging Multiregional Power*, Colorado, Lynne Rienner Publishers, Inc., 2001, p. 179.

⁴⁷*Ibid.*, p. 181.

⁴⁸TÜRKSOY: INTERNATIONAL ORGANIZATION OF TURKIC CULTURE, "Members", <http://www.turksoy.org.tr/en/members/bashkortostan.html> [10-06-2014].

⁴⁹MFA TURKEY, "TÜRKSOY: Joint Administration of Turkic Culture and Art". http://www.mfa.gov.tr/turksoy-joint-administration-of-turkic-culture-and-art_en.mfa [10-06-2014].

⁵⁰Ю.КУДРЯШОВА, "Взаимодействие Турции со странами Центральной Азии", *op. cit.*, (Y.KYUDRYASHOVA, "Relations among Turkey and Central Asian republics", *op. cit.*).

⁵¹A.MOURENZA, "Llegan los Turcos", *op. cit.*, p. 223.

⁵²B.RUBIN and K.KIRISCI, *Turkey in World Politics: an Emerging Multiregional Power*, *op. cit.*, p. 179.

⁵³Ю.КУДРЯШОВА, "Взаимодействие Турции со странами Центральной Азии", *op. cit.*, (Y.KYUDRYASHOVA, "Relations among Turkey and Central Asian republics", *op. cit.*).

⁵⁴*Ibid.*

⁵⁵A.MOURENZA, "Llegan los Turcos", *op. cit.*, p. 223.

⁵⁶P.ROBINS, "Between Sentiment and Self-Interest: Turkey's Policy toward Azerbaijan and the Central Asian States", *op. cit.*, p. 597.

The impossibility of Turkey to play a leading role among Turkic-speaking countries became obvious right after the first Turkic summit. During this event, in economic terms, Ankara's plans to launch the establishment of a common market and common trade and development bank among these countries failed.⁵⁷ While, in political terms, Ankara's intentions to build a community on linguistic similarities also did not succeed, which was pointed out by the Kazakhstani President, who noticed that any community based on ethnicity and languages is not what unites people, but instead divides them.⁵⁸

Among the other factors, which did not favor Turkish leadership among the Turkic-speaking countries, was also the distance barriers among them.⁵⁹ In territorial matters, Turkey in the CIS region borders with Georgia and Armenia and has a 17 km border⁶⁰ with the Azeri enclave Nakhchivan separated from Azerbaijan by Armenian territory.⁶¹ Among these three Caucasus countries, Ankara closely cooperates with Georgia⁶² and Azerbaijan, its main Turkic ally,⁶³ (relations between the two countries, which are considered as fraternal countries, are characterized by the formula "One nation – two states").⁶⁴ With Armenia, diplomatic relations still have not been established⁶⁵ due to political divisions between the two countries⁶⁶ (regarding the Nagorno Karabakh conflict and Armenia genocide, described later).

Absence of immediate success in the chessboard of relations with linguistically close countries made Turkey concentrate more on cooperation in other chessboards – trade and energy – leaving collaboration among Turkic-speaking countries to humanitarian issues such as education programs within TİKA, support of Turkish diaspora and promotion of Turkish culture by means of mass media and information agencies.⁶⁷ An achievement of Turkish cultural policy is that these countries might also be con-

⁵⁷B. RUBIN and K. KIRISCI, *Turkey in World Politics: an Emerging Multiregional Power*, *op. cit.*, p. 179.

⁵⁸A. MOURENZA, "Llegan los Turcos", *op. cit.*, p. 223.

⁵⁹Ю. КУДРЯШОВА, "Взаимодействие Турции со Странами Центральной Азии", *op. cit.*, (Y. KYUDRYASHOVA, "Relations among Turkey and Central Asian Republics", *op. cit.*).

⁶⁰CIA: The World Factbook, "Turkey", <https://www.cia.gov/library/publications/the-world-factbook/geos/tu.html> [12-06-2014].

⁶¹Nakhchivan in parallel with Armenia and Turkey also borders Iran, which makes it a center of integration for trade with Azerbaijan, Iran and Turkey. *Vid.* I. OHLY DZHABRAILOV, "Regional Economic Policy of Azerbaijan and Nakhchivan" in *Journal of European Economy*, Vol. 10, No. 4, December 2011, p. 388; S. NIES, "Governance and Diplomacy as Attributes of a Great Power...", *op. cit.*, p. 141; S. NIES, "Governance and Diplomacy as Attributes of a Great Power: Russia and the Three Enclaves – Kaliningrad, Nagorno-Karabakh and Nakhchivan" in R. KANET (Ed.), *Russia: Re-emerging Great Power. Studies in Central and Eastern Europe*, Basingstoke and New York, Palgrave Macmillan, 2007, p. 139.

⁶²И. ГУСЕЙНОВА, *Гейдар Алиев – от Политического Руководителя к Общественному Лидеру*, *op. cit.*, с. 330, (I. GUSEINOVA, *Heidar Aliyev – from Political Governor to Nation Leader*, *op. cit.*, p. 330).

⁶³P. ROBINS, "Between Sentiment and Self-Interest: Turkey's Policy toward Azerbaijan and the Central Asian States", *op. cit.*, p. 597.

⁶⁴И. ГУСЕЙНОВА, *Гейдар Алиев – от Политического Руководителя к Общественному Лидеру*, *op. cit.*, с. 330, (I. GUSEINOVA, *Heidar Aliyev – from Political Governor to Nation Leader*, *op. cit.*, p. 330).

⁶⁵MFA TURKEY, "Relations between Turkey and Armenia", <http://www.mfa.gov.tr/relations-between-turkey-and-armenia.en.mfa> [12-06-2014].

⁶⁶H. SIMAY KARAALP, "Competitiveness of Turkey in Eurasia: A Comparison with CIS Countries", *China-USA Business Review*, Vol. 10, No. 9, September 2011, pp. 732; 727-744.

⁶⁷Ю. КУДРЯШОВА, "Взаимодействие Турции со Странами Центральной Азии", *op. cit.*, (Y. KYUDRYASHOVA, "Relations among Turkey and Central Asian Republics", *op. cit.*).

sidering changing the Cyrillic alphabet to the Latin one as happened in Turkey under Ataturk's rule.⁶⁸

In trade issues, the main achievement of Turkish policy is within its neighborhood. Thus, in 2007 Turkey became the main exporter to Georgia and the second largest exporter to Azerbaijan.⁶⁹ From these countries, Turkey primarily imports raw materials (Georgia) and fuels (Azerbaijan) and exports capital goods (Azerbaijan) and consumer goods⁷⁰ (Georgia).⁷¹ Among Turkic-speaking nations, the main achievements have been obtained in relations with Turkmenistan, which imports from Turkey 17.9% of the goods it purchases (primarily metallic products, machinery, iron and steel).⁷² In addition, it is worth noting that among CIS countries, for Tajikistan (even though it is not a Turkic-speaking country) Turkey has become one of the main countries for export (27.1%), where it exports primarily non-ferrous metals and textile products.⁷³

Concerning the economic initiatives promoted by Turkey, it is necessary to remember the Baku-Tbilisi-Kars railway project launched in 2007⁷⁴ (which should be put into operation very soon)⁷⁵ aimed at bringing closer the three neighboring countries (Azerbaijan, Georgia and Turkey).⁷⁶ This project on the one hand, has great importance for the region taking into account that the railway communication between Caucasus and the rest of the CIS countries had been damaged dramatically by the conflicts there⁷⁷ and on the other hand, it might be seen as an alternative to Russian railways.⁷⁸

⁶⁸A.MOURENZA, "Llegan los Turcos", *op. cit.*, p. 224.

⁶⁹WITS Database.

⁷⁰*Ibid.*

⁷¹In accordance with Broad Economic Categories, "capital goods" are those that are used for further production of goods (i.e. machinery), while "Consumer goods" are those that are supposed to be consumed directly (finished products). *Vid.*, UNITED NATIONS, *Key Trends in International Merchandise Trade*, Geneva and New York, United Nations publications, 2013, p. 1, http://unctad.org/en/PublicationsLibrary/ditctab20131_en.pdf [12-06-2014].

⁷²MINISTRY OF ECONOMY OF THE REPUBLIC OF TURKEY, "Turkmenistan", <http://www.economy.gov.tr/index.cfm?sayfa=countriesandregions&country=TM®ion=2> [06-07-2014].

⁷³The names of export and import commodities appear as in the original. MINISTRY OF ECONOMY OF THE REPUBLIC OF TURKEY, "Tajikistan", <http://www.economy.gov.tr/index.cfm?sayfa=countriesandregions&country=TJ®ion=2> [06-07-2014].

⁷⁴MFA TURKEY, "Turkey's Relations with Southern Caucasus Countries", http://www.mfa.gov.tr/turkey_s-relations-with-southern-caucasus.en.mfa [12-06-2014].

⁷⁵А.ПЮЛЬ, "Грузия для Турции - Дверь На Восток", *Regnum*, 20 января 2014, (A.GUL, "Georgia for Turkey is the Door to the East", *Regnum*, January 20, 2014), <http://www.regnum.ru/news/1756546.html?forprint> [12-06-2014].

⁷⁶Г.ЮЛДАШЕВА, "Новые Ориентиры во Внешней Политике Турции и Центральной Азии", *Центральная Азия и Кавказ*, No. 1 (55), 2008, с. 64, (G.YULDASHEVA, "New Policies of Turkey and Central Asia", *Central Asia and Caucasus*, No. 1 (55), 2008, p. 64).

⁷⁷V.PAPAVA, "The Evolution of Economic Relations Between Georgia and Russia in the Post-Soviet period: Past Trends and Perspectives" in K.GOGOLASHVILI (project director) *Russia and Georgia: Searching the Way Out. Policy Discussion Papers by Georgian and Russian Experts*, Tbilisi, Georgian Foundation for Strategic and International Studies, 2011, p. 53.

⁷⁸Г.ЮЛДАШЕВА, "Новые Ориентиры во Внешней Политике Турции и Центральной Азии", *op. cit.*, с. 64, (G.YULDASHEVA, "New Policies of Turkey and Central Asia", *op. cit.*, p. 64).

Speaking generally about trade between Turkey and former Soviet republics, it is necessary to note that it has largely increased. Thus, in 1989, the Soviet Union's share in Turkey's export was 6.06%⁷⁹ and 3.79% of its imports,⁸⁰ in 2007, the share of CIS countries in Turkey's export changed to 8.8% and in imports to 18.1%.⁸¹ Even if difference in export share is not very great, in monetary terms due to Turkey's significant economic development,⁸² its export to these countries increased from 704,730 thousand dollar in 1989⁸³ to 9,442,254 thousand dollar in 2007.⁸⁴

In the case of imports, Turkey's main trade partner in the CIS region is Russia – 13% of total import, where the main trade products are fuels and raw materials.⁸⁵ Turkey imports more than 70% of its total energy it needs,⁸⁶ 56% of imported natural gas (to a large scale via the Blue Stream Pipeline) and 10% of imported crude oil comes from the RF,⁸⁷ which makes it dependent on its supply.

Turning now to the energy chessboard, it is worth noting that even though Russia and Turkey are significant trade partners for each other, they are rivals in the sphere of gas and oil transit.⁸⁸ Geographically Turkey is situated close to regions that possess 70% of the world's reserves of carbons that makes it interested in playing the role of transportation center between European consumers and suppliers from the Middle East and the Caspian region.⁸⁹ The main achievements of Turkish policy (together with the USA)⁹⁰ in this sphere is the construction of the Baku-Tbilisi-Ceyhan oil pipeline and Baku-Tbilisi-Erzurum Natural Gas Pipeline for transportation of Azerbaijan's oil and gas (in more details the project is studied in the section dedicated to common political views of the present chapter). There are also projects with Russian participation such as the Samsun-Ceyhan oil pipeline launched in 2007.⁹¹

Along with Azerbaijan, Turkey improves energy cooperation with other Turkic-speaking countries, where one of the most important gas suppliers is Turkmenistan.⁹² Thus, Turkey promoted the Nabucco project (rival of Russian-led South Stream),

⁷⁹WITS database.

⁸⁰*Ibid.*

⁸¹TURKISH STATISTICAL INSTITUTE database.

⁸²Г.ЮЛДАШЕВА, "Новые Ориентиры во Внешней Политике Турции и Центральной Азии", *op. cit.*, c. 61, (G.YULDASHEVA, "New Policies of Turkey and Central Asia", *op. cit.*, p. 61).

⁸³WITS database.

⁸⁴TURKISH STATISTICAL INSTITUTE database.

⁸⁵WITS database.

⁸⁶WORLD BANK database: Energy Imports, Net (% of Energy Use), http://data.worldbank.org/indicator/EG.IMP.CON.S.ZS?page=1&order=wbapi_data_value_2011%20wbapi_data_value&sort=asc [13-06-2014].

⁸⁷EIA, "Turkey", <http://www.eia.gov/countries/cab.cfm?fips=tu> [13-06-2014].

⁸⁸Г.ЮЛДАШЕВА, "Новые Ориентиры во Внешней Политике Турции и Центральной Азии", *op. cit.*, c. 62, (G.YULDASHEVA, "New Policies of Turkey and Central Asia", *op. cit.*, p. 62).

⁸⁹MFA OF TURKEY, "Turkey's Energy Strategy", <http://www.mfa.gov.tr/turkeys-energy-strategy.en.mfa> [11-06-2014].

⁹⁰Z.BARAN, "The Baku-Tbilisi-Ceyhan Pipeline: Implications for Turkey" in F.STARR and S.CORNELL (Eds.) *The Baku-Tbilisi-Ceyhan Pipeline: Oil Window to the West*, Uppsala, Uppsala University, 2005, p. 116.

⁹¹MFA OF TURKEY, "Turkey's Energy Strategy", *op. cit.*

⁹²P.ROBINS, "Between Sentiment and Self-Interest: Turkey's Policy toward Azerbaijan and the Central Asian States", *op. cit.*, p. 605.

which still has not been realized.⁹³ However, this project is also closely interrelated with another important external player in the region – the European Union.

Thus, since the dissolution of the USSR, Turkey has become an important actor in the region concentrating primarily on cooperation with Turkic-speaking nations and neighboring countries. Even if Ankara's initiatives to play the leading role among linguistically close countries did not bring it immediate success, it fully compensated it by the great achievements in its neighborhood, there it is considered a significant trade partner and promoter of projects aimed at involving its neighbors into the world community and outweigh Russian importance in the region (that has also been achieved). Turkish interests in the region (especially in the energy chessboard) are closely interrelated with interests of another important player in the region, described in the next part.

6.1.2. The European Union

The EU operates in the region primarily in four chessboards – technical assistance, investments, trade and energy.

From the very beginning of the independent history of the former Soviet republics, the EU began building relations with them. In the early stages of cooperation, the main accent was on Russia,⁹⁴ which was obvious since the only representative office of the EU was in Moscow,⁹⁵ and Russia – as mentioned above – succeeded membership of the USSR in different international organizations.

All CIS members relations were formed by bilateral Partnership and Cooperation Agreements (PCAs) between the EU and each country in particular, which were signed during the period 1994-1996 (with Turkmenistan in 1997⁹⁶ and Tajikistan in 2004⁹⁷) and came into force in 1997-1999 depending on the country.⁹⁸ Before PCAs came into effect, cooperation between Europe and former Soviet republics was regulated by the Trade and Cooperation Agreement signed by the EEU and USSR in December 1988⁹⁹ (after relations between the European Economic Community and the Council for Mutual Economic Assistance were established by signing the subsequent

⁹³A. СПРАУНИОС, “Набукко” Против “Южного потока” – Кто Кого?”, *ИноСМИ*, 23 февраля 2011, (A.SPRAUNIUS, “Nabucco vs South Stream – Who Wins?”, *InoSMI*, February 23, 2011), <http://inosmi.ru/economic/20110223/166785144.html> [13-06-2014].

⁹⁴M.LIGHT, “The Evolution of EU policy towards its CIS neighbors”, *CASE Network Studies and Analyses* No. 3416, May 2007, p. 6, http://www.case-research.eu/sites/default/files/publications/15674280_sa341_0.pdf [17-06-2014].

⁹⁵EUROPEAN COMMISSION, “The European Commission's TACIS Programme 1991 – 2006: A Success Story”, http://ec.europa.eu/europeaid/where/neighbourhood/regional-cooperation/enpi-east/documents/annual_programmes/tacis_success_story_final_en.pdf [16-06-2014].

⁹⁶M.LIGHT, “The Evolution of EU Policy Towards its CIS Neighbors”, *op. cit.*, p. 7.

⁹⁷*Ibid.*, p. 8.

⁹⁸EUROPEAN PARLIAMENT, “Russia and the Other Countries of the Former Soviet Union”, *European Parliament Fact Sheets*, http://www.europarl.europa.eu/facts_2004/6_3_4_en.htm [17-06-2014].

⁹⁹*Ibid.*

declaration)¹⁰⁰ and then by the Interim agreements signed in 1996 for regulation the commercial terms of collaboration.¹⁰¹ PCAs do not deal with close integration of the former Soviet republics with the Union such as the creation of free trade zones or possibilities of joining the EU.¹⁰²

The main financial source for implementing PCAs provisions was the TACIS program¹⁰³ (Technical Assistance to the Commonwealth of Independent States).¹⁰⁴ Apart from bilateral aid programs launched by the UK and Germany,¹⁰⁵ TACIS with a budget of EUR 4,221 million for the period of 1991 to 1999¹⁰⁶ and EUR 3,138 million for 2000-2006¹⁰⁷ became the most significant source of technical assistance rendered to the CIS.¹⁰⁸

The concept of the “technical assistance” refers to the transfer of experience and the best European practices to the newly independent states and Mongolia, which includes tutorials, “industrial cooperation” and support of investment promotion activities, projects related to the “nuclear safety, justice and home affairs and cross-border cooperation” and “institution-building” between participating countries and the Union.¹⁰⁹ With its main aim to support the former Soviet republics¹¹⁰ in “the transition to a market economy” and “reinforce[ment of] democracy and the rule of law”,¹¹¹ within the TACIS program these countries became the major beneficiaries of assistance rendered by the EU,¹¹² the largest supporter in the world.¹¹³ Among these thirteen countries, the most significant aid was offered to Russia,¹¹⁴ and then Ukraine.¹¹⁵ More particularly, among the priority areas of this program are reformation in the field of nuclear security, environment, food safety, democratization, education (Tem-

¹⁰⁰Vid. Point 1. EUROPEAN UNION, “Joint Declaration on the Establishment of Official Relations between the European Economic Community and the Council for Mutual Economic Assistance”, June 2, 1988, http://aei.pitt.edu/1691/1/joint_declaration_east_bloc.pdf [18-06-2014].

¹⁰¹EUROPEAN PARLIAMENT, “Russia and the Other Countries of the Former Soviet Union”, *op. cit.*

¹⁰²*Ibid.*

¹⁰³*Ibid.*

¹⁰⁴EUROPEAN COMMISSION, “The European Commission’s TACIS Programme 1991 – 2006: A Success Story”, *op. cit.*

¹⁰⁵T.GRIGORIADIS, “Aid Effectiveness And Donor Preferences: European Aid Systems In The Former Soviet Union, 1992–2007”, *Journal of International Development*, Vol. 25, 2013, p. 54.

¹⁰⁶A.BLANC ALTEMI, “El Programa TACIS (1991-2006): Balance y Sustitución por el Nuevo Instrumento Europeo de Vecindad y Asociación”, *Anuario de Derecho Internacional*, No. 23, 2007, p. 108.

¹⁰⁷Vid. Article 6. EUROPEAN UNION, “Council Regulation (EC, Euratom) Concerning the Provision Of Assistance to the Partner States in Eastern Europe and Central Asia”, No. 99/2000, *Official Journal of the European Communities*, 29 December 1999, <http://www.eubam.org/files/Tacis-29-12-99.pdf> [1-11-2014].

¹⁰⁸EUROPEAN COMMISSION, *TACIS Interim Evaluation Synthesis Report*, July 1997, p. 16, http://ec.europa.eu/europeaid/how/evaluation/evaluation_reports/reports/tacis/951415_en.pdf [14-12-2014].

¹⁰⁹Vid. Article 5. EUROPEAN UNION, “Council Regulation (EC, Euratom) Concerning the Provision Of Assistance to the Partner States in Eastern Europe and Central Asia”, *op. cit.*

¹¹⁰Vid. Point 2. *Ibid.*

¹¹¹Vid. Article 1. *Ibid.*

¹¹²T.GRIGORIADIS, “Aid Effectiveness And Donor Preferences: European Aid Systems In The Former Soviet Union, 1992–2007”, *op. cit.*, p. 52.

¹¹³*Ibid.*, p. 55.

¹¹⁴EUROPEAN COMMISSION, *TACIS Interim Evaluation Synthesis Report*, *op. cit.*, p. 29.

¹¹⁵A.BLANC ALTEMI, “El Programa TACIS (1991-2006): Balance y Sustitución por el Nuevo Instrumento Europeo...”, *op. cit.*, p. 120.

pus, Erasmus Mundus), as well as energy (INOGATE program) and transportation cooperation with the EU (TRACECA).¹¹⁶

Beginning in 2007, the TACIS program was replaced by the European Neighbourhood and Partnership Instrument¹¹⁷ designed for the period of 2007-2013.¹¹⁸ Starting from this period, the approach to the region ceased to be “homogeneous” and three groups of states were determined– Russia, European neighborhood and Central Asia¹¹⁹ – that is obvious since these countries have become closer to the Union after its enlargement in 2004.¹²⁰

For the nearest neighbors of the EU, i.e. Belarus, Ukraine, Moldova, Azerbaijan, Armenia and Georgia,¹²¹ in 2009 the Eastern Partnership Program was launched,¹²² for Central Asia there is a *Strategy for a New Partnership* adopted in 2007,¹²³ while in cooperation with Russia, four “common spaces” – “Trade and Economic cooperation”; “Freedom, Security and Justice”, “Research, Education and Culture” and “External Security” – were determined, for implementation of road maps agreed in 2005.¹²⁴

In the investment chessboard, the EU is leader in the region. As is shown in figure 3, the EU together with Cyprus is the major investor for Russia, Kazakhstan, Ukraine, Azerbaijan, Georgia, Moldova and Kyrgyzstan.

The EU also leads in the trade chessboard. Thus, as shown in figure 2, it is the leading importer for Armenia, Azerbaijan, Georgia, Moldova, Russia, Ukraine and the second largest importer for Kazakhstan, Tajikistan and Uzbekistan. Among the main commodity groups in European export to these countries are capital and consumer goods and machinery and electronics.¹²⁵ The CIS region in 2007 accounted for 10.2% of EU exports (where the largest share applies to trade with Russia).¹²⁶

The EU is the primary destination of exports from Armenia, Azerbaijan, Georgia, Moldova, Kazakhstan, Russia, Tajikistan and Ukraine and the second largest re-

¹¹⁶*Ibid.*, pp. 111-112.

¹¹⁷*Ibid.*, p. 104.

¹¹⁸EUROPEAN COMMISSION, “European Neighbourhood and Partnership Instrument”, http://ec.europa.eu/europeaid/where/neighbourhood/overview/index_en.htm [20-06-2014].

¹¹⁹M.LIGHT, “The Evolution of EU policy towards its CIS neighbors”, *op. cit.*, p. 11.

¹²⁰С.ГЛИНКИНА и Л.КОСИКОВА, “Европейская Политика Соседства В Странах СНГ: Новые Тенденции И Вызовы для России”, *Портал СНГ*, (S.GLINKINA and L.KOSIKOVA “European Neighborhood Policy toward The CIS: New Trends And Challenges For Russia”, *Portal CIS*), <http://www.e-cis.info/news.php?id=538> [17-06-2014].

¹²¹*Ibid.*

¹²²EASTERN PARTNERSHIP PROGRAMME, “What Is the EaP?”, <http://www.easternpartnership.org/content/eastern-partnership-glance> [20-06-2014].

¹²³COUNCIL OF THE EUROPEAN UNION, “The EU and Central Asia: Strategy for New Partnership”, Brussels, 31 May 2007, <http://register.consilium.europa.eu/doc/srv?l=EN&f=ST%20101113%202007%20INIT> [22-06-2014].

¹²⁴EUROPEAN UNION, “EU-Russia Common Spaces”, Progress Report 2007, March 2008, http://eeas.europa.eu/russia/docs/commonspaces_prog_report2007.pdf [22-06-2014].

¹²⁵The names of commodity groups appear as in the original. WITS database.

¹²⁶EUROSTAT database.

recipient of export from Turkmenistan. For energy-exporting countries such as Russia, Kazakhstan, Azerbaijan and Turkmenistan, fuels (as raw materials) are the main commodities of their export to Europe. In export from Belarus and Georgia, consumer goods (including fuels) prevail. Ukraine, Armenia and Tajikistan export intermediate goods and metals, while Moldova's export are consumer and intermediate goods.¹²⁷

Another sphere, where the EU plays an important role in the region is energy. This chessboard could be considered as the most significant one for long-term cooperation because it is the driving force of economic development for any country (both developed and developing). In addition, for economies in transition (as in the case of the CIS), it is a reliable source of taxes and income of foreign currency, while for advanced economies (such as European ones) cooperation with various energy suppliers allows diversification of resources and eliminates their dependence on the primary one.¹²⁸

The EU is the biggest energy importer in the world.¹²⁹ Its dependence on oil import reached 83.5% and 64.2% on gas,¹³⁰ which is estimated to be increased to 95% on oil and 84% on gas import by 2030.¹³¹ For the Union, Russia is the main energy supplier accounting for 34% of gas imports¹³² (which comes through pipelines primarily via Ukraine and Belarus)¹³³ and 29% of crude oil (comes primarily via Belarus).¹³⁴ Among other valuable oil suppliers from the CIS region, are Kazakhstan (5%) and Azerbaijan (4%),¹³⁵ while in the case of gas supply, all other CIS countries (except Russia) account for only 2% of gas consumed in the EU.¹³⁶

Pursuing one of the main aims of energy policy – “ensur[ing] security of energy supply”¹³⁷ – the EU largely cooperates with the CIS countries within the INOGATE

¹²⁷The names of commodity groups appear as in the original. WITS database.

¹²⁸ENERGY CHARTER SECRETARIAT, “The Energy Charter Treaty: A Reader's Guide”, pp. 7-8, http://www.encharter.org/fileadmin/user_upload/Publications/ECT_Guide_ENG.pdf [23-06-2014].

¹²⁹*Vid.* Point 1.2. Security of supply dimension. EUROPEAN UNION, *Commission Staff Working Paper: Key facts and figures on the external dimension of the EU energy policy*, <http://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:52011SC1022> [23-06-2014].

¹³⁰Data corresponds to 2009. EUROPEAN UNION, “Key figures – EU and the World: Market Observatory and Statistics”, p. 6, http://ec.europa.eu/energy/observatory/countries/doc/key_figures.pdf [23-06-2014].

¹³¹IEA, *IEA Energy Policies Review: The European Union*, Paris, IEA Publications, 2008, p. 19.

¹³²Data corresponds to 2009. EUROPEAN UNION, “Key figures – EU and the World: Market Observatory and Statistics”, *op. cit.*, p. 7.

¹³³С.ГЛИНКИНА и Л.КОСИКОВА, “Европейская Политика Соседства В Странах СНГ: Новые Тенденции И Вызовы для России”, *op. cit.*, (S.GLINKINA and L.KOSIKOVA “European Neighborhood Policy toward The CIS: New Trends And Challenges For Russia”, *op. cit.*).

¹³⁴*Ibid.*; IEA, *IEA Energy Policies Review: The European Union*, *op. cit.*, p. 62.

¹³⁵Data corresponds to 2009. EUROPEAN UNION, “Key figures – EU and the World: Market Observatory and Statistics”, *op. cit.*, p. 7.

¹³⁶IEA, *IEA Energy Policies Review: The European Union*, *op. cit.*, p. 62.

¹³⁷*Vid.* Point (b): Article 176 (A). EUROPEAN UNION, “Treaty of Lisbon: Amending the Treaty on European Union and the Treaty Establishing the European Community”, 2007/C 306/01, http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.C_.2007.306.01.0001.01.ENG#a-005 [23-06-2014].

program (funded by TACIS¹³⁸ and then by ENPI)¹³⁹. Energy collaboration is also one of the priorities in relations with Central Asia¹⁴⁰ and GUAM (includes Georgia, Ukraine, Azerbaijan and Moldova).¹⁴¹

The INOGATE program was launched by the EU in 1996 as a framework for energy cooperation between the Union and 12 partner countries that include Turkey and 11 CIS members (except Russia, which has observer status).¹⁴² Within the program,¹⁴³ the EU renders its technical assistance to 11 former Soviet republics¹⁴⁴ in order to implement its four key objectives: “convergence of energy markets on the basis of EU principles, enhancing energy security, supporting sustainable energy development, and attracting investment towards energy projects.”¹⁴⁵ For these purposes, the INOGATE program provide partner countries assistance in elaboration of their energy policies¹⁴⁶ and tariff policies¹⁴⁷ based on European practices¹⁴⁸ replacement of the Soviet GOST standards to the international and European ones,¹⁴⁹ “development of alternative oil and gas transit routes towards Europe”,¹⁵⁰ “supporting sustainable energy

¹³⁸A.BLANC ALTEMI, “El Programa TACIS (1991-2006): Balance y Sustitución por el Nuevo Instrumento Europeo...”, *op. cit.*, pp. 111-112.

¹³⁹EUROPEAN UNION, “INOGATE Programme”, http://ec.europa.eu/europeaid/where/neighbourhood/regional-cooperation/enpi-east/energy-issues_en.htm [23-06-2014].

¹⁴⁰COUNCIL OF THE EUROPEAN UNION, “The EU and Central Asia: Strategy for a New Partnership”, Brussels, 31 May 2007, p. 3, <http://register.consilium.europa.eu/doc/srv?l=EN&f=ST%2010113%202007%20INIT> [20-06-2014].

¹⁴¹С.ГЛИНКИНА и Л.КОСИКОВА, “Европейская Политика Соседства В Странах СНГ: Новые Тенденции И Вызовы для России”, *op. cit.*, (S.GLINKINA and L.KOSIKOVA “European Neighborhood Policy toward The CIS: New Trends And Challenges For Russia”, *op. cit.*).

¹⁴²EUROPEAN UNION, *INOGATE Programme*, Status report, 2011, p. 8, <http://www.inogate.org/media/documents/INOGATE%20Status%20Report%20EN.pdf> [23-06-2014].

¹⁴³Among other EU projects pursued without RF participation is TRACECA (Europe-Caucasus-Asia transport corridor) that is aimed at expanding markets of Central Asian and Caucasus countries and uniting them with European routes creating herewith a huge international transportation sphere bypassing Russia. *Vid.* МИД РОССИЙСКОЙ ФЕДЕРАЦИИ, Справочная Информация: Евразийский Транспортный Коридор (проект ТРАСЕКА), (MFA OF RUSSIAN FEDERATION, Reference Data: Eurasian Transport Corridor (TRACECA), <http://www.mid.ru/ns-dipecon.nsf/41786e3b4b21362343256a0c003fb87c/d89d3102220efc4443256a29003c4e06> [24-06-2014].

¹⁴⁴Turkey is not financed within this program because it is not the beneficiary of ENPI. *Vid.* EUROPEAN UNION, *INOGATE Programme*, *op. cit.*, p. 8.

¹⁴⁵*Ibid.*, p. 8.

¹⁴⁶EUROPEAN UNION, “INOGATE & Energy policy”, <http://inogate-tag.org/inogate/thematic.php?lang=en&id=1> [1-12-2014].

¹⁴⁷EUROPEAN UNION, “INOGATE & Energy Tariffs”, <http://inogate-tag.org/inogate/thematic.php?lang=en&id=2> [1-12-2014].

¹⁴⁸*Vid.* Arrangement reached within the 1st Area of Cooperation: Convergence of energy markets. ENERGY MINISTERIAL CONFERENCE, “Ministerial Declaration on Enhanced Energy Co-Operation between the EU, the Littoral States of the Black and Caspian Seas and Their Neighbouring Countries”, November 30, 2006, p. 5, http://inogate-tag.org/inogate/pdf_files/INOGATE_Policy_Final_Conclusions_Astana_EN.pdf [24-06-2014].

¹⁴⁹EUROPEAN UNION, “INOGATE & Energy Standards”, <http://inogate-tag.org/inogate/thematic.php?lang=en&id=4> [24-06-2014].

¹⁵⁰*Vid.* Arrangements reached within the 2nd Area of Cooperation: Enhancing Energy Security. ENERGY MINISTERIAL CONFERENCE, Ministerial Declaration on Enhanced Energy Co-Operation between the EU, the Littoral States of the Black and Caspian Seas and Their Neighbouring Countries, *op. cit.*, p. 6.

development”,¹⁵¹ attraction of investments and working out common energy projects.¹⁵²

Technical cooperation also includes investigation of energy markets in the region, estimation of resources, research of institutional base and elaboration of energy projects (some of which might be considered as rivals of already existing transportation routes promoted by the RF such as Caspian pipeline and Blue stream).¹⁵³

In the GUAM direction, the EU supports such pipeline projects as Odessa-Brody-Plotsk-Gdansk¹⁵⁴ (studied in the part dedicated to common political views) and policies of involving these countries into the European Energy community that represents the “integrated market in natural gas and electricity”,¹⁵⁵ where Moldova and Ukraine are members (since 2010 and 2011 respectively), while Georgia and Armenia have observer status.¹⁵⁶

In cooperation with Central Asian republics, the EU is interested in diversification of gas and oil supply, whose importance has increased after disputes between Russia and Ukraine on gas transportation in 2006 (and 2009).¹⁵⁷ In this region, the infrastructure constructed during the Soviet time was elaborated in the way that four Central Asian countries (except Kyrgyzstan) exported their gas and oil via Russia.¹⁵⁸ For diversification of export routes of these countries the EU promotes the Southern Corridor project aimed at bringing Caspian and Middle East gas to Europe,¹⁵⁹ where the concerned parties in CA are Turkmenistan, which occupies the sixth position in the world largest gas reserves countries¹⁶⁰ and Azerbaijan in Caucasus. Among other sides there are Mashreq states and Iraq and in the long-term perspective after settlement of

¹⁵¹*Vid.* Arrangement reached within the 3rd Area of Cooperation: Supporting Sustainable Energy Development, Including the Development Of Energy Efficiency, Renewable Energy Sources And Demand Side Management. ENERGY MINISTERIAL CONFERENCE, “Ministerial Declaration on Enhanced Energy Co-Operation between the EU, the Littoral States of the Black and Caspian Seas and Their Neighbouring Countries”, *op. cit.*, p. 7.

¹⁵²*Vid.* Arrangement reached within the 4th Area of Cooperation: Investment Attraction of Energy Projects of Common Interest. *Ibid.*, p. 8.

¹⁵³МИД РОССИЙСКОЙ ФЕДЕРАЦИИ. “Справочная Информация: Программа ИНОГЕЙТ”, (MFA OF RUSSIAN FEDERATION, “Reference Data: INOGATE Programme”, <http://www.mid.ru/bdcomp/nsdos.nsf/162979df2beb9880432569e70041fd1e/432569d800223f3443256a29003c4deb!OpenDocument> [23-06-2014].

¹⁵⁴С.ГЛИНКИНА и Л.КОСИКОВА, “Европейская Политика Соседства В Странах СНГ: Новые Тенденции И Вызовы Для России”, *op. cit.*, (S.GLINKINA and L.KOSIKOVA “European Neighborhood Policy toward The CIS: New Trends And Challenges For Russia”, *op. cit.*).

¹⁵⁵*Vid.* Preamble. ENERGY COMMUNITY, “Treaty Establishing the Energy Community”, http://www.energycommunity.org/portal/page/portal/ENC_HOME/ENERGY_COMMUNITY/Legal/Treaty#Preamble [23-06-2014].

¹⁵⁶ENERGY COMMUNITY, “Who Are We”, http://www.energy-community.org/portal/page/portal/ENC_HOME/ENERGY_COMMUNITY/Who_are_we [23-06-2014].

¹⁵⁷IEA, *World Energy Outlook 2010*, p. 543, <http://www.iea.org/publications/freepublications/publication/weo2010.pdf> [17-06-2014].

¹⁵⁸IEA, *Natural Gas Market Review 2008*. p. 51, <http://www.iea.org/publications/freepublications/publication/gasmarket2008.pdf> [17-06-2014].

¹⁵⁹*Vid.* Point 1.3. Significant Efforts on Energy Infrastructure are Needed. EUROPEAN UNION, *Commission Staff Working Paper: Key facts and figures on the external dimension of the EU energy policy*, *op. cit.*

¹⁶⁰EIA, “Turkmenistan report”, <http://www.eia.gov/countries/analysisbriefs/cabs/Turkmenistan/pdf.pdf> [17-05-2014].

political problems, Uzbekistan and Iran.¹⁶¹ Among the projects that relate to the region already mentioned the Nabucco depends on supply from Turkmenistan, Azerbaijan and Iraq¹⁶² and might be seen as the fourth gas corridor to Europe (apart from supply from the North Sea, North Africa and Russia)¹⁶³ and the Trans-Caspian pipeline project¹⁶⁴ aimed at connecting Turkmenistan and Azerbaijan (via the Caspian Sea)¹⁶⁵. However, none of these projects have been realized¹⁶⁶ because the question about the suppliers is still not resolved.¹⁶⁷ In addition, both projects are opposed by Russia¹⁶⁸ (the main transit country for Turkmen gas),¹⁶⁹ while in the case of the Trans-Caspian pipeline, it has internal obstacles against its realization such as unsolved disputes around Turkmenistan and Azerbaijan maritime borders.¹⁷⁰

In the case of Caspian countries, another important issue of European policy toward the region is investment security, which is a significant part of the Energy Charter Treaty¹⁷¹ signed and ratified by all CIS countries except Belarus¹⁷² and Russia who did not ratify it.¹⁷³ Concerning investments, a participating country grants to Investors “treatment...no less favourable than that which it accords to its own Investors or to Investors of any other Contracting Party or any third state,”¹⁷⁴ guarantees that investments are not the subjects of nationalization and expropriation, in exceptional circumstances correspondent to “public interest”, they should be compensated to the amount of its net value,¹⁷⁵ and assures “the freedom of transfer into and out of

¹⁶¹COMMISSION OF THE EUROPEAN COMMUNITIES, “Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions”, Second Strategic Energy Review, COM(2008) 781 final, Brussels, November 13, 2008, p. 4, <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2008:0781:FIN:EN:PDF> [17-05-2014].

¹⁶²EUROPEAN COMMISSION, “Gas Bridge Between Asia & Europe (Nabucco)”, http://ec.europa.eu/energy/eepr/projects/files/gas-interconnections-and-reverse-flow/nabucco_en.pdf [24-06-2014].

¹⁶³IEA, *IEA Energy Policies Review: The European Union*, *op. cit.*, p. 69.

¹⁶⁴С.ГЛИНКИНА и Л.КОСИКОВА, “Европейская Политика Соседства В Странах СНГ: Новые Тенденции И Вызовы для России”, *op. cit.*, (S.GLINKINA and L.KOSIKOVA “European Neighborhood Policy toward The CIS: New Trends And Challenges For Russia”, *op. cit.*).

¹⁶⁵NATURAL GAS EUROPE, “News - Trans-Caspian Pipeline”, <http://www.naturalgaseurope.com/category/pipelines/trans-caspian-pipeline> [24-06-2014].

¹⁶⁶IEA, *World Energy Outlook 2010*, *op. cit.*, p. 543.

¹⁶⁷EUROPEAN COMMISSION, “Gas Bridge Between Asia & Europe (Nabucco)”; M.KASHFI, “Iranian Gas and the Nabucco Pipeline Realities”, *Oil Price*, 3 January 2013, <http://oilprice.com/Energy/Natural-Gas/Iranian-Gas-and-the-Nabucco-Pipeline-Realities.html> [24-06-2014].

¹⁶⁸IEA, *World Energy Outlook 2010*, *op. cit.*, p. 541.

¹⁶⁹A.KRASHAKOV, “Perspectives of Trans-Caspian Project: Business View”, *Natural Gas Europe*, <http://www.naturalgaseurope.com/perspectives-of-trans-caspian-project-business-view> [17-06-2014].

¹⁷⁰IEA, *World Energy Outlook 2010*, *op. cit.*, p. 542.

¹⁷¹ENERGY CHARTER SECRETARIAT, “The Energy Charter Treaty...”, *op. cit.*, p. 19.

¹⁷²ENERGY CHARTER SECRETARIAT, “Members and Observers”, <http://www.encharter.org/index.php?id=61> [24-06-2014].

¹⁷³МИД РОССИЙСКОЙ ФЕДЕРАЦИИ, “Справочная Информация: Договор к Энергетической Хартии”, (MFA RUSSIAN FEDERATION, “Reference Data: Energy Charter Treaty”, <http://www.mid.ru/bdomp/ns-dipecon.nsf/tc2e4121e6d9ec5343256a0c003fb7d2/4ff878bf234a8162c32570c4004acd58!OpenDocument> [24-06-2014].

¹⁷⁴*Vid.* Article 10: Point 3. Energy Treaty Promotion, Protection and Treatment of Investments. ENERGY CHARTER SECRETARIAT, “The Energy Charter Treaty and Related Documents”, December 17, 1994. http://www.encharter.org/fileadmin/user_upload/document/EN.pdf [24-06-2014].

¹⁷⁵*Vid.* Article 13: Point 1. Expropriation. *Ibid.*

its Area.”¹⁷⁶ However, among all other provisions related to trade, transit and dispute resolution, the Treaty affirms recognition of “state sovereignty and sovereign rights over energy resources.”¹⁷⁷

Thus, among the four chessboards where the EU primarily operates – trade, investments, technical assistance and energy – the Union is the leader in the first two. Within cooperation in the technical assistance chessboard, the EU has been rendering considerable financial aid to former Soviet republics necessary for their transition to market economy, democracy and rule of law. By these means, the Union also reunites the CIS countries to international and European standards and promotes closer cooperation with the EU. In the energy chessboard, the EU pursues policy on establishment of long-term collaboration with energy-producing and potential transit countries in order to diversify and ensure its energy supply, for which it uses different approaches aiming to converge energy markets of CIS and EU states, promoting new transportation routes and securing its large FDI investments in energy related spheres. EU interests in the region are mostly concentrated in economic issues, while in economic and political issues, another important external actor is the USA, which the next part is dedicated to.

6.1.3. The USA

Similar to other external actors, the USA plays in different chessboards among which four might be determined in particular – military-political cooperation (in the fields of nuclear threat reduction, establishment of collaboration relations with NATO, and fight against terrorism), energy, trade and investments.

With the collapse of the USSR, one of the main problems, which the USA dealt with, was the elimination of the nuclear threat¹⁷⁸ posed by the third, fourth and eighth largest arsenals inherited respectively by Ukraine, Kazakhstan and Belarus.¹⁷⁹ This threat was equally understood by their governments, Moscow and Washington,¹⁸⁰ which led to voluntary renouncing of nuclear weapons by these three countries.¹⁸¹ In May 1992 USA, Russia, Ukraine, Kazakhstan and Belarus signed the Lisbon Protocol

¹⁷⁶*Vid.* Article 14: Point 1. Transfers Related to Investments. *Ibid.*

¹⁷⁷*Vid.* Article 18: Point 1. Sovereignty over Energy Resources. *Ibid.*

¹⁷⁸М.ЛАУМУЛИН, “Казахстан и Запад: Ретроспектива Отношений в 1990-е гг.”, *Центральная Азия и Кавказ*, 2000, (M.LAUMULIN, “Kazakhstan and West: Relation in Retrospect of 1990s”, *Central Asia and Caucasus*, 2000), http://www.ca-c.org/journal/2000/journal_rus/cac08_2000/07.laumill.shtml [26-06-2014].

¹⁷⁹AMERICAN SECURITY PROJECT, *Fact Sheet: The Nunn-Lugar Cooperative Threat Reduction Program Securing and Safeguarding Weapons of Mass Destruction*, p. 2. <http://www.americansecurityproject.org/ASP%20Reports/Ref%200068%20-%20The%20NunnLugar%20Cooperative%20Threat%20Reduction%20Program.pdf> [26-06-2014].

¹⁸⁰В.БАБАК, “Астана в Треугольнике Москва - Вашингтон – Пекин”, *Центральная Азия и Кавказ*, 1999 (V.BABAK, “Astana in Moscow-Washington-Beijing Triangular”, *Central Asia and Caucasus*, 1999), <http://www.ca-c.org/journal/cac-06-1999/babak.shtml> [26-06-2014].

¹⁸¹UNITED NATIONS, “Hope for a Future World without Nuclear Weapons” - Twenty Years Ago, Belarus, Kazakhstan and Ukraine Renounced Their Nuclear Arsenals”, <http://www.un.org/disarmament/update/20131012/> [27-06-2014].

(Protocol to the Treaty between the United States of America and the Union of Soviet Socialist Republics on the Reduction and Limitation of Strategic Offensive Arms), where Kazakhstan, Belarus and Ukraine undertook obligations to accede to the Treaty on the Non-Proliferation of Nuclear Weapons from July 1 1968 “as non-nuclear weapon states”¹⁸² and guarantee elimination of nuclear weapons from their territories in a seven-year period.¹⁸³ For assisting these countries in their purpose to secure and eliminate WMD from their territories, USA established the Cooperative Threat Reduction (CTR) Program (or the Nunn-Lugar Program named after founders)¹⁸⁴ devoting them around US 400-500 million every year.¹⁸⁵

Another important issue related to rejection of nuclear weapons by these three countries were the security assurances given by the USA, UK and Russia. By signing the 1995 Budapest Memorandums, these countries guaranteed “to respect the independence and sovereignty and the existing borders”¹⁸⁶ of Ukraine, Kazakhstan and Belarus, “to refrain from economic coercion”¹⁸⁷ and “to provide [them] assistance [if they] become a victim of an act of aggression or an object of a threat of aggression in which nuclear weapons are used”.¹⁸⁸ Later China and France also made the same security assurances.¹⁸⁹

Support of nuclear disarmament was also part of the assistance that the USA rendered to the CIS countries in accordance with the Freedom Support Act,¹⁹⁰ approved by president George H.W. Bush in 1992. With a budget of more than US 400 million annually,¹⁹¹ this program has been supporting new independent states in tran-

¹⁸²*Vid.* Article 5. START TREATY, “Protocol to the Treaty between the United States of America and the Union of Soviet Socialist Republics on the Reduction and Limitation of Strategic Offensive Arms”, May 23, 1992, <http://www.state.gov/documents/organization/27389.pdf> [26-06-2014].

¹⁸³*Vid.* Statements. *Ibid.*

¹⁸⁴J.BRESOLIN, “Fact Sheet: The Nunn-Lugar Cooperative Threat Reduction Program”, *Arms Control Center*, June 2014, http://armscontrolcenter.org/publications/factsheets/fact_sheet_the_cooperative_threat_reduction_program/ [26-06-2014].

¹⁸⁵AMERICAN SECURITY PROJECT, *Fact Sheet: The Nunn-Lugar Cooperative Threat Reduction Program...op. cit.*

¹⁸⁶*Vid.* Point 1. TREATY ON THE NON-PROLIFERATION OF NUCLEAR WEAPONS, “Memorandum on Security Assurances in Connection with the Republic of Kazakhstan’s Accession to the Treaty on the Non-Proliferation of Nuclear Weapons”, December 5, 1995; TREATY ON THE NON-PROLIFERATION OF NUCLEAR WEAPONS, “Memorandum on Security Assurances in Connection with Ukraine’s Accession to the Treaty on the Non-Proliferation of Nuclear Weapons”, December 5, 1995; TREATY ON THE NON-PROLIFERATION OF NUCLEAR WEAPONS, “Memorandum on Security Assurances in Connection with the Republic of Belarus’ Accession to the Treaty on the Non-Proliferation of Nuclear Weapons”, December 5, 1995, <http://untarm.un.org/DGAACS/unterm.nsf/8fa942046ff7601c85256983007ca4d8/d93b05adeda7271d85257b640074fb13?OpenDocument> [27-06-2014].

¹⁸⁷*Vid.* Point 3. *Ibid.*

¹⁸⁸*Vid.* Point 4. *Ibid.*

¹⁸⁹COUNCIL ON FOREIGN RELATIONS, “Budapest Memorandums on Security Assurances, 1994”, <http://www.cfr.org/arms-control-disarmament-and-nonproliferation/budapest-memorandums-security-assurances-1994/p32484> [26-06-2014].

¹⁹⁰CONGRESS OF THE UNITED STATES OF AMERICA, “Nonproliferation and Disarmament Fund. Freedom for Russia and Emerging Eurasian Democracies and Open Markets Support Act of 1992”, SEC. 504, <http://thomas.loc.gov/cgi-bin/query/F?c102:5:./temp/~c102k8tRAC:e578>: [27-06-2014].

¹⁹¹EMBASSIES OF THE UNITED STATES OF AMERICA, “Freedom Support Act 20th Anniversary”, <http://iipdigital.usembassy.gov/st/english/pamphlet/2012/09/20120927136741.html#axzz35q5JOnqq> [27-06-2014].

sition to democracy, reformation toward market economies, promoting investments as well as devoting funds for meeting humanitarian needs, dealing with problems in the spheres of transportation, telecommunication, environment, education, etc.¹⁹²

In parallel with coping with nuclear threats, the USA extended cooperation between new independent states and NATO. In 1994, NATO launched the Partnership for Peace (PfP) program in order to promote bilateral cooperation between the Alliance and Euro-Atlantic partners in the spheres of their major priorities.¹⁹³ Nowadays 22 countries participate in the program, whose number differs from time to time because many of its participants become members of NATO (as happened with NATO enlargement in 1999 and 2004). All CIS states joined the PfP in 1994-1995 (except Tajikistan who acceded in 2002) but none of them have yet become a NATO member.¹⁹⁴

However, in spite of the variety of the assistance programs rendered by the USA,¹⁹⁵ the approach to the CIS region in the 1990s was more or less homogeneous and the main accent was placed on relations with Russia, which has changed since the presidency of George W. Bush and the beginning of War in Afghanistan in 2001.¹⁹⁶

The last event (the War in Afghanistan) altered the attitude of the USA to Central Asia, from the region of Russian sphere of interests it has become one of American interests too (the USA has never been militarily present in the region before).¹⁹⁷ After 9/11 events, all countries in the region supported the US in its war against terrorism.¹⁹⁸ Among the main achievements of the USA was the deploying of their military bases Gansi at the airport Manas in Kyrgyzstan and Karshi-Khanabad in Uzbekistan¹⁹⁹ (along with German military planes which were allowed to use the airport in Termez).²⁰⁰

In 2005 the Greater Central Asia approach was elaborated that indicates American "long-term" interests in the region.²⁰¹ In accordance with it the area of Central

¹⁹²CONGRESS OF THE UNITED STATES OF AMERICA, "Assistance for the Independent States. Freedom for Russia and Emerging Eurasian Democracies and Open Markets Support Act of 1992", SEC. 498, [http://thomas.loc.gov/cgi-bin/query/F?c102:5:./temp/~c102k8tRAC:e578: \[27-06-2014\].](http://thomas.loc.gov/cgi-bin/query/F?c102:5:./temp/~c102k8tRAC:e578: [27-06-2014].)

¹⁹³NATO, "The Partnership for Peace Programme", [http://www.nato.int/cps/en/natolive/topics_50349.htm?selectedLocale=en \[26-06-2014\]](http://www.nato.int/cps/en/natolive/topics_50349.htm?selectedLocale=en [26-06-2014])

¹⁹⁴The last NATO enlargement was in 2009. *Vid.* NATO, "Signatures of Partnership for Peace Framework Document", [http://www.nato.int/cps/en/natolive/topics_82584.htm \[26-06-2014\].](http://www.nato.int/cps/en/natolive/topics_82584.htm [26-06-2014].)

¹⁹⁵Along with the above mentioned aid programs rendered by the USA, the region also receives support from USAID, Soros Fund, IREX, and Adenauer Fund. *Vid.* М.ЛЕБЕДЕВА, "Мягкая Сила" в Отношении Центральной Азии: Участники и Их Действия", *Вестник МГИМО*, No. 2 (35), 2014, с. 51, (М.ЛЕБЕДЕВА, "Soft Power" in Central Asia: Actors and Actions", *MGIMO Herald*, No. 2(35), 2014, p. 51).

¹⁹⁶А.КАЗАНЦЕВ, "Политика США в Постсоветской Центральной Азии: Характер и Перспективы", *Портал СНГ*, 2012, (А.КАЗАНЦЕВ, "USA Policy in the Post-Soviet Central Asia: Character and Prospects", *CIS Portal*, 2012), [http://www.e-cis.info/news.php?id=4676 \[26-06-2014\].](http://www.e-cis.info/news.php?id=4676 [26-06-2014].)

¹⁹⁷ *Ibid.*

¹⁹⁸F.STARR, "A Partnership for Central Asia", *Foreign Affairs*, July-August 2005, [http://www.foreignaffairs.com/articles/60833/s-frederick-starr/a-partnership-for-central-asia \[27-06-2014\].](http://www.foreignaffairs.com/articles/60833/s-frederick-starr/a-partnership-for-central-asia [27-06-2014].)

¹⁹⁹А.КАЗАНЦЕВ, "Политика США в Постсоветской Центральной Азии: Характер и Перспективы", *op. cit.*, (А.КАЗАНЦЕВ, "USA Policy in the Post-Soviet Central Asia: Character and Prospects", *op. cit.*).

²⁰⁰NATO, "НАТО и Узбекистан", (NATO, "NATO and Uzbekistan"), [http://нато.рф/ru/uzbekistan.html \[07-07-2014\].](http://нато.рф/ru/uzbekistan.html [07-07-2014].)

²⁰¹F.STARR, "A Partnership for Central Asia", *op. cit.*

Asia should be enlarged with Afghanistan in its center,²⁰² taking it out of the sphere of interests of Russia and China and involving the region into NATO area of responsibility, promoting the alternative routes of Caspian gas and oil²⁰³ and creating the single energy system of Central and South Asia.²⁰⁴

However, it is hard to speak about the future of this project because since 2005 the US has been facing challenges to its further presence in the region. Thus, in November 2005 the American base in Uzbekistan was closed.²⁰⁵ It was caused by the Andijan events, the upheaval in the fourth biggest city in Uzbekistan²⁰⁶ which happened on May 12-13 (two months after the Tulip revolution in Kyrgyzstan). The Uzbek government accused the terrorist organization Akramiya²⁰⁷ of this event and crushed the revolt.²⁰⁸ After the Andijan events, Uzbekistan changed its politics; relations with the USA and the West in general deteriorated after Tashkent (the capital) refused an international investigation into the upheaval,²⁰⁹ while the US and many European countries condemned Uzbekistan in violation of human rights.²¹⁰

In the case of cooperation with Caucasus and the European part of CIS, the USA policy has also become more active since the 2000s. In this direction, Washington largely cooperates with GUAM block, whose participating countries favor future membership in NATO which has become possible after NATO enlargement in 2004, when its borders approached the CIS frontiers²¹¹ (GUAM block is studied later in the section dedicated to common political views).

Recognizing the US's major achievements in the military chessboards, it is necessary to underline its importance in other chessboards. Thus, in the energy sphere, it was part of American initiative in construction of the already mentioned BTC pipeline and signing the Contract of the Century with Azerbaijan that gave access to Western

²⁰²A.САИДМУРАТОВ и Е.ПУСЕВА, "Концепция Большой Центральной Азии во Внешней Политике США в Центральном-Азиатском Регионе", *Центральная Азия и Кавказ*, Том 13, Выпуск 3, 2010, с. 120 (A.SAIDMURATOV and E.PUSEVA, "Greater Central Asia Concept in the USA Foreign Policy in Central Asia", *Central Asia and Caucasus*, Vol. 13, Issue 3, 2010, p. 120).

²⁰³F.STARR, "A Partnership for Central Asia", *op. cit.*

²⁰⁴A.САИДМУРАТОВ и Е.ПУСЕВА, "Концепция Большой Центральной Азии во Внешней Политике...", *op. cit.*, с. 124, (A.SAIDMURATOV and E.PUSEVA, "Greater Central Asia Concept in the USA Foreign Policy...", *op. cit.*, p. 124).

²⁰⁵Germany was still allowed to use its base in Termez. НАТО, "НАТО и Узбекистан", *op. cit.*, (НАТО, "NATO and Uzbekistan", *op. cit.*); А.САИДМУРАТОВ и Е.ПУСЕВА, "Концепция Большой Центральной Азии во Внешней Политике...", *op. cit.*, с. 124, (A.SAIDMURATOV and E.PUSEVA, "Greater Central Asia Concept in the USA Foreign Policy...", *op. cit.*, p. 124).

²⁰⁶J.SÁNCHEZ MONROE, "El Espacio Exsoviético del Asia Central: Estados, Clanes, Linajes" en F.VEIGA y A.MOURENZA (Eds.), *El Retorno de Eurasia. 1991-2011: Veinte Años de Nuevo Gran Espacio Geostratégico que Abrió Paso al Siglo XXI*, *op. cit.*, p. 140.

²⁰⁷R.BURNASHEV and I.CHERNYKH, "Changes in Uzbekistan's Military Policy after the Andijan Events", *China and Eurasia Forum Quarterly*, Vol. 5, No. 1, 2007, p. 67.

²⁰⁸*Ibid.*, p. 68.

²⁰⁹*Ibid.*, p. 72.

²¹⁰*Vid.* Annex XIX. UN GENERAL ASSEMBLY, "General Assembly Addresses Human Rights Situations In Five Countries, As it Adopts 60 Draft Texts Recommended By Its Third Committee", 64th Meeting (PM), <http://www.un.org/News/Press/docs/2005/ga10437.doc.htm> [28-06-2014].

²¹¹A.КАЗАНЦЕВ, "Политика США в Постсоветской Центральной Азии: Характер и Перспективы", *op. cit.*, (A.KAZANTZEV, "USA Policy in the Post-Soviet Central Asia: Character and Prospects", *op. cit.*).

and American companies to Caspian oil and gas resources (both BTC and Contract of the Century are described later).²¹²

In the investments chessboard, the USA concedes to the EU. However, it is an important investor for Kazakhstan (22.8% of total FDI stock) and Georgia (13%).

In the trade chessboard, it also yields the palm to other actors. In trade relations, the USA is an important destination for exports from Georgia (12%), which are primarily intermediate goods including metals.²¹³

Thus, among the chessboards where the USA plays – military-political cooperation, energy, trade and investments – the most important achievements were obtained in the first one. Thus, it rendered large assistance to successors of nuclear arsenals (Ukraine, Kazakhstan and Belarus) in implementation of their decision to renounce nuclear weapons eliminating herewith the nuclear threat. It established cooperation between CIS countries and NATO launching the PfP program and closely collaborating with GUAM countries, which favor possible membership in the Alliance. In addition, the USA obtained military presence in the CA region, whose states supported Washington in the fight against terrorism. In the energy chessboard, the BTC project promoted by the USA and its NATO ally Turkey was also successful, while in investments and trade chessboards it concedes to other external actors especially the EU. However, the USA is an important investor for Kazakhstan and Georgia, in addition for the latter it is a significant export destination. The USA is not the only strong external player in the military-political chessboard of the region, another is China, whose positions are described in the next part.

6.1.4. Peoples' Republic of China

Chinese interests in the region lie in military-political, energy, trade, investments and transport chessboards.

In the military-political sphere, Chinese influence is limited to its immediate neighbors, i.e. CA republics (especially Kazakhstan, Kyrgyzstan and Tajikistan) and Russia, in which region Beijing is concerned about stability and security.²¹⁴ In order to promote good neighborhood relations China widely cooperates with these countries within the Shanghai Cooperation Organization (SCO),²¹⁵ the successor of “Shanghai five” group created by the five neighboring states in 1996 signing the agreements on border issues,²¹⁶ which in turn were successors of similar border agreements between

²¹²*Ibid.*

²¹³Names of commodity groups appear as in the original. WITS database.

²¹⁴В.ШУЦУНЬ и В.ЧИНСУН “СНГ и Современная Политика Китая”, *Свободная мысль*, No. 5-6, Июль 2012, (V.SHYSYN and V.CHINSYN, “CIS and Chinese Contemporary Foreign Policy”, *Free Thought*, No. 5-6, July 2012), <http://svom.info/entry/245-sng-i-sovremennaya-politika-kitaya/> [30-06-2014].

²¹⁵SHANGHAI COOPERATION ORGANISATION, “Brief Introduction to the Shanghai Cooperation Organisation”, <http://www.sectsc.org/EN123/brief.asp> [20-05-2014].

²¹⁶C.SAIVETZ, “The Ties that Bind? Russia's Evolving Relations with its Neighbors”, *Communist and Post-Communist Studies*, Vol. 45, 2012, p. 405.

USSR and China.²¹⁷ In 2001, with the activation of radical Islam movements in Xinjiang and Caucasus,²¹⁸ the main focal point of this organization, in which China plays the leading role,²¹⁹ has become the region of Central Asia and Afghanistan, which explains Tashkent's participation in it even though Uzbekistan does not have a border with China, and the subsequent transformation of Shanghai five group to Shanghai Cooperation Organization.²²⁰ In such a manner, being primarily created as an organization related to border issues SCO was transformed into a platform for cooperation against extremism, which has become especially important after 9/11 events.

In Central Asia, the most difficult political part of Beijing relations with its neighbors is the Xinjiang question,²²¹ highly charged for China because of historical, cultural and ethnic differences between Uighur and Han population of this autonomous region. Uighurs, which account for around 8 million of 22 million Xinjiang population,²²² also live in Kazakhstan, Kyrgyzstan and Uzbekistan, where their total number is about 400,000 people.²²³ In addition, culturally they are very close to people from Central Asia because of common Turkic roots,²²⁴ while in religious terms, similar to the majority of the population of these republics, they are Muslim.²²⁵

In order to prevent any possible terrorist, separatist or extremist movements that might destabilize the autonomous region, the Beijing government has begun pursuing subsequent domestic policies much before 9/11, while after these events, Chinese internal anti-terrorist policy has become an official part of its foreign affairs.²²⁶

Seeking international support of its fight against terrorism, China actively promoted its policies in this field within the SCO.²²⁷ Thus, three months before 9/11 events, on 14-15 June 2011, Chinese allies within the organization including Uzbekistan signed the Shanghai Convention on Combating Terrorism, Separatism, and Extremism, where they take the obligations to cooperate against these three "threats to

²¹⁷И.КОМИССИНА и А.КУРТОВ, "Россия – Китай – Страны Центральной Азии: К Новому Качеству Международных Связей", *Центральная Азия и Кавказ*, 2004, (I.KOMISSINA and A.KURTOV "Russia – China – Central Asian States: New Quality of International Links", *Central Asia and Caucasus*, 2004), http://www.ca-c.org/journal/2004/journal_rus/cac-02/18.komrus.shtml [20-05-2014].

²¹⁸A.PHILLIPS, "The Wars on Terror, Duelling Internationalisms and the Clash of Purposes in a Post-unipolar World", *International Politics*, Vol. 50, No. 1, 2013, p. 82.

²¹⁹P.PAREJA ALCARAZ, *Actores Y Orden En Las Relaciones Internacionales: El Papel De La República Popular China Y Japón En La Construcción Del Orden Regional De Asia Oriental*, Tesis Doctoral, Universitat Pompeu Fabra, 2010, p. 232.

²²⁰C.SAIVETZ, "The Ties that Bind? Russia's Evolving Relations with its Neighbors", *op. cit.*, p. 405.

²²¹D.KERR, "Central Asian and Russian Perspectives on China's Strategic Emergence", *International Affairs*, Vol. 86, Issue 1, 2010, p. 128.

²²²CH.PRIMIANO, "China Under Stress: The Xinjiang Question", *International Politics*, Vol. 50, Issue 3, May 2013, p. 455.

²²³D.KERR, "Central Asian and Russian Perspectives on China's Strategic Emergence", *op. cit.*, p. 141.

²²⁴CH.PRIMIANO, "China Under Stress: The Xinjiang Question", *op. cit.*, p. 456.

²²⁵В.ШУЦУНЬ и В.ЧИНСУН "СНГ и Современная Политика Китая", *op. cit.*, (V.SHYSYN and V.CHINSYN, "CIS and Chinese Contemporary Foreign Policy", *op. cit.*).

²²⁶Ch.PRIMIANO, "China Under Stress: The Xinjiang Question", *op. cit.*, pp. 460-461.

²²⁷J.SEO and Y.CHUL CHO, "Rethinking Beijing's Geostrategic Sensibilities to Tibet and Xinjiang: Images and Interests", *Pacific Focus*, Vol. XXVIII, No. 2, August 2013, p. 312.

international peace and stability” and create the anti-terrorism center with the center in Bishkek (the capital of Kyrgyzstan).²²⁸

Signing this Convention,²²⁹ Beijing assured that its SCO allies would not justify any actions that might be considered as terrorist, separatist and extremist movements “for reasons of their political, philosophic, ideological, racial, ethnic, religious or any other similar character”.²³⁰

Speaking about the Xinjiang problem, it is also necessary to note that for Beijing the province has particular importance in geostrategic and energy terms. In geostrategic issues, Xinjiang is the biggest Chinese province and separates Central and East Asia,²³¹ sharing frontiers with eight countries – Russia, Kazakhstan, Kyrgyzstan, Tajikistan, Afghanistan, Mongolia, India, and Pakistan.²³² While in energy terms, it is the second biggest gas supplier in China that accounts for 18% of its total production, and possessor of large reserves of natural gas, oil, uranium and coal.²³³

Regarding SCO countries position toward Afghanistan, it might be supposed that this organization may try to stabilize the situation in this state not by military means but by providing economic, social and education support since security in Afghanistan is very important for its members; while for Kabul in institutional terms cooperation might be formed proceeding from its observer status in SCO²³⁴ (the situation in Afghanistan as an external threat to the region is studied in part dedicated to conditions to integration).

Issues related to interests pursued by China in the military-political chessboard are also closely interrelated with those in chessboards related to cooperation in energy, economy and transport.

In the energy chessboard, due to increasing internal consumption China has become the second biggest oil consumer in the world (after the USA) and it is predicted that very soon it will become the largest one. China’s needs in energy include not only

²²⁸Vid. Статья 8 и Статья 10. ШОС, “Шанхайская Конвенция о Борьбе с Терроризмом, Сепаратизмом и Экстремизмом”, 15 июня 2001, (Vid. Article 8 and Article 10. SCO, “The Shanghai Convention on Combating Terrorism, Separatism and Extremism”, June 15, 2001), <http://archive.kremlin.ru/events/articles/2001/06/140161/140317.shtml> [03-04-2014].

²²⁹Anti-terrorist commitments were also the parts of previous Declarations of Shanghai Five Group (Almaty Joint Declaration from 3 June 1998, Bishkek Declaration from 25 August 1999 and Dushanbe Declaration from 5 July 2000). Vid. Преамбула. *Ibid.*, (Vid. Preamble. *Ibid.*); J.SEO and Y.CHUL CHO, “Rethinking Beijing’s Geostrategic Sensibilities to Tibet and Xinjiang: Images and Interests”, *op. cit.*, pp. 312-313.

²³⁰Vid. Статья 3. ШОС, “Шанхайская Конвенция о Борьбе с Терроризмом, Сепаратизмом и Экстремизмом”, *op. cit.*, (Vid. Article 3. SCO, “The Shanghai Convention on Combating Terrorism, Separatism and Extremism”, *op. cit.*).

²³¹D.KERR, “Central Asian and Russian Perspectives on China’s Strategic Emergence”, *op. cit.*, p. 133.

²³²CH.PRIMIANO, “China Under Stress: The Xinjiang Question”, *op. cit.*, p. 309.

²³³EIA, “China”, <http://www.eia.gov/countries/cab.cfm?fips=CH> [08-07-2014].

²³⁴А.ЛУКИН, “ШОС: Итоги Российского Председательства”, *Московский Государственный Институт Международных Отношений*, 16 октября 2009, (A.LUKIN, “SCO: Results of Russian Chairmanship *Moscow State Institute of International Relations*, October 16, 2009), <http://www.mgimo.ru/news/experts/document123674.phtml> [08-07-2014].

oil but also natural gas, coal and uranium²³⁵ – all those energy resources, which are easy to find in the raw materials markets of Central Asian republics, which have opened to China since the dissolution of the USSR.²³⁶ Even if the region in supply is not very significant for the huge Chinese market (50% of oil imported by China comes from Middle East and 24% from Africa),²³⁷ it is an important aspect of Beijing's policy of diversification of its energy supply,²³⁸ which it has been currently pursuing.²³⁹ In this sphere among the achievements of Chinese policy, there is construction of the Atasu-Alashankou pipeline for transportation Kazakhstani and Russian oil to Xinjiang²⁴⁰ (for Kazakhstan it is the only pipeline that challenged Russian transit monopoly on Kazakhstani oil transportation);²⁴¹ agreement on building a pipeline from Turkmenistan to China; and agreement with Russia to build a pipeline from Altai (Western Siberia) to China.²⁴² (More particularly these pipelines and other transportation roots of Caspian oil are studied in the chapter dedicated to complex interdependence). In addition, Chinese oil companies are widely represented in exploitation markets in Kazakhstan,²⁴³ while in the case of Turkmenistan, China is the only foreign investor admitted to the Turkmen gas sector.²⁴⁴

In economic matters, markets of former Soviet republics, which before the dissolution of the USSR had been closed to China, were rapidly tapped by Chinese import. In this chessboard, similar to military-political and energy ones, Beijing cooperates most closely with its allies within SCO (plus Turkmenistan). Even if China is not the leading exporter to these countries, it shares around 10% of their total imports (from 8.8% in the case of Uzbekistan to 14% in the event of Kyrgyzstan), which is primarily composed of consumer goods, textiles and clothing (to Russia, Kazakhstan and Kyrgyzstan), and capital goods (to Uzbekistan, Turkmenistan and Tajikistan). In the

²³⁵EIA, "China", *op. cit.*

²³⁶A.KHODZHAEV, "The Central Asian Policy of the People's Republic of China", *China and Eurasia Forum Quarterly*, Vol. 7, No. 1, 2009, p. 14.

²³⁷Data corresponds to 2011. INTERNATIONAL ENERGY AGENCY, *Oil & Gas Security: Emergency Response of IEA Countries*, 2012, p. 6, https://www.iea.org/publications/freepublications/publication/China_2012.pdf [09-07-2014].

²³⁸A.KHODZHAEV, "The Central Asian Policy of the People's Republic of China", *op. cit.*, p. 14.

²³⁹P.PAREJA ALCARAZ y C.GARCÍA SEGURA, "Las Necesidades Energéticas de Asia Oriental: El Impacto sobre la Seguridad y las Pautas de Gobernanza Regional", *Revista CIDOB d'Afers Internacionals*, No. 89/90, abril-mayo 2010, p. 34.

²⁴⁰EIA, "China", *op. cit.*

²⁴¹Е.КЛИМЕНКО, "Центральная Азия как Региональный Комплекс Безопасности", *Центральная Азия и Кавказ*, Том 14, Выпуск 4, 2011, с. 13, (E.KLIMENKO, "Central Asia as Regional Security Complex", *Central Asia and Caucasus*, 2011, p. 13).

²⁴²K.HANCOCK, "Escaping Russia, Looking to China: Turkmenistan Pins Hopes on China's Thirst for Natural Gas", *China and Eurasia Forum Quarterly*, Vol. 4, No. 3, 2006, p. 67; 85.

²⁴³EIA, "Kazakhstan", *op. cit.*

²⁴⁴In the case of Turkmenistan, another important external actor with whom Ashkhabad has been cooperating for diversification of its transportation roots is Iran. The first Iran-Turkmenistan initiative to construct Turkmenistan-Iran-Turkey-Bulgaria pipeline was not realized due to sanctions posed by the US on companies that invest in Iran. *Vid.* K.HANCOCK, "Escaping Russia, Looking to China: Turkmenistan Pins Hopes on China's Thirst for Natural Gas", *op. cit.*, pp. 74-75; E.KЛИМЕНКО, "Центральная Азия как Региональный Комплекс Безопасности", *op. cit.*, с. 12, (E.KLIMENKO, "Central Asia as Regional Security Complex", *op. cit.*, p. 12).

case of Turkmenistan, intermediate goods are also a considerable part of its imports, while in Uzbekistan, China also exports machinery and electronics goods.²⁴⁵ In parallel, China also seeks expansion of trade relations with these countries especially by promoting the creation of a free trade zone under the SCO umbrella that involves the economic part inside this political organization.²⁴⁶

Energy and markets are not the only matters that might benefit China in its relations with SCO partners. Potentially, the region is the most profitable transportation route for Chinese goods to Europe²⁴⁷ and an important way for exports to Middle East and South Asia.²⁴⁸ For these reasons Beijing already uses railway transportation routes via Kazakhstan and Russia to Europe but simultaneously promotes creation of the Kashgar-Osh-Andijan railway²⁴⁹ via Uzbekistan and Kyrgyzstan that will allow a widening of Chinese export to South Asia.²⁵⁰

In the investment chessboard, in spite of close cooperation with countries of the region, China largely concedes to other external actors. Among the achievements of its policies in the sphere should be noted that it is the largest investor in Turkmenistan (39% of total FDI) that is obvious due to preferential relations between Ashkhabad and Beijing in the energy sphere.

In such a manner, very rapidly since the dissolution of the USSR, China has become an important external player in the CIS region, where it acts in military-political, energy, trade, investments and transport chessboards. In military-political cooperation, the main leverage of Beijing is SCO that allowed it not only influence in the region and maintenance of good neighborhood relations with bordering CA countries and Russia, but also get their assurances that they would not support separatist movements that might be exploited in geopolitically significant and energetically rich Xinjiang Autonomous region. In addition, since the beginning of war in Afghanistan in 2001 SCO has become the official resource of Chinese war against terrorism, which might be used by Beijing in resolving the Afghan question. Along with that, China also promotes economic cooperation pursuing the creation of a free trade zone within the organization. In trade relations, it has become an important partner within its neighborhood. In energy affairs, Beijing succeeded in constructing direct pipelines between CA and China for transportation of oil from Kazakhstan and Turkmenistan. Along with pipelines, it promotes direct railway routes bypassing Russia and Kazakhstan that might enlarge markets for its products, while in the investment chessboard, it is the major investor for gas-rich Turkmenistan.

²⁴⁵Names of commodity groups appear as in the original. WITS database.

²⁴⁶P.KUBICEK, "The Commonwealth of Independent States: an Example of Failed Regionalism?", *op. cit.*, p. 247.

²⁴⁷В.ШУЦУНЬ и В.ЧИНСУН "СНГ и Современная Политика Китая", *op. cit.*, (V.SHYSYN and V.CHINSYN, "CIS and Chinese Contemporary Foreign Policy", *op. cit.*).

²⁴⁸A.KHODZHAEV, "The Central Asian Policy of the People's Republic of China", *op. cit.*, p. 14.

²⁴⁹*Ibid.*, p. 19.

²⁵⁰И.АЗОВСКИЙ, "Железные Дороги Стран Центральной Азии: Проблемы и Перспективы", *Центральная Азия и Кавказ*, 2004, (I.AZOVSKI, "Central Asian Railways: Problems and Prospects", *Central Asia and Caucasus*, 2004), http://www.ca-c.org/journal/2004/journal_rus/cac-01/17.azorus.shtml [09-07-2014].

Analysis of positions of main and external actors in the region allows conclusions on the nature of relations among them proceeding from those characteristics which Hoffmann finds typical for modern international milieu.

Concerning stability and moderation of the system, it might be concluded that this statement is confirmed because in spite of challenges, which CIS members have faced since the collapse of the Soviet Union, there was not any interstate conflict, disintegration was peaceful, all countries recognized independence of each other respecting inviolability of determined territorial borders and being open to further cooperation. No main actor, neither external ones, entered into direct confrontation competing for influence or for territory.

Thesis about diversity of actors also finds its practical confirmation taking into account the variety of actors (main and external) and difference in power they possess.

The impact of transnational society on foreign policy might be seen in the example of the EU, when the EU promoted CIS members joining the Treaty to Energy Charter in order to secure its FDI (invested by transnational society) in these countries. However, transnational society is a special field of discussion, which many critics are dedicated to and which plays an important role in integration, and herewith it will be discussed in more detail in further chapters where not the conditions of integration are analyzed but immediately its development process is described.

As for statements on interdependence of external and internal affairs and significance of personal factor, they find their practical application in the next sections dedicated to conditions of integration as remarks to the main issue. Along with them, in the further section Hoffmann's vision of national interests and national character (both related to nation-state) are also applied where internal conditions are analyzed.

6.2. Internal conditions of integration in the CIS countries

Proceeding from Hoffmann's intergovernmentalist theory, the first group of conditions – the internal ones – includes domestic integration and social support that in turn consists of national accord on integration and its approval by political groups that stay in power. In an effort to be consistent and along with conditions highlight the political situation in all CIS countries that potentially could be integrated, in this section order of conditions is the following: support by groups in power explained in the first part and domestic integration and public approval explained in the second part.

6.2.1. Political support by groups in power

The first internal condition – political support of integration by groups staying in power – is analyzed proceeding from a brief examination of the main directions of the foreign policies of CIS members and their attitudes toward Eurasian integration in the time-frame given in the present chapter. In parallel with pointing out visions of

integration process, the personal factor including strong leadership, the importance of which was underlined by Hoffmann, is marked out in the analysis below.

As a practical matter, the paragraph is divided into two sub-paragraphs that correspond to geographical division of CIS members into European and Asian countries that was described in the part dedicated to main actors of international milieu. In the case of the Asian part of the Commonwealth, it consists of Central Asia and Caucasus states.

Before each country in particular is analyzed, it is necessary to bring to attention that all CIS members both European and Asian faced similar challenges concerning their nation-building process,²⁵¹ whose ways of development had however been differently interpreted by political groups that came to power after the dissolution of the USSR.²⁵²

In this respect, it might be good to note that back in the Soviet Union there were already social movements that promoted values different to the policy conducted by the Communist party, whose leaders came to power in some of the former Soviet countries after their declaration of independence.²⁵³ Even if the disapproval of the Communist government had a different root (for example, from national movement for unification with Nagorno Karabakh in Armenia²⁵⁴ to the dispute over political leadership as in the case of Boris Yeltsin and Mikhail Gorbachev in Russia),²⁵⁵ they had the subsequent influence on the policies pursued by the leaders of the newly independent states including their integration choice. Thus, as is shown below, some CIS members decided to integrate with each other favoring herewith Eurasian integration, others agreed to strengthen their cooperation with external actors (in this case, the EU), and in parallel with them there are also members who avoid close collaboration with any block of states. In more details their choice is described further starting from the European part of the CIS.

²⁵¹Б.АХМЕТГАЛИЕВ, *10 Лет: Казахстан и Интеграция*, Алматы, Казахстанский Институт Экономики и Права, 2001, с. 58, (B.AKHMETGALIYEV, *10 Years: Kazakhstan and Integration*, Almaty, Kazakhstan Institute of Economics and Law, 2001, p. 58).

²⁵²Different vision of the future of the newly independent states promoted by the political groups in power could be explained by Hoffmann's formula of national interests (N.I. = national situation × outlook of the foreign policy-makers), which shows that national interests largely depend on how the highest authorities interpret the national situation.

²⁵³С.ШАХРАЙ и С.СТАНСКИХ, "Мифология Распада СССР", *Журнал Российского Права*, No. 1, 2010, с. 128, (M.SHAHRAI and S.STANSKIИ, "Myths about the Collapse of the USSR", *Journal of Russian Law*, No. 1, 2010, p. 128).

²⁵⁴Г.КЕРЯН, "Утверждение Многопартийности в Армении", *Центральная Азия и Кавказ*, 2001, (G.KERYAN, "Establishment of Plurality in Armenia", *Central Asia and Caucasus*, 2001, http://www.ca-c.org/journal/2001/journal_rus/cac-04/12.qerru.shtml [03-05-2014]).

²⁵⁵С.ШАХРАЙ и С.СТАНСКИХ, "Мифология Распада СССР", *op. cit.*, с. 127, (M.SHAHRAI and S.STANSKIИ, "Myths about the Collapse of the USSR", *op. cit.*, p. 127).

6.2.1.1. European CIS countries

After the Soviet dissolution, the European CIS countries – Russia, Belarus, Ukraine and Moldova were led by Boris Yeltsin, Stanislav Shushkevich, Leonid Kravchuk and Mircea Snegur who during the last years of the Soviet Union had respectively occupied the posts of the Chairmen of the Supreme Soviets of the RSFSR,²⁵⁶ Belorussian SSR, Ukrainian SSR,²⁵⁷ and Moldavian SSR.²⁵⁸ Holding these high positions gave the first leaders the right to complete the Belavezha Agreements (signed by Boris Yeltsin, Stanislav Shushkevich, Leonid Kravchuk without participation of other Soviet republics) forming the CIS²⁵⁹ and dissolving the USSR²⁶⁰ and paved the way for them to take the helm of their newly independent states.

At the beginning of their presidency, these leaders had large public support and had the fame of politics who had promoted ideas different to communist concepts during the last years of USSR existence. Thus, Boris Yeltsin was known as the leader of democratic movements,²⁶¹ to some extent similar ideas were shared by Stanislav Shushkevich,²⁶² while for Leonid Kravchuk and Mircea Snegur strengthening national identities of Ukrainian and Moldavian people respectively was important.²⁶³ Their ideological and political concepts exerted the subsequent influence on their domestic and foreign policies as well as the attitude of their governments to the idea of integration with CIS countries, which corresponds to what Hoffmann was saying about the importance of politicians' visions for understanding the process of determination of national interests.

In Russia, since the dissolution of the Soviet Union, three main visions could be distinguished on international relations common for its establishment – liberal, realist-

²⁵⁶О.ЛИБЕЗИН, "Предавшие СССР", *Новая Экономика*, No. 11-12 (17-18), Ноябрь-Декабрь 2006, с. 83, (O.LIBEZIN, "Betrayers of the USSR", *New Economy*, No. 11-12 (17-18), November-December 2006, p. 83).

²⁵⁷*Ibid.*, p. 87.

²⁵⁸PRESIDENT OF THE REPUBLIC OF MOLDOVA, "Biography of President of the Republic of Moldova Mircea Snegur, 1990-1996", <http://www.president.md/eng/mircea-snegur> [13-05-2014].

²⁵⁹О.ЛИБЕЗИН, "Предавшие СССР", *op. cit.*, с. 94, (O.LIBEZIN, "Betrayers of the USSR", *op. cit.*, p. 94).

²⁶⁰Е.ПРИМАКОВ, *Мир без России? К чему Ведет Политическая Близорукость*, Москва, Российская Газета, 2009, с. 11, (E.PRIMAKOV, *World without Russia? Where Political Short Sighted Vision Leads*, Moscow, Rossiyskaya Gazeta, 2009, p. 11).

²⁶¹Д.ФУРМАН, "Наша Политическая Система и ее Циклы", *Свободная мысль – XXI*, No. 11, 2003, с. 10, (D.FURMAN, "New Political System and its Cycles", *Free Thought – XXI*, No. 11, 2003, p. 10).

²⁶²О.ДЕНИСЮК, "Внешнеполитическая Ориентация Политических Партий Республики Беларусь в Период Достижения Независимости" в А.ШАРАПО (Ред.), *Беларусь в Современном Мире: Материалы I Республиканской Научной Конференции*, Минск, БГУ, 2003, с. 27, (O.DENISYUK, "Foreign Policy Orientation of Political Parties in Belarus during the Period of Transition to Independence" in A.SHARAPO (Ed.) *Belarus in the Modern World: Materials of the First Republic Scientific Conference*, Minsk, BGU, 2003, p. 27).

²⁶³For Leonid Kravchuk, T.KUZIO, "Twenty Years as an Independent State: Ukraine's ten Logical Inconsistencies", *Communist and Post-Communist Studies*, Vol. 45, 2012, p. 431; for Mircea Snegur, L.WAY, "Authoritarian State Building and the Sources of Regime Competitiveness in the Forth Wave: The Cases of Belarus, Moldova, Russia and Ukraine", *World Politics*, January 2005, Vol. 57, Issue 2, p. 239.

statist and nationalist,²⁶⁴ whose projection might be seen on the national character of the country.

Liberal vision comes from the traditional dispute between Slavophile and Occidentalists groups,²⁶⁵ where Slavophiles tried to resolve political, social and religious issues proceeding from necessities of only Russian society,²⁶⁶ while Occidentalists promoted more universal approaches, favoring liberal ideas and Russia's involvement into the "Big West".²⁶⁷ Liberals prevailed in the closest circles of Boris Yeltsin especially the first years of the post-Soviet Russia, among which were Yegor Gaidar (Yeltsin's advisor in economic issues and head of the government),²⁶⁸ Anatoliy Chubais (occupied the posts of head of the State Property Committee,²⁶⁹ deputy Prime-minister, and Minister of Finances),²⁷⁰ Gennadiy Burbulis (State Secretary),²⁷¹ Andrei Kozyrev (Minister for foreign affairs),²⁷² etc. These young reformers endorsed elimination of state control over economy, privatization of state property, establishment of ruble's floating rate, liberalization of foreign trade and price determination and other reforms that were part of the "shock therapy" policy pursued for rapid transition from the planned economy to the market one.²⁷³

Domestic politics and wide liberalization of economy also exerted its influence on Russian foreign policy that in the event might be seen as a demonstrative example of interdependence between external and internal affairs typical to modern international milieu by Hoffmann. Thus, to liberals – as some scientists find – it seemed that political and economic problems in the nearest neighbouring countries (especially in Central Asia and Caucasus) might destabilize the situation in Russia restraining it from integration into the global community and therefore they found that it is better "to go out" from these regions giving priority to resolution of internal difficulties.²⁷⁴ However, this policy did not last long and since 1993 Russia resumes paying great

²⁶⁴И.ЗЕВЕЛЁВ, "Границы Русского Мира", *Россия в Глобальной Политике*, No. 2 Март/Апрель 2014, (I.ZEVELYOV, "Border of the Russian World", *Russian in the Global Politics*, No. 2, March/April 2014. <http://www.globalaffairs.ru/number/Granitsy-russkogo-mira--16582> [06-05-2014].

²⁶⁵*Ibid.*

²⁶⁶Р.КОЛСТØ, "Power as Burden: the Slavophile Concept of the State and Lev Tolstoy", *The Russian Review*, Vol. 64, Issue 4, October 2005, p. 560.

²⁶⁷И.ЗЕВЕЛЁВ, "Границы Русского Мира", *op. cit.*, (I.ZEVELYOV, "Border of the Russian World", *op. cit.*).

²⁶⁸R.ANDERSON JR. "Discourse and Strategic Continuity from Gorbachev through Putin", *Communist and Post-Communist Studies*, Vol. 46, 2013, p. 132.

²⁶⁹R.MEDVEDEV, *A Journey through the Yeltsin Era*, New York, Columbia University Press, p. 2000, p. 87.

²⁷⁰ЛИЧНЫЙ САЙТ АНАТОЛИЯ ЧУБАЙСА, "Биография", (PERSONAL WEB-SITE OF ANATOLIY CHUBAIS, "Biography"), <http://chubais.ru/biografiya/> [06-05-2014].

²⁷¹R.MEDVEDEV, *A Journey through the Yeltsin Era*, *op. cit.*, p. 13.

²⁷²О.ЛИБЕЗИН, "Предатели СССР", *op. cit.*, с. 94, (O.LIBEZIN, "Betrayers of the USSR", *op. cit.*, p. 94).

²⁷³Б.АХМЕТГАЛИЕВ, *10 Лет: Казахстан и Интеграция*, *op. cit.*, с. 40, (B.AKHMETGALIYEV, *10 Years: Kazakhstan and Integration*, *op. cit.*, p. 40).

²⁷⁴Д.МАЛЫШЕВА, "Проблемы Безопасности на Кавказе", *Центральная Азия и Кавказ*, 2001, (D.MALYSHEVA, "Security Problems of Caucasus", *Central Asia and Caucasus*, 2001), http://www.cac.org/journal/2001/journal_rus/cac-01/05.malishr.shtml [01-04-2014]; I.LIPOVSKY, "Central Asia: In Search of a New Political Identity", *Middle East Journal*, Vol. 50, No. 2, Spring 1996, p. 211.

attention to issues related to cooperation with the CIS members²⁷⁵ emphasizing its importance for maintaining peace and stability in countries of the Commonwealth, defending its external borders and anti-criminal warfare.²⁷⁶

Liberal vision had been prevailing in Russia until the mid 1990s,²⁷⁷ and was rapidly declining against the political and economic crisis in 1998 that showed unpopularity and even collapse of pro-Western and pro-liberal reforms in the country.²⁷⁸ After that the floor was given to the realist-statist group formed by Yevgeny Primakov²⁷⁹ (occupied the posts of Prime-Minister²⁸⁰ and Minister for Foreign Affairs)²⁸¹ that remain the most important and powerful group up to today.²⁸²

As for the last vision of foreign politics promoted by nationalists/communists who share imperialist views,²⁸³ it has never prevailed in post-Soviet Russia because its followers were never organized as a joint political group and have never had real political power.²⁸⁴

Pointing out these three visions is important for understanding the national character of the RF that nowadays might be considered as similar to those which is promoted by realist-statist group. For this group, Russia should achieve the status of one of the centers of the multipolar world, prevent any intervention in domestic affairs, restrain American global leadership, defend the full sovereignty of state and maintain its sphere of influence. The latter directly influences the post-Soviet space²⁸⁵ that always attracted great attention of realist-statists, which is seen in the new Concept of foreign affairs approved in 2000 when Vladimir Putin had come to power.²⁸⁶ In

²⁷⁵S.MACFARLANE, "Regional Peacekeeping in the CIS" in R.THAKUR and A.SCHNABEL (Eds.), *United Nations Peacekeeping Operations: Ad hoc Missions, Permanent Engagement*, New York, United Nations University Press, 2001, p. 81.

²⁷⁶*Vid. I: Страны Содружества. РОССИЙСКАЯ ФЕДЕРАЦИЯ, "Концепция Внешней Политики Российской Федерации", 23 апреля 1993, в Внешняя Политика и Безопасность Современной России: 1991-2001. Хрестоматия в 4-х томах, Том 4: Документы, Москва, Московский Государственный Институт Международных Отношений, 2002, (Vid. I: States of the Commonwealth. RUSSIAN FEDERATION, "Foreign Policy Concept of the Russia Federation", April 23, 1993 in *Foreign Policy and Security of the Modern Russia: 1991-2001. Chrestomathy in 4 chapters. Chapter 4: Documents*, Moscow, Moscow State Institute of International Relations, 2002.*

²⁷⁷И.ЗЕВЕЛЁВ, "Границы Русского Мира", *op. cit.*, (I.ZEVELYOV, "Border of the Russian World", *op. cit.*).

²⁷⁸А.КАЗАНЦЕВ, "Политика США в Постсоветской Центральной Азии: Характер и Перспективы", *op. cit.*, (A.KAZANTZEV, "USA Policy in the Post-Soviet Central Asia: Character and Prospects", *op. cit.*).

²⁷⁹И.ЗЕВЕЛЁВ, "Границы Русского Мира", *op. cit.*, (I.ZEVELYOV, "Border of the Russian World", *op. cit.*).

²⁸⁰R.MEDVEDEV, *A Journey through the Yeltsin Era*, *op. cit.*, p. 325.

²⁸¹*Ibid.*, p. 332.

²⁸²И.ЗЕВЕЛЁВ, "Границы Русского Мира", *op. cit.*, (I.ZEVELYOV, "Border of the Russian World", *op. cit.*).

²⁸³S.MACFARLANE, "Regional Peacekeeping in the CIS", *op. cit.*, p. 81.

²⁸⁴И.ЗЕВЕЛЁВ, "Границы Русского Мира", *op. cit.*, (I.ZEVELYOV, "Border of the Russian World", *op. cit.*).

²⁸⁵И.ЗЕВЕЛЁВ, "Границы Русского Мира", *op. cit.*, (I.ZEVELYOV, "Border of the Russian World", *op. cit.*).

²⁸⁶E.LEVINTOVA and J.BUTTERFIELD, "History Education and Historical Remembrance in Contemporary Russia: Sources of Political Attitudes of pro-Kremlin Youth", *Communist and Post-Communist Studies*, Vol. 43, 2010, p. 140.

accordance with it, strategic partnership with the all CIS countries is considered the priority direction of Russia's foreign policy along with cooperation within more closed communities such as Customs Union, CSTO and Union of Russia and Belarus.²⁸⁷

In general, during both Yeltsin and Putin's era Moscow used "mixed speed"²⁸⁸ or multilevel approach toward integration with former Soviet countries,²⁸⁹ along with pursuing a policy of defending "Russian citizens and compatriots abroad,"²⁹⁰ the majority of whom reside in the CIS countries,²⁹¹ protecting access to Caspian oil resources²⁹² and countering a new threat posed by the increase of Islamic extremism movements especially in the region of Central Asia.²⁹³

In Belarus, after declaration of independence, the power was de facto left in the hands of the Supreme Soviet (and its head Stanislav Shushkevich) where Communist party members accounted for around 90% of seats. In 1994, after the constitution that established presidential form of government had been adopted, the first presidential elections were won by Aleksander Lukashenko,²⁹⁴ who was reelected in 2001 and 2006,²⁹⁵ while Shushkevich went into opposition.²⁹⁶

²⁸⁷Vid. IV: Региональные Приоритеты. РОССИЙСКАЯ ФЕДЕРАЦИЯ, "Концепция Внешней Политики Российской Федерации", 28 июня 2000, (Vid. IV: Regional Priorities. RUSSIAN FEDERATION, "Foreign Policy Concept of Russian Federation", June 28, 2000). http://zakon.scli.ru/ru/legal_texts/all/index.php?do4=document&id4=0cceb392-319d-40b6-be99-d97debd45bb7 [14-12-2014].

²⁸⁸Vid. Пункт I.3.I: Страны Содружества. РОССИЙСКАЯ ФЕДЕРАЦИЯ, "Концепция Внешней Политики Российской Федерации", *op. cit.*, 23 апреля 1993, (Vid. I.3.I: States of the Commonwealth. RUSSIAN FEDERATION, "Foreign Policy Concept of the Russia Federation", *op. cit.*, April 23, 1993).

²⁸⁹Vid. IV: Региональные Приоритеты. РОССИЙСКАЯ ФЕДЕРАЦИЯ, "Концепция Внешней Политики Российской Федерации", *op. cit.*, 28 июня 2000, (Vid. IV: Regional Priorities. RUSSIAN FEDERATION, "Foreign Policy Concept of Russian Federation", *op. cit.*, June 28, 2000).

²⁹⁰Vid. I: Общие положения и III: Права человека и международные отношения. РОССИЙСКАЯ ФЕДЕРАЦИЯ, "Концепция Внешней Политики Российской Федерации", *op. cit.*, 28 июня 2000, (Vid. I: Main Principles and III: Human Rights and International Relations. RUSSIAN FEDERATION, "Foreign Policy Concept of Russian Federation", *op. cit.*, June 28, 2000).

²⁹¹J. LEPINGWELL, "The Russian Military And Security Policy In The 'Near Abroad", *Survival: Global Politics and Strategy*, Vol. 36, No. 3, 1994, p. 73. In diplomatic terms, in the beginning of the 1990's, Moscow widely promoted the practice of dual citizenship for compatriots in former Soviet republics; nevertheless this policy did not succeed because among all CIS countries only Turkmenistan signed the appropriate agreement (and withdrew from it in 2003). Instead of dual citizenship, states came to reciprocal simplification of procedures stipulated for obtaining citizenship. W. R. Lepingwell and G. Rudov find that the rejection of dual citizenship practice by CIS countries could be regarded as preventive measures of Russian intervention into their internal affairs. *Vid. Ibid.*, p. 74; Г.РУДОВ, "Центральноазиатский Узел: Рубить Нельзя – Развязывать!", *Международная жизнь: Ежемесячный журнал: Проблемы Внешней Политики, Дипломатии, Национальной Безопасности*, No. 9, 2010, с. 130, (G. RUDOV, "Central Asian Node: Not to Cut – Solve!", *International Life: Monthly Journal of Foreign Policy, Diplomacy, National Security*, No 9, 2010, p. 130).

²⁹²S. MACFARLANE, "Regional Peacekeeping in the CIS", *op. cit.*, p. 82.

²⁹³*Ibid.*

²⁹⁴A. CHICHARRO LÁZARO, "Belarus: un Régimen entre los Parabienses de Rusia y las Sanciones de la Unión Europea", 2009, p. 4, http://www.caei.com.ar/sites/default/files/42_-_belarus_un_regimen_entre_los_parabienses_de_rusia_y_las_sanciones_de_la_union_europea.pdf [14-01-2014].

²⁹⁵PRESIDENT OF THE REPUBLIC OF BELARUS, "Biography of the President of the Republic of Belarus", http://president.gov.by/en/biography_en/ [20-05-2014].

²⁹⁶S. SHUSHKEVICH, "Belarus: To Democracy through Neo-Communism", *Demokratizatsiya*, Vol. 11, Issue 1, 2003, p. 55.

Concerning Belarusian attitude toward integration, it is demonstrative for how changes in political elites provoke changes in external policy. Thus, for four years of Shushkevich's rule attitude toward Eurasian integration was more or less neutral, as neutral was his policy,²⁹⁷ while for Lukashenko from the very beginning of his presidency strategic cooperation with Russia and other CIS countries became the priority of the foreign policy and led to his encouragement of integration in the post-Soviet space.²⁹⁸ The case of Belarus is also an example of the importance of personal factor in integration processes emphasized by Hoffmann. Thus, for Aleksander Lukashenko, close cooperation with the CIS (more accurately with Russia) has become the most important foreign policy resource from the very beginning of his presidency.²⁹⁹

Regarding national character of the Republic of Belarus, Minsk pursues multi-lateral foreign policy,³⁰⁰ which is determined by its export-orientated economy, lack of energy and mineral resources and geographic position.³⁰¹

In Ukraine, the process of state-building has always been interrelated with state's regional division, its influence on internal and external politics and subsequent acute struggle for power,³⁰² which might be seen as a distinctive characteristic of its national character.

The only Ukrainian President who succeeded in winning elections in the first round, exceeding the 50% barrier, was Leonid Kravchuk, while his successors, Leonid Kuchma (the former Prime Minister)³⁰³ who ruled from 1994 to 2004 and Viktor Yushchenko who came to power by the orange revolution in 2005,³⁰⁴ had to pass more than one round to be elected.³⁰⁵

The differences of political approaches pursued by these leaders were primarily concerned on domestic affairs. Thus, for instance on the issue of centralization of power, Leonid Kuchma (who proceeded from the eastern region)³⁰⁶ favored enforce-

²⁹⁷A.CHICHARRO LÁZARO, "Belarús: un Régimen entre los Parabienses de Rusia y las Sanciones de la Unión Europea", *op. cit.*, p. 4.

²⁹⁸MFA OF THE REPUBLIC OF BELARUS, "Priorities of the Foreign Policy of the Republic of Belarus", http://www.mfa.gov.by/en/foreign_policy/priorities/ [04-05-2014].

²⁹⁹И.ТАРАСОВ, "Конструирование Новой "Восточной Политики" Европейского Союза", *Полития*, No. 2 (49), 2008, с. 26, (I.TARASOV, "Formation of the New "East Policy" of the European Union", *Politia*, No. 2 (49), 2008, p. 26).

³⁰⁰*Vid.* Пункт 27 и 28. РЕСПУБЛИКА БЕЛАРУСЬ, "Закон Республики Беларусь "Об Утверждении Основных Направлений Внутренней и Внешней Политики Республики Беларусь", No. 60-3, 14 ноября 2005 г., (*Vid.* Points 27 and 28. REPUBLIC OF BELARUS, "Law of the Republic of Belarus "On Establishment of the Main Directions of Internal and External Policy of the Republic of Belarus", No. 60-3, November 2005), <http://laws.newsby.org/documents/laws/law0361.htm> [10-07-2014].

³⁰¹В.УЛАХОВИЧ, "Становление и Развитие Концептуальных Основ Внешней Политики Республики Беларусь: Источники и Историография", *Журнал Международного Права и Международных Отношений* № 2, 2007, с. 28, (V.UALIKHOVICH, "Formation and Development of Foreign Policy Concepts of the Republic of Belarus, No. 2, 2007, p. 28).

³⁰²T.KUZIO, "Geopolitical Pluralism in the CIS: the Emergence of GUUAM", *op. cit.*, p. 432.

³⁰³S.KUDELIA, "The Sources of Continuity and Change of Ukraine's Incomplete State", *Communist and Post-Communist Studies*, Vol. 45, 2012, p. 420.

³⁰⁴T.KUZIO, "Geopolitical Pluralism in the CIS: the Emergence of GUUAM", *op. cit.*, p. 433.

³⁰⁵*Ibid.*, p. 432.

³⁰⁶*Ibid.*

ment of central authorities³⁰⁷ and the institute of the President,³⁰⁸ while Kravchuk and Yushchenko (from the western regions)³⁰⁹ increased parliamentary role.³¹⁰ As for external relations, they had similar views³¹¹ unanimously favoring Ukrainian integration into European and Atlantic structures of cooperation, which with a varying success had been considered as the priority of Ukraine's foreign policy³¹² and was largely reinforced after the Orange revolution.³¹³

In Moldova, as distinct from other European CIS countries, the transition to independence was not peaceful. The controversial idea of unification with Romania largely promoted by the President Mircea Snegur had been opposed by the pro-Russian group of the population and led to military conflict between central authorities and separatist movements and the creation of the self-proclaimed Dniester Republic (the conflict is studied later in more detail).³¹⁴ Even if this idea was rejected soon after it had provoked the threat of dissolution of the state,³¹⁵ the balance between pro-Russian and pro-Romanian groups has become a common national characteristic. This balancing is seen both in internal and external policies³¹⁶ pursued by Mircea Snegur (1990-1996) and his successors Petru Lucinschi (1996-2001) and Vladimir Voronin (2001-2009),³¹⁷ who occupied the Presidential post during the period under consideration as well as its status of permanent neutral state confirmed in its Constitution.³¹⁸

The case of Moldova, when the external actions of the government aimed at unification with Romania provoked internal separatist movements, on the one side might be considered as a demonstrative example of interdependence of internal and external affairs typical for modern international milieu emphasized by Hoffmann.

Concerning the integration processes, which the state is involved in, Chisinau similar to Ukraine has been intending to actively participate in European integration³¹⁹

³⁰⁷S.KUDELIA, "The Sources of Continuity and Change of Ukraine's Incomplete State", *op. cit.*, p. 419.

³⁰⁸*Ibid.*, p. 421.

³⁰⁹T.KUZIO, "Geopolitical Pluralism in the CIS: the Emergence of GUUAM", *op. cit.*, p. 432.

³¹⁰*Ibid.*, p. 431.

³¹¹*Ibid.*, p. 429.

³¹²S.SHERHIN, "Impact of Global and Regional Trends on Foreign Policy of Ukraine" in G.PEREPELITSIA (Ed.) *Foreign Policy of Ukraine 2006: Strategic Assessments, Forecasts and Priorities*, Kyiv, Stylos Publishing House, p. 22.

³¹³S.WHITE, I.MCALLISTER and V.FEKLYUNINA, "Belarus, Ukraine and Russia: East or West?", *The British Journal of Politics and International Relations*, Vol. 12, 2010, p. 346.

³¹⁴L.WAY, "Authoritarian State Building and the Sources of Regime Competitiveness in the Forth Wave...", *op. cit.*, p. 253.

³¹⁵W.CROWTHER, "Moldova after Independence", *Current History*, Vol. 585, October 1994, p. 344.

³¹⁶L.WAY, "Authoritarian State Building and the Sources of Regime Competitiveness in the Forth Wave...", *op. cit.*, p. 253.

³¹⁷PRESIDENT OF THE REPUBLIC OF MOLDOVA, "History: Presidency of the Republic of Moldova (short history)", <http://www.president.md/eng/istorie> [13-05-2014].

³¹⁸*Vid.* Article 11: The Republic of Moldova as a Neutral State, THE REPUBLIC OF MOLDOVA, "Constitution of the Republic of Moldova", July 29, 1994, <http://www.president.md/titulul1> [13-05-2014].

³¹⁹Point 3.2: European Union Integration Process. REPUBLIC OF MOLDOVA, "National Security Concept of the Republic of Moldova", December 22, 2005, <http://www.mfa.gov.md/img/docs/national-security-concept-of-the-RM.doc> [13-05-2014].

rather than establishing close cooperation with the CIS³²⁰ even if maintaining collaboration with Russia has always been important for Moldova especially for Vladimir Voronin, the leader of the Communist Party,³²¹ who largely promoted alignment with Moscow.³²² Nevertheless, in spite of its willingness and great achievements in democratic reformations,³²³ it is difficult for Moldova to join the EU due to internal obstacles. Thus, there is a permanent disagreement between Chisinau and Tiraspol (the capital of separatist Dniester Republic). The former favors Euro-Atlantic cooperation³²⁴ that however should not affect Moldova's constitutional status of neutral state,³²⁵ while Dniester Republic, which the EU considers as the integral part of Moldova,³²⁶ sees cooperation with CIS as the main priority and puts emphasis on joining its political and economic integration projects.³²⁷ Internal disagreements together with Russian military presence in the Dniester Republic exerts its influence on Moldavian participation in integration projects,³²⁸ which however continues to defend its European choice.³²⁹

Thus, among four European CIS countries, the first internal condition – political support of integration by groups in power – is met by Russia and Belarus, while in the case of Ukraine and Moldova, political elites during the period under consideration favored more close cooperation with external actors in the region (in particular, the EU).

Regarding the Asian part of the Commonwealth, which the next sub-paragraph is dedicated to, this dilemma between European and Eurasian integration might also be seen, but it is common only to those countries which geographically are considered as part of European Neighborhood.

³²⁰W.CROWTHER, "Moldova after Independence", *op. cit.*, p. 344.

³²¹L.WAY, "Authoritarian State Building and the Sources of Regime Competitiveness in the Forth Wave...", *op. cit.*, p. 254.

³²²R.VRABIE, "Short Overview of the Evolution in the Relationships of the Republic of Moldova with Russia" in I.SAROV and I.OJOG (Eds.), *The Foreign Policy of the Republic of Moldova (1998-2008)*, Chisinau, Cartdidact, p. 101.

³²³O.PROTSYK, "Secession and Hybrid Regime Politics in Transnistria", *Communist and Post-Communist Studies*, Vol. 45, 2012, p. 177.

³²⁴Point 3.3: Cooperation with NATO. REPUBLIC OF MOLDOVA, "National Security Concept of the Republic of Moldova", *op. cit.*

³²⁵*Vid.* Article 11: The Republic of Moldova as a Neutral State, THE REPUBLIC OF MOLDOVA, "Constitution of the Republic of Moldova", *op. cit.*

³²⁶K.ZAREMBO, "20 Años de Independencia de Ucrania, Moldova y Bielarus: ¿Es tiempo suficiente para construir un Estado democrático?", *Revista CIDOB d'Afers Internacionals*, No. 96, Diciembre 2011, p. 140.

³²⁷*Vid.* 4.2: Отношение со Странами Содружества Независимых Государств. ПРИДНЕСТРОВСКАЯ МОЛДАВСКАЯ РЕСПУБЛИКА, "Концепция Внешней Политики Приднестровской Молдавской Республики", 26 мая 2005, (*Vid.* 4.2.: Relations with Countries of the Commonwealth of Independent State. DNIESTER MOLDAVIAN REPUBLIC, "Foreign Policy Concept of the Dniester Moldavian Republic", May 26, 2005), <http://dniester.ru/content/kontseptsiya-vneshnei-politiki-pridnestrovskoi-moldavskoi-respubliki> [11-05-2014].

³²⁸K.ZAREMBO, "20 Años de Independencia de Ucrania, Moldova y Bielarus...", *op. cit.*, p. 137.

³²⁹*Vid.* Introduction. REPUBLIC OF MOLDOVA, "National Security Concept of the Republic of Moldova", *op. cit.*

6.2.1.2. Asian CIS countries: Central Asia and Caucasus

As it is stated at the beginning of the section, the sub-paragraph dedicated to Asian CIS countries is composed of CA republics (Kazakhstan, Kyrgyzstan, Uzbekistan, Turkmenistan and Tajikistan) and Caucasus states (Georgia, Armenia and Azerbaijan).

Proceeding to CA republics, it is necessary to note that their transition to independence and creation of the new constitutional orders passed without large internal political tempest,³³⁰ (except Tajikistan, where the transition period was dragged out by civil war, described further in the part dedicated to domestic integration).

All CA republics chose to create the presidential form of government, where power was in fact retained by representatives of the former Communist party's nomenclature that had been governing the republics before USSR disintegration.³³¹ Thus, the President of Kazakhstan Nursultan Nazarbayev, the President of Uzbekistan Islam Karimov and the President of Turkmenistan Saparmurat Niyazov had been holding the posts of First Secretaries of the Communist Parties in subsequent republics before ruling them as heads of state; the President of Tajikistan Emonali Rakhmonov who came to power in 1992 was a regional politician of the Communist party, while the President of Kyrgyzstan Askar Akayev came from academic circles that also had close communications with the Communist Party.³³² In four of five CA countries, the right to take the helm of state to these leaders was given to these leaders by the electorate of the subsequent republics right after the declaration of their independence by the absolute majority of voters (98.8% for Nazarbayev;³³³ 95.4% for Akayev;³³⁴ 99.5% for Saparmurat Niyazov;³³⁵ and 87.1% for Islam Karimov);³³⁶ and the same tendency of majority public support of these leaders is common for the posterior presidential elections taken in CA republics during the period under the present review.³³⁷

In Tajikistan, due to struggle for power that caused civil war (described later), transition to independence and the process of state-building was not peaceful as in other countries in the region. In 1992, Rakhmon Nabyev elected as the President in a year-earlier period had to be relieved from his duties due to the volatile political crisis, and the power passed to the Parliament leader Emonali Rakhmonov, who received

³³⁰G.GLEASON, "The Impact of the Global Financial Crisis on Political Dynamics in Central Asia", *Demokratizatsiya: The Journal of Post-Soviet Democratization*, No. 2, Spring 1999, p. 243.

³³¹*Ibid.*, p. 242.

³³²*Ibid.*, pp. 250-251.

³³³D.NOHLEN, F.GROTZ and CH. HARTMAN, *Elections in Asia and the Pacific...op. cit.*, p. 424.

³³⁴*Ibid.*, p. 448.

³³⁵*Ibid.*, p. 480.

³³⁶*Ibid.*, p. 496.

³³⁷These leaders gained posterior presidential elections with the same high level of absolute majority votes (more than 70% for Askar Akayev and more than 90% for others). For results of presidential elections in CA countries, see *Ibid.*, pp. 406-500.

public approval to govern the state by gaining 59.5% of voters in 1994 and was reelected in 1999 by 97.6% of the electorate.³³⁸

Speaking about the national characters common for these countries, it is necessary to note that all CA republics were primarily concerned about challenges of internal nation-building and since the USSR dissolution they declared neutral policies based on balanced cooperation with middle and great powers interested in the region (Russia, the EU, the USA, China and Turkey).

This commitment to balanced cooperation was formed as Kyrgyzstan's Silk road diplomacy, Kazakhstan and Tajikistan's multi-vector policies,³³⁹ Uzbekistan's policy of non-alignment to military and political blocks³⁴⁰ and "perpetual neutrality" of Turkmenistan.³⁴¹ Nevertheless, the entire neutrality of this region was hardly possible due to a range of reasons including military threats (extremist influence from Afghanistan and Fergana (Uzbekistan) and an unstable situation in the Xinjiang Uygur Autonomous Region and the energy importance of oil and gas rich Caspian states.³⁴²

The only country that succeeded in pursuing an entirely neutral policy is Turkmenistan that de facto rejects joining any integration group³⁴³ being more concerned about national state-building.³⁴⁴ The status of Turkmenistan as a perpetually neutral state was recognized by the UN³⁴⁵ and was declared as its official foreign policy concept³⁴⁶ and has been maintained both by Saparmurat Niyazov and his successor

³³⁸*Ibid.*, pp. 455-469.

³³⁹А.БОГАТУРОВ, А.ДУНДИЧ и Е.ТРОИЦКИЙ, *Центральная Азия: "Отложенный Нейтралитет" и Международные Отношения в 2000-х годах: Очерки Текущей Политики*, Выпуск 4, Москва, НОФМО, 2010, с. 19, (A.BOGATUROV, A.DUNDICH and E.TROITSKIY, *Central Asia: a "Delayed Neutrality" and International Relations in the 2000s: Essays on Current Politics*, Issue 4, Moscow, NOFMO, 2010, p. 19).

³⁴⁰*Vid.* Статья 6. РЕСПУБЛИКА УЗБЕКИСТАН, "Закон Республики Узбекистан "Об Основных Принципах Внешнеполитической Деятельности Республики Узбекистан", 26 декабря 1996, (*Vid.* Article 6. REPUBLIC OF UZBEKISTAN, "The Law of the Republic of Uzbekistan "On the Main Principles of the Foreign Policy of the Republic of Uzbekistan", December 26, 1996), http://lex.uz/Pages/GetAct.aspx?lact_id=39322 [15-04-2014].

³⁴¹РЕСПУБЛИКА ТУРКМЕНИСТАН, "Конституционный Закон Туркменистана о Постоянном Нейтралитете Туркменистана", No. 99-1, 27 декабря 1995 года, (REPUBLIC OF TURKMENISTAN, "Constitutional Law of Turkmenistan "On Perpetual Neutrality of Turkmenistan", December 27, 1995), http://base.spinform.ru/show_doc.fwx?rgn=2375 [15-04-2014].

³⁴²А.БОГАТУРОВ, А.ДУНДИЧ и Е.ТРОИЦКИЙ, *Центральная Азия: "Отложенный Нейтралитет" и Международные Отношения в 2000-х годах...op. cit.*, сс. 18-19, (A.BOGATUROV, A.DUNDICH and E.TROITSKIY, *Central Asia: a "Delayed Neutrality" and International Relations in the 2000s...op. cit.*, pp. 18-19).

³⁴³D.TRENIN, *The End of Eurasia: Russia on the Border Between Geopolitics And Globalization*, *op. cit.*, p. 93.

³⁴⁴А.БОГАТУРОВ, А.ДУНДИЧ и Е.ТРОИЦКИЙ, *Центральная Азия: "Отложенный Нейтралитет" и Международные Отношения в 2000-х годах...op. cit.*, с. 19, (A.BOGATUROV, A.DUNDICH and E.TROITSKIY, *Central Asia: a "Delayed Neutrality" and International Relations in the 2000s...op. cit.*, p. 19).

³⁴⁵LA ASAMBLEA GENERAL DE LA ONU, "Mantenimiento de la Seguridad Internacional: Neutralidad Permanente de Turkmenistán", Resolución de La Asamblea General 50/80, <http://daccess-dds-nu.un.org/doc/UNDOC/GEN/N96/761/26/PDF/N9676126.pdf?OpenElement> [29-04-2014].

³⁴⁶РЕСПУБЛИКА ТУРКМЕНИСТАН, "Концепция Внешней Политики Туркменистана как Нейтрального Государства", Декабрь 1995 г., (REPUBLIC OF TURKEMNISTAN, "Foreign Policy Concept of Turkmenistan as Neutral Country", December 1995), http://base.spinform.ru/show_doc.fwx?rgn=9356 [29-04-2014].

Gurbanguly Berdymukhamedov who came to power in 2006.³⁴⁷ It is the only CA republic that introduced a visa regime with CIS countries,³⁴⁸ while even its membership in the Commonwealth is limited (associate member).

In the case of Tajikistan, its foreign policy has been largely determined by instability and the hazardous situation on the long border with neighboring Afghanistan, where 27% of the population are ethnic Tajik,³⁴⁹ and an internal struggle between central authorities and opposition groups. Being interested in the military and political support of Russia and CA republics in both these cases (in parallel with energy, economy and migration issues analyzed in the next chapter),³⁵⁰ Dushanbe (the capital of Tajikistan) in its “policy of open doors”³⁵¹ has been paying much attention to cooperation with former Soviet states, encouraging and participating in CIS integration projects.³⁵²

The same tendency of positive attention to post-Soviet integration due to large interdependence with neighbors is common for Kyrgyzstan, that has not been changed even after revolution and subsequent shift in power in 2005.³⁵³ This compliance with the idea of Eurasian integration has been clear for Bishkek (the capital of Kyrgyzstan) both under the rule of Askar Akayev³⁵⁴ and Kurmanbek Bakiyev,³⁵⁵ who came to power after the revolution.³⁵⁶

In the case of Kazakhstan, the commitment to close cooperation with CIS partners has gone far beyond just approval. Kazakhstani President Nursultan Nazarbayev promoted the idea of maintaining the Soviet Union advocating the interests of his

³⁴⁷J.DELGÁDO CAICEDO, “Turkmenistán y Belarús: Una Transición del Autoritarismo al Autoritarismo en el Espacio Postsoviético”, *RIA.NOVOSTI*, 5 de noviembre de 2009, http://sp.ria.ru/bilateral_relations/20091105/123847307.html [04-05-2014].

³⁴⁸T.KUZIO, “Geopolitical Pluralism in the CIS: the Emergence of GUUAM”, *op. cit.*, p. 93.

³⁴⁹CIA: World Factbook, “Afghanistan”, <https://www.cia.gov/library/publications/the-world-factbook/geos/af.html> [09-04-2014].

³⁵⁰А.БОГАТУРОВ, А.ДУНДИЧ и Е.ТРОИЦКИЙ, *Центральная Азия: “Отложенный Нейтралитет” и Международные Отношения в 2000-х годах...op. cit.*, сс. 64-65, (А.БОГАТУРОВ, А.ДУНДИЧ and Е.ТРОИЦКИЙ, *Central Asia: a “Delayed Neutrality” and International Relations in the 2000s...op. cit.*, pp. 64-65).

³⁵¹МИД РЕСПУБЛИКИ ТАДЖИКИСТАН, “Достижения Внешней Политики Таджикистана”, (MFA OF THE REPUBLIC OF TAJIKISTAN, “Achievements of the foreign policy of Tajikistan”), <http://mfa.tj/ru/dostizheniya-vneshney-politiki-tajikistana/dostizheniya-vneshney-politiki.html> [29-04-2014].

³⁵²D.TRENIN, *The end of Eurasia: Russia on the Border Between Geopolitics And Globalization*, *op. cit.*, p. 93.

³⁵³А.БОГАТУРОВ, А.ДУНДИЧ и Е.ТРОИЦКИЙ, *Центральная Азия: “Отложенный Нейтралитет” и Международные Отношения в 2000-х годах...op. cit.*, с. 63, (А.БОГАТУРОВ, А.ДУНДИЧ and Е.ТРОИЦКИЙ, *Central Asia: a “Delayed Neutrality” and International Relations in the 2000s...op. cit.*, p. 63).

³⁵⁴А.АКАЕВ, “Экспорт Демократии” = “Экспорт Революции. Евразия и Вызовы Нового Века”, *Российская Газета*, 8 июня 2004, (А.АКАЕВ, “Export of Democracy” = “Export of Revolution. Eurasia and New Challenges of the New Century”, *Russian Newspaper*, June 8, 2004, <http://www.rg.ru/2004/06/08/akaev.html> [29-04-2014].

³⁵⁵*Vid.* Пункт 2: Статья II и Пункт 2: Статья III. КЫРГЫЗСКАЯ РЕСПУБЛИКА, “Концепция Внешней Политики Кыргызской Республики”, 10 января 2007, (*Vid.* Point 2: Article II and Point 2: Article III. KYRGYZ REPUBLIC, “Foreign Policy Concept of the Kyrgyz Republic”, January 10, 2007), http://www.mfa.kg/acts/konceptciya-vneshnei-politiki-kr_ru.html [29-04-2014].

³⁵⁶C.GONZÁLES VILLA, “Empiezan las Revoluciones de Colores” en F.VEIGA y A.MOURENZA, *El Retorno de Eurasia. 1991-2011. Veinte Años de Nuevo Gran Espacio Geoestratégico que Abrió Paso al Siglo XXI*, Barcelona, Ediciones Península, 2012, p. 171.

people, who, expressing their will in the referendum held in 1991, by 95.5% of votes decided to stay in the Union.³⁵⁷ Only after dissolution of the USSR had become obvious, Kazakhstan declared its independence being herewith the last republic that left the USSR.³⁵⁸ Nevertheless, even after becoming independent, Kazakhstan continued promoting further cooperation with the former Soviet republics. The idea of Eurasian integration was firstly expressed by Kazakhstan's President Nursultan Nazarbayev³⁵⁹ in 1994 delivering a speech at the Moscow State University.³⁶⁰ In parallel with a large number of his publications and works dedicated to the development of Eurasian Union,³⁶¹ its promotion and strengthening has been considered as one of the priorities of Kazakhstan foreign policy concept.³⁶² The example of Nursultan Nazarbayev and his commitment (and initiative) to Eurasian integration is demonstrative for the importance of personal factor and strong leadership pointed by Hoffmann.

Among CA republics, the most controversial position about CIS countries rapprochement is held by Uzbekistan. Confident with its politics of non-alignment with any military-political group, nevertheless, Uzbekistan's policy is hardly likely to be as neutral as Turkmenistan's one. Tashkent (the capital) does not avoid close cooperation with groups of states including great powers but changes its priorities frequently in order to prevent domination from one of them preferring herewith its freedom of actions to permanent affiliation with a certain group of states.³⁶³ Nevertheless, even if Tashkent does not participate in all CIS integration projects, its commitment to encouraging cooperation among former Soviet republics plays an important role in its foreign policy conception.³⁶⁴

In such a manner, among CA republics, there is no dilemma about a European or Eurasian future as in the case of European CIS countries. It is rather a question between neutrality and integration with former Soviet countries, where Kazakhstan, Kyrgyzstan and Tajikistan favor closer cooperation, the position of Uzbekistan is ambiguous while Turkmenistan does not express interests in integration projects due to its permanent neutrality.

³⁵⁷D.NOHLEN, F.GROTZ and CH. HARTMAN, *Elections in Asia and the Pacific...*, op. cit., p. 407.

³⁵⁸*Ibid.*, p. 408.

³⁵⁹Н.НАЗАРБАЕВ, *Евразийский Союз: Идеи, Практика, Перспективы. 1994-1997*, op. cit., с. 5, (N.NAZARBAYEV, *Eurasian Union: Ideas, Practices, Prosperities. 1994-1997*, op. cit., p. 5).

³⁶⁰*Ibid.*, p. 32.

³⁶¹*Vid. Ibid.*; Н.НАЗАРБАЕВ, *Казахстанско-Российские Отношения. Доклады. Выступления. Статьи. 1991-1997*, Москва, Русский Раритет, 1997, (*Vid. Ibid.*; N.NAZARBAYEV, *Kazakhstan-Russian Relations. Reports. Speeches. Articles*, Moscow, Russian Rarities, 1997).

³⁶²ҚАЗАҚСТАН РЕСПУБЛИКАСЫ, "Ішкі және Сыртқы Саясаттың 2003 Жылы Herizi Baғыттары Туралы", (REPUBLIC OF KAZAKHSTAN, "Main Directions of Internal and External Policies in 2003"), http://adilet.zan.kz/kaz/docs/K020002003_ (Inform system of laws and regulations of the Republic of Kazakhstan) [30-04-2014].

³⁶³А.БОГАТУРОВ, А.ДУНДИЧ и Е.ТРОИЦКИЙ, *Центральная Азия: "Отложенный Нейтралитет" и Международные Отношения в 2000-х годах...* op. cit., с. 66, (A.BOGATUROV, A.DUNDICH and E.TROITSKIY, *Central Asia: a "Delayed Neutrality" and International Relations in the 2000s...* op. cit., p. 66).

³⁶⁴MFA OF THE REPUBLIC OF UZBEKISTAN, "International Cooperation", <http://www.mfa.uz/en/cooperation/> [01-05-2014].

Proceeding to Caucasus states – the territory that includes Georgia, Azerbaijan and Armenia – in order to analyze the attitude of their political elites toward Eurasian integration, it is necessary to note that anti-communist movements common to European CIS countries, had also taken place in this region.

Caucasus states, as distinct from CA countries, had already been independent for a very short period before the establishment of the USSR and their politics directed towards pursuing larger autonomy from Moscow made its contribution to disintegration of the Union,³⁶⁵ and created the leaders who came to power after their countries had declared independence.

Thus, in the first years of Georgian independent history, the state was headed by dissenter Zviad Gamsakhurdia,³⁶⁶ who belonged to a nationalist and anticommunist group.³⁶⁷ His rule lasted only two years and was replaced by the former Soviet minister for foreign affairs Eduard Shevardnadze during the political crisis which ignited as a result of war with separate-minded regions (described further). Shevardnadze stayed in power for 10 years succeeding to unite groups of different views and opinions. Under his rule many parties have appeared – his favored, the Citizens' Union of Georgia (CUG), that in turn included various movements (agrarians, industrialists, ecologists, etc.); Union of reformers established by Communist nomenclature, the Labor Party, "Industry Will Save Georgia", etc. At the beginning of the 2000s, the National United Movement was created by Mikheil Saakashvili,³⁶⁸ the former member of the CUG, who brought down the government of Shevardnadze, where he himself occupied the post of the Minister of Justice in 2000-2001.³⁶⁹

The Revolution by which Saakashvili came to power in 2003 totally replaced the political elite in Georgia.³⁷⁰ Even so, the political course regarding integration with former Soviet countries has not been changed dramatically. Neither Shevardnadze, nor Saakashvili favored Eurasian integration, putting as the priority of Georgian foreign policy rapprochement with Europe and the US. Even accession to the CIS in 1993 was determined more by the necessity to improve relations with Russia in order to come out of the political crisis caused by the wars in South Ossetia and Abkhazia rather than intentions to cooperate closer with former Soviet countries.³⁷¹ Nevertheless,

³⁶⁵D.NOHLN, F.GROTZ and CH. HARTMAN, *Elections in Asia and the Pacific...*, *op. cit.*, p. 5.

³⁶⁶В.ДОЛИДЗЕ, "Политические Партии и Партийное Строительство в Грузии", *Центральная Азия и Кавказ*, 2005, (V.DODIDZE, "Political Parties and Party Construction in Georgia", *Central Asia and Caucusus*, 2005, http://www.ca-c.org/journal/2005/journal_rus/cac-02/06.dolrus.shtml [01-05-2014]).

³⁶⁷G.NODIA, "Transcaucasia, Tres Años Después", *Anuario Internacional CIDOB 1994. Grandes Temas: el Espacio Postsoviético*, Barcelona, Fundación CIDOB, 1995, p. 477.

³⁶⁸В.ДОЛИДЗЕ, "Политические Партии и Партийное Строительство в Грузии", *op. cit.*, (V.DODIDZE, "Political Parties and Party Construction in Georgia", *op. cit.*).

³⁶⁹CRISIS GROUP, "Georgia: What Now?", International Crisis Group Europe Report No. 151, 3 December 2003, p. 7, http://www.crisisgroup.org/~media/Files/europe/151_georgia_what_now.pdf [02-04-2014].

³⁷⁰M.BADER, "Party Politics in Georgia and Ukraine and the Failure of Western Assistance", *Democratization*, Vol. 17, No. 6, 2010, p. 1087.

³⁷¹З.БАХТУРИДЗЕ, "Особенности Развития Внешнеполитической Стратегии Грузии при Президенте Э. А. Шеварднадзе (1995-2003 гг.)", *Грамота*, 2011, No. 8 (14), часть I, с. 29,

for Shevardnadze, the course of balancing between Russia and the West is more common,³⁷² while for Saakashvili, strong commitment to European integration is even more obvious.³⁷³

In the case of Azerbaijan, like in Georgia, the transition toward independence was accompanied by political crisis caused by internal instability and war with separatist Nagorno Karabakh (described later). During the first two years of independence, the country was governed by Ayaz Mutalibov who held on his power as head of state from the Soviet era. Unfortunate with Azerbaijan's failures in war Mutalibov had to be relieved from his duties and presidential elections held in June 1992 were won by Abulfaz Elchibey, a dissident and founder of the Popular Front that had gained large public support. Backing the middle class and academic and cultural circles, the politics of Elchibey determined by pan-Turkism ideas contradicted visions of military groups that finally led to his resignation and power passed to Heidar Aliyev, the former Deputy Chairman of the Council of Ministers of the USSR³⁷⁴ and general of the KGB.³⁷⁵ Heidar Aliyev succeeded in stabilizing the situation in the country economically (due to large oil resources)³⁷⁶ and politically and was reelected in 1997,³⁷⁷ his political course was succeeded by his son Ilham Aliyev who was elected in 2003.³⁷⁸

Similar to policy pursued by Shevardnadze, Heidar Aliyev's membership to the Communist nomenclature did not lead him to look for ways of reintegration with former Soviet republics. He favored close relations with Turkey largely promoted by his predecessor Abulfaz Elchibey, the US and the EU, cooperation with whom was necessary for implementation of ambitious energy projects.³⁷⁹ The same commitment to joining the EU and NATO has also been considered as the main priorities of his successor Ilham Aliyev's political course.³⁸⁰

As distinct from its neighbors, Armenia's transition to independence avoided large internal disturbances, but was affected by war in Nagorno Karabakh where the state participated and subsequent economic embargo³⁸¹ was imposed by Azerbaijan and Turkey. The country succeeded in establishing a stable order characterized by political pluralism. By the decisions of the first presidential elections, the country was headed by Levon Ter-Petrosyan, leader of the Armenia National Movement created on

(Z.BAHTURIDZE, "Particularities of Development of the Foreign Policy Strategy during E.A. Shevardnadze Presidency (1995-2003), *Literacy*, 2011, No. 8 (14), Part I, p. 29).

³⁷²C.GONZÁLES VILLA, "Empiezan las Revoluciones de Colores", *op. cit.*, p. 172.

³⁷³*Vid.* Introduction. GEORGIA, "National Security Concept of Georgia", http://www.parliament.ge/files/292_880_927746_concept_en.pdf [02-05-2015].

³⁷⁴M.KAMRAVA, "State-Building in Azerbaijan: The Search for Consolidation", *Middle East Journal*, Vol. 55, No. 2, Spring, 2001, pp. 220-222.

³⁷⁵S.CORNELL, *Azerbaijan since Independence*, New York, M.E. Sharpe, Inc., 2011, p. 350.

³⁷⁶*Ibid.*, p. 92.

³⁷⁷M.KAMRAVA, "State-Building in Azerbaijan: The Search for Consolidation", *op. cit.*, p. 223.

³⁷⁸PRESIDENT OF AZERBAIJAN, "Ilham Heydar oglu Aliyev", <http://en.president.az/president/biography/> [13-05-2014].

³⁷⁹M.KAMRAVA, "State-Building in Azerbaijan: The Search for Consolidation", *op. cit.*, p. 223.

³⁸⁰*Vid.* Point 4.1.2. REPUBLIC OF AZERBAIJAN, "National Security Concept of the Republic of Azerbaijan", May 23, 2007, <http://www.azembassy.org.au/uploads/docs/Azerbaijan.pdf> [03-05-2015].

³⁸¹G.NODIA, "Transcaucasia, Tres Años Despues", *op. cit.*, p. 477.

the rise of nationalist ideas aimed at uniting Karabakh with Armenia.³⁸² Ter-Petrosyan stayed in power until 1998, nevertheless, even before the second presidential elections in 1996 his popularity had been decreasing and was seriously damaged by his intention to make concessions to Azerbaijan in order to resolve the Karabakh case. The president had to resign and the power passed to less loyal Robert Kocharyan, the former President of Karabakh Republic.³⁸³

In matters of integration choice, it is necessary to note that for Armenia, blocked by neighboring Azerbaijan and Turkey, joining one of integration block is necessary for economic development.³⁸⁴ Yerevan favors cooperation with both groups of states – European and Eurasian.³⁸⁵ In accordance with State National Security Strategy, its policy is based on “complementarity” (beneficial cooperation with all powers interested in the region) and “engagement” into all regional integration projects (i.e. parallel partnership with CIS, CSTO, NATO, the EU, Russia, the USA, and Iran).³⁸⁶ This policy of balancing with all major powers in the region has become official for Armenia since its independence and is known as “complementarism” – the term introduced by Vardan Oskanyan, Armenian Minister for Foreign Affairs in 1998-2008.³⁸⁷ However, in this multi-vector policy that Yerevan pursues Eurasian countries (Armenia is observer in EurAzEC since 2003)³⁸⁸ and especially Russia (Armenia traditionally is regarded as the main Russian ally in the South Caucasus region)³⁸⁹ were always considered as one of the priorities of its foreign policy.

Speaking about the national political character of Caucasus countries, it might be considered that for these states from the beginning of independence national identity matters have become fundamental in their development of internal and external politics. With national identity began the formation of their state-building, similar issues lay in conflicts exploited in the region and in the case of Georgia and Azerbaijan

³⁸²Г.КЕРЯН, “Утверждение Многопартийности в Армении”, *op. cit.*, (G.KERYAN, “Establishment of Plurality in Armenia”, *op. cit.*).

³⁸³А.СУКИАСЯН, “Становление Армении как Независимого Государства”, *Наука и Образование XXI Века: Сборник Статей Научно-Практической Конференции*, Май 2013, сс. 186-187, (A.SYKUSYAN, “Stabilization of Armenia as an Independent Country”, *Science and Education of the XXI century: Collection of Articles of Academic and Research Conference*, May 2013, pp. 186-187).

³⁸⁴А.КАРАПЕТЯН, “Национальные Интересы Армении в Рамках Евразийской /ЕврАзЭС/ и Европейской Интеграции”, *Союз Инфо*, (A.KARAPETYAN, “National Interests of Armenia in EurAsEC and European Integration”, *Soyuz Info*), http://soyuzinfo.am/rus/analytics/detail.php?ELEMENT_ID=211 [03-05-2014].

³⁸⁵*Vid.* Chapter IV. Point 1. REPUBLIC OF ARMENIA, “External Security Strategy of the National Security Strategy of the Republic of Armenia”, January 26, 2007, http://www.mfa.am/u_files/file/doctrine/Doctrineeng.pdf [04-05-2014].

³⁸⁶*Vid.* Chapter IV. *Ibid.*

³⁸⁷С.МИНАСЯН, “Внешняя Политика Армении: Двадцать Лет Сидения На Нескольких Стульях?”, *Ноев Ковчег*, No. 23–24 (182–183), Декабрь 2011, (S.MINASYAN, “Foreign Policy of Armenia: Twenty Years between Different Places?”, *Noyev Kovsheg*, No. 23-24 (182-183), December 2011), <http://noev-kovcheg.ru/mag/2011-23-24/2980.html> [04-05-2014].

³⁸⁸MFA OF THE REPUBLIC ARMENIA, “International Organizations: Eurasian Economic Community”, <http://www.mfa.am/en/international-organisations/EurAsEC/> [04-05-2014].

³⁸⁹G.NODIA, “Transcaucasia, Tres Años Después”, *op. cit.*, p. 480.

it is the securing of territorial integrity of nation-states that politicians have been trying to maintain during its whole independent history.³⁹⁰

Regarding Armenia, the significance of national identity in its political culture³⁹¹ might be seen in Yerevan's insistence on resolution of the Karabakh conflict in favor of self-definition of Armenian people who live in this region, by recognition of Armenian genocide committed by the Ottoman government³⁹² and cohesion with Armenian diaspora³⁹³ spread throughout the world.³⁹⁴

Thus, by the time of signing the Agreement on creation of the single customs territory by Kazakhstan, Russia and Belarus in 2007 proceeding from Hoffmann's intergovernmentalist approach, political support of integration by groups in power as one of internal condition to integration was met by Russia, Belarus, Kazakhstan, Kyrgyzstan and Tajikistan. In the case of Armenia and Uzbekistan, this condition is met partially because the former tries to combine Eurasian and European integration, while in the case of the latter, choice toward Eurasian integration is not stable. Concerning Georgia, Ukraine, Azerbaijan and Moldova, even though cooperation with their CIS partners is important for them, they prefer European integration, while in the case of Turkmenistan, due to strong commitment to neutrality, it avoids participation in integration projects.

Political support for integration by groups in power is largely interrelated or even determined by another internal condition pointed out by Hoffmann – domestic integration – described in the second part together with public support of integration.

6.2.2. Domestic Integration and Public Support

In accordance with Hoffmann, domestic integration is the situation when the “national stage” of state-building is achieved, whose are indispensable conditions are civil consent, execution by central authorities of their power within the entire national territory determined by territorial borders and rule of law respected by citizens and

³⁹⁰Т.МАНСУРОВ, “Политические Факторы Институционализации Идентичности Южного Кавказа”, *Исторические, Философские, Политические И Юридические Науки, Культурология и Искусствоведение: Вопросы Теории и Практики*, No. 12 (26), 2012, с. 115, (T.MANSUROV, “Political Factors of Institutionalization of South Caucasus Identity”, *Historical, Philosophic, Political and Juridical Sciences: Cultural and Art Studies*, No. 12, (26), 2012, p. 115).

³⁹¹R.GRIGOR SUNY, *Looking toward Ararat: Armenia in Modern History*, Bloomington, Indiana University Press, 1993, p. 1.

³⁹²Armenia genocide has been recognized by 40 states of the USA and different provinces and administrative bodies of Argentina, Australia, Canada, Switzerland, Great Britain, Italy, Lithuania, Venezuela, Slovakia, France, Germany, Poland, Belgium, Lebanon, Sweden, Greece, and Russia as well as by the European Parliament and the Council of Europe. *Vid.* MFA OF THE REPUBLIC OF ARMENIA, “Recognition”, <http://www.mfa.am/en/recognition/> [02-06-2014].

³⁹³R.GRIGOR SUNY, *Looking toward Ararat: Armenia in Modern History*, *op. cit.*, p. 2.

³⁹⁴In total, there are about 10 million Armenians in the world, among which around 3 million reside in Armenia, and all the rest outside the country with largest diasporas in Russia (2.230 million), Turkey (2.080 million) and the United States (1.400 million). *Vid.* ARMENIAN DIASPORA, “Armenian Population in the World”, <http://www.armeniadiaspora.com/population.html> [02-06-2014].

enforced by highest authorities. In such a manner, these three conditions correspond to traditional values of statehood – population, state, government.

According to Hoffmann, domestic integration is a significant internal condition because only after it has been achieved could a state pursue continued, uniform policy and establish long-term external relations. The main obstacles to domestic integration are cleavages or conflicts and wars that divide state and its citizens into separate blocks.

Proceeding from this terminology, in the case of CIS countries there two main factors could be emphasized that prevented some of its members from meeting this condition, which are separatist movements and public disapproval formed as revolutions. In total these factors destabilized domestic integration in Azerbaijan (Nagorno Karabakh separatism); in Georgia (war in South Ossetia and Abkhazia), in Moldova (separatism of Dniester Republic), in Russia (Chechenia wars), and in Tajikistan (Civil war). During these conflicts de facto none of the conditions of domestic integration were met: there was no civil consent, territorial integrity was under threat and rule of law was not respected.

Separatist movements in Georgia, Azerbaijan, Moldova and Russia as well as civil war in Tajikistan led to military conflicts that destabilized situation in these countries primarily in the 1990s, while in the 2000s revolutions in Georgia, Ukraine and Kyrgyzstan became the main disturbance factor. Taking this timeframe into account (divided into 1990s/2000s), first, separatist wars occurred during the period under consideration, including their courses and consequences are analyzed and then a brief explanation of revolutions is made. In the case of the other CIS countries – Belarus, Kazakhstan, Uzbekistan, Turkmenistan and Armenia – none of the conditions of domestic integration was violated and thus they are not analyzed in this paragraph.

For Azerbaijan, the main course of destabilizing domestic integration in the 1990s was Nagorno Karabakh's separatism. Mostly populated by Armenians, this territory has had the status of autonomous region within Azerbaijan SSR since 1923. Divided from Armenia by six-mile Lachin corridor inhabited by Muslim Kurds, the region herewith did not have a border with Armenia, even so, Karabakh remained under nominal Armenian control but officially stayed a part of Azerbaijan. Contradictions between Azeri authorities and Armenians arose when in February 1988 in the forefront of Glasnost declared by Gorbachev street manifestations started in Stepanakert (the capital of Karabakh) and Yerevan (the capital of Armenia) claiming Karabakh's unification with Armenia.³⁹⁵ Later, after the collapse of the USSR, tensions between Armenians and Azerbaijanis resulted in the 1991-1994 military conflict³⁹⁶

³⁹⁵D.LAITIN and R.GRIGOR SUNY, "Armenia and Azerbaijan: Thinking a Way Out of Karabakh" in *Middle East Policy*, Vol. VIII, No. 1, October 1999, p. 151.

³⁹⁶T.WAAL, "Remaking the Nagorno-Karabakh Peace Process", *Survival: Global Politics and Strategy*, Vol. 52, Issue 4, 2010, p. 169.

ending with a cease-fire decision formed as Bishkek protocol³⁹⁷ driven by Russia³⁹⁸ after the region (including Lachin)³⁹⁹ had been occupied by Armenia.⁴⁰⁰

The conflict⁴⁰¹ was frozen by sides that had totally different views on its resolution. Thus, Armenia in fact placed Karabakh under its control, Azerbaijan denied its autonomy, while Karabakh authorities declared its independence, something that has not been recognized by any state.⁴⁰² After all former Soviet republics joined CSCE/OSCE, this organization has become officially responsible for mediation among three sides and resolution of the conflict by means of the Minsk group chaired by France, Russia and the USA.⁴⁰³

Even though international forces had not been placed in the Karabakh territory to maintain the cease-fire,⁴⁰⁴ Armenian-Azeri confrontation had gone far beyond bilateral relations and has involved other actors into the conflict including the Russian Federation.

Officially, Russia did not support Karabakh's separatist movements,⁴⁰⁵ which was determined not only by necessity to maintain friendly relations with neighboring Azerbaijan especially in the energy sphere (Russia had monopoly on Azeri oil transportation by that time) but also by similar problems caused by Chechenia.⁴⁰⁶ Nevertheless, in military terms, it has been maintaining strong cooperation with Yerevan. By the agreement on friendship, cooperation and mutual aid, Russia and Armenia undertake to support each other, including military matters in the case of external aggression,⁴⁰⁷ while in the similar agreement signed with Azerbaijan it is written only about

³⁹⁷MFA OF NAGORNO KARABAKH REPUBLIC, "The Bishkek Protocol", May 5, 1994, <http://www.nkr.am/en/the-bishkek-protocol/43/> [31-03-2014].

³⁹⁸T.WAAL, "Remaking the Nagorno-Karabakh Peace Process", *op. cit.*, p. 164.

³⁹⁹*Ibid.*, p. 161.

⁴⁰⁰D.LAITIN and R.GRIGOR SUNY, "Armenia and Azerbaijan: Thinking a Way Out of Karabakh", *op. cit.*, p. 163.

⁴⁰¹Azerbaijan's loss of territories that de facto were occupied by Armenia was determined as Svante E. Cornell finds by internal struggle for power in Baku where during the war three presidents had been changed. *Vid.* F.STARR and S.CORNELL, *The Baku-Tbilisi-Ceyhan Pipeline...op. cit.*, p. 87.

⁴⁰²D.LAITIN and R.GRIGOR SUNY, "Armenia and Azerbaijan: Thinking a Way Out of Karabakh", *op. cit.*, p. 157.

⁴⁰³T.WAAL, "Remaking the Nagorno-Karabakh Peace Process", *op. cit.*, p. 162.

⁴⁰⁴T.WAAL, *Black Garden: Armenia and Azerbaijan through Peace and War*, New York, New York University Press, 2003, p. 253.

⁴⁰⁵*Vid.* Статья 5. РОССИЙСКАЯ ФЕДЕРАЦИЯ И АЗЕРБАЙДЖАНСКАЯ РЕСПУБЛИКА, "Договор о Дружбе, Сотрудничестве и Взаимной Помощи между Российской Федерацией и Азербайджанской Республикой", 3 июля 1997, (*Vid.* Article 5. RUSSIAN FEDERATION AND AZERBAIJAN REPUBLIC, "Agreement on Friendship, Cooperation and Mutual Support between Russian Federation and Azerbaijan Republic", July 3, 1997), http://www.mid.ru/bdomp/spd_md.nsf/0/EA4FE4ED73DE79B944257CA800435AEF [01-04-2014].

⁴⁰⁶Д.МАЛЫШЕВА, "Проблемы Безопасности на Кавказе", *op. cit.*, (D.MALYSHEVA, "Security Problems of Caucasus", *op. cit.*).

⁴⁰⁷*Vid.* Статья 3. РОССИЙСКАЯ ФЕДЕРАЦИЯ И РЕСПУБЛИКА АРМЕНИЯ, "Договор о Дружбе, Сотрудничестве и Взаимной Помощи между Российской Федерацией и Республикой Армения", 29 августа 1997, (*Vid.* Article 3. RUSSIAN FEDERATION AND REPUBLIC OF ARMENIA, "Agreement on Friendship, Cooperation and Mutual Support between Russian Federation and Republic of Armenia", August 29, 1997), http://www.mid.ru/bdomp/spd_md.nsf/0/479805D9976F3A9544257CA800433E94 [01-04-2014].

“immediate consultations”⁴⁰⁸ taken in the event of a security threat to one of the sides.⁴⁰⁹ Along with it, Armenia is the only South Caucasian country that has security guarantees assured by Russia in bilateral means as its strategic partner as well as CSTO member-state.⁴¹⁰

Moscow-Yerevan military cooperation is also important for Russia to maintain its military presence in South Caucasus⁴¹¹ possible due to the military base deployed in Armenia in 1995 for a term of 25 years^{412/413} together with Armenian military forces aiming to guarantee security of external borders of the former Soviet Union⁴¹⁴ (with Iran and Turkey in this case)⁴¹⁵ as well as security of the Republic of Armenia.⁴¹⁶ In addition, Armenia’s reliance on Russia is also maintained by cooperation in other

⁴⁰⁸*Vid.* Статья 4. РОССИЙСКАЯ ФЕДЕРАЦИЯ И АЗЕРБАЙДЖАНСКАЯ РЕСПУБЛИКА, “Договор о Дружбе, Сотрудничестве и Взаимной Помощи между Российской Федерацией и Азербайджанской Республикой”, *op. cit.*, (*Vid.* Article 4. RUSSIAN FEDERATION AND AZERBAIJAN REPUBLIC, “Agreement on Friendship, Cooperation and Mutual Support between Russian Federation and Azerbaijan Republic”, *op. cit.*).

⁴⁰⁹ Д.МАЛЫШЕВА, “Проблемы Безопасности на Кавказе”, *op. cit.*, (D.MALYSHEVA, “Security Problems of Caucasus”, *op. cit.*).

⁴¹⁰ С.МИНАСЯН, “Поиск Стабильности в Карабахском Конфликте”, *Россия в Глобальной Политике*, No. 1, Январь-Февраль 2012, (S.MINASYAN, “Search for Stability in Karabakh Conflict”, *Russia in Global Politics*, No. 1, January-February 2012), <http://www.globalaffairs.ru/number/Poisk-stabilnosti-v-karabakhskom-konflikte-15467> [31-03-2014].

⁴¹¹ Д.МАЛЫШЕВА, “Проблемы Безопасности на Кавказе”, *op. cit.*, (D.MALYSHEVA, “Security Problems of Caucasus”, *op. cit.*).

⁴¹²*Vid.* Статья 26. РОССИЙСКАЯ ФЕДЕРАЦИЯ И РЕСПУБЛИКА АРМЕНИЯ, “Договор между Российской Федерацией и Республикой Армения о Российской Военной Базе на Территории Республики Армения”, 16 марта 1995, (*Vid.* Article 26. RUSSIAN FEDERATION AND REPUBLIC OF ARMENIA, “Agreement between Russian Federation and the Republic of Armenia on Russian military base deployed on the territory of Armenia”, March 16, 1995), http://www.mid.ru/bdomp/spd_md.nsf/0/C11F665E5A29E14044257CA800433C1B [01-04-2014].

⁴¹³In 2010, by the Protocol to the Agreement between the Russian Federation and the Republic of Armenia on Russian military base deployed on the territory of Armenia, this Agreement has been prolonged for 49 years as well it has been agreed to be prolonged automatically every five years at the end of this term. *Vid.* РОССИЙСКАЯ ФЕДЕРАЦИЯ И РЕСПУБЛИКА АРМЕНИЯ, “Протокол No. 5 между Российской Федерацией и Республикой Армения о внесении изменений в Договор между Российской Федерацией и Республикой Армения о Российской Военной Базе на Территории Республики Армения от 16 марта 1995, 20 августа 2010, (*Vid.* RUSSIAN FEDERATION AND THE REPUBLIC OF ARMENIA, “Protocol No. 5 between Russian Federation and the Republic of Armenia on Amendments to the Agreement between Russian Federation and the Republic of Armenia on Russian Military Base deployed on the Territory of the Republic of Armenia from 16 March 1996”, 20 August 2010), http://www.mid.ru/bdomp/spd_md.nsf/0/FD535E7D6C97A91044257CA80043429B [01-04-2014].

⁴¹⁴*Vid.* Пункт 1: Статья 3. РОССИЙСКАЯ ФЕДЕРАЦИЯ И РЕСПУБЛИКА АРМЕНИЯ, “Договор между Российской Федерацией и Республикой Армения о Российской Военной Базе На Территории Республики Армения”, *op. cit.*, (*Vid.* Point 1: Article 3, RUSSIAN FEDERATION AND THE REPUBLIC OF ARMENIA, “Agreement between Russian Federation and the Republic of Armenia on Russian military base deployed on the territory of Armenia”, March 16, 1995).

⁴¹⁵ Д.МАЛЫШЕВА, “Проблемы Безопасности на Кавказе”, *op. cit.*, (D.MALYSHEVA, “Security Problems of Caucasus”, *op. cit.*).

⁴¹⁶*Vid.* Статья 3. РОССИЙСКАЯ ФЕДЕРАЦИЯ И РЕСПУБЛИКА АРМЕНИЯ, Протокол No. 5 между Российской Федерацией и Республикой Армения о Внесении Изменений в Договор между Российской Федерацией и Республикой Армения о Российской Военной Базе...”, *op. cit.*, (*Vid.* Article 3. RUSSIAN FEDERATION AND THE REPUBLIC OF ARMENIA, “Protocol No. 5 between Russian Federation and the Republic of Armenia on Amendments to the Agreement between Russian Federation and the Republic of Armenia on Russian Military Base..., *op. cit.*).

chessboards, thus RF is its main investor and the main weapon supplier that allow Armenia to buy Russian military equipment on below-market prices.⁴¹⁷

Even though Russia secures only internationally recognized borders of Armenia (it means excluding Karabakh),⁴¹⁸ their close cooperation makes Azerbaijan look for international support for its position in the conflict. Thus, Azeri government strengthens relations with the US interested in energy cooperation with Baku and promotes military collaboration with Turkey,⁴¹⁹ which itself has complicate relations with Armenia because of the unresolved issue of the Great Catastrophe in 1915⁴²⁰ that led to the closure of the Armenia-Turkish border.⁴²¹

Nagorno Karabakh being the frozen conflict destabilizes the political situation in Azerbaijan that stays for its territorial integrity; at the same time, it is the only conflict on the post-Soviet area that has directly involved another independent state – Armenia – that defends the right of self-determination of Armenians who live in Karabakh.⁴²²

For Georgia, the question that has been threatening its territorial integrity are Abkhazian and South Ossetian separatist movements.⁴²³ Similar to the Nagorno Karabakh case, the contradictions between sides had risen at the end of the 1980s and resulted in military conflicts since the disintegration of the USSR.⁴²⁴ The first conflict arose in 1991 after South Ossetian Autonomous Oblast had declared its independence from Georgia.⁴²⁵ The conflict was frozen by the Sochi Agreement on ceasefire negotiated by Georgia and RF,⁴²⁶ while in the referendum of December 1992 South Ossetians desire to unify, which affined them to North Ossetians living in Russia, was not taken into account.⁴²⁷

By the agreement, sides deployed joint Russian–Ossetian–Georgian peacekeeping forces to the zone of conflict⁴²⁸ that were securing the region until 2008, when

⁴¹⁷С.МИНАСЯН, “Поиск стабильности в карабахском конфликте”, *op. cit.*, (S.MINASYAN, “Search for Stability in Karabakh Conflict”, *op. cit.*).

⁴¹⁸*Ibid.*

⁴¹⁹T.WAAL, *Black Garden: Armenia and Azerbaijan through Peace and War*, *op. cit.*, p. 261.

⁴²⁰Yerevan interprets Great Catastrophe as Armenian genocide. T.WAAL, “Remaking the Nagorno-Karabakh Peace Process”, *op. cit.*, p. 169.

⁴²¹G.NOVIKOVA, “Armenia And The Middle East”, *Middle East Review of International Affairs*, Vol. 4, No. 4, December 2000, p. 63.

⁴²²*Ibid.*, p. 64.

⁴²³D.TRENIN, *The end of Eurasia: Russia on the Border Between Geopolitics And Globalization*, *op. cit.*, p. 181.

⁴²⁴V.PAPAVA, “Becoming European. Georgia’s strategy for Joining the EU”, *Problems of Post-Communism*, Vol. 53, No. 1, January/February 2006, p. 29.

⁴²⁵R.ALLISON, “Russia resurgent? Moscow’s campaign to ‘coerce Georgia to peace”, *International Affairs*, Vol. 84, No. 6, 2008, p. 1146.

⁴²⁶REPUBLIC OF GEORGIA and RUSSIAN FEDERATION, “Agreement on Principles of Settlement of the Georgian - Ossetian Conflict”, Sochi, June 24, 1992, http://peacemaker.un.org/sites/peacemaker.un.org/files/GE%20RU_920624_AgreemenOnPrinciplesOfSettlementGeorgianOssetianConflict.pdf [03-04-2014].

⁴²⁷D.TRENIN, *The end of Eurasia: Russia on the Border Between Geopolitics And Globalization*, *op. cit.*, p. 183.

⁴²⁸R.ALLISON, “Russia Resurgent? Moscow’s Campaign to ‘Coerce Georgia to Peace”, *op. cit.*, p. 1146.

South Ossetia and Abkhazia proclaimed their independence recognized by few countries (including Russia)⁴²⁹ after military conflict between Georgia and RF⁴³⁰ that led to the disruption of diplomatic relations between them.⁴³¹

A similar situation happened with Abkhazia – another independent-minded region. However, this case was even more difficult because Abkhazia had already been independent for ten years and held equal status as Georgia and other Soviet republics. But in 1931, its status as Soviet Social Republic was changed and it became an autonomy inside Georgia.⁴³² Contradictions between sides turned into armed conflict in July 1992 after the Abkhaz authorities' declaration of independence in response to Georgian President Zviad Gamsakhurdia's anti-minorities campaign and subsequent invasion of Georgian forces.⁴³³ In Tbilisi, the conflict was accompanied with toppling the Gamsakhurdia's government hence military takeover and Eduard Shevarnadze accession to power.⁴³⁴

After two unsuccessful efforts at ceasefire, in May 1994 sides signed the Agreement on a ceasefire and Separation of Forces,⁴³⁵ and the confrontation ended with removal of Georgian forces from the territory of Abkhazia and Tbilisi's concessions toward Russia-mediated vision of peace,⁴³⁶ which also had played an important role in

⁴²⁹South Ossetian and Abkhazian independence has not been recognized by any CIS country since it contradicts its basic principles of territorial integrity and inviolability of borders. In the case of Uzbekistan, Kazakhstan, Turkmenistan and Kirgizstan, – the member-states of Shanghai Cooperation Organization along with Russia and China – their decision was also determined by strong anti-separatist policy that promotes the organization. Nevertheless, even without recognizing independence of South Ossetia and Abkhazia, CA countries being members of CSTO did not condemn Russian actions in Georgia finding them necessary for maintaining peace. Vid. R.ALLISON, "Russia resurgent? Moscow's campaign to 'coerce Georgia to peace'", *op. cit.*, p. 1161; Е.КЛИМЕНКО, "Центральная Азия как Региональный Комплекс Безопасности", *op. cit.*, сс. 11-12, (Е.КЛИМЕНКО, "Central Asia as Regional Security Complex", *op. cit.*, pp. 11-12); ШОС, "Шанхайская Конвенция о Борьбе С Терроризмом, Сепаратизмом и Экстремизмом", *op. cit.*, (SCO, "The Shanghai Convention on Combating Terrorism, Separatism and Extremism", *op. cit.*).

⁴³⁰2008 Russia-Georgian military conflict was interpreted by Tbilisi as Russian "occupation of Georgian territory", while Russia treated it as an appropriate response of Russian peacekeepers to "aggression by Georgia" against South Ossetian civilians. Vid. UNITED NATIONS, "Security Council Holds Third Emergency Meeting as South Ossetia Conflict Intensifies, Expands To Other Parts Of Georgia", Security Council 5953rd Meeting (AM), <http://www.un.org/News/Press/docs/2008/sc9419.doc.htm> [03-04-2014].

⁴³¹MFA OF GEORGIA, "Relations between Georgia and Russia", http://mfa.gov.ge/index.php?sec_id=351&lang_id=ENG [03-04-2014].

⁴³²Н.АКАБА, "Грузино-Абхазский Конфликт: Исторические Корни и Перспективы Решения", *Центральная Азия и Кавказ*, 2000, (N.AKABA, "Georgia-Abkhazia Conflict: Historical Roots and Perspectives of Resolution", *Central Asia and Caucasus*, 2000), http://www.ca-c.org/journal/2000/journal_rus/cac6-2000/13.akaba.shtml [03-04-2014].

⁴³³T.HOPE, "Identity, Legitimacy, And The Use Of Military Force: Russia's Great Power Identities and Military Intervention in Abkhazia", *Review of International Studies*, Vol. 31, Supplement S1, December 2005, p. 228.

⁴³⁴Д.БЕРДЗЕНИШВИЛИ и Ф.САКВАРЕЛИДЗЕ, "Особенности Политического Процесса в Постсоветской Грузии", *Центральная Азия и Кавказ*, 2001, (D.BERDZENISHVILI and F.SAKVARELIDZE, "Particularities of the Political Progress in the Post-Soviet Georgia", *Central Asian and Caucasus*, 2001), http://www.ca-c.org/journal/2001/journal_rus/cac-06/07.berru.shtml [07-04-2014].

⁴³⁵UNITED NATIONS OBSERVER MISSION IN GEORGIA, "Georgia - UNOMIG – Background", <http://www.un.org/en/peacekeeping/missions/past/unomig/background.html> [07-04-2014].

⁴³⁶V.PAPAVALA, "The Evolution of Economic Relations Between Georgia and Russia in the Post-Soviet period: Past Trends and Perspectives", *op. cit.*, p. 53; J.LEPINGWELL, "The Russian Military And Security Policy In The 'Near Abroad'", *Survival: Global Politics and Strategy*, Vol. 36, No. 3, 1994, p. 76.

the conflict. Thus, even though officially Moscow was on Georgian side emphasizing its territorial integrity;⁴³⁷ there were some charges that it was supporting separatist movements especially by military means,⁴³⁸ which, however, were denied by Russian authorities.⁴³⁹

By the agreement, peace in the zone of conflict was planned to be maintained by the collective peacekeeping forces beholden to the CIS,⁴⁴⁰ which Georgia had joined together with signing the Collective Security Treaty (converted later into CSTO) in order to improve relations with RF and attain the commitment of Moscow that it would not support Abkhazian separatist movements. In parallel, Tbilisi's interest in military cooperation with Russia was not limited only to the Abkhazian conflict. It needed Moscow's support for stabilization of the situation in the rest of the country disturbed after Shevardnadze's coming to force hence the coup d'état,⁴⁴¹ while the membership in the CIS was used by Tbilisi in 1996 for imposing collective economic sanctions on separatist Abkhazia,⁴⁴² which however were frequently ignored by Russia.⁴⁴³ Even if CIS peacekeeping mission in the zone of Georgian-Abkhazian conflict aimed to be collective, de facto only Russia had sent forces,⁴⁴⁴ which made it an important player in this internal conflict.

In the case of the Russian military presence in Georgia, it is necessary to say that for a large period of Georgian independence it was not only limited to peacekeeping forces in Abkhazia and South Ossetia. Thus, in 1995 by the agreement between Russian and Georgian authorities, Russian military formations in Gydayta (Abkhazia), Vaziani (near Tbilisi), Ahalka-laki and Batumi (both on the border with Turkey) were transmitted into the system of RF's military bases.⁴⁴⁵ However, Tbilisi repeatedly labored to withdraw Russian forces from Georgia especially after both sides had signed the subsequent "Istanbul commitments." In accordance with these agreements, Russia took obligations to withdraw its bases, which was partially made in 2001

⁴³⁷T.HOPF, "Identity, Legitimacy, And The Use Of Military Force: Russia's Great Power Identities and Military Intervention in Abkhazia", *op. cit.*, p. 229.

⁴³⁸*Ibid.*, pp. 230-232; V. PAPAFA, "On the Role of the "Caucasian Tandem" in GUAM", *Central Asia and the Caucasus. Special Issue*, No. 3-4 (51-52), 2008, p. 50.

⁴³⁹J.LEPINGWELL, "The Russian Military And Security Policy In The 'Near Abroad'", *op. cit.*, p. 75.

⁴⁴⁰*Vid.* Пункт б): Статья 2. ГРУЗИЯ и АБХАЗИЯ, "Соглашение о Прекращении Огня", 17 мая 1994, (Point b): Article 2. GEORGIA and ABKHAZIA, "Agreement of Cease Fire", May 17, 1994), <http://www.un.org/ru/peacekeeping/missions/past/unomig/94-583.pdf> [07-04-2014].

⁴⁴¹J.LEPINGWELL, "The Russian Military And Security Policy In The 'Near Abroad'", *op. cit.*, p. 76.

⁴⁴²AFN.BY, "Парламент Грузии Осудил Решение России Снять Санкции с Абхазии", (AFN.BY, "Georgian Parliament Criticizes Russian Decision to Lift Sanctions Imposed on Abkhazia", <http://afn.by/news/i/97050> [07-04-2014].

⁴⁴³Д.МАЛЫШЕВА, "Проблемы Безопасности на Кавказе", *op. cit.*, (D.MALYSHEVA, "Security Problems of Caucasus", *op. cit.*).

⁴⁴⁴S.MACFARLANE, "Regional Peacekeeping in the CIS", *op. cit.*, p. 80.

⁴⁴⁵*Vid.* Статья 2. РОССИЙСКАЯ ФЕДЕРАЦИЯ И РЕСПУБЛИКА ГРУЗИЯ, "Договор между Российской Федерацией и Республикой Грузия о Российских Военных Базах на Территории Республики Грузия", 15 сентября 1995, (*Vid.* Article 2. RUSSIAN FEDERATION and REPUBLIC OF ABKHAZIA, "Agreement between Russian Federation and the Republic of Georgia on Russian Military Bases on the Territory of Georgia", September 15, 1995), http://www.mid.ru/bdcomp/spd_md.nsf/0/692CEA9DB98EC80744257CA800434163 [07-04-2014].

(Gydayta and Vaziani bases were closed),⁴⁴⁶ while the final withdrawal took place in 2007.⁴⁴⁷

In the case of Moldova, conflict in Dniester Republic has become a stumbling block to Moldova's integration with Rumania,⁴⁴⁸ which became possible with the end of the communist rule in Rumania in 1989 and partial opening of the Rumanian-Moldavian border. The perspective of Moldavian integration with Rumania was negatively over-viewed by Russian-speaking ethnic groups, who created Dniester Moldavian Republic and came into conflict with Moldavian militaries. The escalation of discrepancies took place in spring-summer 1992⁴⁴⁹ between armed formations of the Dniestr Republic consisting of Russian, Ukrainian and Moldavian groups⁴⁵⁰ against Moldavian authorities with the most heavy fighting for the cites of Dubasari and Bender.⁴⁵¹ After the 14th Army deployed in Transdnestr region during Soviet times intervened into the conflict putting herewith under its control the left bank of the Dniester river and Bendery positioning its policy as "armed neutrality", conflicting parties came to cease-fire agreement negotiated by Moscow and Kishinev,⁴⁵² which lasts to the present day.⁴⁵³ By the agreement, sides created the Joint Control Commission and deployed peacekeeping forces in the region, the forces consist of two Moldavian, two Transdnestr and five Russian battalions and since 1993 it has been coordinated by the OSCE.⁴⁵⁴ As for negotiations on settlement the conflict in the

⁴⁴⁶РОССИЙСКАЯ ГАЗЕТА, "МИД России: Мы Выполнили Все Свои Обязательства По Отношению к Грузии", 21 ноября 2007, (RUSSIAN NEWSPAPER, "MFA of RF: We Have Fulfilled All Our Promises To Georgia", November 21, 2007), <http://www.rg.ru/2007/11/21/mid-gruzziya-anons.html> [07-04-2014].

⁴⁴⁷Russian commitment to withdraw its military forces was captured at the Agreement between Russian Federation and Georgia on Terms, Temporary Operation Order and Withdrawal of Russian Military Bases and other Military Installations in Caucasus Deployed to Georgian Territory from 31 March 2006. *Vid.* РОССИЙСКАЯ ФЕДЕРАЦИЯ и ГРУЗИЯ, "Соглашение между Российской Федерацией и Грузией о Сроках, Порядке Временного Функционирования и Выводе Российских Военных Баз и Других Военных Объектов Группы Российских Войск в Закавказье, Расположенных на Территории Грузии", 31 марта 2006, (RUSSIAN FEDERATION AND GEORGIA, "Agreement between Russian Federation and Georgia on Terms, Temporary Operation Order and Withdrawal of Russian Military Bases and other Military Installations in Caucasus Deployed to Georgian Territory", March 31, 2006), http://www.mid.ru/bdcomp/spd_md.nsf/0/F603ABCFF1E2C6A9644257CA800434013 [07-04-2014]; РОССИЙСКАЯ ГАЗЕТА, "МИД России: Мы Выполнили Все Свои Обязательства По Отношению к Грузии", *op. cit.*, (RUSSIAN NEWSPAPER, "MFA of RF: We Have Fulfilled All Our Promises To Georgia", *op. cit.*).

⁴⁴⁸J.LEPINGWELL, "The Russian Military And Security Policy In The 'Near Abroad", *op. cit.*, p. 81.

⁴⁴⁹Н.АРБАТОВА, "Замороженные Конфликты в Контексте Европейской Безопасности", *Индекс Безопасности*, No. 3 (94), Том 16, 2010, с. 59; (N.ARBATOVA, "Frozen Conflicts in the Context of European Security", *Security Index*, No. 3 (94), Chapter 16, 2010, p. 59).

⁴⁵⁰J.LEPINGWELL, "The Russian Military And Security Policy In The 'Near Abroad", *op. cit.*, p. 81.

⁴⁵¹S.ROPER, "Regionalism in Moldova: The Case of Transnistria and Gagauzia", *Regional and Federal Studies*, Vol. 11, Issue 3, 2001, p. 108.

⁴⁵²S.MACFARLANE, "Regional Peacekeeping in the CIS", *op. cit.*, p. 84.

⁴⁵³Н.АРБАТОВА, "Замороженные Конфликты в Контексте Европейской Безопасности", *op. cit.*, с. 59; (N.ARBATOVA, "Frozen Conflicts in the Context of European Security", *op. cit.*, p. 59).

⁴⁵⁴S.MACFARLANE, "Regional Peacekeeping in the CIS", *op. cit.*, p. 84.

Transnistrian region, since 1994, its led by five sides – Moldova, Russia, Dniester republic, Ukraine and OSCE.⁴⁵⁵

In the case of Tajikistan, the problem threatening domestic integration in the 1990s was the confrontation between Leninabad and Kulyab groups led by President Rakhmon Nabiyev and the struggle for power by Garmi and Gorno-Badakhshan groups of opposition, named after the respective regions,⁴⁵⁶ that in total included democratic, Islamic and Pamiri separatist groups united by a common opposition to central authorities.⁴⁵⁷ The conflict, which is known as the 1992-1997 Tajik Civil War⁴⁵⁸ arose as in the previous cases right after the collapse of the USSR but distinct from conflicts in Georgia, Azerbaijan and Moldova. In Tajikistan, the war instead of ethnic origin was caused by radical Islam movements originating from neighboring Afghanistan, whose followers came down on the side of opposition. Due to different vision on Tajikistan's way of state-building, disagreements between sides resulted first in manifestations provoked by opposition on March 1992 and later escalated into open military confrontations.⁴⁵⁹

Another difference of this conflict is the large participation of Central Asian republics (except Turkmenistan) that in parallel with Russia tried herewith to set back the proliferation of Islam terrorism into the region. Their support, especially the Russian one,⁴⁶⁰ become most obvious after deposing the government of Rakhmon Nabiyev in November 1992 when the presidential regime had been renounced by the Supreme Soviet of the Republic of Tajikistan, and Emonali Rakhmonov, who occupied the post of the chief of the parliament by this time, rose to power.⁴⁶¹ For external players (here Russia and CA republics), the main aim was the securing of the southern borders of the Central Asian region (the border with Afghanistan). For this purpose, they had created collective forces (Russian, Kazakh, Kyrgyz, Uzbek and Tajik ones) brought into the country in 1993⁴⁶² that together with Russian 201st Motorized Rifle Division

⁴⁵⁵L.POPESCU, "The futility of the Negotiations on Transnistria", *European Journal of Science and Theology*, Vol. 9, Supplement 2, June 2013, p. 117.

⁴⁵⁶S.MACFARLANE, "Regional Peacekeeping in the CIS", *op. cit.*, p. 88.

⁴⁵⁷J.SHERR, "Escalation of the Tajikistan Conflict", *Boundary & Security Bulletin*, Vol. 1, Issue 4, January 1994, p. 57.

⁴⁵⁸Р.АБДУЛЛО, "Таджикистан: к Вопросу о Политических Итогах Десятилетия Независимости", *Центральная Азия и Кавказ*, 2001, (R.ABDULLO, "Tajikistan: about the Question of Political Results of Independence", *Central Asia and Caucasus*, 2001), http://www.ca-c.org/journal/2001/journal_rus/cac-06/10.abdrus.html [26-04-2014].

⁴⁵⁹S.MACFARLANE, "Regional Peacekeeping in the CIS", *op. cit.*, p. 88.

⁴⁶⁰*Ibid.*

⁴⁶¹The Republic came back to the presidential regime after Emonali Rakhmonov had won presidential elections in November 1994. *Vid.* Р.АБДУЛЛО, "Таджикистан: к Вопросу о Политических Итогах Десятилетия Независимости", *op. cit.*, (R.ABDULLO, "Tajikistan: about the Question of Political Results of Independence", *op. cit.*).

⁴⁶²*Vid.* Пункт 2: Статья II. СНГ, "Положение об Объединенном Командовании Коллективных Миротворческих Сил", S/26610, 24 сентября 1993, (*Vid.* Point 2: Article II. CIS, "Regulations on Unified Command of Collective Forces", S/26610, September 24, 1993), <http://www.un.org/ru/peacekeeping/missions/past/unmotcis.htm> [26-01-2014].

(MRD)⁴⁶³ which had remained there from the Soviet times⁴⁶⁴ has become responsible for defending this 1200 km of Tajik frontier.⁴⁶⁵

In parallel with guarding of borders, CIS countries had been impelling the Tajik government to negotiations with opposition (especially after the war in Chechnia had begun); their pressure together with divisions inside the Leninabad and Kulyab fraction (headed now by Emonali Rakhmonov) enforced the opposing sides to come to a peace agreement in June 1997.⁴⁶⁶ The parties agreed on creation of the Commission for National Reconciliation by which proposal opposition obtained the right to 30% of seats in the Parliament and executive organs.⁴⁶⁷

Therefore, Tajikistan moved a long way toward its nationhood and domestic integrity, which has been positively influenced by the 1999 presidential elections, when Emonali Rakhmonov was reelected by the majority of voters of the entire country (not by its part as it was in 1994) reconfirming herewith legitimacy of his power.⁴⁶⁸

In the case of the Russian Federation, separatist movements provoked two Chechnia wars that destabilized Russia's domestic integration during the 1990s. Even before the collapse of the Soviet Union, in autumn of 1991 Chechnia nationalist leader Dzhokhar Dudayev, who had recently come to power, proclaimed independence of the republic, which de facto stayed out of the federal control during the following three years.⁴⁶⁹ During this time, Dzhokhar Dudayev dissolved bodies created by federal authorities, broke down Russian laws and created Chechnia independent military forces.⁴⁷⁰ In response, in December 1994 the Russian federal government took the decision to bring troops to the Republic aiming to "enforce constitutional order," which led to the outbreak of the first Chechnia war.⁴⁷¹ The conflict lasted two years and ended with Khasavyurt Declaration⁴⁷² after factual defeat of the federal government.⁴⁷³ In

⁴⁶³In accordance with Agreement on Collective Defense Forces, Russia has become responsible for 50%, Kazakhstan for 15%, Kyrgyzstan for 10%, Uzbekistan for 15% and Tajikistan for 10% of collective forces' financing. *Vid.* СНГ, "Размеры Долевых Взносов Государств-Участников для Финансирования Деятельности Объединенного Командования Коллективных Миротворческих Сил", S/26610, 24 сентября 1993, (*Vid.* CIS, "Amount of Financial Contribution of Member-states to the Work of the Unified Command. Agreement on Collective Defense Forces", S/26610, 24 September 1993), <http://www.un.org/ru/peacekeeping/missions/past/unmotcis.htm> [26-01-2014].

⁴⁶⁴J.LEPINGWELL, "The Russian Military And Security Policy In The 'Near Abroad", *op. cit.*, p. 78.

⁴⁶⁵J.SHERR, "Escalation of the Tajikistan Conflict", *op. cit.*, p. 57.

⁴⁶⁶S.MACFARLANE, "Regional Peacekeeping in the CIS", *op. cit.*, p. 90.

⁴⁶⁷Р.АБДУЛЛО, "Таджикистан: к Вопросу о Политических Итогах Десятилетия Независимости", *op. cit.*, (R.ABDULLO, "Tajikistan: about the Question of Political Results of Independence", *op. cit.*).

⁴⁶⁸*Ibid.*

⁴⁶⁹D.TRENIN, *The End of Eurasia: Russia on the Border Between Geopolitics And Globalization*, *op. cit.*, p. 170.

⁴⁷⁰RIANOVOSTI, "Справка: Подписание Хасавюртовских Соглашений в 1996 году", 31 августа 2011, (RIANOVOSTI, "Report: Signing Khasavyurt Agreements in 1996", August 31, 2011), http://ria.ru/history_spravki/20110831/427508949.html [14-05-2014].

⁴⁷¹V.TISHKOV, "Ethnic Conflicts in the Former USSR: The Use and Misuse of Typologies and Data", *Journal of Peace Research*, Vol. 36, No. 5, September 1999, p. 580.

⁴⁷²RIANOVOSTI, "Справка: Подписание Хасавюртовских Соглашений в 1996 году", *op. cit.*, (RIANOVOSTI, "Report: Signing Khasavyurt Agreements in 1996", *op. cit.*).

⁴⁷³V.TISHKOV, "Ethnic Conflicts in the Former USSR: The Use and Misuse of Typologies and Data", *op. cit.*, p. 580.

accordance with Khasavyourt, the parties ceased military actions and agreed to postpone the decision on the nature of Russian-Chechnia relations to be taken by the end of 2001.⁴⁷⁴ After receiving de facto independence there was a threat that Chechnia after the Khasavyourt agreement could become a stronghold of international terrorism⁴⁷⁵ due to the rise of Wahhabism ideology in the region⁴⁷⁶ that promoted the creation of a single Muslim state spreading from the Black to Caspian Seas.⁴⁷⁷ Inspired by this idea in 1999, Chechen combatants invaded the neighboring Dagestan,⁴⁷⁸ violating herewith the agreements achieved in Khasavyourt. In response, federal authorities launched an “anti-terrorist operation” in the Republic, of which the most active phase ended in victory for the federal government in 2000 and restoration of the territorial integrity of the Russian Federation,⁴⁷⁹ while the regime of the anti-terrorist operation officially lasted until 2009.⁴⁸⁰

Thus, the main factors that disrupted domestic integration in five former Soviet countries were military conflicts caused by separatist movements (as in the case of Azerbaijan, Georgia, Moldova and Russia) and struggle for power which led to Civil war as in the case of Tajikistan, which threatened territorial integrity of these states. In the 2000s (until 2007 as stated in the time-frame of the present paper), the nature of destabilizing factors was changed and instead of conflicts, came revolutions caused by public disapproval.

The process of peaceful regime change known as “Color revolutions” occurred in the period from 2003-2005,⁴⁸¹ in three former Soviet republics – Georgia (“Revolution of Roses”), Ukraine (“Orange revolution”) and Kyrgyzstan (“Tulip revolution”).⁴⁸² As a result, power in these countries was taken by mobilized opposition groups⁴⁸³ that were actively using non-violent civil protests, youth organization and foreign support.⁴⁸⁴ These events are also known as “electoral revolutions”⁴⁸⁵ because they rose in

⁴⁷⁴*Ibid.* Article 1. RUSSIAN FEDERATION AND THE CHECHEN REPUBLIC, “Principles for Determining the Basis for Mutual Relations between the Russian Federation and the Chechen Republic. Khasavyourt Joint Declaration and Principles for Mutual Relations”, August 31, 1996, http://peacemaker.un.org/sites/peacemaker.un.org/files/RU_960831_Khasavyourt%20Joint%20Declaration%20and%20Principles%20for%20Mutual%20Relations.pdf [14-05-2014].

⁴⁷⁵D.TRENIN, *The End of Eurasia: Russia on the Border Between Geopolitics and Globalization*, *op. cit.*, p. 176.

⁴⁷⁶*Ibid.*, p. 174.

⁴⁷⁷RIANOVOSTI, “Пятнадцать Лет Назад Началась “Первая Чеченская Кампания”, 11 декабря 2009, (RIANOVOSTI, “Fifteen Years of the “First Chechnia Campaign”, December 11, 2009, <http://ria.ru/society/20091211/198578123.html> [15-05-2014].

⁴⁷⁸E.SOULEIMANOV “Chechnya, Wahhabism and The Invasion of Dagestan”, *Middle East Review of International Affairs*, Vol. 9, No. 4, December 2005, p. 62.

⁴⁷⁹D.TRENIN, *The End of Eurasia: Russia on the Border Between Geopolitics and Globalization*, *op. cit.*, p. 177.

⁴⁸⁰RIANOVOSTI, “Справка: Подписание Хасавюртовских соглашений в 1996 году”, *op. cit.*, (RIANOVOSTI, “Report: Signing Khasavyourt Agreements in 1996”, *op. cit.*).

⁴⁸¹C.GONZALES VILLA, “Empiezan las Revoluciones de Colores”, *op. cit.*, p. 159.

⁴⁸²*Ibid.*, p. 162.

⁴⁸³L.WAY, “The real Causes of the Color Revolutions”, *Journal of Democracy*, Vol. 19, No. 3, July 2008, p. 55.

⁴⁸⁴*Ibid.*, p. 56.

consequence of disapproval by the opposition and its supporting masses, the results of parliamentary elections (in the case of Georgia and Kyrgyzstan)⁴⁸⁶ and presidential elections (in the case of Ukraine).⁴⁸⁷

The common feature of all these revolutions is that their leaders, who were officially representing the opposition, had come to the political arena proceeding from the governments that they overthrew.⁴⁸⁸ Thus, Georgia's three main figures of the Rose Revolution – Mikheil Saakashvili, Zurab Zhvania and Nino Budjanadze – came to the political arena from Shevardnadze's group.⁴⁸⁹ In Ukraine, Victor Yushchenko during the Kravchuk's rule occupied the post of Chairman of the National Bank of Ukraine⁴⁹⁰ and was the Prime-Minister during Kuchma's presidency, while his supporter Yulia Timoshenko held the position of Deputy Prime Minister in his government.⁴⁹¹ When in Kyrgyzstan, Kurmanbek Bakiyev, who did not even head opposition,⁴⁹² occupied the post of Prime Minister under Askar Akayev's rule.⁴⁹³

Even if the revolutions in Ukraine, Georgia and Kyrgyzstan were primarily internal events, some rhetoric proposed by their leaders related to foreign politics, which was clear most of all in the case of Saakashvili and Yushchenko. Thus, Saakashvili's program in parallel with internal reforms included removal of Russian military bases from Georgian territory and territorial integrity⁴⁹⁴ (promoting herewith strict measures for struggle against separatism that led to the war in Abkhazia and South Ossetia in 2008),⁴⁹⁵ while in Yushchenko's program great attention was paid to the importance of European integration for Ukraine.⁴⁹⁶

Thus, in the 1990s domestic integration as internal condition for rapprochement of CIS countries was met in the European part of the Commonwealth by Belarus and Ukraine, by Kazakhstan, Kyrgyzstan, Turkmenistan and Uzbekistan in Central Asia

⁴⁸⁵K.KALANDADZE and M.ORENSTEIN, "Electoral Protests and Democratization Beyond the Color Revolution", *Comparative Political Studies*, Vol. 42, No. 11, November 2009, p. 1405.

⁴⁸⁶*Ibid.*, pp. 1409-1410.

⁴⁸⁷*Ibid.*, p. 1416.

⁴⁸⁸C.GONZÁLES VILLA, "Empiezan las Revoluciones de Colores", *op. cit.*, p. 171.

⁴⁸⁹F.STARR and S.CORNELL, *The Baku-Tbilisi-Ceyhan Pipeline...op. cit.*, p. 101.

⁴⁹⁰S.KUDELIA, "The Sources of Continuity and Change of Ukraine's Incomplete State", *op. cit.*, p. 418.

⁴⁹¹*Ibid.*, p. 421.

⁴⁹²K.KALANDADZE and M.ORENSTEIN, "Electoral Protests and Democratization Beyond the Color Revolution", *op. cit.*, p. 1411.

⁴⁹³C.GONZÁLES VILLA, "Empiezan las Revoluciones de Colores", *op. cit.*, p. 171.

⁴⁹⁴*Ibid.*, p. 173.

⁴⁹⁵Saakashvili's struggle with separatism was not reduced only to South Ossetian and Abkhazian regions. After coming to power, Saakashvili restricted the autonomy of Ajara, the Republic, whose external borders with Turkey until 1999 were secured by Russian military forces. Thus, during Saakashvili, Tbilisi limited by Constitutional Law the right of Batumi (the capital of Ajara) to appoint the highest state authorities and establish state administrative bodies, while the Ajarian leader – Aslan Abashidze – who was Shevardnadze's supporter was exiled from the country. *Vid.* CRISIS GROUP EUROPE, "Georgia: What Now? p. 11 and Saakashvili's Ajara Success: Repeatable Elsewhere in Georgia?", International Crisis Group Europe Briefing, 18 August 2004, pp. 8-11, http://www.crisisgroup.org/~media/Files/europe/040818_saakashvili_ajara_success_repeatable_elsewhere_in_georgia.pdf [02-04-2014].

⁴⁹⁶A.KARATNYCKY, "Ukraine's Orange Revolution", *Foreign Affairs*, Vol. 84, No. 2, March/April 2005, p. 50.

and only by Armenia in Caucasus; while in Russia, Georgia, Moldova, and Azerbaijan, the situation was destabilized by separatist movements and in the case of Tajikistan by Civil war. In the 2000s, domestic integration was threatened by revolutions in Georgia, Ukraine and Kyrgyzstan, which however was not very problematic for these states because of they passed peacefully.

In theoretical terms, explanation of conflicts and revolutions which occurred in the CIS region from 1991 to 2007 has doubled in importance. On the one hand, it demonstrates which of countries meet domestic integration conditions and on the other hand, it sheds light on interdependence between internal and external affairs of CIS countries and their projection on integration choice. In other words, all upheavals described above were internal ones but they largely influenced the external policies of the countries in which they had happened. Thus, Georgia and Azerbaijan's search for international allies (in the face of the EU, the USA and Turkey) was determined by the need to secure their territorial integrity. Tajikistan's close cooperation with Russia was influenced by its necessity to defend its border with Afghanistan, which RF has been supporting. In the case of Moldova, separatism of Dniester Republic (which, as was mentioned in the first sub-paragraph, favors Eurasian integration) makes obstacles to the implementation of Chisinau's European choice. While in the case of Russia, Chechenia wars even if they did not have direct impact on the integration progresses, immediately engaged Russia into war against terrorism, which is an important part of its cooperation with the USA and China. All these interconnections once again confirm Hoffmann's statement on interdependence of external and internal affairs in modern international milieu.

Turning back to internal conditions of integration, it is necessary to remember that for Hoffmann, social support has two constituents which reflect the difference and interdependence between state and society. In the case of integration, the first constituent – political support (of integration) by groups in power – corresponds to state (it was described in the first sub-paragraph); the second constituent – public support (or approval) relates to society analyzed further.

Concerning public approval, many factors affect the peoples' choice to favor or not to favor integration in the post-Soviet area. Along with personal views (where analysis is based on opinion pools), the potentially influencing factors also include the percentage of Russian ethnic population living in these countries (outside RF), which might favor integration of their countries with their historical motherland, the status of Russian language and percentage of people who speak it. Altogether, this data correspondent to 2007, the year when the agreement on the creation the unique customs territory by Kazakhstan, Russia and Belarus was signed, is shown in figure 4.

Figure 4. Public support of integration projects in the post-Soviet area that include Russian Federation, 2007

Country	Public support of integration projects with RF participation*	Russian ethnic group, the % of total population)	Language proficiency in Russian language**	Status of the Russian language
Azerbaijan	12%	1.3%	28%	Wider communication
Armenia	65%	Less than 0.7%	35% (fluently)	Wider communication
Belarus	52%	8.3%	80%	Official recognition
Georgia	12%	1.5%	30%	Wider communication
Kazakhstan	60%	23.7%	84.8%	Official recognition
Kyrgyzstan	77%	12.5%	38%	Official recognition
Moldova	42%	5.8%	Up to 70%	Wider communication
Russia	51%	77.7%	96.3%	Official recognition
Tajikistan	78%	1.1%	35%	Wider communication
Turkmenistan	50%	4%	12%	Official recognition
Uzbekistan	77%	5.5%	14.2%	Wider communication
Ukraine	44.1%	17.3%	70%	Provincial

*Data concerning public support is taken from social researches made by *Eurasian Monitor*, the project that similar to "Eurobarometer", "Afrobarometer", "Latinobarometer", etc. is aimed to measure attitude of societies in a particular region toward issues that have relevance to regional cooperation and integration (in the case of the Eurasian monitor the region is the CIS member-states).⁴⁹⁷

**The share includes bilingual population

Source: МЕЖДУНАРОДНОЕ ИССЛЕДОВАТЕЛЬСКОЕ АГЕНТСТВО "ЕВРАЗИЙСКИЙ МОНИТОР" И ФОНД "НАСЛЕДИЕ ЕВРАЗИИ": Исследования "Евразийский Монитор", (INTERNATIONAL INVESTIGATION AGENCY "EURASIAN MONITOR" AND "EURASIAN HERITAGE" FUND: "Eurasian Monitor" Surveys, <http://www.eurasiamonitor.org>; CIA: World Factbook, "Ethnic groups", <https://www.cia.gov/>; МИД РОССИЙСКОЙ ФЕДЕРАЦИИ, "Русский язык в мире", Доклад, Москва, 2003, (MFA OF THE RUSSIAN FEDERATION, "Russian language in the world", Report, Moscow, 2003, http://www.mid.ru/Brp_4.nsf/arh/B6BE784B3E2ABD1343256DF8003AC21C?OpenDocument [11-04-2014]; ETHNOLOGUE: Languages of the World statistics, <http://www.ethnologue.com> [11-04-2014].

As is seen in the table, in all CIS countries, except Azerbaijan and Georgia, a large number of responders positively consider integration in the post-Soviet space; in the case of Ukraine and Moldova their number exceeds 40% percent, while for the rest of the countries (Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, Turkmenistan and Uzbekistan) the number of people who favor integration projects with RF's participation constitutes the majority.

Regarding the Russian ethnic population, they compose a considerable percentage only in Kazakhstan, Ukraine and Kyrgyzstan, while Russian language is widespread especially in Belarus, Kazakhstan, Moldova, and Ukraine (more than 70%), when in Azerbaijan, Armenia, Georgia, Kyrgyzstan and Tajikistan more than 30% of population have language proficiency in Russian.

Even though in all CIS countries there is a large group of people who have a good command of Russian, the status of the language in these states is different and could be generally reduced to three main ranks: official language; language of the wider communication and provincial. "Official" means that the language used in all spheres of life and its status is captured by national legislature (as in the cases of Bela-

⁴⁹⁷INTERNATIONAL INVESTIGATION AGENCY "EURASIAN MONITOR" AND "EURASIAN HERITAGE" FUND, "Eurasian Monitor. Concept and Aims of the Project", <http://www.eurasiamonitor.org/eng/about/concepts.html> [16-05-2014].

rus, Kazakhstan, Kyrgyzstan, Russian and Turkmenistan). “Wider communication” implies that the language is used for work and media programs but do not have official status (in the event of Armenia, Azerbaijan, Georgia, Tajikistan, Uzbekistan and Moldova), while “Provincial” means that language is used within particular administrative districts or regions (as in Ukraine).⁴⁹⁸

Proceeding from Hoffmann’s terminology primarily on reliance on the first column with the data regarding public support of integration projects among former Soviet countries that includes Russian Federation, it could be concluded that public approval as internal condition of integration is met by Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, Turkmenistan and Uzbekistan.

Favorable internal conditions, in spite of their great importance could not imply successful integration alone, similar significance is also represented by external requirements described further.

6.3. External conditions of integration in the CIS countries: similarities of national situations

Concerning external conditions of integration, Hoffmann speaks about importance of similarity of national situations of states that potentially may integrate. This similarity has two dimensions: subjective that corresponds to common political views and objective, for which external influence of international milieu is significant and which in turn has two constituents – similar degree of involvement into the global system and external compulsion to integration.

Regarding subjective similarity of national situations, by Hoffmann’s theory, common political views concern similarity of understanding of the past, the present and the future of relations among potentially integrating states.

As far as past is concerned, it is better if states do not have claims to each other, but, as Hoffmann finds, it is very hard to meet this condition and the only case when integrating units had similar vision on the their past was creation of the USA, in all other cases, this requirement is missing. Integration among former Soviet countries is not an exemption. Soviet past is very differently interpreted by CIS members⁴⁹⁹ because it is one of reasons of their very different positions in the world arena, which allows to conclude that there is no similarity in political views concerning the past.

In the case of Eurasian integration, the major significance of common political views lies in the present with its reflection on the future, to which the main accent of analysis is done.

⁴⁹⁸ETHNOLOGUE, “Language Status”, <http://www.ethnologue.com/about/language-status#FICLabels> [15-05-2014].

⁴⁹⁹М.ЛЕБЕДЕВА, “Мягкая Сила” в Отношении Центральной Азии: Участники и Их Действия”, *op. cit.*, с. 50, (М.ЛЕБЕДЕВА, “Soft Power” in Central Asia: Actors and Actions”, *op. cit.*, p. 50).

Concerning the present, political views of CIS countries could be divided into two main blocks, which – as Alexander Skakov finds – transforms the CIS into “bipolar” organization, where one pole has been represented by the integration group driven by Russia, while in another, integration processes have proceeded without RF’s participation.⁵⁰⁰ The first block of states have already been distinguished in the second section of the present chapter when political support by groups in power was concerned, this block, which namely could be determined as Eurasian group, consists of Russia, Kazakhstan, Belarus, Tajikistan and Kyrgyzstan. The second “pole” is represented by GUAM group, the organization named after the first letters of its constituent states – Georgia, Ukraine, Azerbaijan and Moldova – (from 1999 to 2006, during Uzbekistan’s participation, the organization was called GUUAM).⁵⁰¹ As for the rest of the CIS countries – Armenia, Turkmenistan and Uzbekistan – they stay apart of these groupings (Armenia because it tries to “complement” European and Eurasian integration; Turkmenistan because it strictly conforms its external relations with the policy of neutrality and Uzbekistan because it changes political belonging to blocks very frequently). For members of each of these groups (Eurasian and GUAM) it is common to share similar views on economic, political, military and ideological issues with the nearest allies that are described further.

In ideological and political terms, from the very beginning of the establishment of GUAM, or officially the Organization for democracy and economic development – GUAM,⁵⁰² its member-states repeatedly announced their intention to integrate into European and Trans-Atlantic structures of cooperation. Thus, this was stated at the Joint Communiqué of the Meeting of the President of Azerbaijan, Georgia, Moldova and Ukraine from October 10, 1997⁵⁰³ signed in Strasbourg during the summit of the Council of Europe that created the organization as a consultative forum,⁵⁰⁴ at the Statement of Presidents of the Republic of Azerbaijan, Georgia, the Republic of Moldova, Ukraine and the Republic of Uzbekistan from December 24, 1999⁵⁰⁵ signed during NATO anniversary summit that declared herewith Uzbekistan’s decision to join the association, at the Charter of the organization that pointed out its primary goals⁵⁰⁶

⁵⁰⁰A.СКАКОВ, “Россия и ГУАМ”, *Центральная Азия и Кавказ: Специальный выпуск*, No. 3-4, 2008, с. 163, (A.SKAKOV, “Russia and GUAM”, *Central Asia and Caucasus: Special issue*, No. 3-4, 2008, p. 163.

⁵⁰¹ГУАМ, “История ГУАМ”, (GUAM, “History of GUAM”), <http://guam-organization.org/node/242> [24-03-2014].

⁵⁰²GUAM, “Charter of Organization for Democracy And Economic Development – GUAM”, May 23, 2006, <http://guam-organization.org/en/node/450> [24-03-2014].

⁵⁰³GUAM, “Joint Communiqué of the Meeting of the President of Azerbaijan, Georgia, Moldova and Ukraine”, <http://guam-organization.org/en/node/440> [24-03-2014].

⁵⁰⁴ГУАМ, “Организация за Демократию и Экономическое Развитие – ГУАМ”, (GUAM, “GUAM Organization for Democracy and Economic Development”), <http://guam-organization.org/node/240> [24-03-2014].

⁵⁰⁵ГУАМ, “Заявление Президентов Азербайджанской Республики, Грузии, Республики Молдова, Украины и Республики Узбекистан”, (GUAM, “Statement of Presidents of the Republic of Azerbaijan, Georgia, the Republic of Moldova, Ukraine and the Republic of Uzbekistan”), <http://guam-organization.org/node/305> [24-03-2014].

⁵⁰⁶*Vid.* Article 1. GUAM, “Charter of Organization for Democracy And Economic Development – GUAM”, *op. cit.*

and other documents related GUAM's collaboration with European and Atlantic structures.⁵⁰⁷

Politically, views of GUAM states coincided also in paying particular attention to commitment to the principle of inviolability of borders since some of them (Georgia, Azerbaijan and Moldova) had similar problems with unresolved territorial disputes.⁵⁰⁸ In this case, their intentions to bring under their control peacekeeping missions⁵⁰⁹ or at least "internationalize" them⁵¹⁰ (diminishing herewith Russian military presence on their territories) may be seen as their notions to resolve these frozen conflicts in their favor.⁵¹¹ While for Ukraine, it is hardly in its interests that Russia militaries stay in the neighboring Dniester republic.⁵¹²

The political part of GUAM has become more obvious since transformation of this organization into International Organization for Democracy and Economic Development – GUAM in 2006 strengthening herewith ideological (commitment to democracy) and military nature of organization.⁵¹³

Nevertheless, even if ideological, political and military interests are obvious analyzing this organization, the main aim it was created for was the implementation of ambitious energy projects that had positive impact on economy of participating countries.⁵¹⁴

The importance of energy cooperation within GUAM could be better understood taking into account the complex of interests and capacities of the involved parties. Thus, for Ukraine cooperation in energy issues is necessary for decreasing dependence on Russia in this sphere,⁵¹⁵ for Azerbaijan, there is a need to increase its oil and gas production and diversify its transportation routes,⁵¹⁶ for Georgia, it is economic benefits that could be gained using Georgian geostrategic situation between Europe and oil-rich Caspian region⁵¹⁷ with access to the Black Sea⁵¹⁸ that allows transit of carbons across the country directly to the EU bypassing herewith Russia. As for the external parties involved in the regional energetic issues, for the USA, in parallel with economic gains, it is a way to challenge Russian leading positions as the main transit

⁵⁰⁷GUAM, "GUAM CMFA Warsaw Statement on the Prospects for Cooperation and European Integration", <http://guam-organization.org/node/1212> [24-03-2014].

⁵⁰⁸T.KUZIO, "Geopolitical Pluralism in the CIS: the Emergence of GUAM", *op. cit.*, p. 96.

⁵⁰⁹F.LARRABEE, "Ukraine and the West", *Survival: Global Politics and Strategy*, Vol. 48, No. 1, Spring 2006, p. 110.

⁵¹⁰T.KUZIO, "Geopolitical Pluralism in the CIS: the Emergence of GUAM", *op. cit.*, p. 91.

⁵¹¹Д.МАЛЫШЕВА, "Проблемы Безопасности на Кавказе", *op. cit.*, (D.MALYSHEVA, "Security Problems of Caucasus", *op. cit.*).

⁵¹²W.CROWTHER, "Moldova after Independence", *op. cit.*, p. 346.

⁵¹³S.SHERHIN, "Impact of Global and Regional Trends on Foreign Policy of Ukraine", *op. cit.*, p. 26.

⁵¹⁴V.PAPAVA and M.TOKMAZISHVILI, "Becoming European. Georgia's Strategy for Joining the EU", *Problems of Post-Communism*, Vol. 53, January-February 2006, p. 28.

⁵¹⁵F.LARRABEE, "Ukraine and the West", *op. cit.*, p. 108.

⁵¹⁶V. PAPAVAL, "On the Role of the "Caucasian Tandem" in GUAM", *Central Asia and the Caucasus. Special Issue*, No. 3-4 (51-52), 2008, p. 53.

⁵¹⁷EIA, "Georgia", <http://www.eia.gov/countries/country-data.cfm?fips=GG> [27-03-2014].

⁵¹⁸V. PAPAVAL, "On the Role of the "Caucasian Tandem" in GUAM", *op. cit.*, p. 53.

country of the Caspian carbons⁵¹⁹ and promote further Iran's isolation⁵²⁰ (Teheran did not participate in GUAM energy projects) and Turkish leadership in the region,⁵²¹ while for the EU, it is a possibility to diversify oil and gas transportation to Europe.⁵²²

The project that made it possible to realize all this complex of interests (except Ukraine's that lobbied another project described further) was the construction of Baku-Tbilisi-Ceyhan (BTC) pipeline launched in 1999 and finished in 2006 across Azerbaijan, Georgia and Turkey⁵²³ to Europe being herewith the only transportation route of Caspian carbons to the EU that bypasses Russia.⁵²⁴ BTC and its accompanying South Caucasian gas pipeline released their host countries from traditional orientation to the needs of CIS partners, gave them access to global markets⁵²⁵ and increased their chances of future integration in European and Transatlantic structures of cooperation.⁵²⁶

This pipeline transits primarily Azerbaijan's oil and gas,⁵²⁷ whose delivery expansion became possible after the country had signed the "Contract of Century" in 1994⁵²⁸ on exploration of its oilfields with leading companies (Amoco, British Petroleum, McDermott, Unocal, SOCAR, LukOil, Statoil, Exxon, TPAO, Pennzoil, Itochu, Ramco and Delta) from Azerbaijan, United States, Britain, Russian Federation, Turkey, Norway, Japan and Saudi Arabia.⁵²⁹ Signing this document and construction of BTC meant a new epoch of Azeri policy of active cooperation with the West⁵³⁰ (including search for their support in Nagorno-Karabakh conflict resolution),⁵³¹ entry into global

⁵¹⁹Before Baku-Supsa and BTC projects were launched, only Baku-Novorossiysk operated by Russian Rosneft and Azeri SOCAR had been transported Azerbaijan's oil. *Id.* EIA, "Azerbaijan", <http://www.eia.gov/countries/analysisbriefs/Azerbaijan/azerbaijan.pdf> [27-03-2014]; F.STARR and S.CORNELL, *The Baku-Tbilisi-Ceyhan Pipeline: Oil Window to the West*, Uppsala, Uppsala University, 2005, p. 78.

⁵²⁰Iran lobbied alternative transportation of Azeri oil through its territory, which was considered shorter and less expensive. *Id.* F.STARR and S.CORNELL, *The Baku-Tbilisi-Ceyhan Pipeline...op. cit.*, p. 79.

⁵²¹*Ibid.*, p. 97.

⁵²²М.ГОНЧАР и А.МОСКАЛЕЦ, "Транзит Каспийских Энергоресурсов на Мировой Рынок: Взгляд из Украины", *Центральная Азия и Кавказ*, (M.GONCHAR and A.MOSCALEZ, "Transportation of Caspian Carbons to World Market: Vision from Ukraine", *Central Asian and Caucasus*), http://www.cac.org/journal/2001/journal_rus/cac-03/01.goncrus.shtml [28-03-2014].

⁵²³AZERBAIJAN BAKU-TBILISI-CEYHAN-LIMITED, "BTC Technical Information", <http://www.azbtc.com/info.html> [18-05-2014].

⁵²⁴Á.FERNÁNDEZ, "Georgia Controla Una De Las Puertas Del Petróleo de Europa", *El País*, http://elpais.com/diario/2008/08/11/internacional/1218405603_850215.html [24-03-2014].

⁵²⁵F.STARR and S.CORNELL, *The Baku-Tbilisi-Ceyhan Pipeline...op. cit.*, p. 49.

⁵²⁶*Ibid.*, p. 102.

⁵²⁷EIA, "Azerbaijan", *op. cit.*

⁵²⁸AZERBAIJAN REPUBLIC, "Agreement on the Joint Development and Production Sharing for the Azeri and Chirag Fields and the Deep Water Portion of the Gunashli Field in the Azerbaijan Sector of the Caspian Sea among The State Oil Company of the Azerbaijan Republic and Amoco Caspian Sea Petroleum Limited, BP Exploration (Caspian Sea) Limited, Delta Nimir Khazar Limited, Den Norske Stats Oljeselskap A.S, Lukoil Joint Stock Company, McDermott Azerbaijan, Inc., Pennzoil Caspian Corporation, Ramco Hazar Energy Limited, Turkiye Petrolleri A.O., Unocal Khazar, Ltd.", September 20, 1994, http://www.bp.com/content/dam/bp-country/en_az/pdf/legalagreements/ACG_PSA.pdf [28-03-2014].

⁵²⁹OFFICIAL SITE OF THE PRESIDENT OF AZERBAIJAN, "Contract of Century", http://archive.president.az/browse.php?sec_id=57&lang=en [27-03-2014].

⁵³⁰И.АЛИЕВ, *Каспийская Нефть Азербайджана*, Москва, Известия, 2003, с. 81; (I.ALIYEV, *Caspian Oil of Azerbaijan*, Moscow, Izvestiya, 2003, p. 81).

⁵³¹*Ibid.*, p. 170.

oil market (independently from Russia)⁵³² and openness to foreign investments.⁵³³ While for Georgia, Baku-Tbilisi-Ceylan and another pipeline for transiting Azerbaijan's oil Baku-Supsa built during 1997-1998⁵³⁴ was the main source for attracting foreign direct investments especially in communication and construction spheres.⁵³⁵ Thus, two of three peaks of FDI flow in 1997-1998 and 2003-2004 were implied by Baku-Supsa and BTC projects implementation. By 2006, US\$1.1 billion of FDI inflow accounted for 15.3 percent of its GDP, in 2007 it doubled to almost US\$2.0 billion.⁵³⁶

As for Ukraine, for implementing its energy interests, Ukrainian government financed another oil pipeline project Odessa-Brody⁵³⁷ that however has not been as successful as BTC. Built during 1996-2002 it was planned to transport Caspian oil, primarily Kazakhstani one, from Yuzhniy harbor in Odessa (Ukraine) to North Europe and oil refineries of East and Central Europe via Brody (Ukraine) and Gdansk (Poland), bypassing herewith Russian and Turkish territories.⁵³⁸ Not receiving approval from Kazakhstani government (Astana insisted on access to refineries that has not been obtained),⁵³⁹ the pipeline was lied idle and used at intervals for transportation Russian oil in reversing mode (from "Friendship" pipeline via Brody to Odessa) and for transportation Azeri and Venezuelan oil to refineries in Belarus.⁵⁴⁰ Despite this relative failure of the project, Ukrainian authorities did not give it up and in 2004, together with Polish PERN "Przyjaźń" created the "Sarmatia" International Pipeline Company joined by Azeri SOCAR, Georgian GOGC, and Lithuanian AB "Klaipėdos Nafta" in 2007 in order to lengthen the pipeline to Poland.⁵⁴¹ Even if this project has not been realized yet (the Polish side retreated from constructing its part of the pipeline until the question of supply is resolved), its importance has been recognized by the EU and considered as a part of Euro-Asian Oil Transportation Corridor aimed to

⁵³²*Ibid.*, p. 244.

⁵³³*Ibid.*, p. 170.

⁵³⁴SOCAR, "Baku-Supsa Western Export Pipeline", <http://new.socar.az/socar/en/activities/transportation/baku-supsa-western-export-pipeline> [18-05-2014].

⁵³⁵EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT, *Transition Report 2004*, October 2004, p. 131, <http://www.ebrd.com/downloads/research/transition/TR04.pdf> [18-05-2014].

⁵³⁶The increase of FDI inflow in 2006-2008 during its last peak also was caused by privatization and economic reforms, while its decline in 2009-2010 (to US\$658 million and US\$814 million respectively) was underlined by political instability due to Georgian-Russian conflict in 2008. In 2013, FDI inflow was US\$ 914 million. *Vid.* US DEPARTMENT OF STATE, "2013 Investment Climate Statement – Georgia. Bureau of Economic and Business Affairs", <http://www.state.gov/e/eb/rls/othr/ics/2013/204646.htm> [30-03-2014]; NATIONAL STATISTICS OFFICE OF GEORGIA database (www.geostat.ge)

⁵³⁷SARMATIA, "History: Euro-Asian Oil Transportation Corridor", <http://sarmatia.com.pl/en/eaotc-project/history/> [30-03-2014].

⁵³⁸НЕФТЕГАЗОВАЯ ВЕРИТИКАЛЬ, "Сарматия" Сменила Члена Правления", (OIL AND GAS VERTICAL, "Sarmatia" Changes a Member of the Board), http://www.ngv.ru/new/sarmatia_smenila_chlena_pravleniya/?sphrase_id=11275 [30-03-2014].

⁵³⁹24.UA, "Kazakhstan denies participation in "Odessa-Brody-Plotsk" project", <http://24.ua/news/show/id/16716.htm> [30-03-2014].

⁵⁴⁰НЕФТЕГАЗОВАЯ ВЕРИТИКАЛЬ, "Сарматия" Сменила Члена Правления", *op. cit.*, (OIL AND GAS VERTICAL, "Sarmatia" Changes a Member of the Board", *op. cit.*).

⁵⁴¹SARMATIA, "History: Euro-Asian Oil Transportation Corridor", *op. cit.*

diversify oil transportation routes from the Caspian region to Europe⁵⁴² (nowadays the most probable supplier for the project is Azerbaijan).⁵⁴³

Thus, participation of Georgia, Ukraine, Azerbaijan and Moldova in GUAM allows these countries implementing jointly their foreign policy strategies, trying to find solutions to their internal conflicts and developing economies, which altogether may be seen as positive effects of their integration.

In the case of the Eurasian group of CIS countries, they also share common views on different aspects of cooperation.

Thus, in political and military terms, states collaborate within the Collective Security Treaty Organization, whose establishing agreement was signed in 1992. In this agreement, parties provide mutual guarantees that they would not use force or the threat of force against each other,⁵⁴⁴ and in the case of existence of external threat, they would work out and put in place measures necessary for its liquidation.⁵⁴⁵ The agreement was signed by Armenia, Kazakhstan, Kyrgyzstan, Tajikistan, Russia and Uzbekistan, while Georgia, Belarus and Azerbaijan joined it in 1993.⁵⁴⁶ However, in 1999, when the question of prolongation of Collective Security Treaty had arisen, only six countries, Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia and Tajikistan signed the subsequent protocol; while Azerbaijan, Georgia and Uzbekistan herewith went out from the organization.⁵⁴⁷ From this time, the beginning of 2000s activates the real cooperation within this organization in a reduced format (only six countries). Thus, in 2000 the Agreement on the main principles of military and technical cooperation of Collective Security Treaty member-states was signed that allowed CSTO countries purchase Russian military equipment at reduced rates and receive military and technical support from allying countries in the case of aggression against one of members,⁵⁴⁸ in 2002 the Charter of the Organization was adopted,⁵⁴⁹ while beginning from

⁵⁴²UKRAINE, POLAND and the EUROPEAN COMMISSION, "Joint Declaration of the Cabinet of Ministers of Ukraine, the Council of Ministers of the Republic of Poland and the European Commission on the Support of the Euro-Asian Oil Transport Corridor Project", 27 May, 2003, <http://sarmatia.com.pl/documents/Docs/Joint%20Pol%20Ua%20EU%20Declaration.pdf> [30-03-2014].

⁵⁴³INOGATE, "Ukraine and Azerbaijan Sign Agreement on LNG Supplies", http://www.inogate.org/index.php?option=com_content&view=article&id=137%3AInggas&catid=38%3Aregional-news-events&Itemid=68&lang=en [30-03-2014].

⁵⁴⁴*Vid.* Статья 1. ОДКБ, "Договор о Коллективной Безопасности от 15 мая 1992 года (с Изменениями, Внесенными Протоколом о Внесении Изменений В Договор о Коллективной Безопасности от 15 мая 1992 Года, Подписанным 10 декабря 2010 года)", (*Vid.* Article 1. CSTO, Agreement on Collective Defense from 15 May 1992 (with Amendments of the Protocol on Amendments to the Agreement of Collective Defense from 15 May 1992 signed on 10 December 2010"), http://www.odkb-csto.org/documents/detail.php?ELEMENT_ID=126 [18-05-2014].

⁵⁴⁵*Vid.* Статья 1. *Ibid.* (*Vid.* Article 1. *Ibid.*).

⁵⁴⁶ОДКБ, "Договору о Коллективной Безопасности 20 лет 1992-2012", с. 1, (CSTO, "20 years of the Agreement on Collective Security Defense 1992-2012", p. 1), <http://www.odkb-csto.org/media/buklet.pdf> [18-05-2014].

⁵⁴⁷А.МАЛАШЕНКО, "Интересы и Шансы России в Центральной Азии", *Pro et Contra*, январь-апрель, 2013, с. 30, (A.MALASHENKO, "Interests and Chances of Russia in Central Asia", *Pro et Contra*, January-April, 2013, p. 30).

⁵⁴⁸*Vid.* Статья 3 и Статья 10. ОДКБ, "Соглашение об Основных Принципах Военно-Технического Сотрудничества Между Государствами – Участниками Договора о Коллективной Безопасности от 15 мая 1992 года с Изменениями, Внесенными Протоколами О Внесении Изменений и Дополнений в Соглашение, Подписанными 19 сентября 2003 года, 6 октября 2007 года, 10 декабря 2010 года", (*Vid.* Article 3 and Article 10. CSTO, "Agreement on the Main Principles of Military and Tech-

2005 different organs on military cooperation were created (Drug Anti-trafficking Committee; Inter-state commission on military and economic cooperation; CSTO Afghanistan working group, etc.).⁵⁵⁰

In economic terms, cooperation within Eurasian group has been passing at the same reduced format but without Armenia and with partial Uzbekistan's involvement. The first workable project that was launched in 1995 was the Customs Union of Russia, Kazakhstan and Belarus, which Kyrgyzstan and Tajikistan joined later. However, that community disintegrated very soon due to a number of obstacles.

By Hoffmann, obstacles to integration when the process has already been launched may include lack of concord within a community, external dependence, incompatibility of views and interests of the major players and absence of strong leadership. In the case of the failure of Customs Union of Russia, Kazakhstan, Kyrgyzstan, Belarus and Tajikistan, the first three obstacles mentioned above might be found.

Thus, regarding the lack of concord, it is necessary to note that the decrease of cooperation within the Customs Union took place simultaneously with the political crisis of the entire Commonwealth that began in 1997 when many members de facto did not comply with its norms and provisions.⁵⁵¹ The crisis reached many aspects of the cooperation including visa-free movement of CIS citizens guaranteed by the Bishkek agreement from 1992 that was abolished by many members that herewith decided to regulate this sphere in bilateral or reduced multilateral terms.⁵⁵²

As for external dependence and incompatibility of views and interests, they were very interrelated in this case. Thus, the Asian Financial crisis exploded in 1997-1998 (which might be interpreted as external obstacle) reached the CIS countries in 1998-1999⁵⁵³ provoking dramatic currency crisis in Russia⁵⁵⁴ and forcing Customs Union countries to give up on integration projects and save their own economies alone⁵⁵⁵ making them herewith uninterested in cooperation in that moment.⁵⁵⁶

nical Cooperation of the Member-States of the Collective Security Treaty from 15 May 1992), http://odkb-csto.org/documents/detail.php?ELEMENT_ID=1685 [18-05-2014].

⁵⁴⁹ОДКБ, "Устав Организации Договора о Коллективной Безопасности", 7 октября 2002, (CSTO, "Charter of the Collective Security Treaty Organization", October 7, 2002), http://www.odkb-csto.org/documents/detail.php?ELEMENT_ID=124 [18-05-2014].

⁵⁵⁰ОДКБ, *Договору о коллективной безопасности 20 лет 1992-2012*, с. 1, (CSRO, *20 years of the Agreement on Collective Security Defense 1992-2012*, p. 1), <http://www.dkb.gov.ru/a/buklet.pdf> [18-05-2014].

⁵⁵¹Б. АХМЕТГАЛИЕВ, *10 Лет: Казахстан и Интеграция, op. cit.*, с. 71, (B.AKHMETGALIYEV, *10 Years: Kazakhstan and Integration, op. cit.*, p. 71).

⁵⁵²Ю. ЧУБЧЕНКО, "Бишкекский Договор 1992 года Умер", *Коммерсант*, No. 103, 9 июня 2000, (Y.CHUBCHENKO, "1992 Bishkek Agreement Has Died", *Commerzant*, No. 103, June 9, 2000, <http://www.kommersant.ru/doc/150212> [30-04-2014].

⁵⁵³M.GOLOVNINA, A.LIBMANA, D.USHKALOVA and A.YAKUSHEVA, "Is the USSR Dead? Experience from the Financial and Economic Crisis of 2008-2009", *Communist and Post-Communist Studies*, Vol. 46, 2013, p. 111.

⁵⁵⁴*Ibid.*, p. 110.

⁵⁵⁵А. ЛИХАЧЕВ, "Таможенный Союз России, Беларуси и Казахстана: История, Современный Этап и Перспективы Развития", *Российский Экономический Вестник*, No. 6, июнь 2010, с. 6, (A.LIKHACHEV, "Customs Union of Russia, Belarus and Kazakhstan: History, Current Situation and Development Prospects", *Russian Economic Herald*, No. 6, June 2010, p. 6).

⁵⁵⁶Among other obstacles to integration might be considered also the unrealistic development plan (for instance, in accordance with intergovernmental agreements on the Customs Union creation it was scheduled that taxes and tariffs among participating parties should be eliminated in six months, which is a very short period in such situations). *Vid. Ibid.* p. 5.

As for absence of strong leadership as an obstacle of integration, it is difficult to make a conclusion in this sphere but it is necessary to note that personal factor was playing an important role in renewal of integration processes in the CIS region.

Thus, since 2000, the new phase of the Eurasian integration has begun. It coincided with the advent of Vladimir Putin's rule in Russia, improvements in the economic situation in a number of ex-Soviet countries and changes within the attitudes of their authorities towards integration that was in a more positive way than before. On October 10 of 2000, the presidents of the Republic of Kazakhstan, the Russian Federation, the Kyrgyz Republic, the Republic of Tajikistan and the Republic of Belarus signed a treaty on the creation of the Eurasian Economic Community (EurAsEC).⁵⁵⁷ The organization that became the basis for further Eurasian integration after successful creation of free-trade zone made it possible to create the Customs Union of Russia, Kazakhstan and Belarus. Kyrgyzstan and Tajikistan could not participate in this project due to differences in economic development and tariff policies,⁵⁵⁸ which is described further.

As for Uzbekistan, its attitude toward integration projects among CIS countries was changing with changing relation with Russian Federation.⁵⁵⁹ Thus, Uzbekistan joined GUAM in 1999⁵⁶⁰ with intentions to construct military and economic cooperation with the USA that largely favored cooperation within this organization⁵⁶¹ and attract foreign investments necessary for overcoming the crisis of 1998-1999.⁵⁶² However, Tashkent's active participation with this organization had declined since 2003 when it had improved relations with Russia admitting Russian investments, receiving its assistance and narrowing cooperation in military sphere.⁵⁶³ However, the main movement toward Russia was made in 2005 after unsuccessful coup d'état attempt in Uzbekistan made by Islam radicals in Andijan.⁵⁶⁴ The official version of this event (terrorist aggression) was supported by Russia that largely improved its relations with Tashkent⁵⁶⁵ and led (as has already been stated in the first section) to closing the American military base on Uzbek territory in Khanabad,⁵⁶⁶ its withdrawal from

⁵⁵⁷ЕВРАЭЭС, "Договор о Создании Евразийского Экономического Сообщества", 10 октября 2010, (EURASEC, "Treaty on the establishment of the Eurasian Economic Community", October 10, 2010, <http://evrazes.com/docs/view/74> [20-04-2013]).

⁵⁵⁸А.ЛИХАЧЕВ, "Таможенный Союз России, Беларуси и Казахстана: История, Современный Этап и Перспективы Развития", *op. cit.*, с. 8, (А.ЛИХАЧЕВ, "Customs Union of Russia, Belarus and Kazakhstan: History, Current Situation and Development Prospects", *op. cit.*, p. 8).

⁵⁵⁹А.СКАКОВ, "Россия и ГУАМ", *op. cit.*, с. 163, (А.СКАКОВ, "Russia and GUAM", *op. cit.*, p. 163).

⁵⁶⁰*Ibid.*, p. 162.

⁵⁶¹F.STARR and S.CORNELL, *The Baku-Tbilisi-Ceyhan Pipeline...op. cit.*, p. 97.

⁵⁶²A.GROZIN, "The CIS and GUAM", *Central Asia and Caucasus*, Special issue, No. 3-4 (51-52), 2008, pp. 214-215.

⁵⁶³*Ibid.*, p. 215.

⁵⁶⁴R.BURNASHEV and I.CHERNYKH, "Changes in Uzbekistan's Military Policy after the Andijan Events", *China and Eurasia Forum Quarterly*, Vol. 5, No. 1, 2007, p. 68.

⁵⁶⁵Т.КЕНТЧАДЗЕ, "ГУАМ: Взгляд из Грузии", *Центральная Азия и Кавказ*, No. 3-4 (57-58), 2008, с. 114, (Т.КЕНТЧАДЗЕ, "GUAM: The View from Georgia", *Central Asia and Caucasus*, No. 3-4 (57-58), 2008, p. 114).

⁵⁶⁶A.LUKIN, "The Shanghai Cooperation Organization: What Next?", *Russia in Global Affairs*, Vol. 5, No. 3, July-September 2007, p. 150.

GUAM in 2005,⁵⁶⁷ and joining CSTO and EurAsEC in 2006 (in 2008 Uzbekistan went out from EurAsEC⁵⁶⁸ and in 2012 from CSTO)⁵⁶⁹.

Thus, in reliance on Hoffmann's terminology common political views as the first external condition of cooperation in the case of Eurasian integration is met by Russia, Kazakhstan, Belarus, Kyrgyzstan and Tajikistan. In the event of Armenia and Uzbekistan, this requirement is met partially because Armenia during the period under consideration preferred to cooperate primarily in military terms, while Uzbekistan was changing its position and its commitment to the Eurasian group (in economic terms) lasted only two years. As for Georgia, Ukraine, Azerbaijan and Moldova, they created their own organization in order to promote integration initiatives that are different from projects within the Eurasian group, while Turkmenistan did not participate in any of communities due its status as neutral country.

Common political views, which represent the subjective similarity of national situations is closely interrelated and even determined by objective similarity described further.

As was stated at the beginning of the present paragraph, objective similarity of national situations include similarity in degree of involvement into global system and compulsion of international milieu.

Concerning similar degree of involvement into the global community, analysis of how states meet the condition of a similar degree of involvement into the global community is very important especially for understanding why Kyrgyzstan and Tajikistan did not participate in the integration of Kazakhstan, Belarus and Russia aimed to create the Customs Union.

In figure 5, some data is shown that could be useful for superficial understanding of states' economies, which are macroeconomic measures (GDP, GDP per capita, and GDP growth), data regarding the level of liberalization of economies, the level of their isolation (in this case by WTO membership), average tariff rate (that the Customs union aimed to unify) and population of these countries. All data corresponds to 2007, the year when Kazakhstan, Belarus and Russia signed the agreement on creation of the Customs Union.

⁵⁶⁷A.СКАКОВ, "Россия и ГУАМ", *op. cit.*, с. 162, (A.SKAKOV, "Russia and GUAM", *op. cit.*, p. 162).

⁵⁶⁸R.BURNASHEV and I.CHERNYKH, "Changes in Uzbekistan's Military Policy after the Andijan Events", *op. cit.*, p. 72; ЕВРАЗЭС, "История", EURASEC, "History", <http://www.evrases.com/about/history> [16-05-2014].

⁵⁶⁹RIANOVOSTI, "Выход Узбекистана из ОДКБ Укрепит Единство в Организации – Эксперт", 19 декабря 2012, (RIANOVOSTI, "Withdrawal of Uzbekistan from CSTO enforces unity of organization – Expert", December 19, 2012), <http://ria.ru/politics/20121219/915465075.html> [20-05-2014].

Figure 5. Involvement into global community of CIS countries, 2007

Country	Population, million people	GDP, USD billion	GDP per capita, USD	Real GDP growth	Index of economic freedom		WTO membership	Simple average MFN tariff applied
					Overall score	Ranking		
Armenia	3,002	9.206	2,853	13.7	68.6	Moderately free	+	2.9
Azerbaijan	8,467	33.090	3,818	25.0	54.6	Mostly unfree	-	9.2
Belarus	9,689	45.276	4,672	11.4	47.0	Repressed	-	11.3
Georgia	4,395	10.173	2,314	12.3	69.3	Moderately free	+	1.2
Kazakhstan	15,422	103.173	6,626	8.9	59.6	Mostly unfree	-	7.8
Kyrgyzstan	5,317	3.807	719	8.5	60.2	Moderately free	+	4.8
Moldova	3,794	4.401	1,228	7.4	58.7	Mostly unfree	+	5.2
Russia	142,499	1,229.703	9,101	7.2	52.2	Mostly unfree	-(since 2012)	11.0
Tajikistan	6,736	3.712	514	8.0	53.6	Mostly unfree	-(since 2013)	7.9
Turkmenistan	4,965	25.962	5,006	11.1	43.0	Repressed	**	n.a.
Ukraine	46,205	142.719	3,017	12.1	51.5	Mostly unfree	-(since 2008)	6.9
Uzbekistan	27,327	22.307	821	9.5	51.5	Mostly unfree	-	15.6

*Index of Economic Freedom guided by The Wall Street Journal and The Heritage Foundation is aimed to measure economic freedom in accordance with ten freedoms gathered into four categories: *Rule of Law* (property rights, freedom from corruption); *Limited Government* (fiscal freedom, government spending); *Regulatory Efficiency* (business freedom, labor freedom, monetary freedom); and *Open Markets* (trade freedom, investment freedom, financial freedom).⁵⁷⁰

**Turkmenistan is the only CIS country that does not participate in the negotiation process concerning WTO membership.⁵⁷¹

Source: UNCTAD, *UNCTAD Handbook of Statistics*, United Nations Publication, New York and Geneva, 2008, pp. 442-443; IMF: World Economic Outlook Database; UNCTAD/WTO, *World Tariff Profiles 2008*, Geneva, WTO Secretariat, 2008; WTO, "Members and Observers", http://www.wto.org/english/thewto_e/whatis_e/tif_e/org6_e.htm [12-04-2014]; THE WALL STREET JOURNAL AND THE HERITAGE FOUNDATION: Index of Economic Freedom Database, <http://www.heritage.org/index/>[13-04-2014].

As is seen in the figure, when the Eurasian group is analyzed, Russia is the undisputed leader in this community by the size of GDP, GDP per capita and population. However, even if its allies differ significantly from the RF, the difference between their economic development (taking into account their small population) is not as large as the difference with Tajikistan and Kyrgyzstan (for example, in the case of GDP per capita). From another side, in 2007 the Eurasian group was somewhat isolated from the world community because none of them participated in WTO, except Kyrgyzstan that has been a WTO member since 1998⁵⁷² and its custom tariffs were quite low, that could not be said about tariffs of its allies. In the case of liberalization of economy, Kyrgyzstan largely advanced compared to its partners, where economic freedoms are mostly classified as "mostly not free" and "reduced". Differences in economic development has promoted also imbalances in migration among these countries for professional purposes, where Kazakhstan and Russia are

⁵⁷⁰THE WALL STREET JOURNAL AND THE HERITAGE FOUNDATION, "About The Index", <http://www.heritage.org/index/about> [13-04-2014].

⁵⁷¹IMF, *Republic of Kazakhstan: Selected Issues*, IMF Country Report No. 11/151, June 2011, p. 18. <https://www.imf.org/external/pubs/ft/scr/2011/cr11151.pdf> [15-04-2014].

⁵⁷²WTO, "Members and Observers", *op. cit.*

now considered as the main destinations for workers from Tajikistan and Kyrgyzstan.⁵⁷³ As for Tajikistan, in parallel with labor migration, another problem is drug trafficking that is closely interrelated with the external threat posed to Russia and CA countries, related to compulsions of international milieu.

Proceeding from Hoffmann's terminology, the pressure of international milieu on a group of states that force them to deepen their cooperation, which could be determined by a common military threat or shared necessity. In the case of Eurasian integration, the most obvious outside compulsion is the external threat posed by the spread of radical Islam movements to Central Asia and Russia from Afghanistan and its accompanying drug trafficking.⁵⁷⁴ In this case, the main security challenges are faced by Uzbekistan and Turkmenistan, the neighboring countries of Afghanistan, and especially Tajikistan that has the longest border with it.⁵⁷⁵ One fourth of all heroin produced in Afghanistan is transported through the territory of CA,⁵⁷⁶ being the primary drug of addiction in the region (from 47% to 82% of all drug users depending on the country).⁵⁷⁷ From CA it is delivered to Russia, other CIS countries and partially to Europe.⁵⁷⁸ Every year about 10 tons of opiates are seized in Central Asia,⁵⁷⁹ among which the majority is taken in Tajikistan, which is now in seventh position of the opium seizing countries world list conducted by UNODC.⁵⁸⁰

The situation with combat drug trafficking became most difficult in 2001 when after invasion of American troops in Afghanistan, the production of heroin increased dramatically,⁵⁸¹ while the USA received the possibility to establish its military presence in the region. Thus, as was already stated in the first section American military bases were deployed in Kyrgyzstan, Uzbekistan and Tajikistan (in parallel with a twenty thousand strong contingent of American forces and a nine to eleven thousand contingent of International Security Assistance Forces in Afghanistan and four American bases in Pakistan).⁵⁸²

Outbreak of war in Afghanistan activated cooperation within CSTO, which however has quite a neutral character due to rapprochement of Russia and the USA in their common struggle against terrorism. In spite of the presence of international actors in the region, counter-terrorism and counter-narcotic actions remain the issues

⁵⁷³M.GOLOVNINA, A.LIBMANA, D.USHKALOVA and A.YAKUSHEVA, "Is the USSR Dead? Experience from the Financial and Economic Crisis of 2008–2009", *op. cit.*, p. 110.

⁵⁷⁴C.SAIVETZ, "The Ties that Bind? Russia's Evolving Relations with its Neighbors", *op. cit.*, p. 404.

⁵⁷⁵Е.КЛИМЕНКО, "Центральная Азия как Региональный Комплекс Безопасности", *op. cit.*, с. 16, (E.KLIMENKO, "Central Asia as Regional Security Complex", *op. cit.*, p. 16).

⁵⁷⁶EU CENTRAL ASIA DRUG ACTION PROGRAM, "Background", <http://www.cadap.eu/node/29> [04-04-2014].

⁵⁷⁷UNODC ONLINE DATABASES: Compendium of Drug Related Statistics, 2009, p. 23, http://dbroca.uz/pubs/Compendium_2009.pdf [14-01-2014].

⁵⁷⁸*Ibid.*, p. 10.

⁵⁷⁹*Ibid.*, p. 8.

⁵⁸⁰*Ibid.*

⁵⁸¹*Ibid.*

⁵⁸²А.БОГАТУРОВ, А.ДУНДИЧ и Е.ТРОИЦКИЙ, *Центральная Азия: "Отложенный Нейтралитет" и Международные Отношения в 2000-х годах...* *op. cit.*, с. 32, (A.BOGATUROV, A.DUNDICH and E.TROITSKIY, *Central Asia: a "Delayed Neutrality" and International Relations in the 2000s...* *op. cit.*, p. 32).

of regional collective defense rallying CSTO countries (CA republics and Russia) against their common external threat.⁵⁸³

In the case of Azerbaijan, Armenia, Georgia and Moldova, the main security threats for them are the frozen conflicts, in which they are involved, where Azerbaijan, Georgia and Moldova use GUAM cooperation with international actors for their resolution, while Armenia in the event of external aggression relies on Russian assistance.⁵⁸⁴ As for Ukraine, there was no violation of its territorial integrity during the period under consideration⁵⁸⁵ (respecting its borders which date back to 1954 borders of Ukraine Soviet republic),⁵⁸⁶ and its military threats are not as obvious as in the case of other CIS countries.

Most of what has been said makes it possible to conclude that similar compulsion of international milieu to integration (represented in this case as external threat) is met by Russia and CA republics (Kazakhstan, Kyrgyzstan, Turkmenistan, Tajikistan and Uzbekistan) and partially met by Armenia taking into consideration its military reliance on Russia.

6.4. Conclusion

The present chapter represents the application of Intergovernmentalist theory by Stanley Hoffmann to the process of Eurasian integration, where countries involved are CIS members.

In theoretical terms, it aims to confirm the main statements of the approach, while in practical matters, it forms a historical background of events that happened in the post-Soviet area from 1991 to 2007 and allows understanding as to why among twelve CIS countries that potentially could integrate only three came to the decision to establish the Customs Union.

Structurally it corresponds to the three first paragraphs pointed out in the theoretical part of the thesis dedicated to Hoffmann's elaborations, which are nation-state as the main international actor, international milieu and conditions for integration, which altogether represents the system analysis of the CIS milieu.

Hoffmann considers a nation-state as the main international actor, whose sovereignty is indivisible. This statement is not only taken for read in this paper but the whole analysis is made proceeding from a state-centered view.

Concerning nation-state, Hoffmann pays particular attention to two components of national policy – national interests and national strategy (character).

⁵⁸³*Ibid.*, p. 35.

⁵⁸⁴Д.МАЛЫШЕВА, "Проблемы Безопасности на Кавказе", *op. cit.*, (D.MALYSHEVA, "Security Problems of Caucasus", *op. cit.*).

⁵⁸⁵S.KUDELIA, "The Sources of Continuity and Change of Ukraine's Incomplete State", *op. cit.*, p. 418.

⁵⁸⁶*Ibid.*, p. 417.

Rejecting a consideration that national interest is a constant category, the theorist finds that it is the outcome of politicians' vision of state's national situation. In the case of CIS, this statement is confirmed in two dimensions. First is that even before the collapse of the USSR, in political elites formed in each of republics there were representatives of anti-communist movements, who after they had come to power in already independent states, determined their foreign policies. Thus, in European CIS countries, the leaders who head the states were known as politicians who shared ideas different to communist ones. Boris Yeltsin and Stanislav Shushkevich were democrats, while for Leonid Kravchuk and Mircea Snegur, strengthening of national identities was important. Subsequently none of these states when they were led by these politicians favored Eurasian integration (except Russia who changed its attitude since 1993, but this change was likely accompanied by necessity to maintain peace in former Soviet republics, protect external borders and defend Russia compatriots abroad). In the case of CA republics, which were headed by representatives of the communist nomenclature, there was not a very open opposition to the integration processes (except Turkmenistan, where commitment to neutrality prevails over joining any community). In the case of Caucasus states, where anti-communist movements similar to the European part of CIS were very strong, the degree of favoring Eurasian integration is very low (even Armenia's positive view is primarily determined by dependence on Russia).

The second dimension, in which Hoffmann's interpretation of national interest is confirmed is the example of Belarus, where change in the attitude toward integration (from neutral to positive) coincided with Alexander Lukashenko's accession to power.

As far as national character is concerned, this theoretical elaboration by Hoffmann also finds its theoretical confirmation. In such manner, in Russia, national character depends on which group of politicians stays in power. Nowadays, with the advent of the realist-statist group for Moscow it is typical to position itself as of the centers of multi-polar world, whose sovereignty and internal affairs should be defended and for whom its zone of interests is very important. For Belarus, multi-vector policy is common because of its dependence on energy, export-orientated economy and specific geopolitical situation. For Moldova, balancing between pro-Russian and pro-Rumanian forces is typical, while for Ukraine, matters of its regional division are important for external affairs. In the case of all CA republics, balancing between major powers in the region is common (or preferably, neutrality but the only country that succeeded in achieving it is Turkmenistan). As for Caucasus states, matters related to their national identity are significant in foreign policy conduct.

By Hoffmann, international milieu represents an arena where nation-states interact in different chessboards without absolute leadership of only one country that allows compensating losses in one field by gains in another. Application of this statement enables explanation the system of the CIS milieu and external actors that influence the region.

In the case of CIS, different actors could be determined that include members of the Commonwealth as main players and Turkey, the EU, the USA and China as external actors, which defends Hoffmann's thesis on diversity of actors.

All external players act in trade, investment and energy chessboards, where the EU is the leader in the first two. In the energy sphere, players promote different projects of transportation of Caspian oil and gas, where the main achievements are obtained by Turkey and the USA (primarily BTC project) and China which constructed pipelines from Kazakhstan and Turkmenistan to China. In a military-political chessboard China and the USA play, where USA is the stronger force. In the field of rendering assistance, mostly the USA and the EU play, however they have different approaches. Thus, the USA helps in political matters, while the EU promotes technical assistance. In the transportation chessboard, the EU, China and Turkey act where each of them promotes projects that they find beneficial. Turkey also uses cooperation with Turkic-speaking nations based on similarities in ethnic and linguistic dimensions.

The international system in the CIS region is stable because there is no interstate conflicts neither among main actors, nor from the part of external players. Transnational society influence on policies pursued by actors (primarily external) as well as personal factor both emphasized by Hoffmann as a characteristic of international milieu and as part of internal conditions is very important (which is seen in Nursultan Nazarbayev and Aleksander Lukashenko's political will on integration and renewal of Eurasian integration with the advent of Vladimir Putin).

Along with that for this international milieu, interdependence between external and internal affairs is typical, which is reflected in Russian internal policy on foreign affairs during the first years of CIS existence and its influence on internal conflicts in members of the Commonwealth on choice of their allies.

Concerning theoretical statements related to internal and external conditions of integration, their application also refers to system analysis. The first internal condition – domestic integration – in the 1990s is met by Belarus, Ukraine, Kazakhstan, Kyrgyzstan, Turkmenistan, Uzbekistan and Armenia, while in 2000s only Ukraine, Georgia and Kyrgyzstan do not fulfill this requirement. The second internal condition – social support – consists of political support of integration by groups in power met in the case of Eurasian integration by Russia, Kazakhstan, Belarus, Kyrgyzstan and Tajikistan and partially met by Uzbekistan and Armenia and public approval met by Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, Turkmenistan and Uzbekistan.

Regarding external conditions – common political views as subjective similarity – is met by only five countries (Kazakhstan, Belarus, Russia, Tajikistan and Kyrgyzstan), while objective similarity that include similar compulsion of international milieu posed by external threat is met by all CA republics, Russia and Armenia, and similar degree of involvement is met by only three countries – Kazakhstan, Russia and Belarus.

More thoroughly the analysis of the CIS system is done the next chapter dedicated to application of the Institutional theory by Robert Owen Keohane on the case of Eurasian integration.

CHAPTER 7

APPLICATION OF INSTITUTIONALIST THEORY BY ROBERT KEOHANE ON THE CASE OF EURASIAN INTEGRATION

The present chapter represents the practical application of statements elaborated by Robert Keohane, which are summarized in the third chapter of the theoretical part of this thesis. It consists of three sections, where the first one deals with theoretical points related to non-hegemonic cooperation, which demonstrates how external actors influence the system of the CIS region, the second with the demand for international regimes by the main actors of the system, and the third represents analysis of Eurasian institutions, regarding their main features, functions and causes of transformation. The timeframe of the chapter is from 2007 to the present day using the latest available data.

7.1. Nonhegemonic cooperation: the collapse of the hegemonic stability system controlled by the Russian Federation

Before proceeding to the main features of non-hegemonic cooperation, it is necessary to note that Keohane's observations related to state and its role in current international relations are taken as read in the present work and do not need practical confirmation.

For Keohane, the nature of cooperation is subject to change from one historical period to another under corresponding balances of power, ideas and other circumstances, where the present-day system of cooperation is characterized by a high level of institutionalization of relations between large numbers of different players that have to collaborate with each other due to the complex interdependence among them. In addition, for this cooperation model it is typical to find the absence of a single hegemon able to control the entire system, but there are leaders among the countries and, as in the past, relations between them are far from equal. Keohane calls that model “Non-hegemonic cooperation” which replaced the “Hegemonic stability” system driven by the USA from the end of the Second World War up to the 1970s, when Washington lost its hegemonic positions in international monetary, trade and oil regimes. American leadership can still not be rivaled by any state in the world as it is the main military and economic power, but its ability to control the entire system of international relations has decreased and is not so evident as it was at the beginning of the “American century”.

As the system of nonhegemonic cooperation is not controlled by a single actor anymore the functions of maintaining the system and regulating relations among countries have gradually passed to international regimes that adjust policies of states which, as in the past, continue being egoistical and rational.

None of the regimes, which nowadays are present in different fields of foreign affairs, can be considered as a world government because they are not able to constrain their members and limit their sovereignties, moreover regimes reflect the priorities and power of their participating countries, which the latter use as mediators within the international sphere for facilitating their bargaining with other states.

Keohane’s vision of the current international system of cooperation among states, summarized above, can be applied, to the CIS region. Thus, similar to the USA in the 1970s, Russia in the post-Soviet area after the collapse of the USSR lost its hegemon positions. It is still the undisputed leader among CIS countries due to its preponderance in economic and military capabilities (described in the second and the third sections of this chapter), but it is not now the only hegemon that controls the entire system of cooperation.

Nowadays, Russia is not the only regime-maker in the CIS area as it was in the past; there are other actors, which are interested in developing a collaboration with former Soviet republics and able to promote institutions to maintain relations with them. These institutions primarily promoted by external actors (determined in the previous chapter) challenge Russian leadership in two directions: the first, which unites Caucasus and European CIS states (without Russia) involved in European Neighbourhood Policy (Eastern Partnership region) and the second is Central Asia.

These directions correspond to the first and second parts of the present sections, while the third one is dedicated to external actors, who do not widely use institutional leverage in the policies toward the area.

7.1.1. Challenges to Russian dominance in the Eastern Partnership region: institutionalized competition by the EU

In this part, Caucasus and European CIS countries (except Russia) are united in one region because the Eastern Partnership programme (EaP), the institution that disputes Russian leadership among these states, uses this approach.

Eastern partnership is the part of the EU's ENP program that covers three European CIS countries – Ukraine, Moldova and Belarus – and three Caucasus states – Armenia, Azerbaijan and Georgia – in order to promote reforms aiming to approximate their domestic legislation with the European one and deepen their integration with the Union in the sphere of economy,¹ challenging herewith Russian interests related to that region in economic and political terms.

EU policy toward EaP members aims to promote their close cooperation with the Union² and create a stable democratic neighborhood near the European borders,³ which comes in line with the principle of international law regarding establishment of “friendly relations and co-operation among states.”⁴ However, as Kuznetsov finds it goes far beyond just partnership relations because it implies the unilateral introduction of European values in these countries (Europeanization, in other words).⁵

The EaP program has primarily two dimensions: bilateral and multilateral ones.⁶

In bilateral terms, EU and EaP members cooperate widely in order to conclude Association Agreements (AAs) aimed at replacing PCAs that currently regulate relations among them. Each EaP member negotiates separately on the conditions of the agreement, which in general has four main parts regarding “political dialogue and foreign and security policy”; “justice, freedom and security”; “economic and sectoral co-operation”; and “Deep and Comprehensive Free Trade Agreement (DCFTA)”, which goes far beyond just free trade zone (that includes eliminating of customs walls

¹Vid. Points 29-30. COUNCIL OF THE EUROPEAN UNION, “Presidency Conclusions of the Brussels European Council”, REV 1, 7880/1/09, Brussels, April 29, 2009, http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/106809.pdf [30-07-2014].

²EUROPEAN COMMISSION, *Implementation of the European Neighbourhood Policy in 2013. Regional report: Eastern Partnership*, SWD (2014) 99 final, Brussels, March 27, 2014, p. 2, http://eeas.europa.eu/enp/pdf/2014/regional/eastern_partnership_report.pdf [06-08-2014].

³Л.ЮРАСОВА, “О Предстоящем Саммите “Восточного Партнерства”, *Российский Институт Стратегических Исследований*, 9 сентября 2011, (L.YURASOVA, “On the Upcoming “Eastern Partnership” Summit”, *Russian Institute of Strategic Studies*, September 9, 2011), http://www.riss.ru/analitika/1056-opredstoyaschem-sammite-laquo-vostochnogo-partnerstva-raquo#.U9gSKvI_v5M [29-07-2014].

⁴Vid. Preamble. GENERAL ASSEMBLY, “Declaration on Principles Of International Law Concerning Friendly Relations and Cooperation Among States in Accordance with the Charter of the United Nations”, Resolution adopted by the General Assembly, 2625 (XXV), October 24, 1970, <http://www.un-documents.net/a25r2625.htm> [06-08-2014].

⁵А.КУЗНЕЦОВ, “Добрососедство и Европейская Политика Соседства - в чем Различие?”, *Балтийский регион*, No. 2, 2009, с. 85, (A.KUZNETSOV, “Friendship Neighborhood and European Neighbourhood Policy – What Is the Difference?”, *Baltic Region*, No. 2, 2009, p. 85).

⁶EUROPEAN COMMISSION, *Implementation of the European Neighbourhood Policy in 2013. Regional report: Eastern Partnership*, op. cit., p. 2.

and sales quota), but also promotes approximation of EaP states' legislation to European standards.⁷

In multilateral terms, the EU and EaP countries cooperate to maintain dialogue in four spheres: "democracy, good governance and stability" that cover collaboration in the sphere of the EU's CSDP, migration programs, anti-corruption activities, border issues (training) and administration reforms; "economic integration" focusing on transportation, agriculture, trade, and telecommunications; "energy security" directed on diversification supply, approximation of legislation in energy issues, safe use of nuclear power, and spread of renewable energy resources; and "contacts between people" that promotes collaboration in education, media, investigation and culture.⁸

The program is based on European experience of policy it pursued regarding eastward enlargement, but its main particularity is that participation in EaP as well as ENP nowadays does not imply that its participating countries will join the EU,⁹ that is obvious most of all since none of them have the status of candidates toward EU membership.¹⁰ EaP rather promotes cooperation in four basic freedoms (free movement of capital, goods, services and people with restrictions in the latter one), but does not imply creation of common institutions,¹¹ eluding herewith sharing and pooling sovereignties and based on the principle of Romano Prodi's statement, "everything but institutions".¹²

The question of membership is important not only for understanding the nature of this institution but also the position states occupy in it. Thus, Yurasova proposes division of EaP members into two groups: those states who hope to join the EU even it is still hardly possible, which are Georgia, Ukraine and Moldova, and those countries which do not pursue membership but participate in the program primarily because of financial support it provides, which are Azerbaijan, Armenia and Belarus.¹³

Division into two these blocks sheds light on the level of cooperation EU and EaP members achieved within this regime. Thus, three countries, which belong to the first group signed AAs (including DCFTAs) with the EU on 27 July 2014.¹⁴ These

⁷EASTERN PARTNERSHIP COMMUNITY, "The EaP's Bilateral Dimension", <http://www.easternpartnership.org/content/eap-s-bilateral-dimension> [10-01-2014].

⁸EUROPEAN COMMISSION, *Implementation of the European Neighbourhood Policy in 2013. Regional report: Eastern Partnership*, *op. cit.*, pp. 18-22.

⁹G.SASSE, "The European Neighbourhood Policy: Conditionality Revisited for the EU's Eastern Neighbours", *Europe-Asia Studies*, Vol. 60, Issue 2, p. 295.

¹⁰EUROPEAN COMMISSION, "Enlargement", http://ec.europa.eu/enlargement/countries/check-current-status/index_en.htm [30-07-2014].

¹¹G.SASSE, "The European Neighbourhood Policy: Conditionality Revisited for the EU's Eastern Neighbours", *op. cit.*, p. 301.

¹²A.ÁGH, "Regionalisation as a Driving Force of EU Widening: Recovering from the EU "Carrot Crisis" in the "East", *Europe-Asia Studies*, Vol. 62, Issue 8, 2010, p. 1245.

¹³Л.ЮРАСОВА, "О Предстоящем Саммите "Восточного Партнерства", *op. cit.*, (L.YURASOVA, "On the Upcoming "Eastern Partnership" Summit", *op. cit.*).

¹⁴DELEGATION OF THE EUROPEAN UNION IN UKRAINE, "Barroso and Van Rompuy: Signature of Association Agreements is a Starting Point in EU's Co-operation with Moldova, Georgia and Ukraine", June 27, 2014, http://eeas.europa.eu/delegations/ukraine/press_corner/all_news/news/2014/2014_06_27_01_en.htm [07-08-2014].

agreements were initialled by Georgia and Moldova at the Vilnius summit in November 2013;¹⁵ in the case of Ukraine, which also intended to initial it,¹⁶ the process was deferred because provisions of AA contradicted to Ukraine participation in the CIS free trade zone. After the political protests in Kiev¹⁷ and following change of government in Ukraine, negotiations were reinstituted and the new administration signed the agreement.¹⁸

Concerning the second group, even if with two of them (Azerbaijan and Armenia) negotiations on AA have been started¹⁹ it is hardly likely that they will reach the point of signing. Thus, in the case of Azerbaijan, the agreement could not be concluded because the state does not participate in the WTO, membership which is an obligatory condition for DCFTA,²⁰ in the case of Armenia, even if AA negotiations were finished, the agreement could not be initialled because of Yerevan's decision to join the Eurasian Economic Union;²¹ as for Belarus, EU and Minsk did not start AA negotiation process.²²

In the area of Caucasus and European CIS countries (except Russia), Russian leadership has been challenged not only in political and economic terms by means of EaP program, but also in the military sphere, which is seen on the example of Dniester republic's conflict.

As mentioned in the previous chapter, negotiations on settlement of the conflict in the Transdnestrrian region have been held by Moldova, Russia, Dniester Republic, Ukraine and OSCE since 1994. In 2005, the USA and EU joined the negotiation group as observers²³ transforming it into "5+2" format.²⁴ It was followed by Moldova's proposal in 2004 of "3-d strategy" ("Demilitarization, Decriminalization and Democratization") toward the conflict settlement, which was elaborated after Chisinau had rejected the Russia-elaborated "Memorandum on the Basic Principles of the State

¹⁵EUROPEAN COMMISSION, *Implementation of the European Neighbourhood Policy in 2013. Regional report: Eastern Partnership*, op. cit., p. 2.

¹⁶N.REDMAN, "Russia's Breaking Point", *Survival: Global Politics and Strategy*, Vol. 52, Issue 2, 2014, p. 237.

¹⁷A.MALASHENKO, "The Problems for the Eurasian Economic Union Are Just Starting", *Eurasia Outlook*, June 5, 2014, <http://carnegie.ru/2014/06/05/problems-for-eurasian-economic-union-are-just-starting/hct0> [26-07-2014].

¹⁸EUROPEAN COMMISSION, *Implementation of the European Neighbourhood Policy in 2013. Regional report: Eastern Partnership*, op. cit., p. 5.

¹⁹EASTERN PARTNERSHIP COMMUNITY, "The EaP's Bilateral Dimension", op. cit.

²⁰*Ibid.*

²¹EUROPEAN COMMISSION, *Implementation of the European Neighbourhood Policy in 2013. Regional report: Eastern Partnership*, op. cit., p. 5.

²²С.ТИХОНОВА, "Белоруссия Накануне Ноябрьского Саммита "Восточного Партнёрства", *Российский Институт Стратегических Исследований*, 19 июля 2013, (S.TIHONOVA "Belarus in forward of November "Eastern Partnership" Summit", *Russian Institute of Strategic Studies*, July 19, 2013), http://www.riss.ru/analitika/1940-belorussiya-nakanune-noyabrskogo-sammitya-vostochnogo-partnjorstva#.U9gR1fl_v5M [29-07-2014].

²³E.KOROSTELEVA, "Moldova's European Choice: Between Two Stools", *Europe-Asia Studies*, Vol. 62, Issue 8, October 2010, p. 1279.

²⁴L.POPESCU, "The Futility of the Negotiations on Transnistria", *European Journal of Science and Theology*, Vol. 9, Supplement 2, June 2013, p. 118.

Structures of the Unified State”²⁵ (known also as “Kozak Memorandum” named after its initiator Dmitri Kozak, the RF Presidential advisor), who had been promoting federalization of Moldova and legitimization of Russian military forces on the territory of Dniester republic for a further 15 years.²⁶

Along with participation in negotiation group, external players have become directly represented in the region by establishing EUBAM (“European Union Border Assistance Mission”) in 2005, invited by Kiev²⁷ in order to control²⁸ the 1,222 km border between Moldova and Ukraine.²⁹

EUBAM employment caused Russian and Dniester Republic’s authorities to end the negotiation process, which was suspended from 2005 to 2012.³⁰ During this period many important events occurred, which have direct or indirect influence on the conflict. Among them are a referendum in Dniester Republic, where more than 97% voted for independence of the republic and its further peaceful union with the Russian Federation;³¹ Romania’s accession to the EU, which means that now the Union has a direct border with Moldova and thus more interested in the events that take place there, such as the war in South Ossetia and Abkhazia in 2008, after which these two republics declared their independence and instigated a change of governments in Moldova, Ukraine and Dniester republic.³² However, conflict in Transdnistria remains frozen and its solution even after negotiation talks were reinitiated after 2013³³ is unlikely to be found.³⁴

Concerning another frozen conflict in the region – Nagorno Karabakh – its status quo continues to be maintained, while Minsk group of OSCE is the main negotiation center looking for the resolution of that conflict.³⁵

²⁵E.KOROSTELEVA, “Moldova’s European Choice: Between Two Stools”, *op. cit.*, p. 1279.

²⁶L.POPESCU, “The futility of the Negotiations on Transnistria”, *op. cit.*, p. 118.

²⁷*Ibid.*, p. 120.

²⁸EU BORDER ASSISTANCE MISSION TO MOLDOVA AND UKRAINE, “Mandate”, http://www.eubam.org/en/about/what_we_do [08-08-2014].

²⁹EU BORDER ASSISTANCE MISSION TO MOLDOVA AND UKRAINE, “Where We Work”, http://www.eubam.org/en/about/where_we_work [08-08-2014]. EUBAM consists of 100 service members from EU, and 120 servicemen from Moldova and Ukraine. Along with them, there is a joint peacekeeping contingent that as it was said in the previous chapter, has been maintaining peace in Transdnistrian region since 1993, which involves 402 Russian soldiers Russia, 355 Moldavian and 492 from the Dniester Republic (there are also 10 officers-observers from the Ukrainian side). *Vid.* EU BORDER ASSISTANCE MISSION TO MOLDOVA AND UKRAINE, “Who We Are”, http://www.eubam.org/en/about/who_we_are [08-08-2014]; ТАСС, “Источник: Украина Намерена Добиваться Ухода Российских Миротворцев из Приднестровья”, (ТАСС. “Resource: Ukraine aims Russian Peacekeepers Withdrawal from the Dniester Republic”), <http://itar-tass.com/politika/1333810> [08-08-2014].

³⁰L.POPESCU, “The Futility of the Negotiations on Transnistria”, *op. cit.*, p. 120.

³¹Н.ШТАНСКИ, “Украинский Кризис и Международное Признание Приднестровья”, *МИД Республики Приднестровье*, 1 июня 2014, (N.SHTANSKI, “Ukraine Crisis and International Recognition of Transdnistria”, *MFA of Dniester Republic*, June 1, 2014), <http://mfa-pmr.org/index.php?newsid=4301> [08-08-2014].

³²L.POPESCU, “The Futility of the Negotiations on Transnistria”, *op. cit.*, p. 120.

³³*Ibid.*, p. 121.

³⁴*Ibid.*, p. 125.

³⁵О.БАКЫР, “Роль Международных Организаций в Решении Проблемы Нагорного Карабаха”, *Известия РГПУ им. А.И. Герцена*, No. 160, 2013, с. 190, (О.БАКЫР, “The Role of International Organizations in Nagorno Karabakh Conflict Resolution”, *Journal of A.I. Gercen RSPU*, No. 160, 2013, p. 190).

In the case of conflicts in South Ossetia and Abkhazia, recognition of their independence by Russia³⁶ made it possible to Moscow officially be responsible for protection of the borders of these newly independent states³⁷ and establish joint military bases on their territories.³⁸

Another important chessboard (taking into account Hoffmann's terminology), where Russian leadership is challenging by external players is energy cooperation – the sphere that has become the most important one in the Caucasus region after the conflict in 2008.³⁹

The main field of Russia-EU competition remains being the energy one. As was stated in chapter 6, Brussels is interested in creation of the Fourth Corridor of natural gas supply, whose main project is Nabucco. Russia, in turn, promotes alternative routes, which are South Stream and Nord Stream.

The initial idea of South Stream project was not only to replace Nabucco but also make it difficult to even implement the idea of the Fourth corridor.⁴⁰ The pipeline aimed to deliver Russian natural gas to Europe passing Turkish waters and to have offshore and onshore sections. The offshore section was planned to go under the Black

³⁶Along with Russia, independence of Abkhazia and South Ossetia is recognized by Nicaragua (2008), Venezuela (2009), The Republic of Nauru (2009), The Republic of Vanuatu (2011), and Tuvalu (2011). Vid. МИД РФ, "Республика Абхазия", (RF MFA, "Republic of Abkhazia"), <http://www.mid.ru/bdomp/ns-reuro.nsf/348bd0da1d5a7185432569e700419c7a/3cf2977ad9223f11c3257927003d2f44!OpenDocument> [10-08-2014].

³⁷In accordance with the Agreements on Friendship, Cooperation and Mutual assistance concluded between Russian Federation and South Ossetia and Abkhazia (both on 17 September 2008), control of the national borders of Abkhazia and South Ossetia will be carried out in cooperation with RF. Vid. Статья 7. РОССИЙСКАЯ ФЕДЕРАЦИЯ И РЕСПУБЛИКА АБХАЗИЯ, "Договор о Дружбе, Сотрудничестве и Взаимной Помощи между Российской Федерацией и Республикой Абхазия", 17 сентября 2008, (Vid. Article 7. RUSSIAN FEDERATION AND THE REPUBLIC OF ABKHAZIA, "Agreement on Friendship, Cooperation and Mutual Assistance between Russian Federation and the Republic of Abkhazia", 17 September 2008), http://www.mid.ru/BDOMP/spd_md.nsf/0/B99B35719263325344257D27001D0F5C [10-08-2014]; Vid. Статья 7. РОССИЙСКАЯ ФЕДЕРАЦИЯ И РЕСПУБЛИКА ЮЖНАЯ ОСЕТИЯ, "Договор о Дружбе, Сотрудничестве и Взаимной Помощи между Российской Федерацией и Республикой Южная Осетия", 17 сентября 2008, (Vid. Article 7. RUSSIAN FEDERATION AND THE REPUBLIC OF SOUTH OSSETIA, "Agreement on Friendship, Cooperation and Mutual Assistance between Russian Federation and the Republic of South Ossetia", September 17, 2008), http://www.mid.ru/bdomp/spd_md.nsf/0/926630315FF5F92944257D27001D0F5E [10-08-2014].

³⁸Vid. Статья 1, РОССИЙСКАЯ ФЕДЕРАЦИЯ И РЕСПУБЛИКА ЮЖНАЯ ОСЕТИЯ, "Соглашение между Российской Федерацией и Республикой Южная Осетия об Объединенной Российской Военной Базе на Территории Республики Южная Осетия", 7 апреля 2010, (Vid. Article 1. RUSSIAN FEDERATION AND THE REPUBLIC OF SOUTH OSSETIA, "Agreement between Russian Federation and the Republic of South Ossetia on Joint Russian Military Base Employed in the Territory of South Ossetia", April 7, 2010). http://www.mid.ru/bdomp/spd_md.nsf/0/BBDA634D5C4A338F44257D27001D103C [10-08-2014]; Vid. Статья 1. РОССИЙСКАЯ ФЕДЕРАЦИЯ И РЕСПУБЛИКА АБХАЗИЯ, "Соглашение между Российской Федерацией и Республикой Абхазия об Объединенной Российской Военной Базе На Территории Республики Абхазия, 17 февраля 2010, (Vid. Article 1. RUSSIAN FEDERATION AND THE REPUBLIC OF ABKHAZIA, "Agreement between Russian Federation and the Republic of Abkhazia on Joint Russian Military Base Employed In The Territory of the Republic of Abkhazia, 17 February 2010). http://www.mid.ru/BDOMP/spd_md.nsf/0/074C6248BB8EBE2244257D27001D100E [10-08-2014].

³⁹Z.HUIRONG and W.HONGWEI, "China's Energy Foreign Policy Towards the Caspian Region: the Case of Kazakhstan" in M.AMINEH and G.YANG, (Eds.), *Secure Oil and Alternative Energy: The Geopolitics of Energy Paths of China and the European Union*, Leiden, Brill, 2012, p. 188.

⁴⁰T.BABALI, "Regional Energy Equations and Turkish Foreign Policy: The Middle East and the CIS", *Insight Turkey*, Vol. 12, No. 3, 2010, p. 162.

Sea,⁴¹ the onshore section to pass Austria, Bulgaria, Croatia, Greece, Hungary, Serbia and Slovenia.⁴² Implementation of the project began in 2012 and it was estimated that first gas should be transported by the end of 2015,⁴³ while its complete construction is planned by 2019.⁴⁴

Along with South Stream, another Russian energy project toward Europe is already completed (in 2012) Nord Stream offshore pipeline that brings natural gas directly from Russian Vyborg to German Greifswald by Baltic Sea.⁴⁵

As distinct from successful Nord Stream implementation, the initial plan of South Stream project has not been realized because of opposition by Brussels. The case is that in both energy projects, Moscow implies Russian control over the whole process of gas delivery from “mine to customer”.⁴⁶ In this regard, the main obstacle that Russia faces in order to implement its policy is provisions of the Third Energy Package,⁴⁷ which promotes the “Ownership unbundling” that means that “Member States should therefore be required to ensure that the same person or persons are not entitled to exercise control over a production or supply undertaking and, at the same time, exercise control or any right over a transmission system operator or transmission system”.⁴⁸

That EU directive that aims to prevent discrimination in the European energy market⁴⁹ and prevent “any conflict of interests between producers, suppliers and transmission system operators”⁵⁰ implies that those sides, who exploit natural gas, cannot simultaneously be owners of pipelines that pass European territory and should sell their shares or transmit management of pipelines to third parties. This statement does not correspond to Russian interests and the policy it pursues, Gazprom gained the exception of Nord Stream from these provisions⁵¹, but the future of the South Stream is less favorable for Russia.

In December 2014, Moscow announced the freezing of South Stream pipeline construction,⁵² which was caused by strong opposition of Brussels⁵³ and uncertainty

⁴¹Technical terms are used as in the original. EIA, “Russia”, <http://www.eia.gov/countries/cab.cfm?fips=RS&scr=email> [11-08-2014].

⁴²In both sections Gazprom’s shares are 50% or more. *Vid.* SOUTH STREAM, “Project Structure”, <http://www.south-stream.info/en/pipeline/structure/> [11-08-2014].

⁴³EIA, “Russia”, *op. cit.*

⁴⁴SOUTH STREAM, “Gas Pipeline Route”, <http://www.south-stream.info/en/route/> [11-08-2014].

⁴⁵EIA, “Russia”, *op. cit.*

⁴⁶РБК “Россия Подала Иск в ВТО Против “Третьего Энергопакета”, 30 апреля 2014, (RBK, “Russia Lays and action to WTO against the “Third Energy Package”, April, 30, 2014), <http://top.rbc.ru/economics/30/04/2014/921583.shtml> [27-07-2014].

⁴⁷*Ibid.*

⁴⁸*Vid.* Point 8. EUROPEAN PARLIAMENT AND THE COUNCIL OF EUROPEAN UNION, “Directive of the European Parliament and of The Council Concerning Common Rules for The Internal Market in Natural Gas and Repealing Directive 2003/55/EC”, 2009/73/EC 13, July 2009, <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:211:0094:0136:en:PDF> [27-07-2014].

⁴⁹*Vid.* Point 8. *Ibid.*

⁵⁰*Vid.* Point 9. *Ibid.*

⁵¹РБК, “Россия Подала Иск в ВТО Против “Третьего Энергопакета”, *op. cit.*, (RBK “Russia Lays and Action to WTO Against the “Third Energy Package”, *op. cit.*).

⁵²P.DEVITT and T.KARADENIZ, “Putin, Erdogan Discuss ‘Turkish Stream’ Gas Project: Kremlin”, *Reuters*, March 17, 2015, <http://www.reuters.com/article/2015/03/17/us-russia-turkey-gas-idUSKBN0MD2Q520150317> [21-03-2015].

with Bulgaria, which did not confirm its participation in the project although the construction of the pipeline had been already launched.⁵⁴

In this situation, the Bulgarian role of transit country has been passed to Turkey, while its implementation deadline is still assured (Russia plans to construct the pipeline by the end of 2016, which is not confirmed by the Turkish side).⁵⁵

This change in plans favors the EU's position to the issue. Thus, in accordance with the "new South Stream" plan, called "Turkish Stream",⁵⁶ Russian natural gas will be piped to the borders of Turkey and Greece, from where it will be the responsibility of the European partners to supply it to the final customers.⁵⁷

That shift affects Russian-Turkish relations (studied in the third part of the section), while in a European dimension, it means reduction or even "exclusion" of Ukraine from gas transportation systems that unite Russia with Europe.⁵⁸

Even if Russia did not succeed in implementing the South Stream project in its initial version, its second-scenario implementation allows Moscow to gain a "leverage... over the continent" in energy terms.⁵⁹

Tensions between the EU and Russia does not oppose the fact that they remain significant commercial partners for each other, nevertheless, close trade relations between these actors does not stop them to pursuing different political interests.⁶⁰

Therefore, in the part of the CIS covered by the Eastern Partnership program that include Caucasus and European part of the Commonwealth (except Russia), the rival of the RF that has challenged its hegemony in the region is the European Union that use institutionalized methods for promoting its leadership.

Another direction where Russian hegemony has been challenged is Central Asia and will be discussed the next part.

7.1.2. Challenges to Russian dominance in the region of Central Asia by the USA

The second CIS's region where Keohane's model finds its practical application is Central Asia. Comparing CA with the Eastern Partnership area, it might be noted that

⁵³R.BANCIU, "South Stream Project and the Ukrainian Factor", *Romanian Journal Of European Affairs*, Vol. 15, No. 1, March 2015, p. 65.

⁵⁴А.ПРОЦЕНКО, "Газпром Определился С Маршрутом "Турецкого потока", *Российская Газета*, 27 января 2015, (A.PROZENKO, "Gazprom Determines the Route of "Turkish Stream", *Russian Newspaper*, January 27, 2015), <http://www.rg.ru/2015/01/27/gaz-site.html> [22-03-2015].

⁵⁵P.DEVITT and T.KARADENIZ, "Putin, Erdogan Discuss 'Turkish Stream' Gas Project: Kremlin", *Reuters*, March 17, 2015, <http://www.reuters.com/article/2015/03/17/us-russia-turkey-gas-idUSKBN0MD2Q520150317> [21-03-2015].

⁵⁶NATURAL GAS EUROPE, "The Resurrection Of South Stream", March 2, 2015, <http://www.naturalgaseurope.com/the-resurrection-of-south-stream-22337> [21-03-2015].

⁵⁷N.ULCHENKO, "From South Stream to Turkish Stream: Underlying Reasons and Consequences of Transformation", *Russian Analytical Digest*, No. 163, February 24, 2015, p. 7, <http://www.css.ethz.ch/publications/pdfs/RAD-163.pdf> [21-03-2015].

⁵⁸*Ibid.*, p. 8.

⁵⁹Cited by Roxana Ioana Banciu: R.BANCIU, "South Stream Project and the Ukrainian Factor", *op. cit.*, p. 57. Original text: Z.BARAN, *Security Aspects of the South Stream Project*, Washington, Centre for Eurasian Policy Hudson Institute, October 2008, p. iii.

⁶⁰N.REDMAN, "Russia's Breaking Point", *op. cit.*, p. 242.

the processes that have been conducted there reflect Keohane's thesis on non-hegemonic cooperation even more than in the EaP region.

In the case of CA, the external player that promotes institutions able to challenge Russian leadership is the USA.

As described in the previous chapter, the war in Afghanistan and subsequent presence of the USA in the region included it in Washington's sphere of interests, which did not change even after closing the American military base in Uzbekistan.

The situation in Afghanistan remains the most difficult question for the region especially taking into account the prompt withdrawal of the International Security Assistance Forces (ISAF), managed by NATO, from the state, which started in 2011 and is planned to be completed by the end of 2014.⁶¹ During the period under consideration (2007-2014) the number of ISAF differed widely from 35, 460 soldiers in 2007⁶² to 130, 386 in 2012,⁶³ with the highest number of soldiers in 2011 (131, 982).⁶⁴ Nowadays there are 48 countries, whose troops participate in ISAF,⁶⁵ with the largest contribution from the USA (up to 90, 000 in 2011).⁶⁶ Since 2011, the number of ISAF has largely decreased and currently amounts to 44, 299 combatants⁶⁷ and it is planned to leave only 9, 600 American soldiers after 2014⁶⁸ (currently there are more than 30, 000),⁶⁹ while by 2016 (which corresponds to the end of Obama's Presidential term), it was stated that the USA's presence in Afghanistan will be limited only to its Embassy.⁷⁰ In addition, it is planned that from the end of 2014 it will be Afghan National Security Forces (ANSF) who are entirely responsible for security of the state, which will make it possible to shift the task of ISAF from military activities to assistance.⁷¹

The withdrawal of ISAF from Afghanistan has a direct influence on the CA region. As stated in the previous chapter, nowadays, internal problems in this country are considered as the main external threat to CSTO members, especially those who are its immediate neighbours.

⁶¹NATO, "NATO and Afghanistan", http://www.nato.int/cps/en/natolive/topics_8189.htm? [12-08-2014].

⁶²NATO, "International Security Assistance Forces", January 29, 2007, http://www.nato.int/isaf/placemats_archive/2007-01-29-ISAF-Placemat.pdf [12-08-2014].

⁶³NATO, "International Security Assistance Forces", January 6, 2012, http://www.nato.int/isaf/placemats_archive/2012-01-06-ISAF-Placemat.pdf [12-08-2014].

⁶⁴NATO, "International Security Assistance Forces", January 25, 2011, http://www.nato.int/isaf/placemats_archive/2011-01-25-ISAF-Placemat.pdf [12-08-2014].

⁶⁵NATO, "NATO and Afghanistan", *op. cit.*

⁶⁶NATO, International Security Assistance Forces, *op. cit.*, January 25, 2011.

⁶⁷NATO, "International Security Assistance Forces", August 4, 2014, http://www.nato.int/nato_static/assets/pdf/pdf_2014_08/140804-ISAF-Placemat-final.pdf [12-08-2014]; NATO, "ISAF Placemats Archive", <http://www.nato.int/cps/en/natolive/107995.htm> [12-08-2014].

⁶⁸THE GUARDIAN, "Obama Announces Plan to Keep 9,800 US Troops in Afghanistan After 2014", May 27, 2014, <http://www.theguardian.com/world/2014/may/27/obama-us-afghanistan-force-2014> [12-08-2014].

⁶⁹NATO, "International Security Assistance Forces", *op. cit.*, August 4, 2014.

⁷⁰THE GUARDIAN, "Obama Announces Plan to Keep 9,800 US Troops in Afghanistan After 2014", *op. cit.*

⁷¹NATO, "NATO and Afghanistan", *op. cit.*

Since the decision to pull troops out of Afghanistan become known, two visions of a post-withdrawal future were determined. First is the “enduring partnership” of Kabul and NATO, which implies the continuation of coalition forces on Afghanistan territory, albeit a reduced number, while reaffirming herewith the American military presence in the region. The second scenario entails the creation of a system of regional cooperation which will deal with the Afghan problem by means of collective forces.⁷²

Even if the first vision might possibly be seen as taking into account that the final withdrawal of American troops is to be postponed until 2016, analysis of regional processes shows that the second scenario not only has possibilities to be implemented, but is already being implemented.

Promotion of regional cooperation of Afghanistan’s close neighbors comes in line with the American project of Greater Central Asia (studied in the previous chapter) and USA’s New Silk Road strategy toward Central and South Asia elaborated in 2011.⁷³ Both these programs imply development of regional cooperation in such a way that Afghanistan would be in the center of the block composed of Central and South Asia, which will not only unite these two regions, but also make them interested in stabilization of the situation in this state. In accordance with the project, such collaboration will bring CA closer to India, decrease their dependence on Russia and China, encourage trade between Afghanistan and its neighbors and bring peace to the region.⁷⁴

The institutional framework used for the implementation of these ideas is the Istanbul Process launched in November 2011 that promotes cooperation between the “Heart of Asia” states⁷⁵ which include Afghanistan’s “near and extended neighbors”, which are five CA republics and Afghanistan itself, then Pakistan, Iran and India, in the South; Turkey and Azerbaijan in the West; Saudi Arabia and UAE in the Middle East and finally China and Russia.⁷⁶

The “Heart of Asia” group promotes the realization of six “confidence building measures”,⁷⁷ the fight against terrorism and drug-dealing, development of relations in trade and education, support in the prevention of and coping with natural disasters, as well as building “regional infrastructure”. All these measures are directed towards

⁷²A.SUHRKE, “Towards 2014 and Beyond: NATO, Afghanistan and the “Heart of Asia”, *NOREF Policy Brief*, August 2012, p. 1, http://www.peacebuilding.no/var/ezflow_site/storage/original/application/ac8aa098c98c17f0a9ffa634c3b6ca06.pdf [26-07-2014].

⁷³Y.KIM and F.INDEO, “The New Great Game in Central Asia Post 2014: The US “New Silk Road” Strategy and Sino-Russian Rivalry”, *Communist and Post-Communist Studies*, Vol. 46, Issue 2, 2013, p. 275.

⁷⁴*Ibid.*, p. 278.

⁷⁵MFA OF ISLAM REPUBLIC OF AFGHANISTAN, “The Ninth Senior Officials Meeting of Heart of Asia – Istanbul Process Held in Beijing”, July 12, 2014, <http://mfa.gov.af/en/news/the-ninth-senior-officials-meeting-of-heart-of-asia--istanbul-process-held-in-beijing> [26-07-2014].

⁷⁶A.SUHRKE, “Towards 2014 and Beyond: NATO, Afghanistan and the “Heart of Asia”, *op. cit.*, p. 5.

⁷⁷EMBASSY OF THE REPUBLIC OF KAZAKHSTAN IN THE USA, “Almaty Ministerial Conference of the Istanbul Process on Afghanistan”, Special Issue No. 26, April 29, 2013, <http://www.kazakhembus.com/article/almaty-ministerial-conference-of-the-istanbul-process-on-afghanistan> [26-07-2014].

the region of CA, Afghanistan and Pakistan,⁷⁸ in spite of the fact that, in total, 14 countries are considered as belonging to the “Heart of Asia”.⁷⁹

The outstanding aims of this project are political dialogue,⁸⁰ economic cooperation,⁸¹ implementation of confidence building measures,⁸² and creation of a single system of energy in Southern and Central Asia, i.e. “from Kazakhstan to India”.⁸³

The first two aims primarily concern Afghanistan. Thus, the issues related to political dialogue are the withdrawal of ISAF, transition of responsibility for maintenance of peace and stability in the state to ANSF⁸⁴ and a post-withdrawal development strategy; while for economic cooperation, great importance is paid to the Afghanistan-Pakistan Transit Trade Agreement, necessity of the Regional Preferential Trade Agreement and improvement of the investment and business climate.⁸⁵ As for Central Asia (in its traditional geographic consideration that include only five former Soviet republics), the immediate relevance that those projects have is to promote the creation of a single energy system and regional infrastructure (within the implementation of confidence building measures).

Thus, there are two spheres of energy cooperation, promotion of which might unite Central and South Asia.

The first field is the creation of a common electricity market,⁸⁶ which may become possible implementing the project of Central Asia-South Asia electricity transmission system⁸⁷ known as CASA-1000 currently sponsored by the USA and World Bank⁸⁸ and other donor institutions from the UK, Australia and the Arab world.⁸⁹ The projects aim to construct the infrastructure for the transmission of electricity from

⁷⁸U.S. DEPARTMENT OF STATE, “U.S. Support for the Istanbul Process”, Fact Sheet by Bureau of South and Central Asian Affairs, April 29, 2013, <http://www.state.gov/p/sca/rls/fs/2013/208560.htm> [26-07-2014].

⁷⁹HEART OF ASIA – ISTANBUL PROCESS, “Heart of Asia Countries”, <http://www.heartofasia-istanbulprocess.af/home/heart-of-asia-countries/> [13-08-2014].

⁸⁰*Vid.* Point A. “HEART OF ASIA” MINISTERIAL CONFERENCE, “Conference Declaration”, June 14, 2012, <http://www.heartofasia-istanbulprocess.af/wp-content/uploads/2014/04/14.-June-Declaration.pdf> [13-08-2014].

⁸¹Y.KIM and F.INDEO, “The New Great Game in Central Asia Post 2014: The US “New Silk Road...”, *op. cit.*, p. 278.

⁸²*Vid.* Point B. “HEART OF ASIA” MINISTERIAL CONFERENCE, “Conference Declaration”, *op. cit.*, June 14, 2012.

⁸³A.SAIDMURADOV, “The Greater Central Asia Concept the U.S. Foreign Policy in the Central Asian Region”, *Central Asia and Caucasus*, Vol. 11, Issue 3, 2010, p. 107.

⁸⁴*Vid.* Point A. “HEART OF ASIA” MINISTERIAL CONFERENCE, “Conference Declaration”, *op. cit.*, June 14, 2012.

⁸⁵*Vid.* Article 16. “HEART OF ASIA” MINISTERIAL CONFERENCE, “Conference Declaration”, 2 November 2011, <http://www.cfr.org/afghanistan/declaration-istanbul-process-regional-security-cooperation-secure-stable-afghanistan/p26434> [26-07-2014].

⁸⁶A.SAIDMURADOV, “The Greater Central Asia Concept the U.S. Foreign Policy in the Central Asian Region”, *op. cit.*, p. 107.

⁸⁷Y.KIM and F.INDEO, “The New Great Game in Central Asia post 2014: The US “New Silk Road...”, *op. cit.*, p. 281.

⁸⁸A.SAIDMURADOV, “The Greater Central Asia Concept the U.S. Foreign Policy in the Central Asian Region”, *op. cit.*, p. 107.

⁸⁹CASA-1000, “The Smart Use of Mother Nature Is the Objective of the CASA-1000 Project”, <http://www.casa-1000.org/MainPages/CASAAbout.php#objective> [27-07-2014].

hydroelectric stations in Kyrgyzstan and Tajikistan (both of which produce enough hydropower for export) to Pakistan and Afghanistan.⁹⁰ Another similar project is TUTAP (Turkmenistan-Uzbekistan-Tajikistan-Afghanistan-Pakistan) led by the Asian Development Bank (ADB) that also aims to unite the efforts of Ashkhabad, Tashkent, Dushanbe, Kabul and Islamabad for the construction of an electricity infrastructure and to unite the region.⁹¹ Both projects are under the process of development.⁹² Among the already completed projects in the sphere of electricity supply there is the Power Distribution Project driven by ADB, which made possible the electricity transmission from Uzbekistan to Afghanistan.⁹³

Another sphere of cooperation is the market of natural gas. In this field, there is the TAPI (Turkmenistan-Afghanistan-Pakistan-India) pipeline project promoted by the ADB⁹⁴ and the USA⁹⁵ that implies building infrastructure for supplying gas from Turkmenistan to Afghanistan, Pakistan and India.⁹⁶ Similar to the CASA-1000 and TUTAP, the project is in the process of negotiations.⁹⁷

Building a regional infrastructure also concerns the railway system.⁹⁸ One of the projects in this sphere has already been finished, it is the Hairaton–Mazar-e-Sharifin railway that unites Afghanistan and Uzbekistan⁹⁹ and which was put into operation in 2011.¹⁰⁰ Among other projects there are the Kazakhstan-Turkmenistan-Afghanistan, Afghanistan-Iran¹⁰¹ and Turkmenistan-Afghanistan-Tajikistan railways (TAT).¹⁰²

Thus, analysis of the processes occurring currently in CA represents a comprehensive example of what Keohane called non-hegemonic cooperation when responsibility to manage relations among states is gradually transmitted from hegemon to institutions. As seen, even though the USA (together with ISAF) are pulling out of the region, they are leaving behind them the regime, implementation of whose projects

⁹⁰CASA-1000, "Participating Countries", <http://www.casa-1000.org/MainPages/Participants.php> [27-07-2014].

⁹¹ASIAN DEVELOPMENT BANK, "Multitranch Financing Facility II: Energy Development 2014-2023", Project 47282-001, <http://www.adb.org/projects/47282-001/details> [13-08-2014].

⁹²*Ibid.*; WORLD BANK, "Central Asia South Asia Electricity Transmission and Trade Project (CASA-1000)", <http://www.worldbank.org/projects/P145054?lang=en> [15-08-2014].

⁹³ASIAN DEVELOPMENT BANK, "Energy in Afghanistan: Reliable On-Grid Power for Kabul", July 6, 2014, <http://www.adb.org/features/lighting-city> [15-08-2014].

⁹⁴ASIAN DEVELOPMENT BANK, "Turkmenistan-Afghanistan-Pakistan-India Natural Gas Pipeline Project, Phase 3", Project 44463-013, <http://www.adb.org/projects/44463-013/main> [15-08-2014].

⁹⁵NATURAL GAS ASIA, "US Believes TAPI Pipeline Project Can Transform the Region", July 22, 2014, <http://www.naturalgasasia.com/us-believes-tapi-pipeline-project-can-transform-the-region-13047> [15-08-2014].

⁹⁶S.YOUSAF, "Afghanistan and the Region in 2013", *Pakistan Annual Research Journal*, Vol. 49, 2013, pp. 153-154.

⁹⁷EIA, "Turkmenistan", <http://www.eia.gov/countries/cab.cfm?fips=TX> [15-08-2014].

⁹⁸*Vid.* Article 15. "HEART OF ASIA" MINISTERIAL CONFERENCE, "Conference Declaration", *op. cit.*, 2 November 2011.

⁹⁹ASIAN DEVELOPMENT BANK, "Hairatan to Mazar-e-Sharif Railway Project", Project 42533-022, <http://www.adb.org/projects/42533-022/main> [15-08-2014].

¹⁰⁰K.MAKSUT, "Central Asia, Afghanistan and International Order: Challenges and Opportunities of Shanghai Cooperation Organization", *Journal of Global Policy and Governance*, Vol. 1, Issue 2, 2013, p. 210.

¹⁰¹*Vid.* Article 15. "HEART OF ASIA" MINISTERIAL CONFERENCE, "Conference Declaration", *op. cit.*, 2 November 2011.

¹⁰²TREND, "Turkmenistan, Afghanistan, Tajikistan to Agree on Route of Regional Railway", July 18, 2014, <http://en.trend.az/casia/turkmenistan/2295649.html> [15-08-2014].

are aimed at promoting regionalization of Central and South Asia, and establishing a framework for further cooperation. At the same time, this regime, even if it is maintained without direct American presence, corresponds to Washington's interests because it comes in line with the USA's New Silk Road strategy and its predecessor (or origin) the Greater Central Asia project.

Both of them (the strategy and project) challenge Russian leadership in the region that traditionally has been representing Moscow's foreign policy concerns. Nowadays, Russia does not pursue the implementation of significant economic projects within Afghanistan or other projects relating to that country,¹⁰³ but it is interdependent with CA republics, which (as shown by the information provided above) are involved in energy and infrastructure projects with Kabul's participation.

In such a manner, even if there are 14 members which are considered as "Heart of Asia" states – the regime largely promoted by the USA – the projects being implemented concern primarily five CA republics, Afghanistan and Pakistan (and India taking into account the TAPI gas pipeline), all of which are important for the establishment of the regime. Thus, Kazakhstan provides humanitarian support to Kabul,¹⁰⁴ participates in funding ANSF and the improvement of Kazakhstan-Afghanistan business relations and also offered \$50 mln for education programs for Afghanistan citizens in Kazakh universities. Turkmenistan plans to supply gas for the TAPI pipeline and implement the TAT railway project. Kyrgyzstan and Tajikistan participate in CASA-1000, while the latter is also committed to TAT.¹⁰⁵ Uzbekistan, which is seen as Washington's most probable ally in CA,¹⁰⁶ already has railway communication with Afghanistan from Haratan to Mazar-e-Sharif, supplies Kabul with electricity¹⁰⁷ and participates in the TUTAP project. India is a considerable donor to projects being carried out in Afghanistan (around \$2 billion),¹⁰⁸ in addition, Delhi's relations with Kabul is the key to CA (in particular to CA oil and gas resources and market).¹⁰⁹ And finally for Pakistan, which shares a 2500 km border with Afghanistan¹¹⁰ and where more than 15% of the population are Pashtun,¹¹¹ Afghanistan is not only a very close nation in religious and cultural terms, but also the largest market for Pakistan (the state ac-

¹⁰³D.TRENIN, O.KULAKOV, A.MALASHENKO and P.TOPYCHKANOV, "A Russian Strategy for Afghanistan after the Coalition Troop Withdrawal", *Carnegie Moscow Center*, May 22, 2014, <http://carnegie.ru/2014/05/22/russian-strategy-for-afghanistan-after-coalition-troop-withdrawal/hbdj> [26-07-2014].

¹⁰⁴K.MAKSUT, "Central Asia, Afghanistan and International Order...", *op. cit.*, p. 211.

¹⁰⁵J.LUDIN, T.URAZAYEV, R.BLAKE, M.OLCOTT and F.GRARE, "The Istanbul Process Ministerial: Results and Prospects for the Future", *Carnegie Moscow Center*, 26 April 2013, <http://carnegieendowment.org/2013/04/26/istanbul-process-ministerial-results-and-prospects-for-future/g05j> [26-07-2014].

¹⁰⁶Y.KIM and F.INDEO, "The New Great Game in Central Asia post 2014: The US "New Silk Road..."", *op. cit.*, p. 278.

¹⁰⁷J.LUDIN, T.URAZAYEV, R.BLAKE, M.OLCOTT and F.GRARE, "The Istanbul Process Ministerial: Results and Prospects for the Future", *op. cit.*

¹⁰⁸S.YOUSAF, "Afghanistan and the Region in 2013", *op. cit.*, p. 155.

¹⁰⁹D.UPADHYAY and D.ZAFAR, "Assessing India's Decade-long Engagement in Afghanistan", *Issue Brief by Indian Council of World Affairs*, 23 August 2013, pp. 1-2, <http://www.icwa.in/pdfs/IBAssessingIndias.pdf> [28-07-2014].

¹¹⁰S.YOUSAF, "Afghanistan and the Region in 2013", *op. cit.*, p. 153.

¹¹¹CIA, "Pakistan", *The World Factbook*, <https://www.cia.gov/library/publications/the-world-factbook/geos/pk.html> [15-08-2014].

counts for 46.96% of Afghan export and 14.23% of its import), while Karachi (in Pakistan) is the most important port for Afghanistan's external trade.¹¹²

In addition, it is necessary to say that the American approach to the region does not deny the importance of other institutions but implies uniting their capabilities to achieve stability in Afghanistan. Thus, peace in this country is not only the task of the USA and ISAF, but of the UN, SCO, Organization for Islamic Cooperation (OIC), the South Asian Association for Regional Cooperation, CSTO, the Conference on Interaction and Confidence Building Measures in Asia (CICA), the Economic Cooperation Organization, the Eurasian Economic Union and other institutions operating in the region of Central and Southern Asia.¹¹³

In this manner, in the CA region, Russian hegemony has been challenged by the USA which created an institutional base in the form of cooperation with the Heart of Asia states, implementation of whose projects implies uniting Central Asia with South Asia and putting Afghanistan in the center of the newly organized region. Realization of this project might take CA republics out of the traditional sphere of influence of the Russian Federation.

On the system level of analysis, both regions, the CA and EaP, USA and EU positions can be explained through application of Keohane's theoretical vision of Non-hegemonic cooperation, at the same time, another two external actors, which largely influence CIS region – China and Turkey – challenge and cooperate with Russia simultaneously. The positions of these two players are explained more precisely in the next part.

7.1.3. "Strategic parallelism": Russian relations with China and Turkey

Russian relations with China and Turkey can be explained by the term "strategic parallelism",¹¹⁴ which Richard Weitz used to explain Russian and Chinese positions concerning different regional and international issues. Thus, he finds that Beijing and Moscow frequently pursue "distinct but parallel policies"¹¹⁵ or promote "parallel but ...independent initiatives" toward security questions.¹¹⁶ Even if the term is used for Russian-Chinese nature of cooperation, the analysis demonstrates that it is appropriate for both external actors analyzed in the present part, i.e. Turkey and China.

In the Eastern Partnership region, securing Russian leadership largely depends on its relations with Turkey.

As stated in the previous chapter, it was the BTC pipeline construction which largely challenged the RF's hegemony in the sphere of transportation routes of Caspi-

¹¹²WITS Database (data corresponds to 2012).

¹¹³The order of organizations is listed as in the original. *Vid.* Article 13. "HEART OF ASIA" MINISTERIAL CONFERENCE, "Conference Declaration", *op. cit.*, 2 November 2011.

¹¹⁴R. WEITZ, *China-Russia Security Relations: Strategic Parallelism without Partnership or Passion?*, Los Angeles, University of California Libraries, 2008.

¹¹⁵*Ibid.*, p. 2.

¹¹⁶*Ibid.*, p. 126.

an oil and gas and which ended Russian monopoly on delivering oil and gas from Azerbaijan. Another project, where Baku plays the role of supplier, is the Trans Anatolian Natural Gas Pipeline (TANAP),¹¹⁷ construction of which was agreed to and signed by the governments of Azerbaijan and Turkey in 2011¹¹⁸ and completion is planned for 2017-2018.¹¹⁹ The pipeline aims to transport Azerbaijan's natural gas from the Shah-Deniz field to Europe via Turkey beginning from the Turkish-Georgian border,¹²⁰ where it should be linked to the Trans Adriatic Pipeline (TAP) to deliver gas via Greece and Albania to Italy¹²¹ (TAP's construction is planned to start in 2016).¹²² From Azerbaijan to Georgia gas should be delivered by the Baku–Tbilisi–Erzurum Pipeline (South Caucasus Pipeline), in parallel of which Azerbaijan's government plans to construct another one and put two more compressor stations that would increase its delivery capacity.¹²³ The TANAP project is primarily Azerbaijan's because its state company SOCAR holds 58% of its shares (Turkish Botas holds 30% and BP-12%),¹²⁴ while TAP's main shareholders are once again SOCAR (20%), Norwegian Statoil (20%), and BP (20%), among others there are Belgium Fluxys, Total (largest shareholders are from North America and France),¹²⁵ E.ON (based in Dusseldorf)¹²⁶ and Swiss Axpo (5%).¹²⁷

Regarding Russia, even if the TANAP project assures Azerbaijan's independence from the RF in the energy sphere, it is still in the interests of Moscow because, on the one hand developing TANAP Baku and Istanbul choose to supply Southern Europe leaving the Central European market to Russia,¹²⁸ while on the other hand, they do not support the Nabucco project (the main rival of Russian South Stream).¹²⁹ In

¹¹⁷МЕЖДУНАРОДНАЯ ЖИЗНЬ: МИРОВАЯ ЭНЕРГЕТИКА, "Турция - Ключевая Страна для Транспортировки Каспийского Газа на Европейские Рынки – Socar", 24 июня 2014, (INTERNATIONAL LIFE: WORLD ENERGY, "Socar: Turkey is the Key Country for Caspian Gas Transportation to Europe", June 24, 2014), <http://energyworld.interaffairs.ru/index.php/cinema/item/356-357> [27-07-2014].

¹¹⁸TRANS-ANATOLIAN NATURAL GAS PIPELINE PROJECT, "Trans-Anatolian Natural Gas Pipeline Project Environmental Impact Assessment Application File", March 2013, p. 1, http://www.tanap.com/en/wp-content/uploads/2013/03/TANAP_EIA_Application_File-1.pdf [10-08-2014].

¹¹⁹*Ibid.*, p. 4.

¹²⁰МЕЖДУНАРОДНАЯ ЖИЗНЬ: МИРОВАЯ ЭНЕРГЕТИКА, "Турция - Ключевая Страна для Транспортировки Каспийского Газа на Европейские Рынки – Socar", *op. cit.*, (INTERNATIONAL LIFE: WORLD ENERGY, "Socar: Turkey is the Key Country for Caspian Gas Transportation to Europe", *op. cit.*).

¹²¹EIA, "Azerbaijan", <http://www.eia.gov/countries/cab.cfm?fips=aj> [10-08-2014].

¹²²NATURAL GAS EUROPE, "TAP Confirms Plan to Start Pipeline Construction in 2016", July 08, 2014, <http://www.naturalgaseurope.com/tap-plan-start-pipeline-construction-2016> [10-08-2014].

¹²³Technical terms are used as in the original. EIA, "Azerbaijan", *op. cit.*

¹²⁴МЕЖДУНАРОДНАЯ ЖИЗНЬ: МИРОВАЯ ЭНЕРГЕТИКА, "Турция - Ключевая Страна для Транспортировки Каспийского Газа на Европейские Рынки – Socar", *op. cit.*, (INTERNATIONAL LIFE: WORLD ENERGY, "Socar: Turkey is the Key Country for Caspian Gas Transportation to Europe", *op. cit.*).

¹²⁵TOTAL, "Total at a Glance: A Global Energy Company", <http://www.total.com/en/corporate-profile/thumbnail/total-glance-global-energy-company> [11-08-2014].

¹²⁶E.ON, "Who We Are: An Overview", <http://www.eon.com/en/about-us/profile.html> [11-08-2014].

¹²⁷TRANS ADRIATIC PIPELINE, "TAP's Shareholders", <http://www.tap-ag.com/about-us/our-shareholders> [11-08-2014].

¹²⁸T.SEVIM, "Impact Of Coming Eurasian Union And Relations Between Russia And Turkey" in L.GRININ and I.ILVYN, *Globalistics And Globalization Studies: Aspect and Dimension Of Global Views*, Moscow, Uchitel Publishing House, 2014, p. 218.

¹²⁹*Ibid.*, p. 216.

addition, currently TANAP delivering capacity is 10 Bcf/y, which corresponds only to 1% of European demand,¹³⁰ and thus does not represent a great challenge.

What is more significant for Russia is monopolizing gas supply to Europe,¹³¹ for which relations with Turkey have special value. Even if the EU is highly interested in diversification of gas transportation routes and increasing the number of gas suppliers, it is difficult for Brussels to find an alternative to cooperation with Moscow. In the Eurasian continent, the most probable Russian rivals are Iran and Turkmenistan, where EU-Teheran collaboration is difficult due to the ambiguous geopolitical situation in which Iran finds itself nowadays,¹³² while in the case of Ashgabat, it gradually re-orientates its gas supply to Asia rather than Europe (which is studied later in the present part).

In this situation, shift in plans of implementation of the South Stream project and placing Turkey as the main transit country instead of Bulgaria makes Moscow and Istanbul highly interested in further collaboration. In this context, it is necessary to note that tensions between Russia and Europe provide Turkey with additional leverages over both sides increasing its “strategic importance”.¹³³ Thus, the Turkish Stream comes in line with Istanbul’s plan to become an energy hub and play a more important role in global affairs.¹³⁴ The commitments within this project allow Turkey to re-export Russian natural gas to third parties, which previous arrangements between these two countries did not permit.¹³⁵

Regarding Russian potential benefits, Moscow is not only interested in cooperation with Istanbul for implementation of its transportation projects, but also in expansion of its supply to Turkey¹³⁶ and research of its internal energy market including the sphere of gas distribution.¹³⁷ By implementing the “new South Stream” it assures its share in the Turkish natural gas market, which would otherwise decrease under the enlargement of Istanbul’s energy cooperation with the gas producers of its closest neighbors, i.e. Azerbaijan and Iran.¹³⁸

In such a manner, Russian interests in securing Central European and Turkish markets of natural gas do not contradict Turkish interests in playing a more important role in energy issues in Southern Europe and Eurasian continent in general, but at the

¹³⁰I.TALUKDAR, “Russia’s Foreign Policy in the Current Period: Continuation or a New Shift?”, *Issue Brief by Indian Council of World Affairs*, 11 June 2013, p. 5, <http://www.icwa.in/pdfs/IBRussiaForeignPolicy.pdf> [29-07-2014].

¹³¹Z.HUIRONG and W.HONGWEI, “China’s Energy Foreign Policy Towards the Caspian Region: the Case of Kazakhstan”, *op. cit.*, p. 191.

¹³²NATURAL GAS EUROPE, “The Resurrection Of South Stream”, *op. cit.*

¹³³N.ULCHENKO, “From South Stream to Turkish Stream: Underlying Reasons and Consequences of Transformation”, *op. cit.*, p. 10.

¹³⁴*Ibid.*, p. 9.

¹³⁵*Ibid.*

¹³⁶Z.HUIRONG and W.HONGWEI, “China’s Energy Foreign Policy Towards the Caspian Region: the Case of Kazakhstan”, *op. cit.*, p. 162.

¹³⁷T.BABALI, “Regional Energy Equations and Turkish Foreign Policy: The Middle East and the CIS”, *op. cit.*, p. 162.

¹³⁸N.ULCHENKO, “From South Stream to Turkish Stream: Underlying Reasons and Consequences of Transformation”, *op. cit.*, p. 9.

same time, Turkey brought an end to Russian monopoly over transiting Azerbaijan's oil. Both countries promote different but parallel policies with some contradictions and some rapprochements, which implies the "strategic parallelism" nature of their relations.

Some scientists note political rapprochement of Moscow and Istanbul since the conflict in 2008 (i.e. the war in South Ossetia and Abkhazia),¹³⁹ others find that they have changed after the 2007 elections in Turkey, after which Istanbul shifted its positioning in the world arena from the status of EU candidate country and American significant NATO ally to independent power in a global perspective.¹⁴⁰ However, different interpretations of Turkish-Russian rapprochement do not contradict the fact that there is a tendency towards enlargement cooperation between these two states, which lies not only in the sphere of natural gas issues but also in the nuclear collaboration chessboard.

Thus, Russia gained the right to construct the first Atomic Power station in Turkey¹⁴¹ – "Akkuyu" – whose construction will cost \$20 billion.¹⁴² The plant will be working on Russian schema "build-own-operate", which means that the whole process of atomic energy creation from construction to its operation is under responsibility of Rosatom.¹⁴³ For Russia, it is the first experience of constructing nuclear plants abroad.¹⁴⁴ Among others major deals of Russian business is the acquiring of the Turkish Denizbank by Russian Sberbank,¹⁴⁵ while in economic terms the most active trade between the two states comes from southern territories, regions related to energy transportation and republics where Turkic-speaking ethnics live¹⁴⁶ (such as Altai, Bashkortostan, Khakas Republic, Yakutia, Tatarstan and Tyva mentioned in the previous chapter).¹⁴⁷

¹³⁹See, for example, A.DRUZHININ, A.IBRAHIMOV and A.BASKAN, "Interaction of Russia and Turkey in the Post-Soviet Period: Factors, Trends, Problems, Prospects", *Regional Research of Russia*, Vol. 4, No. 2, 2014, p. 122; G.SANIKIDZE, "Turkey, Iran and the South Caucasus: Challenges for Regional Policy after the 2008 August War", *Electronic Journal of Political Science Studies*, Issue 2, 2011, p. 88, www.ceeol.com [11-08-2014].

¹⁴⁰See, for example, N.ULCHENKO, "From South Stream to Turkish Stream: Underlying Reasons and Consequences of Transformation", *op. cit.*, p. 9.

¹⁴¹T.BABALI, "Regional Energy Equations and Turkish Foreign Policy: The Middle East and the CIS", *op. cit.*, p. 163.

¹⁴²A.DRUZHININ, A.IBRAHIMOV and A.BASKAN, "Interaction of Russia and Turkey in the Post-Soviet Period: Factors, Trends, Problems, Prospects", *op. cit.*, p. 123.

¹⁴³РОСАТОМ, "Предприятия. ЗАО "Русатом Оверсиз", (ROSATOM, "Branches. "Rosatom Overseas" PC"), <http://www.rosatom.ru/aboutcorporation/enterprise/d368d6004ae7fa6eacd4bc54af117364> [11-08-2014].

¹⁴⁴КОММЕРСАНТ, "Росатом" Выделяет Зарубежные Проекты. Ими Займется Новая Компания "Росатом Оверсиз", 8 июня 2011, (KOMMERSANT, "Rosatom" Implements Projects Abroad. The Responsibility Lies on "Rosatom Overseas", June 8, 2011), <http://www.kommersant.ru/doc/1655960> [12-08-2014].

¹⁴⁵A.DRUZHININ, A.IBRAHIMOV and A.BASKAN, "Interaction of Russia and Turkey in the Post-Soviet Period: Factors, Trends, Problems, Prospects", *op. cit.*, p. 123.

¹⁴⁶*Ibid.*, p. 121.

¹⁴⁷In total there live around 12 million of Turkic-speaking ethnics in Russia which corresponds to 8.4% of its total population. *Vid. Ibid.*, p. 122.

As seen above, nowadays Turkey does not use institutions that might challenge Russian leadership in the EaP region of the CIS area, whose wide use was more common for Turkish policy toward the region in the early 1990s (taking into account institutions that unite Turkic-speaking nations). Moreover, there is rapprochement between the two countries and activation of their bilateral cooperation, which comes in line with changing of preferences and mutual shift from Western-orientated to multivector policy¹⁴⁸ (changes in Russian Foreign Policy concepts are studied in more details in the third section).

In the region of Central Asia, as seen in the previous chapter, another external actor who has interests, along with the EU and USA, is China. In Russian-Chinese relations Beijing plays a role similar to Istanbul's in Russian-Turkish relations: in major terms it seems to be Moscow's ally, but there are some chessboards where interests of these powers contradict each other.

Along with pursuing political stability in the region and the struggle against terrorism, China is interested in energy cooperation with Moscow since it comes with its policy of energy diversification.¹⁴⁹

As with other actors, China has been involved in the "pipeline wars"¹⁵⁰ or "Great Game" in the Caspian region.¹⁵¹ Even if it is not highly dependent on the oil that comes from CA republics (for example oil-rich Kazakhstan supplies only 4% of Chinese demand in crude oil),¹⁵² cooperation with them is beneficial for Beijing not only due to foreign affairs motives, but for at least two other internal reasons. Thus, on the one hand it decreases its high dependence on the Middle East countries¹⁵³ (which account for 52% of Chinese oil supply);¹⁵⁴ while on the other hand, purchasing hydrocarbons from CA by pipeline is less risky than receiving them via the sea.¹⁵⁵

The Chinese diversification policy of oil supply concerns three directions, two of which are CIS countries – Kazakhstan and Russia (the third one is Myanmar). In this sphere, Beijing succeeded in implementing two major projects. The first has already been mentioned, the Atasu-Alashankou oil pipeline constructed by Chinese CNPC and Kazakh KazMunaiGaz (KMG) for the supply of Kazakh and Russian oil to China, and the second is the Eastern Siberia-Pacific Ocean Pipeline (ESPO) construct-

¹⁴⁸I.TALUKDAR, "Russia's Foreign Policy in the Current Period: Continuation or a New Shift?", *op. cit.*, p. 3.

¹⁴⁹C.ZIEGLER and R.MENON, "Neomercantilism and Great-Power Energy Competition in Central Asia and the Caspian", *Strategic Studies Quarterly*, Vol. 8, No. 2, Summer 2014, p. 22.

¹⁵⁰G.SANIKIDZE "Turkey, Iran and the South Caucasus: Challenges for Regional Policy after the 2008 August War", *op. cit.*, p. 82.

¹⁵¹Z.HUIRONG and W.HONGWEI, "China's Energy Foreign Policy Towards the Caspian Region: the Case of Kazakhstan", *op. cit.*, p. 168.

¹⁵²Data is correspondent to 2013. EIA, "China", <http://www.eia.gov/countries/cab.cfm?fips=ch> [17-08-2014].

¹⁵³P.PAREJA ALCARAZ y C.GARCÍA SEGURA, "Las Necesidades Energéticas de Asia Oriental...", *op. cit.*, p. 32; Z.HUIRONG and W.HONGWEI, "China's Energy Foreign Policy Towards the Caspian Region: the Case of Kazakhstan", *op. cit.*, p. 187.

¹⁵⁴EIA, "China", *op. cit.*

¹⁵⁵Z.HUIRONG and W.HONGWEI, "China's Energy Foreign Policy Towards the Caspian Region: the Case of Kazakhstan", *op. cit.*, p. 176.

ed by Russian Transneft and completed in 2012, which transfers oil from oilfields in Eastern Siberia jointly exploited by Rosneft and CNPC.¹⁵⁶

In addition to cooperation in the sphere of oil supply diversification China looks for suppliers of natural gas, which is a relatively new phenomenon for its neighbourhood policy because only since 2007 has it become a gas-importing country, (before 2007 China was self-sufficient in gas and exported it).¹⁵⁷ In the field of gas supply diversification, Beijing actively cooperates with Russia on the one hand and with Uzbekistan, Turkmenistan and Kazakhstan on the other.

The first project China succeeded in implementing in order to diversify its natural gas supply was the Central Asian Gas Pipeline (CAGP) which allowed the transfer of gas from Turkmenistan by 2010 and from Kazakhstan, Uzbekistan and Turkmenistan by 2014¹⁵⁸ (Turkmenistan has become the major gas exporter for China)¹⁵⁹. This project challenged Russian leadership in the region especially in its relation with Turkmenistan, because it put an end to Russian monopoly on Turkmen gas transportation, which Russia bought and then re-exported to Europe at a higher price.¹⁶⁰ Implementation of the CAGP project followed after an explosion on the Central Asia-Center pipeline that connects Russia with Turkmenistan in April 2009, which temporarily halted supply by this pipeline, provoked expenses for Turkmenistan and made it look for new markets.¹⁶¹ The pipeline explosion also coincided with the Ukraine gas crisis and a decreasing of gas prices to \$US 280 per 1 000m³, while the fixed price for buying Turkmen gas was \$US 350 per 1 000m³,¹⁶² which made it loss-making for Russia to continue dealing with Turkmenistan.¹⁶³ However, for Russia, it is still beneficial to buy all surplus Turkmen gas (which it continues doing) in order not to allow Ashkhabad to go directly to European markets by bypassing Russia (i.e. participating in Nabucco).¹⁶⁴ Thus, even if the CAGP project contradicts Russian interests in the region, as it has challenged Russian monopoly on transportation of Caspian hydrocarbons, Russia did not lose too much from this deal between China and Turkmenistan because for Moscow it was more important to block Nabucco (making it difficult for

¹⁵⁶EIA, "China", *op. cit.*

¹⁵⁷Z.HUIRONG and W.HONGWEI, "China's Energy Foreign Policy Towards the Caspian Region: the Case of Kazakhstan", *op. cit.*, p. 168.

¹⁵⁸EIA, "China", *op. cit.*

¹⁵⁹BP, *BP Statistical Review on World Energy: Natural Gas*, June 2014, p. 28, <http://www.bp.com/content/dam/bp/pdf/Energy-economics/statistical-review-2014/BP-statistical-review-of-world-energy-2014-natural-gas-section.pdf> [11-09-2014].

¹⁶⁰F.AMINJONOV, "Challenges Along the Way Towards and Maximally Secure Central Asian Gas System" in A.HEINRICH and H.PLEINES (Eds.), *Export Pipelines from the CIS Region. Geopolitics, Securitization, and Political Decision-Making*, Stuttgart, Ibidem, 2014, p. 138.

¹⁶¹BBC, "China President Opens Turkmenistan Gas Pipeline", December 14, 2009, <http://news.bbc.co.uk/2/hi/asia-pacific/8411204.stm> [07-09-2014].

¹⁶²Such high price on Turkmen gas was agreed only in 2008, before 2008 the purchase price was around \$US 100-150 per 1000 m³, which made it beneficial for Gazprom to re-export gas. *Vid.* F.AMINJONOV, "Challenges Along the Way Towards and Maximally Secure Central Asian Gas System", *op. cit.*, p. 138.

¹⁶³*Ibid.*

¹⁶⁴A.КЛЮЧКИН, "Такой Теперь Я Друг: Ашхабад Оказался На Периферии Газпромовской Карты Мира" *Lenta.Ru*, 25 ноября 2009, (A.KLYUCHKIN, "Friends Nowadays" Ashkhabad On The Periphery Of Gazprom's Map Of The World", *Lenta.Ru*, November 25, 2009), <http://lenta.ru/articles/2009/11/25/turkmengas1/> [07-09-2014].

Ashkhabad to supply the pipeline) than to lose oligopoly on Turkmen gas buying. In other words, for Moscow it is even beneficial that Ashkhabad diversifies its transportation routes in the Asian direction because pursuing this policy it rejects any plans to compete with Russia on the European market.¹⁶⁵

In the sphere of gas supply diversification, China also widely cooperates with Russia and this cooperation seems beneficial for both sides. Thus, by signing the \$US 400 billion contract with China in May 2014,¹⁶⁶ for which both sides had been negotiating for around ten years, for Russia this opened a huge market of the Chinese North-East of around 180 mln consumers. This deal does not jeopardize Russian supply to Europe because there are new gas fields, which have never been intended for exportation to Europe and which are planned to be exploited in Eastern Siberia¹⁶⁷ and transported to China via the Sila Sibiri pipeline (The Force of Siberia).¹⁶⁸ In this context, the only threat to the deterioration of supply to Europe is if the Altai project is approved, because it implies the exploitation of Western Siberia gas reserves, which are traditionally used for European direction.¹⁶⁹

Coming back to the gradual increase of Chinese influence in the region, it is necessary to note that Beijing's interests are not limited to oil and gas exporting countries only (which are Kazakhstan, Turkmenistan and partially Uzbekistan). Tajikistan and Kyrgyzstan have also been involved in the sphere of Chinese influence. Thus, Kyrgyzstan for China plays the role of "terminal base" for the transition of Chinese goods to the markets of Middle East and neighboring Uzbekistan, for which Beijing actively supports Bishkek in the construction of transport infrastructure (Osh Sary-Tash Irkeshtam and Bishkek-Torygart highways), and raw material sources, as Kyrgyzstan is rich in gold and uranium. In addition, China invests in the hydropower industry of KR, which potentially could be beneficial because of its cheap production costs.¹⁷⁰ As for Tajikistan, China actively invests and provides loans to Dushanbe for the construction of electricity and road infrastructure and as in the case of Kyrgyzstan for the development of hydro energetics.¹⁷¹ Giving credits to CA republics is an im-

¹⁶⁵МЕЖДУНАРОДНАЯ ЖИЗНЬ: МИРОВАЯ ЭНЕРГЕТИКА, "Турция - Ключевая Страна для Транспортировки Каспийского Газа на Европейские Рынки – Socar", *op. cit.*, (INTERNATIONAL LIFE: WORLD ENERGY, "Socar: Turkey is the Key Country for Caspian Gas Transportation to Europe", *op. cit.*).

¹⁶⁶E.MAZNEVA and S.KRAVCHENKO, "Russia, China Sign \$400 Billion Gas Deal After Decade of Talks", *Bloomberg*, May 21, 2014, <http://www.bloomberg.com/news/2014-05-21/russia-signs-china-gas-deal-after-decade-of-talks.html> [07-09-2014].

¹⁶⁷А.ГРИВАЧ, "Окно в Азию", *Россия в Глобальной Политике*, 2 июля 2014, (A.GRIVACH, "Window to Asia", *Russia in Global Politics*, July 2, 2014), <http://www.globalaffairs.ru/number/Okno-v-Aziyu-16777> [24-07-2014].

¹⁶⁸РИАНОВОСТИ, "Газ для Поднебесной: Проекты "Сила Сибири" и "Алтай", 21 мая 2014, (RIANOVOSTI, "Gas for Celestial Empire: "Sila Sibiri" and "Altai" projects", May 21, 2014), <http://ria.ru/infografika/20140521/1008659818.html> [07-09-2014].

¹⁶⁹А.ГРИВАЧ, "Окно в Азию", *op. cit.*, (A.GRIVACH, "Window to Asia", *op. cit.*).

¹⁷⁰К.СЫРОЕЖКИН, "К Итогам Визита Си Цзиньпина в Центральную Азию: Кыргызстан", *Carnegie Endowment*, 23 сентября 2013, (K.SYROEZHKIN, "Results of Xi Jinping's visit to Central Asia: Kyrgyzstan", *Carnegie Endowment*, 23 September 2013), <http://carnegieendowment.org/2013/09/23/к-итогам-визита-си-цзиньпина-в-центральную-азию-кыргызстан> /gnws?reloadFlag=1#languages [08-09-2014].

¹⁷¹M.OLIMOV and S.OLIMOV, "Tajikistan And China Changing Images", *The Journal of Central Asian Studies*, Vol. 19, No. 1, 2010, p. 12.

portant feature of Chinese neighborhood policy,¹⁷² which is common not only for infrastructure building projects such as in Kyrgyzstan and Tajikistan, but also for oil and gas exporting countries that take the form of an “oil-for-loan deal”, as in the case of Kazakhstan, or a “gas-for-loan” in Turkmenistan.¹⁷³

Therefore, concerning the People’s Republic of China, its actions do not directly contradict Russian interests in the region and represent a gradual involvement of CA states in the sphere of Chinese influence. Such relations do not come in line with Nonhegemonic cooperation interpretation of international milieu of the CIS area because China does not promote the institutional exclusion of Russia but pursues its own strategic interests in the region. Instead of this, Moscow-Beijing relations can be explained by the term “strategic parallelism”.

Thus, reflecting Keohane’s theory on the CIS region it can be concluded that on the system level it represents a situation that the theorist calls Non-hegemonic cooperation. As shown above, nowadays there is no one single state that can control the entire system of international relations of CIS members (including former participants, i.e. Georgia). Thus, Russia, which played the role of hegemon during Soviet times, has lost its position under the pressure of external actors that widely promote institutions able to challenge Russian dominance. It is still the most powerful country among former Soviet republics due to its economic and military capabilities (as described in the second and third sections of the present chapter), but it is not the only hegemon. Concerning other significant actors (which are external ones), such as the USA and the EU, their interests are limited to certain zones of the Commonwealth rather than to pursuing influence in the entire post-Soviet area.

Concerning another external player interested in these CIS territories – Turkey – there is a rapprochement of Russian and Turkish positions, which excludes Istanbul as Russian rival, or at least its efforts to compete with Moscow’s leadership which are not highly institutionalized. The same can be said about Russian-Chinese relations that can briefly be explained as a “strategic parallelism” approach.

In accordance with Keohane, in the situation of Non-hegemonic cooperation, the role of institutions is increasing, which makes countries demand their establishment. The demand to international regimes when the system responds to certain conditions, to which the next section is dedicated.

7.2. Demand for Eurasian international regimes in terms of complex interdependence

Since the end of WWII the number of international regimes has increased dramatically, this is explained by Keohane as a will of states to stabilize and order relations among themselves in the light of increasing discord in the international arena

¹⁷²НЕЗАВИСИМАЯ, “Центральная Азия Становится Китайской”, 3 сентября 2013, (NEZAVISIMAYA, “Central Asia Is Becoming Chinese One”, September 3, 2013), http://www.ng.ru/cis/2013-09-03/6_asia.html [08-09-2014].

¹⁷³EIA, “China”, *op. cit.*

endogenous to the establishment of Nonhegemonic cooperation. In this situation, when the regulation role of regimes in interstate affairs has become more important demand for them from the part of the international community has also been rising. This statement of Keohane is taken as read in the present work and thus will not be practically confirmed. What needs practical application is the range of causes that the theorist points out aimed at explaining the factors that lead to the creation of international institutions.

As the immediate and primary cause that follows the establishment of regimes, which Keohane calls the rise of complex interdependence – the situation that occurs when states are mutually (but not symmetrically) dependent on each other in the sphere of major international transactions, among which he highlights the flow of people, money, goods and messages across borders.

Generally, the situation of complex interdependence might be summarized by the following concepts:

Complex interdependence is characterized by multiple channels of cooperation that cover transgovernmental, interstate, and transnational relations; absence of strong hierarchy of importance of common issues; and non-use of military power against the closest allies.

Even if military forces are not used when states are bound by complex interdependence, it does not mean that their importance should be neglected. As in the past, security issues prevail over any other national interests and in the case of complex interdependence, being in a joint military group benefits all players because it assures their security, which does not contradict the principle of non-use of military power within a biased community.

The ability of complex interdependence to lead to the establishment of institutional regimes rises when there is a limited number of cooperating states in a group. Once complex interdependence is established it is followed by further collaboration among bounded parties and enlargement of issues of common concern.

Complex interdependence is the most significant, but not the only factor, that makes countries establish international institutions. Among others are a favorable contractual environment, similarities in political, ideological and economic dimensions and well defined leadership within a community.

Contractual environment can be created when states' preferences overlap each other and there are common external constraints that force parties to cooperate.

Similarities concerning common features are states' form of governance, political views, and ideologies, where in accordance with Keohane, cooperation will be more effective if states share democratic values and recognize the capitalist system as the basis of their national economies.

Concerning well-defined leadership, Keohane finds that the most fruitful cooperation within a limited number of states is more likely to be achieved if there is a predominant leading country (or group of countries) in a group that best succeeds in managing relations within a community.

Proceeding now to the practical application of Keohane's institutionalist theory, some specifying notes should be made.

First, as complex interdependence is considered as the primary demand factor for the establishment of international institutions, it deserves the most attention. In the present chapter, the analysis of complex interdependence represents a first-cut of CIS states' dependence on each other (it will be considered in more detail in the eighth chapter, where transnational society is analyzed). It consists of analysis of multiple channels of cooperation; interdependence in international transactions; military interdependence and notes on absence of hierarchy of common issues and non-use of military power.

Second, as stated in the previous section dedicated to non-hegemonic cooperation, Keohane links the decrease of American hegemony in the world with the decline of its preferential positions in monetary, trade and energy regimes. As positions of the Russian Federation in these three fields of cooperation are also deemed to be important for understanding complex interdependence of CIS countries, some subsequent notes are also made within the framework of the present chapter.

Third, it also presents some notes regarding the remaining demand factors for international regimes pointed out by Keohane and considered in the present section as secondary ones (i.e. contractual environment, similarities, well-defined leadership), many of which are made on the basis of observations mentioned in the first chapter of the present work dedicated to the application of Hoffmann's theory.

In practical matters, the present section is divided into two parts, the first one deals with interdependence in multiple channels of cooperation and inter-state transactions, while the second is dedicated to interdependence in military and energy fields and gives an overview of the secondary demand factors for integrating institutions.

7.2.1. Complex interdependence in multiple channels of cooperation and international transactions

Transgovernmental relations within CIS countries, which are part of multiple channels of cooperation common for complex interdependence, are summarized in figure 6. Transgovernmental relations in this work are shown through the prism of membership in organizations created in the post-Soviet space. As all of them have already been mentioned in the previous chapter, institutional interconnectedness of all CIS states are shown in the table below.

Figure 6. Transgovernmental relations within CIS space: membership in institutions in the post-Soviet area, 1991-2014

States	Organizations						
	CIS	CSTO	SCO	GUAM	Institutions of Eurasian integration		
					EurAzEC	CU	SES
Armenia	+	+	-	-	observer	-	-
Azerbaijan	+	- membership 1993-1999	-	+	-	-	-
Belarus	+	+	-	-	+	+	+
Georgia	- membership 1993-2009	- membership 1993-1999	-	+	-	-	-
Kazakhstan	+	+	+	-	+	+	+
Kyrgyzstan	+	+	+	-	+	-	-
Moldova	+	-	-	+	observer	-	-
Russia	+	+	+	-	+	+	+
Tajikistan	+	+	+	-	+	-	-
Turkmenistan	+	associate member	-	-	-	-	-
Ukraine	+	associate member	-	-	observer	-	-
Uzbekistan	+	- membership 1993-1999 and 2006-2012	+	-	- membership 2006-2008	-	-

Source: Commonwealth of Independent States, <http://www.e-cis.info/>; Collective Security Treaty Organization, <http://www.odkb-csto.org/>; Shanghai Cooperation Organization, <http://www.sectco.org/>; EurAzEC, <http://www.evrazes.com/>; Organization for Democracy and Economic Development – GUAM, <http://guam-organization.org/en/node> (prepared by the author).

As shown in figure 6, where the case of Eurasian integration is analyzed, the closest institutional interdependence is common for Russia, Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, Belarus and partially Armenia. In the case of Belarus, the only organization with Russian participation where Minsk does not participate is SCO, because of the geographical irrelevance of Belarus to join it (as mentioned in the previous chapter the very idea of SCO is promotion of good neighborhood relations of former Soviet republics with China, with whom Belarus does not share a common border).

Interstate relations among states (or more precisely the frequency of bilateral meetings) might be seen from the amount of foreign trips of the Presidents of the Russian Federation to CIS states within the period under consideration summarized in figure 7. The reasons for these trips are divided into three blocks: interstate (bilateral) questions, transgovernmental (participation in summits) and transnational issues that

cover business deals or celebration of memorable historical dates (for example, related to the victory in the Great Patriotic War, as in the case of Belarus). As stated in the introduction, analysis in this part represents only the first cut of interdependence within Eurasian integration. Thus, transnational links among states will be analyzed more precisely in the eighth chapter where transnational society is concerned.

Figure 7. President trips of the Presidents of Russian Federation to CIS countries, 2007-2014

States	President trips of the Presidents of Russian Federation to CIS countries (2007-2014)					
	Interstate relations*			Transgovernmental relations*	Transnational relations*	Total
	Official visits	Working visits	Bilateral cooperation			
Armenia	1	-	1	1	-	3
Azerbaijan	2	1	1	-	1	5
Belarus	1	1	1	3	2	8
Georgia**	-	-	-	-	-	0
Kazakhstan	3	-	4	6	4	17
Kyrgyzstan	1	-	1	3	-	5
Moldova	-	-	-	1	-	1
Tajikistan	2	-	-	4	1	7
Turkmenistan	1	1	4	-	-	6
Ukraine	1	-	1	-	4	6
Uzbekistan	-	-	3	1	-	4

*Interstate relations imply issues of bilateral cooperation, Transgovernmental relations – issues of cooperation within international organizations, Transnational relations – business, cultural, social issues.

**One visit was paid to Abkhazia

Source: ПРЕЗИДЕНТ РОССИИ, “Карта Зарубежных Визитов”, (PRESIDENT OF RUSSIA, “Map Of Foreign Visits”), <http://news.kremlin.ru/visits> [13-09-2014] (prepared by the author).

As seen from figure 7, the most visited country by the Presidents of the Russian Federation from 2007 to 2014 is Kazakhstan, while Belarus and Tajikistan (by a considerable margin from Kazakhstan) are in second and third place respectively. The high level of Russian-Kazakh and Russian-Belarusian relations is also obvious from the fact that the first foreign visit by the President of the Russian Federation Dmitriy Medvedev was made to Kazakhstan in May 2008,¹⁷⁴ while Vladimir Putin made the first trip to Belarus in his third Presidential term.¹⁷⁵

However, for all CIS countries, a high level of interstate relations is common, the only countries that remain outside this are Moldova and Georgia (the Russian President visited Moldova only once during the seven years under consideration and

¹⁷⁴ПРЕЗИДЕНТ РОССИИ, “Государственный Визит в Казахстан: 22 – 23 мая 2008”, (PRESIDENT OF RUSSIA, “State Visit to Kazakhstan: 22-23 May 2008”), <http://news.kremlin.ru/visits/4551> [13-09-2013].

¹⁷⁵ЭКСПЕРТ, “В Гости к Лукашенко”, 14 мая 2012, (EXPERT, “Visit To Lukashenko”, May 14, 2012), <http://expert.ru/2012/05/14/v-gosti-k-lukashenko/> [13-09-2013].

did not visit Georgia at all (if not to take into account the visit to Abkhazia, which Russia recognized as an independent country).

Thus, multiple channels of cooperation (based primarily on the analysis of interstate and transgovernmental interactions summarized in the first and second tables) in a limited range is common most of all for Kazakhstan, Russia and Belarus and to some extent to the entire Eurasian group (including Kyrgyzstan and Tajikistan and partially Armenia), which corresponds to transgovernmental links. If interstate relations are analyzed, all former Soviet republics maintain a high level of bilateral relations with Russia, while Georgia and Moldova could be considered as an exception to this.

Proceeding now to interdependence in international transactions, which according to Keohane cover movement of people, goods, money and messages across borders, it is necessary to determine that in the present work, movement of people is understood as migration flows, movement of goods as trade relations, movement of money as movement of FDI and flow of messages as transport communication. The first three flows (migration, trade and investments) are consequently represented in the first, second and the third tables. The data they provide corresponds to 2007 since it is the year of activation of Eurasian integration (taking into account the establishment of the Customs Union). The further development of cooperation in these directions with the latest data will be shown in the ninth Chapter dedicated to the results of integration.

Concerning the transport flows, it is necessary to note that the existing interconnectedness of the CIS region inherited from the epoch of the Soviet Union has important value for their present cooperation. Thus, the Russian Trans-Siberian railway is interconnected with its neighbors. In such manner, its South Ural line passes through Ukraine and North of Kazakhstan (Petrovsk city); the Turkestan-Siberian line passes through Kazakhstan and Uzbekistan; the Baikal-Amur line goes via Belarus.¹⁷⁶ In addition to that, CIS countries are included in the possible routes of the Trans-Asian Railway project promoted by the UN ESCAP in order to develop Asian and Europe-Asian communications.¹⁷⁷ Transport communications will be studied more precisely in the eighth chapter, where negotiations for creation of a common transport market are concerned.

Concerning the migration flow (including migration for professional purposes), it is necessary to note that interdependence in this sphere has two major consequences – social, which shows the intercommunication among these countries, and economic, which demonstrates the financial value of this cooperation.

¹⁷⁶Vid. Map of Trans-Siberian railway. ТРАНСИБИРАСКАЯ МАГИСТРАЛЬ, “Транссибирская Магистраль и Другие Транзитные Линии Российской Федерации”), TRANS-SIBERIAN RAILWAY, “Trans-Siberian Railway and Other Main Transit Lines of Russian Federation), <http://www.transsib.ru/Map/transsib-passenger.gif> [13-09-2013].

¹⁷⁷UN ESCAP, *Development of the Trans-Asian Railway: Trans-Asian Railway in the North-South Corridor Northern Europe to the Persian Gulf*, United Nations Publications, 2001, p. 3, <http://www.unescap.org/resources/development-trans-Asian-railwaytrans-Asian-railway-north-south-corridor-northern-europe> [20-05-2014].

Figure 8. Migration interdependence within CIS community, 2005-2008

Countries	Emigration			Remittances, USD million				Immigration		
	Stock of emigrants	% of population	Top destination	Inward flows	% of GDP	Outward flows	% of GDP	Stock of immigrants	% of population	Top source countries
Armenia	812,700	26.9	Russia, USA, Ukraine, Georgia	1,175	18.3	155	2.4	235,235	7.8	Azerbaijan, Georgia, Russia, Iran
Azerbaijan	1,365,004	16.2	Russia, Ukraine, Armenia, Israel	812	4.0	300	1.5	181,818	2.2	Russia, Ukraine, Armenia, Israel
Belarus	1,799,790	18.4	Russia, Ukraine, Poland, Lithuania	334	0.9	93	0.3	1,190,944	12.2	Russia, Poland, Ukraine, Armenia
Georgia	1,024,598	22.9	Russia, Ukraine, Greece, Armenia	485	6.4	24	0.3	191,220	4.3	Russia, Armenia, Azerbaijan, Ukraine
Kazakhstan	3,710,351	25.0	Russia, Ukraine, Uzbekistan, Israel	188	0.2	3,037	3.9	2,501,779	16.9	Russia, Ukraine, Uzbekistan, Germany
Kyrgyzstan	615,290	11.7	Russia, Ukraine, Israel, Germany	739	27.4	145	5.4	287,791	5.5	Uzbekistan, Russia, Ukraine, Kazakhstan
Moldova	705,533	16.8	Russia, Ukraine, Romania, USA	1,182	36.2	85	2.6	440,121	10.5	Ukraine, Russia, Bulgaria, Belarus
Russia	11,480,137	8.0	Ukraine, Kazakhstan, Belarus, Israel	3,091	0.3	11,438	1.2	12,079,626	8.4	Ukraine, Kazakhstan, Belarus, Uzbekistan
Tajikistan	796,593	12.2	Russia, Uzbekistan, Ukraine, Israel	1,019	36.2	395	14.0	306,433	4.7	Uzbekistan, Russia, Kyrgyzstan
Turkmenistan	260,345	5.4	Russia, Ukraine, Israel, Latvia	n/a		n/a		223,732	4.6	Uzbekistan, Russia, Kazakhstan, Azerbaijan
Ukraine	6,081,890	13.1	Russia, Belarus, Kazakhstan, Uzbekistan	829	0.8	30	0.03	6,833,198	14.7	Russia, Belarus, Kazakhstan, Uzbekistan
Uzbekistan	2,185,539	8.2	Russia, Ukraine, Tajikistan, Kazakhstan	n/a		n/a		1,267,839	4.8	Russia, Tajikistan, Kazakhstan

Source: WORLD BANK, *Migration and Remittances Factbook 2008*, The World Bank, 2008, http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2008/03/14/000333038_20080314060040/Rendered/PDF/429130PUB0Migr101OFFICIALOUSEOONLY1.pdf [20-05-2014] (prepared by the author).

Concerning the social aspect of migration, it could be concluded that for all former Soviet countries a high level of interdependence in this sphere is common because for all of them the CIS partners are the main destinations of migration flow and its sources. As for the economic importance of this cooperation, Armenia, Kyrgyzstan, Moldova and Tajikistan are the main beneficiaries of migration interdependence because of the significance of money transfers made by workers primarily from the Russian Federation¹⁷⁸ for their national economies. The largest flow of immigrants comes from Kazakhstan, then Ukraine, Belarus and Moldova.

Another sphere of complex interdependence, where the CIS countries cooperate, is the economic one, and where superficial analysis could be made proceeding from data related to interstate trade represented in figure 9, corresponding to 2006-2007.

Figure 9. Trade among CIS countries in percentages of world total, 2006-2007

States	Imports by CIS			Exports by CIS			Export commodity groups	Export destinations	Importers
	Total	Asia*	Europe*	Total	Asia	Europe			
Armenia	31.6	9.5	22.1	19.7	5.4	14.3	Manufactures - 57.5 Fuels and mining prod. - 22.4; Agricultural products -14.5	EU - 46.8; Russian Federation 11.6; Israel 10.6	EU - 25.7; Russian Federation 13.7; Turkmenistan - 7.7.
Azerbaijan	39.8	10.9	28.9	14.6	8.6	6.0	Fuels and mining prod. - 88.4; Manufactures - 5.7; Agricultural prod. - 5.7	EU - 55.8; Israel - 10.7; Turkey - 6.1; RF - 5.4	EU - 29.8; RF - 22.4; Turkey - 7.3
Belarus	64.9	0.5	64.5	41.4	2.2	43.6	Manufactures - 50.3; Fuels and mining prod. -38.8; Agricultural prod. -9.3	EU - 45.5 RF - 34.7 Ukraine -6.3	RF - 58.6; EU - 22.3
Georgia	38.1	13.4	24.7	39.8	26.1	13.7	Manufactures - 46.0; Agricultural products - 25.6; Fuels and mining products - 23.4	EU - 18.9; Turkey - 12.6; Azerbaijan - 9.3; RF - 7.6	EU - 25.7; RF - 15.2; Turkey 14.2
Kazakhstan	46.7	3.0	43.7	14.6	2.9	11.6	Fuels and mining prod. - 79.8; Manufactures - 10.4; Agricultural prod. - 3.2	EU - 43.2; Switzerland - 17.6; RF - 9.8	RF - 38.3; EU- 26.4; China - 8.1
Kyrgyzstan	57.7	16.1	41.5	47.7	27.7	20.0	Manufactures - 31.9; Fuels and mining prod. - 22.4; Agricultural prod. - 18.6	Switzerland - 26.2; Kazakhstan - 20.5; RF - 19.4	RF - 38.0; China - 14.4; EU - 12.0; Kazakhstan - 11.6

¹⁷⁸М.БРАУНДБРИДЖ и С.КАНАГАРАДЖА, *Денежные Переводы и Макроэкономические Последствия Глобального Экономического Кризиса в Кыргызской Республике и Республике Таджикистан*, Всемирный Банк, 2009, с. 2, (M.BROUNDDBRIDGE and S.KARANADZHA, *Money Transfers and Macroeconomic Consequences of the Global Economic Crisis in Kyrgyz Republic and the Republic of Tajikistan*, World Bank, 2009, p. 2), <http://siteresources.worldbank.org/INTECA/Resources/CanagarajahRemittancesR.pdf> [20-05-2014].

States	Imports by CIS			Exports by CIS			Export commodity groups	Export destinations	Importers
	Total	Asia*	Europe*	Total	Asia	Europe			
Moldova	40.3	n/a	n/a	37.9	n/a	n/a	Manufactures - 51.6; Agricultural products -44.8; Fuels and mining products - 3.6	EU - 35.0; RF - 17.3; Romania - 14.8	EU - 31.1; Ukraine -19.2; RF – 15.5
Russia	16.2	4.3	11.9	14.0	4.5	9.5	Fuels and mining prod. - 68.0; Manufactures - 19.8; Agricultural prod. - 5.6	EU - 56.7; China - 5.2; Ukraine 5.0; Turkey – 4.7; Belarus -4.3	EU - 43.9; China - 9.4; Ukraine – 6.7; Japan – 5.7; Belarus – 5.0
Tajikistan	63.8	n/a	n/a	13.3	n/a	n/a	Fuels and mining prod. - 59.3; Agricultural prod. - 14.4; Manufactures -11.3	RF - 37.4; EU - 35.2; Uzbekistan 14.1	Uzbekistan - 28.8; RF - 16.2; Ukraine - 13.1; Kazakhstan - 12.8
Turkmenistan	29.5	n/a	n/a	57.2	n/a	n/a	Fuels and mining prod. - 81.4; Agricultural prod. - 10.2; Manufactures - 6.9	RF - 41.1; EU - 18.9; Iran - 9.7	RF - 14.3; Turkey - 14.2; EU - 13
Ukraine	44.8	11.2	33.7	33.0	5.5	27.5	Manufactures - 71.9; Fuels and mining prod. - 13.6; Agricultural prod. - 13.4	EU - 28.3; RF - 22.5; Turkey - 6.2	EU - 34.7; RF - 30.6; Turkmenistan – 7.8
Uzbekistan	50.6	n/a	n/a	47.5	n/a	n/a	Manufactures – 25.9; Agricultural prod. – 20.0 Fuels – 13.7 Mining -13.6	EU – 25.4	EU – 20.2

*Asian CIS countries are Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan; European CIS countries are Belarus, Ukraine, Moldova and Russian Federation.¹⁷⁹

Source: For imports/exports to/from CIS regarding Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Russia and Ukraine, UNITED NATIONS, *International Trade Statistics Yearbook: 2006*, Vol. I, Trade by country, New York, United Nations, 2008; to/from Moldova and Tajikistan, МЕЖГОСУДАРСТВЕННЫЙ СТАТИСТИЧЕСКИЙ КОМИТЕТ СТРАН СНГ, Содружество Независимых Государств и Европейский Союз: Статистические данные 2008, сс. 144-145, (INTERSTATE STATISTICAL COMMITTEE OF CIS COUNTRIES, Commonwealth of Independent States and the European Union: Statistical Data 2008, pp. 144-145), <http://www.cisstat.com/public/cis-ec.pdf> [16-05-2014]; to/from Turkmenistan, РЕГИОНАЛЬНОЕ БЮРО ПРООН ПО СТРАНАМ ЕВРОПЫ И СОДРУЖЕСТВА НЕЗАВИСИМЫХ ГОСУДАРСТВ, Помощь в Целях Развития Торговли – Туркменистан, 2010, с. 39, (REGIONAL UNDP AGENCY FOR EUROPE AND COUNTRIES OF THE COMMONWEALTH OF INDEPENDENT STATES, Development Support in Trade – Turkmenistan, 2010, p. 39), http://europeandcis.undp.org/uploads/public1/files/RUS_Aid%20for%20Trade%20Needs%20Assessmnt_Turkmenistan.pdf [16-05-2014]; to/from Uzbekistan, THE STATE COMMITTEE OF THE REPUBLIC OF UZBEKISTAN ON STATISTICS. "Basic economic and social indicators", Quarterly report – 2008, <http://www.stat.uz/en/reports/136/> [16-05-2014]; for main export commodity groups, main export destinations and main importers regarding all CIS countries except Uzbekistan, WTO, *Trade Profiles 2007*, http://www.wto.org/english/res_e/booksp_e/anrep_e/trade_profiles07_e.pdf [14-04-2014]; regarding Uzbekistan, UNCTAD, *UNCTAD Handbook Of Statistics: 2008*, New York and Geneva, United Nations Publication, 2008, pp. 61; 71; 131 (prepared by the author).

As demonstrated in figure 9, for each of the CIS countries, its partners within the Commonwealth represent a valuable share in its foreign trade, which makes it possible to conclude that economic interdependence is common for all former Soviet republics. However, beneath the surface, it is seen that there is a trade imbalance in favor (primarily it concerns imports) of European CIS countries (first of all, RF). Con-

¹⁷⁹Vid. INDICADORES DE DESARROLLO DEL MILENIO, "Agrupaciones a Nivel Mundial y Regional", <http://mdgs.un.org/unsd/mdg/Host.aspx?Content=Data/Regional/cis.htm> [11-04-2014].

cerning Russia, it should also be noted that even if CIS members are not its main trade partners, their markets are important for Russian entrepreneurs because of their export value. As for Belarus, Kazakhstan, Turkmenistan and Kyrgyzstan, Russia maintains its position as the main exporter to them (the same could be partially said about Ukraine where Russian exports are slightly lower than EU exports).

Figure 10. Investments interdependence of Russian Federation with the rest of CIS countries (in thousands USD), 2007

Countries	RF's FDI to CIS countries		CIS countries' FDI to RF	
	Invested in 2007	% of total RF's FDI stock in CIS	Invested in 2007	% of total FDI stock in RF from CIS
Armenia	3,907	0.1	24,482	0.5
Azerbaijan	8,994	0.3	95,165	2.0
Belarus	1,314,092	48.7	955,772	20.5
Georgia	433	0.0	9,275	0.2
Kazakhstan	445,068	16.5	1,468,720	31.4
Kyrgyzstan	207,718	7.7	534,177	11.4
Moldova	4,248	0.2	21,416	0.5
Tajikistan	105,683	3.9	30,672	0.7
Turkmenistan	0.4	0.0	2,198	0.1
Uzbekistan	93,040	3.6	60,498	1.3
Ukraine	513,580	19.0	1,468,975	31.4

Source: ФЕДЕРАЛЬНАЯ СЛУЖБА ГОСУДАРСТВЕННОЙ СТАТИСТИКИ РФ, "Инвестиции России в Экономику Стран СНГ", (FEDERAL SERVICE OF STATE STATISTICS OF RF, "Russian Investments to the Economies of the CIS countries"), http://www.gks.ru/bgd/regl/B07_05/IssWWW.exe/Stg/d040/30.htm [16-05-2014]; ФЕДЕРАЛЬНАЯ СЛУЖБА ГОСУДАРСТВЕННОЙ СТАТИСТИКИ РФ, "Инвестиции Стран СНГ в Экономику России", (FEDERAL SERVICE OF STATE STATISTICS OF RF, "Investments of the CIS countries to the Economy of RF"), http://www.gks.ru/bgd/regl/B07_05/IssWWW.exe/Stg/d040/31.htm [16-05-2014] (prepared by the author).

Another important sphere of complex interdependence interrelated with economy is one of mutual investments, which is represented in figure 10 and concerns interdependence of Russia with the rest of the CIS countries due to the major value of its economy in the Commonwealth.

As can be concluded from the table, the closest investments interdependence with Russia is common for Belarus, Ukraine, Kazakhstan and Kyrgyzstan, which are both the main recipients of Russian investments in the CIS and the main investors from the CIS countries to the economy of the RF. In the case of Armenia and Tajikistan, even if the amount of Russian investments in these countries is not very high, as documented in the first chapter, Russia is the main investor for them (see chapter 6, figure 3: "Foreign Direct Investments in the CIS countries"), which allows for the conclusion that they are also interdependent with Russia.

Apart from interdependence in multiple channels of cooperation and international transactions, there are two other chessboards, which are very important for maintaining Russian leadership in the region – military presence and energy – both studied in the next part.

7.2.2. Complex interdependence in military and energy issues and secondary demand factors for integration

As mentioned in the introduction, another sphere of complex interdependence is the military one, which may be seen in dimensions of military cooperation within the CSTO; military presence of the Russian Federation in former Soviet countries and dependence of CIS countries on arms imports.

Figure 11. Military interdependence within CIS, 2014

Country	Number of entities	Military facilities of Russian Federation in the territory of the CIS country	CSTO membership	Main weapons supplier
Armenia	1	102 Military Base in Gyumri	+	Russia
Azerbaijan	1	Qabala radar station (closed in 2013)	-	Russia
Belarus	2	Hantzevichi Volga-type radio-radar station	+	Russia
		Vileyka area-based communication center with the RF's naval forces		
Kazakhstan	7	The 5 th State Testing Field of the RF Ministry of Defense (Baikonur Cosmodrome)	+	Russia
		The 4 th State Multi-service Testing Field of the RF Ministry of Defense "Kapustin Yar" (Atyrau and West Kazakhstan province)		
		The 20 th detached testing station and two tracking stations IP-I, IP-II (West Kazakhstan Province)		
		The 10 th State Testing Field of the RF Ministry of Defense (Sary-Shagan polygon)		
		The 5580 th testing base (Emba polygon)		
		The detached radio-technical point of the 3rd detached army of ballistic missile defense of the Russian Space Forces (Balhash – 9)		
The Separate regiment of transport aircraft of the Russian Air Forces (Kostanai airport)				
Kyrgyzstan	4	The 999 th airbase in Kant	+	Russia
		The 954 th Testing field of anti-submarine weapons "Koi-sary"		
		The 338 th point of communication of the Russian Naval Forces		
		The 1 st Automatic Seismic Station		
Tajikistan	2	201 st Military Base	+	Russia
		Electro-optical space monitoring complex "Nurek"		
Ukraine	1	Black Sea Fleet*	-	The EU
Georgia**	2	Military base in Abkhazia	-	Ukraine
		4 th military base in South Ossetia		
Turkmenistan		No Russian military presence	-	Russia
Uzbekistan		No Russian military presence	-	Russia
		Peacekeeping missions with Russian forces participation		
Moldova	1	Moldovan-Transnistrian-Russian peacekeeping forces (coordinated with OSCE Mission)	-	Romania
Russia			+	Ukraine

*Starting from 1997, the location site of the Black Sea Fleet was rented by the RF for 20 years;¹⁸⁰ in 2014, Crimea together with Crimean port of BSF in Sevastopol was merged with the RF.¹⁸¹

¹⁸⁰Vid. Стаття 25. РОССИЙСКАЯ ФЕДЕРАЦИЯ И УКРАИНА, "Соглашение между Российской Федерацией и Украиной О Статусе И Условиях Пребывания Черноморского Флота Российской Федерации На Территории Украины", 28 мая 1997, (Vid. Article 25. RUSSIAN FEDERATION AND UKRAINE, "Agreement between Russian Federation and Ukraine on the Status And Conditions Of Location Of Black Sea Fleet Of The Russian Federation On The Territory Of Ukraine, May 28, 1997), http://www.mid.ru/bdcomp/spd_md.nsf/0/5221E88C80C7ABC444257CC80037C932 [22-05-2014].

**Russian military presence in the territories of Abkhazia and South Ossetia are legalized by Russian recognition of independence of these republics.¹⁸²

Sources: For military bases in Azerbaijan, Armenia, Belarus, Kazakhstan and Tajikistan, РИА НОВОСТИ, "Российские Военные Базы за Рубежом", РИА НОВОСТИ, ("Russian Military Bases Abroad"), <http://ria.ru/spravka/20140326/1001038148.html> [13-04-2014]; in Kyrgyzstan, Turkmenistan and Uzbekistan, Н.КУТНАЕВА, "Иностранные Военные Базы на Территории Постсоветской Центральной Азии", *Центральная Азия и Кавказ*, Том 13, Выпуск 2, 2010, сс. 90-91, (N.KUTNAYEVA, "Foreign Military Bases on the Territory of the Post-Soviet Central Asia", *Central Asia and Caucasus*, Vol. 13, Issue 2, 2010, pp. 90-91).

For peacekeeping missions with Russian forces participation, S.MACFARLANE, "Regional Peacekeeping in the CIS" in R.THAKUR and A.SCHNABEL (Eds.), *United Nations Peacekeeping Operations: Ad hoc Missions, Permanent Engagement*, New York, United Nations University Press, 2001, pp. 78; 84.

For weapons suppliers, for all CIS countries except Moldova and Ukraine, SIPRI (Stockholm International Peace Research Institute) database, <http://www.sipri.org>; for Moldova and Ukraine, THE UN REGISTER OF CONVENTIONAL ARMS: The Global reported Arms Trade database, <http://www.unregister.org> (prepared by the author).

As is seen in figure 11, the only two CIS countries that do not have a Russian military presence are Uzbekistan and Turkmenistan; the largest part of Russian military facilities abroad comes within the territory of the Republic of Kazakhstan. As for other states, in the case of Caucasus, Russian military presence was justified by its peacekeeping mission, while in the CA region it was legitimized by CSTO membership.¹⁸³ In all these cases, the conditions of military facilities of the Russian Federation and peacekeeping missions with its participation are the subjects of bilateral regulations between Russia and CIS countries. In the case of exports of Russian arms to former Soviet republics, Moscow has saved its privileged positions in the arms market of Azerbaijan, Armenia, Belarus, Kazakhstan, Kyrgyzstan, Uzbekistan, Turkmenistan, Uzbekistan and Tajikistan. The markets where it has lost its dominance are those of Ukraine, Georgia and Moldova.

As for non-use of military forces within the community bound by complex interdependence, it should be noted that, as mentioned in the previous chapter, officially there was never any open interstate conflict among former Soviet republics. However, there were two conflicts where two independent CIS states were involved which are the Nagorno Karabakh conflict (Armenia and Azerbaijan) and to some extent the war in South Ossetia and Abkhazia in 2008 (Georgia and Russia). In the first case, Armenia and Azerbaijan are not interdependent with each other and diplomatic rela-

¹⁸¹РОССИЙСКАЯ ФЕДЕРАЦИЯ И РЕСПУБЛИКА КРЫМ, "Договор Между Российской Федерацией И Республикой Крым О Принятии В Российскую Федерацию Республики Крым И Образовании В Составе Российской Федерации Новых Субъектов", 18 марта 2014, (RUSSIAN FEDERATION AND THE REPUBLIC OF CRIMEA, "Treaty Between Russian Federation And The Republic Of Crimea On Admission Of The Republic Of Crimea To Russian Federation And Establishment Of New Region Of Russian Federation", March 18, 2014). <http://kremlin.ru/news/20605> [14-09-2014].

¹⁸²Russian military base in Abkhazia is based on Russian peacekeeping forces employed in 131 Separate Motorized Brigade; military base in South Ossetia is based on 693rd motorized rifle regiment and 19th motorized rifle division. *Vid.* РИА НОВОСТИ, "В Абхазии Отметили 20-Летие Ввода Российских Миротворцев", 26 июня 2014 (RIANOVOSTI, "Abkhazia Celebrates 20 Years of Fielding Peacekeeping Forces", June 26, 2014), http://ria.ru/defense_safety/20140711/1015504185.html [10-08-2014] ; ИНФОРМАЦИОННОЕ АГЕНТСТВО РЕСПУБЛИКИ ЮЖНАЯ ОСЕТИЯ, "На 4-й Российской Военной Базе в Южной Осетии Проведены Контрольные Стрельбы", 16-04-2011 (INFORMATION AGENCY OF THE REPUBLIC OF SOUTH OSSETIA, "4th Russian Military Base Holds Verification Fire", April 16, 2011), <http://www.rsonews.org/ru/news/20110416/02994.html> [10-08-2014].

¹⁸³Е.КЛИМЕНКО, "Центральная Азия Как Региональный Комплекс Безопасности", *op. cit.*, p. 12, (E.KLIMENKO, "Central Asia as Regional Security Complex", *op. cit.*, p. 12).

tions have not been established between them.¹⁸⁴ In the case of the second conflict, at the outset, Russia and Georgia did not belong to the same collective defense community and their interdependence had already largely decreased. For example, in trade Russia accounted for 7,6% of Georgian export and 15,2% of its imports, which is not very high compared with other CIS states; while in energy, the main exporter of fuels to Georgia since construction of the BTC pipeline is Azerbaijan (see figures 9 and 12). Simultaneously, within the military interdependent community of the Eurasian group of states (i.e. CSTO), there was no interstate conflict, which confirms Keohane's thesis on non-use of military force among states bound by complex interdependence.

Concerning Keohane's statement on the absence of hierarchy of issues in the case of cooperation among interdependent states, subsequent confirmation will be made in the next section where the institutional base of collaboration of Eurasian states is analyzed.

As stated in the introduction, another sphere of interdependence that will be analyzed in the present chapter is one related to those fields where the USA lost its hegemony, which to a large extent led to the establishment of Non-hegemonic cooperation. According to Keohane, these fields are energy, trade, and international monetary regimes. Even if it is difficult to compare American hegemony in the world and Russian hegemony in the CIS space, analysis shows that decrease of Russian predominance among former Soviet republics has coincided with loss of hegemonic positions in the three spheres of cooperation.

Thus, in monetary affairs, introduction of own currencies not only meant more sovereignty for newly independent states, but also allowed them to pursue independent monetary policies,¹⁸⁵ which led to the subsequent collapse of the united monetary system. Even if some of the CIS republics tried to stay in the ruble zone (such as Kazakhstan and Uzbekistan),¹⁸⁶ their efforts became meaningless after Russia had replaced Soviet currency with the Russian ruble in the summer of 1993,¹⁸⁷ after which all countries introduced their own currencies. Therefore, there is a clear collapse of Russian hegemony in monetary issues.

In the case of trade, as was already mentioned on the basis of figure 9, Russia is still dominant in the internal markets of some CIS countries, whereas at the same time in the majority of other markets (in particular Uzbekistan, Ukraine, Tajikistan, Moldova, Georgia, Armenia and Azerbaijan) it has lost its preferential positions. In this field, it can be concluded that current trade relations assure Russian leadership within the CIS (taking into account only CIS countries without considering external players), but they do not imply Russian hegemony.

Another sphere where Russian hegemony was challenged is energy. Figure 12 represents energy interdependence, where from one side states-exporters of gas and

¹⁸⁴MFA OF ARMENIA, "Bilateral Relations between the Republic of Armenia and the Republic of Azerbaijan", <http://www.mfa.am/en/country-by-country/az/> [15-09-2014].

¹⁸⁵L.GOLDBERG, B.ICKES and R.RYTERMAN, "Departures From The Ruble Zone: The Implications of Adopting Independent Currencies", *World Economy*, Vol. 17, Issue 3, May 1994, p. 239.

¹⁸⁶P.KUBICEK, "Regionalism, Nationalism and Realpolitik in Central Asia", *Europe-Asia Studies*, Vol. 49, Issue 4, p. 643.

¹⁸⁷V.PAPAVA, "The Evolution of Economic Relations Between Georgia and Russia in the Post-Soviet period...", *op. cit.*, p. 53.

oil are dependent on different levels in other countries within the CIS for the transportation of their fuels, while state-importers on supply of these commodities.

Figure 12. Energy interdependence within CIS, 2010-2014

Countries	Oil exporters			Gas exporters				Importers of oil and gas		
	Re-serves,* thousand mln barrel	Share in world reserves	Consumers**	Re-serves,* trillion m ³	Share in world re- serves	Total ex- port, billion m ³	Consumers, billion m ³	import of gas, billion m ³	Gas suppliers, billion m ³	Suppliers of fuels, % of total supply
Armenia	-	-	-	-	-	-	-	1.47	Russia 1.47	Russia (58); Iran (12); Romania (8.3)
Azerbaijan	7.0	0.4%	Italy, France, Israel	0.9	0.5%	7.19	Turkey (4.96); Georgia (1.33)	0.42	Iran 0.42	-
Belarus	-	-	-	-	-	-	-	18.1	Russia 18.1	Russia (95); Venezuela(1.5); Ukraine (1.5)
Georgia	-	-	-	-	-	-	-	1.52	Azerbaijan (1.33); Russia (0.19)	Azerbaijan (40); Romania (16.9); Bulgaria (14.5)
Kazakhstan	30	1.8%	Italy, China, Netherlands, France, Austria	1.5	0.8%	11.8	Russia (11.5); other CIS m-s: Moldova, Kyrgyzstan (0.2); China (0.1)	1.30	Russia 1.30	-
Kyrgyzstan	-	-	-	-	-	-	-	0.28	Kazakhstan (0.04); Uzbekistan (0.24)	Russia (86.3); Kazakhstan (10.5)
Moldova	-	-	-	-	-	-	-	1.02	Russia (0.58); Kazakhstan (0.44)	Romania (42.5); Russia (18.9)
Tajikistan	-	-	-	-	-	-	-	0.20	Uzbekistan 0.20	Uzbekistan
Turkmenistan	0.6	-	-	17.5	9.4%	40.1	China (24.4); Russia (9.9)	-	-	Russia (54.9); Lithuania (16)
Uzbekistan	0.6	-	-	1.1	0.6%	15.7	Russia (11.86); Kazakhstan (1.90); Poland (1.50); Kyrgyzstan (0.24); Tajikistan (0.20)	-	-	Kazakhstan
Ukraine	-	-	-	0.6	0.3%	-	-	26.9	Russia 25.1; other Europe	Russia (68.6); Belarus (14.8); Kazakhstan (4.7)

Countries	Oil exporters			Gas exporters				Importers of oil and gas		
	Re-serves,* thousand mln barrel	Share in world reserves	Consumers**	Re-serves,* trillion m ³	Share in world re-serves	Total export, billion m ³	Consumers, billion m ³	import of gas, billion m ³	Gas suppliers, billion m ³	Suppliers of fuels, % of total supply
									1.8	
Russia	93	5.5%	Europe (76%) particularly Germany; Netherlands; Poland; Turkey	31.3	16.8%	211.3	Germany (39.8); Turkey (26.2); Ukraine (25.1) Italy (24.9); Belarus (18.1)	27.8	Kazakhstan 11.5; Turkmenistan 9.9; other CIS m-s: Uzbekistan (6.4)	-

*Proved oil and gas reserves by 2013

** In the figure only the main gas and oil consumers and only the main gas and oil suppliers are stated

Source: For oil and gas reserves, BP, *BP Statistical Review of World Energy*, June 2014, pp. 6; 31, <http://www.bp.com>; for main suppliers of fuels for CIS countries, WITS database, (for all states except Turkmenistan data corresponds to 2012, for Turkmenistan – to 2000); for main gas suppliers and main gas consumers for/from CIS countries, BP, *BP Statistical Review*, June 2014, p. 28; BP, *BP Statistical Review Of World Energy*, June 2010, p. 31, <http://www.bp.com>. For main oil consumers from CIS countries, for Azerbaijan, WITS database (data corresponds to 2012); for Kazakhstan, EIA, “Kazakhstan”; for Russia, EIA, “Russia”, Е.СЛОБОДЯН, “Газотранспортные Маршруты России: Инфографика”, АИФ, 28 марта 2014, (E.SLOBODYAN, “Russian Gas Transportation Routes: Graphic information”, АИФ, March 28, 2014), <http://www.aif.ru/infographic/1134180> [17-05-2014] (prepared by the author).

Thus, analyzing the above data, it can be summarized that the main oil exporters in the CIS space are Russia, Kazakhstan and Azerbaijan. Armenia, Belarus, Ukraine, Kyrgyzstan, Turkmenistan are dependent on Russian supply of fuels. Georgia and Moldova are not dependent on Russia because Georgia is more dependent on Azerbaijan, and Moldova on Romania. Uzbekistan is dependent on Kazakhstan for oil supply.

Among the gas exporting countries are Russia, Turkmenistan, Kazakhstan, Azerbaijan, and Uzbekistan. Armenia, Belarus and Ukraine are totally dependent on Russian gas supply because for Belarus and Armenia it is the only supplier, while Ukraine is dependent on Russian gas for more than 90% of its supply.¹⁸⁸ Moldova is also dependent on gas supply from Russia but to a lesser extent than Belarus, Ukraine and Armenia because more than 40%¹⁸⁹ of the gas it imports comes from Kazakhstan. Georgia, Kyrgyzstan and Tajikistan are not dependent on Russian supply because Georgia depends on Azerbaijan, while Kyrgyzstan and Tajikistan depend on Uzbekistan.

Figure 12 above provides an understanding of the dependence of oil and gas importers of CIS partners. To understand exporters' interdependence it is useful to analyze the transportation routes of oil and gas pipelines represented in figure 13. In this figure, only existing routes operating export-orientated routes are analyzed therefore excluding routes used for domestic purposes.

¹⁸⁸Calculation is made by the author on the basis of data provided in the figure 12.

¹⁸⁹Calculation is made by the author on the basis of data provided in the figure 12.

Figure 13. Oil and gas transportation routes of oil and gas export from CIS countries, 2014

Countries	Fuels % in exports	Oil pipelines			Gas pipelines		
		Route	Transit country	Transportation capacity	Route	Transit country	Transportation capacity
Azerbaijan	93.42	Baku-Tbilisi-Ceyhan	Via Georgia to Turkey	1.0 mln bbl/d	Baku-Tbilisi-Erzurum	Via Georgia to Turkey	300 Bcf/y
		Baku-Supsa	Goes to Georgia	145,000 bbl/d	Gazi-Magomed-Mozdok Pipeline	Goes to Russia	35 Bcf/y
		Baku-Novorossiysk	Goes to Russia	100,000 bbl/d	Iran-Nakhchivan Pipeline	To Iran (for Nakhchivan supply)*	15-65 Bcf/y
Russia	70.29	Druzhba. Northern Route	Via Belarus to Poland, Germany	2 mln bbl/d	Yamal-Europe I	Via Belarus to Germany and Poland	1.2 Tcf/y
		Druzhba. Southern Route	Via Belarus and Ukraine to Slovakia, Czech Republic, Hungary				
		Eastern Siberia-Pacific Ocean (ESPO) Pipeline	Directly to China	0.6 mln bbl/d	Nord Stream	Goes directly to Germany by Baltic Sea	1.9Tcf/y
		North-West Pipeline System	via Belarus to Latvia, Lithuania	0.3 mln bbl/d	Yamburg-Uzhgorod, Orenburg-Uzhgorod, Urengoy-Uzhgorod, and Dolina-Uzhgorod	via Ukraine to Germany, Italy and France	1Tcf/y
					Blue Stream	Goes to Turkey by Black Sea	560Bcf/y
					North Caucasus	to Georgia and Armenia	350Bcf/y
Kazakhstan	69.88	Caspian Pipeline Consortium	via Russian territory	614,000 bbl/d	Central Asia Centre Pipeline (CAC)	Goes to Russia	6.4 Bcf/d
		Uzen-Atyrau-Samara Pipeline	via Russian territory	600,000 bbl/d	Bukhara-Urals Pipeline	Goes to Russia	770 MMcf/d
		Kazakhstan-China Pipeline	directly from Kazakhstan's Atyrau port to Chinese Alashankou	252,000 bbl/d	Bukhara-Tashkent-Bishkek-Almaty Pipeline	Kyrgyzstan, Uzbekistan (to supply Central Asian republics)	250 MMcf/d
Turkmenistan	81.01	No international oil pipelines			Central Asian Center export pipeline	via Kazakhstan and Uzbekistan to Russia	around 1,800 Bcf/y
					Central Asia-China Pipeline	Turkmenistan to China	1,060 Bcf/y
					Korpezhe-Kurt Kui Pipeline	Turkmenistan to Iran	212 Bcf/y

Countries	Fuels % in exports	Oil pipelines			Gas pipelines		
		Route	Transit country	Transportation capacity	Route	Transit country	Transportation capacity
				Dauletabad-Khangiran Pipeline	Turkmenistan to Iran	212 Bcf/y	
				Bukhara-Urals Pipeline	via Kazakhstan and Uzbekistan to Russia	177 Bcf/y	
Uzbekistan	13.7	No international oil pipelines			Tashkent- Bishkek- Almaty	via Kyrgyzstan to Kazakhstan (for CA supply)	113Bcf/y
					Central Asia Center Pipeline	Via Kazakhstan to Russia	around 1,800 Bcf/y
					Central Asia-China Pipeline	Via Kazakhstan to China	1,060 Bcf/y
					Bukhara-Urals Pipeline	Via Kazakhstan to Russia	706 Bcf/y

* Iran-Nakhchivan Pipeline is used by Azerbaijan for domestic purposes in order to supply Nakhchivan, Azerbaijan's enclave in Armenia.

Source: For fuels share in total exports, for all countries except Uzbekistan, WITS database; for Uzbekistan, WTO, Trade Profiles: 2007. For oil/gas pipelines, EIA (prepared by the author).

As seen in figure 13, all fuel-exporting countries (except Uzbekistan) are highly dependent on exporting oil and gas since they form the largest share of their exports. Azerbaijan and Turkmenistan dependence on their exports is very high, more than 90% and 80% respectively consist of fuel. With regard to Russia and Kazakhstan, dependence is slightly lower but still significant because around 70% of the export of these countries consist of fuel.

Concerning transportation routes, the only CIS country on whom Azerbaijan is highly dependent on export routes is Georgia, which (as apparent in the sixth chapter) does not participate in Eurasian integration. Even if Azerbaijan exports some of its oil and gas to Russia, its dependence on Moscow is slight because Baku exports around 80%¹⁹⁰ of fuel via pipelines that pass through Georgia.

Regarding transportation routes, Russia largely depends on Ukraine and Belarus for the export of oil and gas. In the case of gas, this dependence has decreased with the construction of Nord Stream (mentioned in the previous section), but still remains high.

Kazakhstan depends on Russia because its oil goes first to Russia and then is exported to Europe. Following the construction of a direct pipeline from Kazakhstan to China, this dependence has decreased but is still significant.

Turkmenistan was highly dependent on Russia until 2009 (as described in the previous section) when Russia was the primary buyer of Turkmen gas which it then re-sold to Europe, but with construction of the Central Asia-China pipeline this de-

¹⁹⁰EIA, "Azerbaijan", *op. cit.*

pendence has dramatically decreased and currently China is the main importer of Turkmen gas.

Uzbekistan is dependent on Russia and Central Asian republics because they are importers of its gas, but as the share of fuel from Uzbekistan's gas is very low, it is an exaggeration to consider Tashkent dependent on CIS partners in energy issues and gas exports.

Thus, analyzing figure 12 and figure 13 it can be concluded that, as fuel importers, Armenia, Belarus, Kyrgyzstan, Moldova, and Uzbekistan are dependent on states of the Eurasian group regarding energy issues. While among fuel exporters, the most dependent are Kazakhstan and Russia (Kazakhstan on Russia, and Russia on Belarus and Ukraine).

Another conclusion that can be made is that similar to the American loss of hegemony in energy issues on a worldwide scale, Russia has lost its entire hegemony (but not leadership) in the energy chessboard of CIS states, although this does not negate its leadership of the group, but decreases its hegemony.

Interdependence of CIS countries in the field of multiple channels of cooperation (interstate and transgovernmental only, transnational links will be developed in the next chapter), military issues, trade, investments, energy and migration flow altogether create the situation of complex interdependence pointed out by Robert Keohane as the main condition of integration. All obtained data is summarized in the figure 14 below.

Figure 14. Complex interdependence among CIS members

States	Complex interdependence										
	Multiple channels of cooperation		Trade*		Investments	Migration flows		Military issues		Energy	
	transgovernmental	interstate	transactions	RF dominance		Social aspect	Economic importance	RF military presence	RF weapons supply	Fuels export**	Fuels import
Armenia	±	+	+		+	+	+	+		+	
Azerbaijan		+	+			+		+	+		
Belarus	+	+	+	+	+	+		+	+	+	
Georgia			+			+		+			
Kazakhstan	+	+	+	+	+	+		+	+	+	
Kyrgyzstan	+	+	+	+	+	+	+	+	+	+	
Moldova			+			+	+	+		+	
Russia	+	+	+		+	+		+	+	+	
Tajikistan	+	+	+		+	+	+	+	+		
Turkmenistan		+	+	+		+			+		
Ukraine		+	+	+	+	+		+		+	
Uzbekistan		+	+			+			+		

*Trade interdependence is divided into blocks: as inter-state transaction that unite all countries and as leverage of Russian dominance in inter-state relations.

**In energy interdependence, for exporting fuels, Kazakhstan is dependent on Russia; Russia is dependent on Belarus and Ukraine. For importing fuels, Armenia, Belarus, Kyrgyzstan, Moldova and Ukraine are dependent on Russia.

Source: prepared by the author.

Thus, from the table above it can be concluded that the most interdependent countries are Armenia, Belarus, Kazakhstan, Kyrgyzstan and Russia (complex interdependence in all spheres without accounting for the economic importance of migration flows). Tajikistan is independent from Russia only in energy supply. Azerbaijan and Turkmenistan are independent in energy and investments and they do not have very close transgovernmental links with Russia. Georgia is not bound with Russia by interstate and transgovernmental links, energy, investments or weapons supply. Moldova does not depend on Russia in weapons supply or investments and the states do not have close interstate and transgovernmental relations. Ukraine is independent only in weapons supply, but it does not have close transgovernmental connections with Russia. There is no Russian military presence on Turkmenistan and Uzbekistan's territory, it does not receive much Russian investment and does not widely share transgovernmental cooperation.

Before proceeding to the next section, some notes should be made regarding the rest of the demand factors pointed out by Keohane, which are the contractual environment (composed by overlapping of state preferences and challenges of the world system), similarities (among which the most important ones are commitment to democracy and market economy) and well-defined leadership.

As all these factors have already been mentioned in the previous chapter, it seems reasonable to make the following suggestions.

The requirement of contractual environment is met by the Eurasian group of states as five of them (Kazakhstan, Russia, Belarus, Kyrgyzstan and Tajikistan) clearly express their preferences to participate in Eurasian integration. As for Armenia, even if its preferences were not clearly defined (by the end of 2007), the positive vision of integration with Russia is common for Yerevan. As for the remaining countries, Ukraine, Moldova, Azerbaijan, and Georgia favor more integration with Europe, while Turkmenistan is committed to the idea of perpetual neutrality and Uzbekistan is close to a non-alliance policy. In parallel, in the case of the Eurasian group of states (all except Belarus) their commitment to integration has also been impelled by the common threat posed by the development of terrorist movements near the Southern border of the community, which positively influences (in accordance with Keohane) the creation of a favorable environment for integration.

Concerning similarities, (as already mentioned in the previous chapter) since the very beginning of their independent history all CIS countries declared themselves as democratic states and proclaimed their transmission to market economy.

As for well-defined leadership, also previously mentioned, in the case of Eurasian integration, even if the idea of integration belongs to Kazakhstan's President, it is

obvious that Russia is the leader of the group due to its dominance in the sphere of economy, military issues, finances, etc.

Thus, interconnectedness on the system level among states has led some CIS countries to demand the creation of common institutions, whose development and spheres of cooperation are explained in the next section.

7.3. Institutions of Eurasian integration: main features, functions and reasons of transformation

The third section of the present chapter is devoted to institutions that create the structure of the subsystem of Eurasian integration. The section consists of two parts, where the first part corresponds to the statements related to *functions of international regimes*, while the second relates to the reasons for their *transformation*.

7.3.1. Main features and functions of Eurasian institutions

Keohane determines six functions (or roles) of international institutions, whose nature and particularities have been explained in the theoretical part of the thesis.

In the present part, the first function is represented with the example of those agreements that imply data exchange; the second role is described in the analysis of the agreements that were concluded by Eurasian institutions as single entities (subjects of international law) with third parties; the third function is analyzed with the example of voting procedures established within institutions; the fourth role might be confirmed with the example of analyzing the frequency of interstate interactions at the highest level; the fifth role can be seen by determination of juridical institutions of Eurasian integration; while the sixth role is used for understanding some examples of national preferences formation of some member-states.

The subsequent practical application of Keohane's statements regarding functions of international regimes is made at the end of the present part after a brief explanation of each of the Eurasian institutions. For practical matters, an explanation of the main features of institutions formed by Kazakhstan, Russia and Belarus is made in a separate subparagraph which appears below.

7.3.1.1. Main features of Eurasian institutions

As mentioned in the previous chapter dedicated to the application of Hoffmann's intergovernmentalist theory, Eurasian integration has become possible to be developed proceeding from previous cooperation arrangement, which is the EurAsEC created by Kazakhstan, Russia, Belarus, Kyrgyzstan and Tajikistan on 10 October 2000.

The present part represents an explanation of the development of each step of Eurasian integration created on the basis of EurAsEC, which are the Customs Union

(that began to function in 2010), then the Single Economic Space (established in 2012) and then the Eurasian Economic Union planned to come into operation in 2015. The analysis represented below aims to clarify the difference among these three regimes.

First is the Customs Union (CU) that came into operation on 1 January 2010,¹⁹¹ which in external trade with third parties implies establishment and application of:

- “single customs tariff and other single regulation procedures;...
- single trade regime;...
- [single] order of charge and allocation of tariffs, other customs, taxes and duties of equivalent action;...
- single rules for determining the country of origin of goods;...
- single rules of determining the custom value of goods;...
- single statistics methodology of external and internal trade,”¹⁹² ...etc.

In addition to that, establishing Customs Union, sides (Kazakhstan, Russia and Belarus) undertook the obligation to eliminate any customs and quantity limitations in internal trade with each other¹⁹³ and create the Commission of the Customs Union as “single permanent regulative mechanism”¹⁹⁴ of questions related to the implementation of procedures necessary for the formation and operation of the Customs Union.¹⁹⁵ The supreme authority of the Union was established as Interstate Councils at high and the highest levels.¹⁹⁶

Herewith, establishing the Customs Union, sides succeeded in approving a single external customs tariff and single external trade policy,¹⁹⁷ which they had been moving towards for around fifteen years.

Proceeding to the next level of integration – Single Economic Space (SES) – states have been aiming to assure free movement of goods, services, labor in capital, which has become possible to achieve after signing and implementation of seventeen agreements corresponding to the relevant fields.

Therefore, in order to guarantee free movement of goods, Kazakhstan, Russia and Belarus harmonized their domestic legislature and undertook “single principles

¹⁹¹TASS, “Досье: Таможенный союз и Единое Экономическое Пространство России, Белоруссии и Казахстана”, 23 декабря 2013, (TASS, “Profile: Customs Union and Single Economic Space of Russia, Belarus and Kazakhstan”, December 23, 2013), <http://itar-tass.com/info/853189> [08-09-2014].

¹⁹²Vid. Статья 1. ТАМОЖЕННЫЙ СОЮЗ, “Договор о Создании Единой Таможенной Территории и Формировании Таможенного Союза”, *op. cit.*, (Vid. Article 2. CUSTOMS UNION, “Treaty on the Establishment of the Common Customs Territory and Formation of the Customs Union”, *op. cit.*).

¹⁹³Vid. Статья 3. *Ibid.*, (Vid. Article 3. *Ibid.*).

¹⁹⁴Vid. Статья 1. ТАМОЖЕННЫЙ СОЮЗ, “Договор о Комиссии Таможенного Союза”, 6 октября 2007, (Vid. Article 1. CUSTOMS UNION, “Treaty on Commission of the Customs Union”, October 6, 2007). http://www.tsouz.ru/Docs/IntAgrmnts/Pages/D_KTS.aspx [08-09-2014].

¹⁹⁵Vid. Статья 6. *Ibid.*, (Vid. Article 6. *Ibid.*).

¹⁹⁶КОМИССИЯ ТАМОЖЕННОГО СОЮЗА, “О Таможенном Союзе”, (COMMISSION OF THE CUSTOMS UNION, “Customs Union”), <http://www.tsouz.ru/AboutETS/Pages/default.aspx> [17-09-2014].

¹⁹⁷А.БЕЛЬЯНОВ, *Интеграционная Политика России на Евразийской Пространстве: Потенциал и Перспективы Развития*, *op. cit.*, p. 41, (A.BELYANOV, *Russian Integration Policy in Eurasian Space: Prospects and Perspectives of Development*, *op. cit.*, p. 41).

and rules of technical regulations”¹⁹⁸ (i.e. technical requirements, which goods produced in the Customs Union should meet¹⁹⁹); “single rules of provision of industrial subsidies”;²⁰⁰ single principles of regulations in the sphere of intellectual property rights;²⁰¹ single rules of public support of the agricultural sector;²⁰² and single competition rules.²⁰³

In the sphere of free movement of people, arrangements negotiated by the states imply cooperation for the future approximation of legislation in the sphere of the fight against irregular migration²⁰⁴ and determine equal rights for migrant workers (from Kazakhstan, Belarus, Russia only) in the territory of the Single Economic Space.²⁰⁵

In the sphere of freedom of capital and services, agreements among states call them to cooperate in order to create a favorable investment and business climate for citizens of Russia, Kazakhstan and Belarus in the territory of Single Economic Space.²⁰⁶

In such a manner, Single Economic Space procures freedom of movement of goods in the territory of three countries and creates the legislation basis for future free circulation of people, capital and services.²⁰⁷

¹⁹⁸ЕЭП, “Соглашение о Единых Принципах И Правилах Технического Регулирования в Республике Беларусь, Республике Казахстан и Российской Федерации”, 18 ноября 2010, (SES, “Agreement on Single Principles And Rules Of Technical Regulation in the Republic of Belarus, Republic of Kazakhstan and Russian Federation”, November 18, 2010), <http://www.eurasiancommission.org/docs/Download.aspx?IsDlg=0&ID=3072&print=1> [08-09-2014].

¹⁹⁹*Vid.* Статья 1. *Ibid.*, (*Vid.* Article 1. *Ibid.*)

²⁰⁰ЕЭП, “Соглашение о Единых Правилах Предоставления Промышленных Субсидий от 9 декабря 2010 (SES, “Agreement on Single Rules Of Provision of Industrial Subsidies” December 9, 2010), <http://www.eurasiancommission.org/ru/Lists/EECDocs/635049299195181101.pdf> [08-09-2014].

²⁰¹ЕЭП, “Соглашение о Единых Принципах Регулирования в Сфере Охраны и Защиты Прав Интеллектуальной Собственности”, 9 декабря 2010, (SES, “Agreement on Single Principles In The Sphere Of Protection And Defense Of Intellectual Property Rights”, December 9, 2010), <http://www.eurasiancommission.org/ru/Lists/EECDocs/635049885467735867.pdf> [09-09-2014].

²⁰²ЕЭП, “Соглашение о Единых Правилах Государственной Поддержки Сельского Хозяйства”, 9 декабря 2010, (SES, “Agreement on Single Rules Of Public Subsidizing Of The Agricultural Sector”, December 9, 2010), <http://www.eurasiancommission.org/ru/Lists/EECDocs/635049889359625017.pdf> [09-09-2014].

²⁰³ЕЭП, “Соглашение о Единых Принципах И Правилах Конкуренции”, 9 декабря 2010, (SES, “Agreement on Single Rules And Principles Of Competition”, December 9, 2010), <http://www.eurasiancommission.org/ru/Lists/EECDocs/635049890629682010.pdf> [09-09-2014].

²⁰⁴ЕЭП, “Соглашение о Сотрудничестве По Противодействию Нелегальной Трудовой Миграции Из Третьих Государств, 19 ноября 2010, (SES, “Agreement on Cooperation In The Sphere Of Counter Irregular Labor Migration From Third Countries”, November 19, 2010), <http://www.eurasiancommission.org/ru/Lists/EECDocs/635049896676216603.pdf> [09-09-2014].

²⁰⁵ЕЭП, “Соглашение о Правовом Статусе Трудящихся-Мигрантов и Членов их Семей”, 19 ноября 2010, (SES, “Agreement on Legal Status Of Migrant Workers And Members Of Their Families”, November 19, 2010), <http://www.eurasiancommission.org/ru/Lists/EECDocs/635049895088247822.pdf> [09-09-2014].

²⁰⁶ЕЭП, “Соглашение о Торговле Услугами И Инвестициях В Государствах-Участниках Единого Экономического Пространства”, 9 декабря 2010, (SES, Agreement on Trade Of Services And Investments In Member-States Of The Unified Economic Space, December 9, 2010), <http://www.eurasiancommission.org/ru/Lists/EECDocs/635183023538249304.pdf> [09-09-2014]; ЕЭП, “Соглашение о Создании Условий На Финансовых Рынках Для Обеспечения Свободного Движения Капитала”, 9 декабря 2010, (SES, “Agreement on Creation Conditions In Financial Markets For Free Movement Of Capital”, December 9, 2010), <http://www.eurasiancommission.org/ru/Lists/EECDocs/635049918415350299.pdf> [09-09-2014].

In addition to that, another block of agreements that sides achieved within the establishment of the Single Economic Space are those that imply cooperation in the sphere of creation in the future the single market of electricity,²⁰⁸ transport²⁰⁹, oil, and oil²¹⁰ products.²¹¹ In parallel, sides also agreed to make efforts toward joint coordination of their monetary policy²¹² and policies in the sphere of macroeconomic regulations,²¹³ government purchasing,²¹⁴ and activities of natural monopolies.²¹⁵

Regarding regulation bodies within the community, by the Agreement on Eurasian Economic Commission, the Eurasian Economic Commission has become the single organ of the Customs Union and the Single Economic Space²¹⁶ conferred by supranational powers²¹⁷ becoming herewith the first supranational institution in the CIS space²¹⁸ and replacing the Commission of the Customs Union.²¹⁹

²⁰⁷А.БЕЛЪЯНОВ, *Интеграционная Политика России на Евразийской Пространстве: Потенциал и Перспективы Развития*, *op. cit.*, p. 48, (A.BELYANOV, *Russian Integration Policy in Eurasian Space: Prospects and Perspectives of Development*, *op. cit.*, p. 48).

²⁰⁸Vid. Преамбула. ЕЭП, *Соглашение об Обеспечении Доступа к Услугам Естественных Монополий в Сфере Электроэнергетики, Включая Основы Ценообразования и Тарифной Политики*, 19 ноября 2010, (Vid. Preamble. SES, "Agreement on Assuring Access To Services Of Natural Monopolies In The Sphere Of The Electricity Industry Including The Basic Principles Of Pricing And Tariff Policy", November 19, 2010), <http://www.eurasiancommission.org/ru/Lists/EECDocs/635049250443076378.pdf> [09-09-2014].

²⁰⁹Vid. Преамбула. ЕЭП, *Соглашение о Регулировании Доступа к Услугам Железнодорожного Транспорта, Включая Основы Тарифной Политики*, 9 декабря 2010, (Vid. Preamble. SES, "Agreement On Regulation Of Access To Services Of Railway Transport Including Basic Principles Of Tariff Policy", December 9, 2010), <http://www.eurasiancommission.org/ru/Lists/EECDocs/635049316561807590.pdf> [09-09-2014].

²¹⁰Vid. Преамбула. ЕЭП, *Соглашение о Порядке Организации, Управления, Функционирования и Развития Общих Рынков Нефти и Нефтепродуктов Республики Беларусь, Республики Казахстан и Российской Федерации*, 9 декабря 2010, (Vid. Preamble. SES, "Agreement on the Order Of Organization, Management And Operation Of Development Of Single Markets Of Oil And Oil Products of the Republic of Belarus, Republic of Kazakhstan and Russian Federation", December 9, 2010), <http://www.eurasiancommission.org/ru/Lists/EECDocs/635049883643523464.pdf> [09-09-2014].

²¹¹In the sphere of gas, Agreement on rules of access to services of natural monopolies in the sphere of transportation of gas through gas pipeline system including basic principles of pricing and tariff policy does not imply the creation of a single gas market but promotes unification of norms related to regulations of natural gas supply. Vid. ЕЭП, *Соглашение о Правилах Доступа к Услугам Субъектов Естественных Монополий в Сфере Транспортировки Газа по Газотранспортным Системам, Включая Основы Ценообразования И Тарифной Политики*, 9 декабря 2010, (SES, "Agreement on Rules Of Access To Services Of Natural Monopolies In The Sphere Of Transportation Of Gas Through Gas Pipeline System Including Basic Principles Of Pricing And Tariff Policy", December 9, 2010), <http://www.eurasiancommission.org/ru/Lists/EECDocs/635049317655846983.pdf> [09-09-2014].

²¹²ЕЭП, *Соглашение о Согласованных Принципах Валютной Политики*, 9 декабря 2010, (SES, "Agreement on Coordinated Principles Of Monetary Policy", December 9, 2010), <http://www.eurasiancommission.org/ru/Lists/EECDocs/635049912902329052.pdf> [09-09-2014].

²¹³ЕЭП, *Соглашение о Согласованной Макроэкономической Политике*, 9 декабря 2010, (SES, "Agreement on Coordinated Macroeconomic Policy", December 9, 2010), <http://www.eurasiancommission.org/ru/Lists/EECDocs/635049932785967217.pdf> [09-09-2014].

²¹⁴ЕЭП, *Соглашение о Государственных (Муниципальных) Закупках*, 9 декабря 2010, (SES, "Agreement on Central And Local Government Procurement", December 9, 2010), <http://www.eurasiancommission.org/ru/Lists/EECDocs/635049887752074278.pdf> [09-09-2014].

²¹⁵ЕЭП, *Соглашение о Единых Принципах и Правилах Регулирования Деятельности Субъектов Естественных Монополий*, 9 декабря 2010, (SES, "Agreement on Single Principles And Rules Of Regulations Of Subjects Of Natural Monopolies Activities", December 9, 2010), <http://www.eurasiancommission.org/ru/Lists/EECDocs/635049891746433674.pdf> [09-09-2014].

²¹⁶Vid. Статья 1. ЕЭП, *Договор о Евразийской Экономической Комиссии*, *op. cit.*, (Vid. Article 1. SES, "Treaty on Eurasian Economic Commission", *op. cit.*).

²¹⁷КОМИССИЯ ТАМОЖЕННОГО СОЮЗА, *Евразийская Экономическая Комиссия*, (COMMISSION OF THE CUSTOMS UNION, "Eurasian Economic Commission"), <http://www.tsouz.ru/eek/aboutEЕК/Pages/default.aspx> [09-09-2014].

²¹⁸А.БЕЛЪЯНОВ, *Интеграционная Политика России на Евразийской Пространстве: Потенциал и Перспективы Развития*, *op. cit.*, p. 43, (A.BELYANOV, *Russian Integration Policy in Eurasian Space: Prospects and Perspectives of Development*, *op. cit.*, p. 43).

Therefore, the Single Economic Space assured the freedom of movement of goods within the territory of Kazakhstan, Belarus and Russia and made it possible for these three countries to cooperate in order to create in the future the Eurasian Economic Union.²²⁰

Herewith, the third level of integration – the Eurasian Economic Union (EAEU) – has been reached proceeding from achievements succeeded by the states within the Customs Union and the Single Economic Space.

As mentioned in the previous chapter, the idea of EAEU was first expressed by the Kazakhstani President Nursultan Nazarbayev around twenty years ago in 1994,²²¹ while the official decision of three countries to create it was stated in the Declaration of Eurasian Economic Integration of November 18, 2011, where they say that:

Sides shall tend to finish codification of international agreements representing legislation basis of the Customs Union and the Single Economic Space by January 1, 2015 and create on their basis the Eurasian Economic Union. This activity shall include arrangements in the sphere of:

- balanced macroeconomic, budgetary and competition policy;
- structural reformation of markets of labor, capital, goods and services;
- creation of Eurasian networks in the sphere of energy, transport and telecommunications.²²²

Herewith, the Declaration of Eurasian Economic Integration has become the “roadmap” of further integration within the EEU,²²³ to which sides have been proceeding towards its creation for a great length of time.

The Treaty on Eurasian Economic Union was signed on May 29, 2014 in Astana. Being a comprehensive document of more than 800 pages, the treaty implies gradual establishment of the single market of pharmaceutical products,²²⁴ energy resources,²²⁵ electricity,²²⁶ gas,²²⁷ oil and oil products.²²⁸

Transmission to single markets in these spheres would not be rapid or spontaneous, thus, the first single market planned for creation is one of medical treatments

²¹⁹МИД РФ, “Справочный Материал: О Ходe Евразийской Экономической Интеграции”, (MFA RF, “Informative Reference: On the process of Eurasian Economic Integration”), <http://www.mid.ru/bdcomp/ns-rsng.nsf/559a6afd63b0fb02432569ee0048fe70/7997bf0078720d1d44257cc900416fd5!OpenDocument> [09-09-2014].

²²⁰А.БЕЛЪЯНОВ, *Интеграционная Политика России на Евразийской Пространстве: Потенциал и Перспективы Развития*, *op. cit.*, p. 43, (A.BELYANOV, *Russian Integration Policy in Eurasian Space: Prospects and Perspectives of Development*, *op. cit.*, p. 43).

²²¹Н.НАЗАРБАЕВ, *Евразийский Союз... op. cit.*, с. 41, (N.NAZARBAYEV, *Eurasian Union...op. cit.*, p. 41).

²²²ТАМОЖЕННЫЙ СОЮЗ, “Декларация о Евразийской Экономической Интеграции”, 18 ноября 2011, (CUSTOMS UNION, “Declaration on Eurasian Economic Integration”, November 18, 2011), http://www.kremlin.ru/ref_notes/1091 [09-09-2014].

²²³МИД РФ, “Справочный материал: О Ходe Евразийской Экономической Интеграции”, *op. cit.*, (MFA RF, Informative reference: On the process of Eurasian Economic Integration”, *op. cit.*).

²²⁴*Vid.* Статья 30. *Ibid.*, (*Vid.* Article 30. *Ibid.*).

²²⁵*Vid.* Статья 79. *Ibid.*, (*Vid.* Article 79. *Ibid.*).

²²⁶*Vid.* Статья 81. *Ibid.*, (*Vid.* Article 81. *Ibid.*).

²²⁷*Vid.* Статья 83. *Ibid.*, (*Vid.* Article 83. *Ibid.*).

²²⁸*Vid.* Статья 84. *Ibid.*, (*Vid.* Article 84. *Ibid.*).

and products, which should come into operation on January 1, 2016,²²⁹ the single electricity market – by 2019,²³⁰ while the single market of gas,²³¹ oil and oil products by 2025 only.²³²

Herewith, EAEU represents a high level of integration among three former Soviet countries agreed to establishing common markets in determined issue areas.

Brief explanation of CU, SES and EAEU was necessary for giving a general overview of institutions that form the structure of the subsystem of Eurasian integration, their functions are described more precisely in the next subparagraph.

7.3.1.2. Functions of Eurasian institutions

Concerning the functions of Eurasian institutions, the following observations can be made.

In terms of the equal access to reliable and qualitative information, under the provisions of the Customs Union its member-states agree on data exchange regarding: goods declarations and customs receipt vouchers arranged by the customs authorities;²³³ payments of import customs duties;²³⁴ paid sums of indirect taxes;²³⁵ goods and transport vehicles crossing the customs border.²³⁶

²²⁹BNEWS.KZ, “На Общий Рынок ЕАЭС Попадут Только Качественные, Безопасные И Эффективные Лекарства”, 7 сентября 2014, (BNEWS.KZ, “Common Market of EAEU Accepts Only Secure, Effective and Qualified Medical Treatments”, September 7, 2014), [http://bnews.kz/ru/news/post/226949/\[10-09-2014\]](http://bnews.kz/ru/news/post/226949/[10-09-2014]).

²³⁰ZAKON.KZ, “Государства-члены ЕАЭС Сформируют Общий Электроэнергетический Рынок к 2019 году”, 9 июля 2014, (ZAKON.KZ, EAEU member-states form the single electricity market by 2019, July 9, 2014), <http://www.zakon.kz/4637825-gosudarstva-chleny-eajes-sformirujut.html> [10-09-2014].

²³¹ВЕСТИ ЭКОНОМИКА, “Общий Рынок Нефти и Газа ЕАЭС Заработает с 2025 года”, 24 мая 2014, (VESTI ECONOMY, “Single market of oil and gas of the EAEU comes to operation by 2025,” May 24, 2014), <http://www.vestifinance.ru/articles/42321> [10-09-2014].

²³²A.MALASHENKO, “The Problems for the Eurasian Economic Union Are Just Starting”, *Eurasia Outlook*, June 5, 2014, <http://carnegie.ru/2014/06/05/problems-for-eurasian-economic-union-are-just-starting/hct0> [26-07-2014].

²³³Vid. Статья 2. ТАМОЖЕННЫЙ СОЮЗ, “Соглашение об Организации Обмена Информацией для Реализации Аналитических и Контрольных Функций Таможенных Органов Государств - Членов Таможенного Союза”, 19 октября 2011, (Vid. Article 2. CUSTOMS UNION, “Agreement on Regulation Of Information Exchange For Execution Of Analytic And Control Functions Of Customs Authorities Of Member-States”, October 19, 2011), http://www.tsouz.ru/Docs/IntAgrmnts/Pages/Sogl_analitika.aspx [10-09-2014].

²³⁴ТАМОЖЕННЫЙ СОЮЗ, “Протокол О Порядке Обмена Информацией, Связанной С Уплатой Ввозных Таможенных Пошлин”, 19 октября 2011, (CUSTOMS UNION, Protocol on Information Exchange Regarding Payments Of Import Customs Duties”, October 19, 2011), http://www.tsouz.ru/Docs/IntAgrmnts/Documents/Sogl_infobmen_vvoznposhl.pdf [16-09-2014].

²³⁵ТАМОЖЕННЫЙ СОЮЗ, “Протокол об Обмене Информацией В Электронном Виде Между Налоговыми Органами Государств-Членов Таможенного Союза Об Уплатенных Суммах Косвенных Налогов”, 11 декабря 2009, (CUSTOMS UNION, “Protocol on Information Exchange Between Customs Authorities Of Member-States In Electronic Form Regarding Payment Of Indirect Taxes”, December 11, 2009), http://www.tsouz.ru/Docs/IntAgrmnts/Pages/Prot_infobmen_nal.aspx [16-09-2014].

²³⁶ТАМОЖЕННЫЙ СОЮЗ, “Соглашение о Представлении И Об Обмене Предварительной Информацией О Товарах И Транспортных Средствах, Перемещаемых Через Таможенную Границу Таможенного Союза”, 21 мая 2010, (CUSTOMS UNION, “Agreement on Provision And Data Exchange Regarding Goods And Transport Vehicles Passing The Customs Border of the Customs Union”, May 21, 2010), http://www.tsouz.ru/MGS/mgs21-05-10/Pages/Sogl_o_EPL.aspx [16-09-2014].

In addition, in order to promote access to statistics data concerning external and mutual trade, sides have agreed to establish the single Center of Customs Statistics accountable to the Commission of the Customs Union,²³⁷ create the integrated system of subsequent information,²³⁸ and the single register of intellectual properties.²³⁹

Within the Single Economic Space, all authorized bodies of member-states have undertaken commitments to provide the Eurasian Economic Commission with their official statistics²⁴⁰ that is delegated to gather and spread the official statistics regarding development of Eurasian integration.²⁴¹

The same obligations regarding official statistics are assigned within the EAEU.²⁴²

In addition to that, with the establishment of the EAEU, sides spread the “integrated information system”, which gives equal access to each other’s data regarding customs regulations including tariff and non-tariff measures, statistics databases and internal policies in the sphere of competition, energy, monetary affairs, agriculture, industry, finances, etc. ²⁴³

²³⁷*Vid.* Статья 5. ТАМОЖЕННЫЙ СОЮЗ, “Соглашение о Ведении Таможенной Статистики Внешней И Взаимной Торговли Товарами Таможенного союза”, 25 января 2008, (*Vid.* Article 5. CUSTOMS UNION, “Agreement on Introduction of Customs Statistics on Foreign and Mutual Trade”, January 25, 2008), http://www.tsouz.ru/MGS/MGS_23/Pages/Reshenie_13_treaty.aspx [16-09-2014].

²³⁸ТАМОЖЕННЫЙ СОЮЗ, “Соглашение о Создании, Функционировании и Развитии Интегрированной Информационной Системы Внешней и Взаимной Торговли Таможенного Союза”, 21 сентября 2010, (CUSTOMS UNION, “Agreement on Creation, Operation and Development of Integral Information System of Foreign and Mutual Trade of the Customs Union”, September 21, 2010), <http://www.tsouz.ru/Docs/IntAgrmnts/Pages/IISVVT.aspx> [16-09-2014].

²³⁹ТАМОЖЕННЫЙ СОЮЗ, “Соглашение о Едином Таможенном Реестре Объектов Интеллектуальной Собственности Государств -Членов Таможенного Союза”, 21 мая 2010, (CUSTOMS UNION, “Agreement on Single Customs Register of Intellectual Property Subjects of the Member-States of the Customs Union”, May 21, 2010), <http://www.tsouz.ru/Docs/IntAgrmnts/Pages/soglintsob.aspx> [16-09-2014].

²⁴⁰*Vid.* Статья 5. ЕЭП, “Соглашение об Информационном Взаимодействии В Области Статистики”, 29 мая 2013, (*Vid.* Article 5. SES, “Agreement on Information Cooperation in Statistics Field”, May 29, 2013), <http://www.eurasiancommission.org/ru/Lists/EECDocs/635056028649866828.pdf> [16-09-2014].

²⁴¹*Vid.* Статья 3. (*Vid.* Article 3).

²⁴²*Vid.* Приложение 4: Протокол о Порядке Формирования и Распространения Официальной Статистической Информации Евразийского Экономического Союза. ЕАЭС, “Договор о Евразийском Экономическом Союзе”, *op. cit.*, (*Vid.* Appendix 4: Protocol on the Formation Procedure and Spread of Official Statistics Information of the Eurasian Economic Union. EAEU, “Treaty on Eurasian Economic Union”, *op. cit.*).

²⁴³In total, integrated information systems provide information about: “customs tariff and non-tariff regulation; customs regulation; technical regulation, application of sanitary, veterinary-sanitary and quarantine phytosanitary measures; receipt and distribution of import customs duties; receipt and distribution of anti-dumping and compensation measures; statistics; competition policy; energy policy; monetary policy; intellectual properties; financial markets (...); operation of Union bodies; macroeconomic policy; industry and agricultural policy; circulation of medical treatments and products; other issues within the competence of the Union...”. *Vid.* Пункт 3. Приложение 3: Протокол об Информационно-Коммуникационных Технологиях И Информационном Взаимодействии В Рамках Евразийского Экономического Союза. ЕАЭС, “Договор о Евразийском Экономическом Союзе”, *op. cit.*, (*Vid.* Point 3. Appendix 3: Protocol on Information And Communication Technologies And Information Intercommunications within the Eurasian Economic Union. EAEU, “Treaty on Eurasian Economic Union”, *op. cit.*).

Thus, Eurasian institutions deal with the aspects related to the first function of regimes – to promote equal access to reliable information. Moreover, with the development of integration, the area implied by this function has been spreading.

Regarding Keohane's statement on the second function – to facilitate cooperation of the community as an entire unit with third parties – it can be confirmed by analyzing agreements that Eurasian institutions concluded with other states or group of states. An example is the Agreement between the member-states of the Customs Union and the member-states of the Commonwealth of Independent States, which are not the member-states of the Customs Union on elimination of technical barriers in mutual trade of December 17, 2012.²⁴⁴ Other examples may be provided by memorandums, which the Eurasian Economic Commission concluded with the Governments of Ukraine and Armenia, the Ministry of Commerce of China, etc.²⁴⁵

In the case of the EAEU, the Treaty on Eurasian Economic Union also affirms the right of the Union on international activity including cooperation with third countries and organizations and concluding agreements with them.²⁴⁶

Analysis of the third role of Eurasian institutions can be made using the example of decision-making procedures established within the community.

Thereby, in the case of the Customs Union, it is specified that decisions of the Interstate Council both on the high and highest level should be taken unanimously. Decisions of the Commission of the Customs Union should be taken by 2/3 majority vote, where sides have the following amount of votes: "Republic of Belarus – 21.5; Republic of Kazakhstan – 21.5; Russian Federation – 57." In parallel with that it is prescribed that if one side does not agree with the decision, it will be taken by the Interstate Council (by consensus).²⁴⁷

In the case of the Single Economic Space, decisions of the Eurasian Economic Commission are mandatory (while its recommendations do not have a binding effect).²⁴⁸ Commission consists of the Council and the Board of Commission.²⁴⁹ The Council consists of three representatives (one representative from each side),²⁵⁰ where

²⁴⁴ТАМОЖЕННЫЙ СОЮЗ, "Соглашение Государств – Членов Таможенного Союза Об Устранении Технических Барьеров Во Взаимной Торговле С Государствами – Участниками Содружества Независимых Государств, Не Являющимися Государствами – Членами Таможенного союза", 17 декабря 2012, (CUSTOMS UNION Agreement Between The Member-States Of The Customs Union And The Member-States Of The Commonwealth Of Independent States, Which Are Not The Member-States Of The Customs Union On Elimination Of Technical Barriers In Mutual Trade", December 17, 2012), <http://www.tsouz.ru/Docs/IntAgrmnts/Documents/Соглашение%20от%2017.12.2012.pdf> [16-09-2014].

²⁴⁵EEC DOCUMENTS Database, <http://www.eurasiancommission.org/en/Pages/default.aspx> [16-09-2014].

²⁴⁶*Vid.* Статья 7. ЕАЭС, "Договор о Евразийском Экономическом Союзе", *op. cit.*, (*Vid.* Article 7. EAEU, "Treaty on Eurasian Economic Union", *op. cit.*).

²⁴⁷*Vid.* Статья 7. ЕВРАЗЭС, "Договор о Комиссии Таможенного Союза", 6 октября 2007, (*Vid.* Article 7. EURASEC, "Treaty on Commission of the Customs Union", October 6, 2007), <http://evrazes.com/docs/view/74> [16-11-2014].

²⁴⁸*Vid.* Статья 5. ЕЭП, "Договор о Евразийской Экономической Комиссии", *op. cit.*, (*Vid.* Article 5. SES, "Treaty on Eurasian Economic Commission", *op. cit.*).

²⁴⁹*Vid.* Статья 4. *Ibid.*, (*Vid.* Article 4. *Ibid.*).

²⁵⁰*Vid.* Статья 8. *Ibid.*, (*Vid.* Article 8. *Ibid.*).

one member has one vote.²⁵¹ The Board of Commission consists of nine members (three representatives from each side),²⁵² where similarly to the Council, one member has one vote.²⁵³

Concerning EAEU, as the Union inherits the same structure created within the Single Economic Space, the Treaty on Eurasian Economic Union prescribes similar decision-making procedures.²⁵⁴ Similar to the Customs Union, its supreme authorities are Interstate Councils on the high and highest levels, whose decisions should be taken unanimously.²⁵⁵

In such a manner, all Eurasian institutions promote an equal value of opinion of each member-state in the process of decision-making. Even if in the case of the Commission of the Customs Union it seems that capabilities of the RF are enhanced (or at least they are proportional to its position within the community) because the Russian side has more votes, the Commission protects countries with less number of votes (Kazakhstan and Belarus) from decisions which do not favor them. In the case of the Eurasian Economic Commission, the main regulatory body in both the Single Economic Space and EAEU,²⁵⁶ it promotes an equal amount of votes regardless of the size of their economies or population, which (taking into account Keohane's theoretical observations) enforce the positions of smaller economies.

The fourth role of institutions – to facilitate negotiations among their members – can be confirmed on the basis of analysis of frequency of interstate meetings. As mentioned in the previous section, Kazakhstan and Belarus have been the most visited countries by the Presidents of the RF in the timeframe of 2007-2014 in CIS region (see figure 7). Moreover, during this time Kazakhstan was also the most visited country by the Heads of State of the RF. Among the other most frequently visited is Germany where Presidents of the RF visited 9 times.²⁵⁷

Regarding Kazakhstan's visits at the highest level Russia is the most visited country, which accounts for 19 foreign trips by the President of the Republic. The second most visited state is Turkey (8 trips), while China and Kyrgyzstan are equal in third place (Nursultan Nazarbayev visited both these countries 6 times). Concerning another of Kazakhstan's partner within the Customs Union, Belarus, the President visited 5 times, where four visits were paid in recent times (for example, from 2012 to 2014 Kazakhstan's head of state visited Belarus 4 times, while from 2007 to 2012 only

²⁵¹*Vid.* Статья 7. *Ibid.*, (*Vid.* Article 7. *Ibid.*).

²⁵²*Vid.* Статья 14. *Ibid.*, (*Vid.* Article 14. *Ibid.*).

²⁵³*Vid.* Пункт 2 :Статья 14. *Ibid.*, (*Vid.* Point 2: Article 14. *Ibid.*).

²⁵⁴*Vid.* Раздел III. ЕАЭС, Договор о Евразийском Экономическом Союзе”, *op. cit.*, (*Vid.* Chapter III. EAEU, “Treaty on Eurasian Economic Union”, *op. cit.*).

²⁵⁵*Vid.* Статья 17. ЕЭП, “Договор о Евразийской Экономической Комиссии”, *op. cit.*, (*Vid.* Article 17. SES, “Treaty on Eurasian Economic Commission”, *op. cit.*).

²⁵⁶*Vid.* Статья 18. *Ibid.*, (*Vid.* Article 18. *Ibid.*).

²⁵⁷ПРЕЗИДЕНТ РОССИИ, “Карта Зарубежных Визитов”, (PRESIDENT OF RUSSIA, “Map of Foreign Visits”), <http://www.kremlin.ru/visits?page=2> [17-09-2014] (calculations are made by the author).

once). These calculations include all visits regardless of their purpose whether through bilateral or transgovernmental cooperation.²⁵⁸

In the case of Belarus, both its partners within three studied Eurasian institutions are the most visited countries. Thus, from 2007 to 2014, the President of the Republic of Belarus Alexander Lukashenko paid 18 visits to the Russian Federation and 9 visits to Kazakhstan.²⁵⁹ Similar to Kazakhstan's case, all trips are calculated independently of their purpose.

Concerning the fifth function determined by Keohane – to monitor the performance of execution by states of undertaken obligations – in the case of Eurasian institutions, this function has been exercised by the Court of the Eurasian Economic Union (previously the Court of EurAsEC) since 2010,²⁶⁰ and whose headquarters is situated in Minsk.²⁶¹

The last role of regimes – to impact on states' preferences and decisions – can be seen in the examples that have already been stated in the present chapter and the previous one. For instance, as mentioned in the previous section, Armenia negotiated with the EU regarding AAs, but finally the interdependence of its regime of cooperation with Russia became more binding than the one with the EU and it made the Eurasian choice instead of the European one (the case is studied more precisely in the ninth chapter).

The process of development of Eurasian institutions coincided with changes in states' preferences and powers, which altogether explain the reasons of their transformation, to which the next section is dedicated.

7.3.2. Transformation of Eurasian institutions

Proceeding from Keohane's terminology it is difficult to determine the reasons of transformation of regimes because they largely depend on particularities of a given issue, but in accordance with observations, four the most obvious courses can be distinguished, which are *changes in state's preferences*, where the more powerful the state is, the greater the consequences of integration are; *dissatisfaction of actors with cooperation conditions*; *challenges of the world system*; and *changes in power* inside the community.

²⁵⁸ҚАЗАҚСТАН РЕСПУБЛИКАСЫ ПРЕЗИДЕНТІ, “Шет Елдерге Сапарлар”, (PRESIDENT OF THE REPUBLIC OF KAZAKHSTAN, “Foreign Visits”), http://www.akorda.kz/kz/allNews?category_id=278 [17-09-2014]; ҚАЗАҚСТАН РЕСПУБЛИКАСЫ ПРЕЗИДЕНТІ, “Мұрағат”, (PRESIDENT OF THE REPUBLIC OF KAZAKHSTAN, “Archive”), <http://www.akorda.kz/kz/archive/2007-01-02> [17-09-2014] (calculations are made by the author).

²⁵⁹ПРЕЗИДЕНТ РЕСПУБЛИКИ БЕЛАРУСЬ, “Архив Событий”, (PRESIDENT OF THE REPUBLIC OF BELARUS, “Archive of Events”), http://president.gov.by/ru/news_ru/archive/ [17-09-2014] (calculations are made by the author).

²⁶⁰ЕВРАЗЭС, “Статут Суда Евразийского Экономического Сообщества”, 5 июля 2010, (EURASEC, “Statute of the Court of the Eurasian Economic Community”, July 5, 2010), <http://sudevrazes.org/main.aspx?guid=21781> [17-09-2014].

²⁶¹*Vid.* Статья 19. ЕЭП, “Договор о Евразийской Экономической Комиссии”, *op. cit.*, (*Vid.* Article 19. SES, “Treaty on Eurasian Economic Commission”, *op. cit.*).

Before proceeding to an analysis of transformation of Eurasian institutions, it is necessary to make some notes on what Keohane said about the permanent nature of international institutions. Keohane finds the fact that regimes are very difficult and expensive to create makes states interested in their maintenance, because otherwise there is a risk of leaving them in isolation and losing any achieved arrangements as well as a platform for long-term cooperation.

Analysis of Eurasian integration confirms the thesis of Keohane about the permanence of regimes. Thus, all Eurasian institutions respect the continued implementation of previous arrangements. In such a manner, in the preamble of the Treaty on the establishment of EurAsEC, it is said that sides express willingness to implement provisions implied by the Customs Union of 1995 and other subsequent documents.²⁶² The Treaty on the Establishment of the Common Customs Territory from 2007 is in turn is based on the Treaty on the establishment of EurAsEC,²⁶³ whose parties saw as an instrument for promotion of the Customs Union and Unified Economic Space.²⁶⁴ Seventeen agreements that imply regulations of Unified Economic Space subsequently respect technical provisions agreed within EurAsEC and Customs Union.²⁶⁵

Thus, the Eurasian Economic Union was created on the fundament that had been put in place twenty years ago by the provisions that implied the future creation of the Customs Union in 1995, which were not implemented in time (as mentioned in the previous chapter) but have provided a basis for realization of Eurasian integration. In theoretical matters, steadfast commitment to integration of the Eurasian group of CIS states represents a confirmative example of Keohane's thesis on permanence of international institutions.

Another example that can confirm this statement is the CIS itself which, as was demonstrated in the previous chapter, aims to preserve those links and arrangements which its member-states have inherited from their Soviet past and thus represents a regime whose origins come from the epoch of the USSR.

Coming back to the causes of transformation of regimes, and in particular to changes in states' preferences, two notes should be stated.

²⁶²Vid. Преамбула. ЕВРАЗЭС, "Договор об Учреждении Евразийского Экономического Сообщества", 10 октября 2000, (с изменениями и дополнениями от 25 января 2006 года и от 6 октября 2007 года), (Vid. Preamble. EURASEC, "Treaty on the establishment of the Eurasian Economic Space", October 10, 2000, (with amendments and modifications from 25th January 2006 and 6th October 2007), http://www.tsouz.ru/Docs/IntAgrmnts/Pages/Dogovor_EvrAzES.aspx [08-09-2014].

²⁶³Vid. Преамбула. ЕВРАЗЭС, "Договор о Создании Единой Таможенной Территории и Формировании Таможенного Союза", *op. cit.*, (Vid. Preamble. EURASEC, "Treaty on the Establishment of the Common Customs Territory and Formation of the Customs Union", *op. cit.*), http://www.tsouz.ru/Docs/IntAgrmnts/Pages/D_sozdETTiformTS.aspx [08-09-2014].

²⁶⁴Vid. Статья 2. ЕВРАЗЭС, "Договор об Учреждении Евразийского Экономического Сообщества", *op. cit.*, (Vid. Article 2. EURASEC, "Treaty on the establishment of the Eurasian Economic Space", *op. cit.*).

²⁶⁵See, for example, Преамбула. ЕЭП, "Соглашение о Единых Принципах И Правилах Технического Регулирования в Республике Беларусь, Республике Казахстан и Российской Федерации", *op. cit.*, (SES, "Agreement on Single Principles And Rules Of Technical Regulation in the Republic of Belarus, Republic of Kazakhstan and Russian Federation", *op. cit.*).

First is that as explained in the previous section, the idea of creation the EAEU was not spontaneous and officially it was first declared three years ago in 2011. For this reason, it might be an exaggeration to look for changes in states' preferences before each of step of integration, but it might be concluded that there were two important points in the history of Eurasian integration that had affected its future developments. These two historical points are 2007 when the creation of the Customs Union began and 2011 when decision to establish the EAEU was taken, which the present section emphasized.

Second is that Keohane finds one of the causes of transformation of regimes lies in the changing of states' preferences where the greater state is, the greater the transformations that can be expected. In the case of Eurasian integration, Russia is undoubtedly the leader of the group, which is seen as it is the biggest economy, the biggest investor and the largest military power (see chapter 6, figure 5 and the present chapter, figures 8, 10 and 11). As leader, changes in Russian preferences have the greatest impact on transformation of Eurasian regimes, which is seen most clearly by analyzing the RF's foreign policy concepts, and consequently in the present part most attention is given to them.

Thus, comparing The Foreign Policy Concept of the Russian Federation from 28 June 2000 mentioned in the previous chapter and the new one approved on 15 July 2008, some notes can be observed regarding the Russian view of the contemporary world and the role of the RF's foreign policy on it. In both concepts Russia positions itself as the "largest Eurasian power",²⁶⁶ but in the first one (of 2000) it says that Russia pursues a balanced foreign policy, while in the second (of 2008) it follows a balanced and multi-vector policy.²⁶⁷ Another observation is that in the Concept from 2008 is the first mentioning of the "loss by the historic West of its monopoly in global processes,"²⁶⁸ while in the previous one it is positioned as a threat to the tendency to establishment of the unipolar world order dominated by the USA, where the western institutions play the decisive role in resolution of world security issues.²⁶⁹

²⁶⁶*Vid.* Раздел II: Современный Мир и Внешняя Политика Российской Федерации. РОССИЙСКАЯ ФЕДЕРАЦИЯ, "Концепция Внешней Политики Российской Федерации", 28 июня 2000, (*Vid.* Chapter II: Contemporary World and Foreign Policy of Russian Federation. RUSSIAN FEDERATION, "The Foreign Policy Concept of the Russian Federation", June 28, 2000), <http://www.mid.ru/bdcomp/nsosndoc.nsf/4e5fa867101effb4432569fa003a705a/d2658119bbb357ecc325748800375061!OpenDocument> [01-08-2014]; *Vid.* Раздел II: Современный Мир и Внешняя Политика Российской Федерации. РОССИЙСКАЯ ФЕДЕРАЦИЯ, "Концепция Внешней Политики Российской Федерации", 15 июля 2008, (*Vid.* Chapter II: Contemporary world and foreign policy of Russian Federation. RUSSIAN FEDERATION, "The Foreign Policy Concept of the Russian Federation", July 15, 2008), <http://kremlin.ru/acts/785#sel=15:1,15:8> [01-08-2014].

²⁶⁷*Ibid.* (both documents).

²⁶⁸*Vid.* Раздел II: Современный Мир и Внешняя Политика Российской Федерации. РОССИЙСКАЯ ФЕДЕРАЦИЯ, "Концепция Внешней Политики Российской Федерации", *op. cit.*, 15 июля 2008, (*Vid.* Chapter II: Contemporary world and foreign policy of Russian Federation. RUSSIAN FEDERATION, "The Foreign Policy Concept of the Russian Federation", *op. cit.*, July 15, 2008).

²⁶⁹*Vid.* Раздел II: Современный Мир и Внешняя Политика Российской Федерации. РОССИЙСКАЯ ФЕДЕРАЦИЯ, "Концепция Внешней Политики Российской Федерации", *op. cit.*, 28 июня 2000, (*Vid.* Chapter II: Contemporary World and Foreign Policy of Russian Federation. RUSSIAN FEDERATION, "The Foreign Policy Concept of the Russian Federation", *op. cit.*, June 28, 2000).

These two observations can be seen on the example of Russia's moving from a Western-oriented policy, previously dominated in its foreign relations, to a more global vision of political affairs. Following Bogaturov, the origins of this shift can be seen before the 2008 Foreign Policy Concept came into force, to be precise, in the speech of V.V. Putin in June 2006,²⁷⁰ when the President stated that Russia should not limit its role in international affairs to participation only, but should contribute to the formation of the "global agenda" and return to its place in the world arena.²⁷¹ As the scientist finds, the concept of a "strong and more self-confident Russia" became even more obvious in the document of Foreign Policy review of the State from 28 March 2007.²⁷² In this document, along with a commitment to the new vision of Russia in international relations, it spoke of the increasing importance of the energy factor in global policy and access to energy resources; noted the unreality of unipolar order in the world because it does not respond to the nature of contemporary civilization and pointed out the necessity for an elaboration of a new Foreign Policy Concept due to Russia's enhanced world role²⁷³ (elaborated one year later).

Another observation that can be seen by analyzing this document (2007 Foreign Policy Review) is Russian attitude toward USA's plans to create a new regime that would involve five CA republics, Afghanistan, Pakistan and in the future India (which going back to Keohane's terminology relates rather to the challenges of the world system than to changes in states' preferences). In the review, it is said that many concerned countries see in this project the possibility of modernization of the region and prospects of financial and technological support. However, the withdrawal of NATO forces from Afghanistan could provoke destabilization of the area, in order to prevent this "Russia does not have another choice except to expand its multilevel involvement into Central Asia".²⁷⁴ In this situation, Kazakhstan is seen by Russia as the CA "key strategic partner", with whom maintenance of good relations nowadays needs greater efforts due to geopolitical challenges faced by the region.²⁷⁵

Coming back to the comparison of Foreign Policy Concepts from 2000 and 2008, in both of them CIS is the priority area for Russia. However, in the 2000 Concept it is said that Russia prioritizes "conformity of multilateral and bilateral cooperation with

²⁷⁰ А.БОГАТУРОВ, "Три Поколения Внешнеполитических Доктрин России", *Международные процессы*, Том 5, No. 1, 2007, (A.BOGATUROV, "Three Generations of Foreign Policy Concepts of Russia", *International Processes*, Vol. 5, No. 1, 2007), <http://www.intertrends.ru/thirteen/005.htm> [01-08-2014].

²⁷¹ ПРЕЗИДЕНТ РОССИИ. "Выступление на Совещании с Послами и Постоянными Представителями Российской Федерации", 27 июня 2006, (PRESIDENT OF RUSSIA. "Speech on the Conference with Ambassadors and Permanent Representatives of Russian Federation", June 27, 2006), <http://archive.kremlin.ru/text/appears/2006/06/107802.shtml> [01-08-2014].

²⁷² А.БОГАТУРОВ, "Три Поколения Внешнеполитических Доктрин России", *op. cit.*, (A.BOGATUROV, "Three Generations of Foreign Policy Concepts of Russia", *op. cit.*).

²⁷³ *Vid.* Введение. МИД РФ, "Обзор Внешней Политики Российской Федерации", 28 Марта 2007, (*Vid.* Introduction. MFA RF, "Foreign Policy Review of the Russian Federation", March 28, 2007), http://www.mid.ru/brp_4.nsf/sps/690A2BAF968B1FA4C32572B100304A6E [01-08-2014].

²⁷⁴ *Vid.* Статья 14, Географические Направления Внешней Политики: Пространство СНГ. *Ibid.*, (*Vid.* Article 14, Geography of Foreign Policy: CIS space. *Ibid.*).

²⁷⁵ *Vid.* Статья 15, Географические Направления Внешней Политики: Пространство СНГ. *Ibid.*, (*Vid.* Article 15, Geography of Foreign Policy: CIS space. *Ibid.*).

CIS member-states with its national security tasks",²⁷⁶ while in the 2008 Concept it is stated that "[d]evelopment of bilateral and multilateral cooperation with CIS Member States constitutes a priority area of Russia's foreign policy".²⁷⁷ The reason for this difference can be seen in what Bogaturov spoke of regarding security threats (or challenges in Keohane's terms) for Russia. In the 1990s the main challenges faced by Russian security were internal ones, while in the 2000s they changed to external ones.²⁷⁸ In other words, beginning in the 21st century, the RF's preoccupations ceased to be exclusively internal and expanded to including external ones.

With respect to Eurasian integration, it is stated in the 2008 Concept that Russia would actively work in order to create the Customs Union and then the Single Economic Space with Kazakhstan and Belarus, and assure other CIS members to participate in EurAsEC as the "core element of economic integration" aiming to develop cooperation within the Commonwealth.²⁷⁹

Thus, in the period of 2007-2008 Russian state preferences changed from West-orientated to more global ones with strong commitments to play a significant role in global affairs.

In the case of Kazakhstan, changes in state's preferences can be seen by analyzing the annual addresses of the President of the Republic Nursultan Nazarbayev dedicated to the most prominent events in its internal and external policies.

The first address of the President also known as "Strategy-2030" took place in 1997 and implied the continuation of state's development (until 2014). This strategy is primarily dedicated to the internal policy of the republic, but there are issues related to its external relations.

Thus, among seven long-term priorities emphasized by the strategy, three of them have relevance for foreign affairs. The first one is National Security, for which the highest values are territorial integrity, nationhood, sovereignty, independence and resources.²⁸⁰ The second is economic growth based on market economy with a high level of FDI inflows and national savings.²⁸¹ The third is exploitation of energy resources, for which Kazakhstan will widely cooperate with other countries and interna-

²⁷⁶*Vid.* Раздел IV: РОССИЙСКАЯ ФЕДЕРАЦИЯ, "Концепция Внешней Политики Российской Федерации", *op. cit.*, 28 июня 2000, (*Vid.* Chapter IV: Regional Priorities. RUSSIAN FEDERATION, "The Foreign Policy Concept of the Russian Federation", *op. cit.*, June 28, 2000).

²⁷⁷*Vid.* Раздел IV: Региональные приоритеты. РОССИЙСКАЯ ФЕДЕРАЦИЯ, "Концепция Внешней Политики Российской Федерации", *op. cit.*, 15 июля 2008, (*Vid.* Chapter IV: Regional priorities. RUSSIAN FEDERATION, "The Foreign Policy Concept of the Russian Federation", *op. cit.*, July 15, 2008).

²⁷⁸А.БОГАТУРОВ, "Три Поколения Внешнеполитических Доктрин России", *op. cit.*, (А. BOGATUROV, "Three Generations of Foreign Policy Concepts of Russia", *op. cit.*).

²⁷⁹*Vid.* Раздел IV: Региональные приоритеты. РОССИЙСКАЯ ФЕДЕРАЦИЯ, "Концепция Внешней Политики Российской Федерации", *op. cit.*, 15 июля 2008, (*Vid.* Chapter IV: Regional priorities. RUSSIAN FEDERATION, "The Foreign Policy Concept of the Russian Federation", *op. cit.*, July 15, 2008).

²⁸⁰*Vid.* Долгосрочный Приоритет 1: Национальная Безопасность. ПРЕЗИДЕНТ РЕСПУБЛИКИ КАЗАХСТАН, "Послание Президента Республики Казахстан Н.А. Назарбаева народу Казахстана", Октябрь 1997, (*Vid.* The First Long-Term Priority: National Security. PRESIDENT OF THE REPUBLIC OF KAZAKHSTAN, "Address of the President of the Republic of Kazakhstan Nursultan Nazarbayev", (October 1997), http://www.akorda.kz/ru/page/page_address-of-the-president-of-the-republic-of-kazakhstan-nursultan-nazarbayev-to-the-people-of-kazakhstan-october-10-1997_1343986436 [04-08-2014].

²⁸¹*Vid.* Долгосрочный Приоритет 3: Экономический Рост, Базирующийся на Развитой Рыночной Экономике с Высоким Уровнем Иностраннных Инвестиций. *Ibid.*, (*Vid.* The Third Long-Term Priority: Economic growth based on diversified market economy with a high level of foreign investments. *Ibid.*).

tional companies in order to attract investments and technologies and diversify pipeline geography and consumer market.²⁸²

All further addresses of the President were linked to this strategy as steps of stable and consistent process of its implementation, and in all of them the idea of Eurasian integration was emphasized as a strategic priority term.²⁸³

As stated in the first chapter, Kazakhstan pursues multi-vector policy and considers Russia, China, EU and the USA as strategic partners without emphasizing any one of them as the main priority.²⁸⁴ That is why it is very noticeable that only in 2006, when annual priorities for implementing the further external policy course were analyzed, Russia was stated as “the most important priority of Kazakhstan’s foreign policy”,²⁸⁵ which did not happen in any of the previous or following addresses.²⁸⁶ Also, it might be suggested that the strengthening of Kazakhstan’s commitment to Eurasian integration coincided in time with delimitation of the border between Kazakhstan and Russia, which was a historical event for Astana because it was the first time that two countries had formed an official legal frontier.²⁸⁷

However, it would be an exaggeration to look for significant changes in Astana’s preferences especially in the case of Eurasian integration, initiated by Kazakhstan. The same might be said about the position of Belarus. As mentioned in the previous chapter, Belarussian commitment to integration within the CIS (primarily with Russia) began to be part of the balanced foreign policy concept since Alexander Lukashenka came to power. Belarussian preferences can be seen from a complex of different documents that altogether determine foreign policy strategy of the Republic. Therefore, there are two main documents: the Law of RB on the Main Directions of Internal and External Policy of the Republic of Belarus from 14 November 2005, The National Security Concept of the Republic of Belarus from 9 November 2010, apart from them, there are the annual addresses of the President of the Republic of Belarus Alexander

²⁸²*Vid.* Долгосрочный Приоритет 5: Энергетические Ресурсы. *Ibid.*, (*Vid.* The Fifth Long-Term Priority: Energetic resources. *Ibid.*).

²⁸³*Vid.* ПРЕЗИДЕНТ РЕСПУБЛИКИ КАЗАХСТАН, “Барлық Жолдаулар”, (PRESIDENT OF THE REPUBLIC OF KAZAKHSTAN, “All Addresses”, http://www.akorda.kz/kz/allNews?category_id=129 [04-08-2014]).

²⁸⁴*Vid.* *Ibid.*

²⁸⁵*Vid.* Жетінші Басымдық: Қазақстанның Мүдделерін, Өңірлік Және Әлемдік Дамудың Серпінін Ескеретін Теңдестірілген Және Жауапты Сыртқы Саяси Бағытты Одан Әрі Іске Асыру. ҚАЗАҚСТАН РЕСПУБЛИКАСЫНЫҢ ПРЕЗИДЕНТІ, “Қазақстан Халқына Жолдауы”, 2006 жылғы 1 наурыз, *Vid.* Seventh priority: Further Implementation Of Kazakhstan’s Balanced, Responsible Foreign Policy In Accordance With Regional And World Developments. PRESIDENT OF THE REPUBLIC OF KAZAKHSTAN, “Address to the People of Kazakhstan”, March 1, 2006), http://www.akorda.kz/kz/page/page_kazakhstan-respublikasynyn-prezidenti-n-a-nazarbaevty-n-kazakhstan-khalkyna-zholdauly-2006-zhyly-1-nauryz_1343986805 [04-08-2014].

²⁸⁶*Vid.* ПРЕЗИДЕНТ РЕСПУБЛИКИ КАЗАХСТАН, “Барлық Жолдаулар”, (PRESIDENT OF THE REPUBLIC OF KAZAKHSTAN, “All Addresses”, http://www.akorda.kz/kz/allNews?category_id=129 [04-08-2014]).

²⁸⁷ПРЕЗИДЕНТ РЕСПУБЛИКИ КАЗАХСТАН, “Послание Президента Республики Казахстан Н.А. Назарбаева Народу Казахстана”, 2005, (PRESIDENT OF THE REPUBLIC OF KAZAKHSTAN, “The Address of the President of the Republic of Kazakhstan Nursultan Nazarbayev to People of Kazakhstan”, 2005), http://www.akorda.kz/ru/page/page_poslanie-prezidenta-respubliki-kazakhstan-n-a-nazarbaeva-narodu-kazakhstan-2005-g_1343986671 [04-08-2014].

Lukashenka to the people of Belarus.²⁸⁸ In the sphere of international affairs, the first document states the general principles of foreign policy of the Republic of Belarus. While the second (The National Security Concept) declares Belarusian commitments to Eurasian integration²⁸⁹ and close relations with the Russian Federation within its multi-vector policy,²⁹⁰ the same commitments are regularly stated in the annual addresses of the President of Belarus.

Thus, both Kazakhstan and Belarus have maintained their strong commitments to the idea of Eurasian integration during the period under consideration.

With respect to the second historical point of Eurasian integration, it is necessary to mention three important articles published by the Presidents of Russia, Belarus and Kazakhstan in 2011, that altogether represented strong commitments of the heads of states to continue the integration process. The first article was presented by Vladimir Putin on October 4, 2011 as part of his presidential campaign, where he briefly explained the nature of future developments and opportunities of Eurasian integration.²⁹¹ Then there was the article of Alexander Lukashenko on October 18, where he stated future “integration of integrations” possible in the case of close cooperation between Eurasian and European Unions.²⁹² The last article was by Nursultan Nazarbayev published on October 26, where he determined the main features of the future EAEU.²⁹³

As all these articles stated decisions already made to develop Eurasian integration, they can be considered not as changes in states’ preferences but rather as dissatisfaction with existing level of cooperation, in other words as their common attempt to push integration further.

²⁸⁸РЕСПУБЛИКА БЕЛАРУСЬ, “Закон Республики Беларусь “Об утверждении Основных Направлений Внутренней и Внешней Политики Республики Беларусь”, No. 60-3, 14 ноября 2005, (REPUBLIC OF BELARUS, “The Law of Republic of Belarus on the Main Directions of Internal and External Policy of the Republic of Belarus”, No. 60-3, November 14, 2005), <http://laws.newsby.org/documents/laws/law0361.htm> [18-09-2014], REPUBLIC OF BELARUS, “The National Security Concept of the Republic of Belarus”, November 9, 2010, <http://mod.mil.by/koncept.html> [18-09-2014]; ПРЕЗИДЕНТ РЕСПУБЛИКИ БЕЛАРУСЬ, “Послание Президента Белорусскому Народу и Национальному Собранию”, (PRESIDENT OF THE REPUBLIC OF BELARUS, “Annual Address of the President of the Republic to the people of Belarus”), http://president.gov.by/ru/news_ru/view/aleksandr-lukashenko-obraschaetsja-s-ezhegodnym-poslaniem-k-belorusskomu-narodu-i-natsionalnomu-sobraniju-8549/ [18-09-2014].

²⁸⁹*Vid.* Глава 7: Пункт 55. РЕСПУБЛИКА БЕЛАРУСЬ, “Концепция национальной безопасности Республики Беларусь”, *op. cit.*, (*Vid.* Chapter 7: Point 55. REPUBLIC OF BELARUS, “National Security Concept of the Republic of Belarus”, *op. cit.*).

²⁹⁰*Vid.* Глава 3: Пункт 19. *Ibid.*, (*Vid.* Chapter 3: Point 19. *Ibid.*).

²⁹¹В.ПУТИН, “Новый Интеграционный Проект Для Евразии – Будущее, Которое Рождается Сегодня”, *Евразийская Интеграция: Экономика, Право, Политика*, No. 10, 2011, сс. 10-14, (V.PUTIN, “A new Integration Project for Eurasia: The future in the making”, *Eurasian Integration: Economy, Law, Policy*, No. 10, 2011, pp. 10-14), <http://www.rusemb.org.uk/press/246> (translation in English) [18-09-2014].

²⁹²А.ЛУКАШЕНКО, “О судьбах нашей интеграции”, *Евразийская Интеграция: Экономика, Право, Политика*, No. 10, 2011, с. 18, (A.LUKASHENKO, “Destinies of our integration”, *Eurasian Integration: Economy, Law, Policy*, No. 10, 2011, p. 18).

²⁹³Н.НАЗАРБАЕВ, “Евразийский Союз: от Идеи К Истории Будущего”, *Евразийская Интеграция: Экономика, Право, Политика*, No. 10, 2011, с. 25, (N.NAZARBAYEV, “Eurasian Union: From Idea to the History of the Future”, *Eurasian Integration: Economy, Law, Policy*, No. 10, 2011, p. 25), <http://personal.akorda.kz/en/category/statyi/1428> (translation in English) [18-09-2014].

The last cause of transformation pointed out by Keohane is changes in power. Indeed, often seen on some key development figures of integrating countries, it is notable that some of them have increased their positions in the world arena.

As this thesis deals with Eurasian integration, only those countries that share relevant preferences are analyzed, which are five EurAsEC members (predecessor of the Customs Union) and observers of this organization. Therefore, the analysis represented in the table below is limited to eight CIS countries, of which five are permanent members of EurAsEC (Russia, Kazakhstan, Belarus, Tajikistan and Kyrgyzstan) and its three observers (Ukraine, Moldova and Armenia). The analysis of Armenia, Tajikistan and Kyrgyzstan is needed because, as will be shown in the next chapters, even if they did not participate in establishment the Customs Union they will probably join the EAEU in the future. As for observer-states, they are involved in the analysis because some of them will also be considered as candidate members, while others have direct influence on the development of Eurasian integration.

Figure 15. Change in power of EurAsEC members and observers, 2000-2013

Countries	International trade, USD million						GDP based on PPP, USD million				Total reserves (includes gold), USD million			Military expenditure, USD million		
	2000		2010		2013		2000	2010	2015 (est. by IMF)	GDP 2013 ranking	2000	2013	2013 ranking	2000	2010	2012
	Export	% of world exports	Export	% of world exports	Export	% of world exports										
Russia	105,033	1.628	400,630	2.618	529,255	2.781	1,122,589	2,222,111	2,738,411	6	27,656	509,692	6	9,635/3.7	65,065/4.3	90749/4.4
Ukraine	14,573	0.226	51,478	0.336	63,312	0.336	162,114	303,411	n/a	40	1,147	20,413	57	1,137/3.6	3,710/2.7	4879/2.7
Kazakhstan	8,812	0.137	59,971	0.392	82,512	0.438	71,838	196,038	286,154	41	2,098	24,691	53	144/0.79	1,502/1.1	2434/1.2
Belarus	7,326	0.114	25,284	0.165	37,232	0.198	50,925	130,672	160,381	61	350	6,655	97	140/1.3	768/1.4	762/1.3
Tajikistan	785	0.012	1,195	0.008	1,163	0.006	5,525	14,659	22,213	134	57	661	133	10.4/1.2	81.9/n.a	93.1/n.a
Kyrgyzstan	511	0.008	1,756	0.011	1,791	0.010	6,593	12,054	16,681	138	253	2,238	120	39.1/2.9	202/4.2	235/n.a
Moldova	472	0.007	1,541	0.010	2,399	0.013	5,384	10,942	14,862	141	185	2,820	112	5.1/0.4	18.3/0.32	21.8/0.29
Armenia	294	0.005	1,011	0.007	1,480	0.008	6,214	16,696	22,910	131	314	2,251	125	68.1/3.6	395/4.3	387/3.8

Source: for International trade in USD (at current prices and current exchange rates), UNCTAD database: International trade in goods and services; for Gross domestic product based on purchasing-power-parity (PPP), IMF: World Economic Outlook Database, April 2014; for Total reserves (includes gold, current US\$), WORLD BANK database: Total reserves; for World rank in reserves in foreign exchange and gold (2013), CIA: World Factbook; for Military expenditure (at constant 2011 prices), SIPRI database of military expenditure; for GDP ranking, 2013, WORLD BANK database, http://databank.worldbank.org/data/download/GDP_PPP.pdf [02-08-2014] (prepared by the author).

As seen from the table, among the states who improved their positions in international trade (in export) are Russia and to some extent Kazakhstan. With respect to GDP, in 2000, Russia, Kazakhstan and Belarus were consequently in 19th, 70th and 89th positions in the world.²⁹⁴

Over the last thirteen years they succeeded in improving their positions and now (2013) Russia occupies 6th place, Kazakhstan 41st and Belarus 61st in the list of countries by GDP. In addition, all EurAsEC members and observers succeeded in enlarging their reserves in gold and foreign currencies, where Russia is leader (by the amount of reserves) and nowadays is in sixth place in foreign exchange savings in the world (after China, Japan, the EU, Saudi Arabia and Switzerland).²⁹⁵ In the case of military expenditures, Russia is also leader, which nowadays is third in the world regarding its military budget (after the USA and China).²⁹⁶ The second most powerful military country in the CIS region is Ukraine.²⁹⁷ In addition, Russia, which traditionally (since the epoch of the Soviet Union) was the second largest arms exporter in the world (after the USA), in 2013 superseded American competition and has become the largest arms exporter.²⁹⁸

All these observations permit the conclusion that the transformation of preferences of Eurasian states toward larger integration coincided with a relevant increase (especially in the case of the RF) of their military and economic capabilities.

In such a manner, development of Eurasian institutions has been in parallel with internal transformations of participating countries in the sphere of changes in states' preferences and capabilities, external challenges, and attitude toward integration.

Explaining the main features, functions and reasons for transformation of Eurasian institutions altogether represents analysis of structure of the subsystem they form, while in the next chapter the agents of the subsystem will be analyzed.

7.4. Conclusion

This chapter represents application of Institutionalist theory by Robert Keohane to the process of Eurasian integration. The first two sections are dedicated to the system of international milieu of the CIS region, where the first one explains the policies of external actors that influence the area, while the second one – its conditions that have created the demand for Eurasian institutions. The third section, in turn, is dedi-

²⁹⁴UNCTAD database (calculations by the author).

²⁹⁵CIA: World Factbook: Reserves of Foreign Exchange and Gold.

²⁹⁶IISS, "Military Balance 2014", Press Statement, <http://www.iiss.org/en/about%20us/press%20room/press%20releases/press%20releases/archive/2014-dd03/february-0abc/military-balance-2014-press-statement-52d7> [19-09-2014].

²⁹⁷R.NILSSON, "Russian Policy Concerning the Black Sea Fleet and its Being Based in Ukraine, 2008–2010: Three Interpretations", *Europe-Asia Studies*, Vol. 65, Issue 6, 2013, p. 1154.

²⁹⁸SIPRI database: Top 50 largest arms exporters.

cated to the main features of the structure of the subsystem formed by CU, SES and EAEU.

Theoretical statements related to nation-state and its role in the world arena are taken as read and do not need confirmation. Where non-hegemonic cooperation is concerned, the CIS space represents the region where its main features could be found. Therefore, after the collapse of the Soviet Union, Russia, which before was playing the role of hegemon, lost its preferential positions in parallel with losing the singular control over issues related to energy, trade and monetary affairs. It is still the most powerful country in the region, but it is not the only regime-maker anymore. Russian positions have been largely challenged by external actors especially by the EU and the USA. Both these players have been establishing institutions that could undermine Russian hegemony in Eastern Neighborhood countries (Eastern Partnership program) and Central Asia republics ("Heart of Asia" cooperation). EaP largely promotes Europeanization of the former Soviet republics and its ultimate goal is binding the region through AAs to Europe. While the "Heart of Asia" cooperation reflects American Silk Road Strategy toward the "Greater Central Asia" countries, which is aimed to bind former CA republics with South Asia placing Afghanistan in the center of their electricity, transport, oil and gas networks, which Washington and its allies construct in the region.

The other two actors – China and Turkey – also challenge Russian dominance in the region, but their positions are not as controversial toward Moscow's interests as American and European ones are and they do not widely use institutions in order to implement their policies. Moreover, there is certain rapprochement in Chinese-Russian and Turkey-Russian relations, from which all sides benefit especially in energy and transport terms.

With respect to the demand factors of international institutions, for which complex interdependence plays the most important role, it is mostly binding for Kazakhstan, Russia and Belarus. On a large scale, all CIS countries except Azerbaijan, Georgia and Turkmenistan are highly interdependent. Complex interdependence in CIS implies dependence on Russia. In 2007, when the Agreement on Establishment of the CU was signed, Russia had a dominant position, in comparison with external actors, in trade with Belarus, Kazakhstan, Turkmenistan, Kyrgyzstan and with Ukraine was a close second to the EU. In military terms, Russia owns its facilities in all CIS members except Turkmenistan and Uzbekistan, which makes these countries dependent on Moscow. The only markets that Russia lost as the main weapons exporter are Georgian and Ukrainian ones. In energy terms, among fuels exporters, Kazakhstan is dependent on Russia for transportation of its oil to Europe, while Russia is dependent on Belarus and Ukraine for the same purposes. Among fuels importers, Armenia, Belarus, Kyrgyzstan, Moldova and Ukraine are dependent on supply from Russia. Russian predominance in the CIS region makes it the most evident leader in the Eurasian community. Contractual environment is mostly evident for EurAsEC members that form the Eurasian groups of states and partially its observers, while similarities are

common for all CIS members because after the collapse of the Soviet Union, all of them chose the democratic way of nation-building and commitment to capitalist economy.

Application of Keohane's statements on the nature of international regimes explains the structure of the Eurasian community. Where functions of regimes are concerned, all three Eurasian institutions that have been studied (i.e. Customs Union, Single Economic Space and EAEU) exercise them at different levels. The first function to provide equal access to reliable information has been exercised by states' obligations to exchange data between each other and with supranational bodies, create common statistics and integrated information systems. The second function – to cooperate with third parties – is exercised through the right of Eurasian institutions to conclude agreements with other states and organizations. The third role – to influence on states' capabilities – is seen through the example of Kazakhstan and Belarus who have an equal amount of votes as Russia, despite the fact that they are less powerful than the RF. The fourth role – to facilitate cooperation within the community – is confirmed by the observation that these three countries have more meetings with each other at the highest level than the with third parties. The fifth function – to monitor the implementation of obligations – is exercised by the Court of EAEU. The sixth role – to influence national preferences – is confirmed by Armenian change of preferences in favor of Eurasian integration.

As far as transformation of regimes is concerned, changes in state preferences coincide with the Russian shift from western-orientated to multi-vector policy. Challenges of international system are posed by the situation on the South borders of the CIS, implementation of the Silk Road strategy and changes of Russian security threats from internal-orientated to external-orientated. Dissatisfaction with the existing level of integration (as the need to push cooperation further) was expressed in articles of the three presidents in 2011 that have historical importance for Eurasian integration. While changes in states' power demonstrate the improvement of integrating states positions in the world arena.

On the system level, the present chapter has explained the policies of external actors that influence international milieu of the CIS region from 2007 to the present day and demand for Eurasian institutions imposed by its main players determined by their complex interdependence. On the subsystem level, the chapter dealt with the structure of the subsystem formed by the Eurasian community. The positions of the agents of the subsystem are described in the next chapter.

CHAPTER 8

APPLICATION OF LIBERAL INTERGOVERNMENTALISM THEORY BY ANDREW MORAVCSIK ON THE CASE OF EURASIAN INTEGRATION

The Liberal Intergovernmentalism theory elaborated by Andrew Moravcsik can be summarized as a three-level approach of national preferences, formation, interstate bargaining and cooperation within supranational institutions, which in turn corresponds to three sections of the chapter. The paper aims to verify the theory on the practical case of Eurasian integration within the timeframe from 2007 to the present day.

8.1. National preferences formation in the case of Eurasian integration

Moravcsik advocates that creation of national preferences is based on state-society relations, where different domestic groups representing society pursue their own interests, while the government on behalf of the state incorporates these interests and forms foreign policy priorities. Relations work in “principal-agent” terms: groups delegate their preferences, they are incorporated by the government and then government represents the entire state in the international arena. It is in the competence of the government to form state preferences, which are not permanent, unlike fundamental interests common for each nation, but preferences do reflect their goals.

States are driven not only by one preference, but by a series of preferences, where economic and macroeconomic considerations are of primary concern, while geopolitical and ideological ones are secondary.

In economic terms, preferences lie in three main spheres: industry, agriculture and services. Even if state interests are asymmetrical it is a common rule that countries prefer to promote integration in the spheres where they are stronger and protect the market when they are less advanced.

Political preferences are interdependent from economic ones; close political (and military) relations facilitate economic cooperation, while economy is widely used as leverage in politics.

Ideological preferences also play an important role especially in the spheres where political and economic preferences are not evident or their pressure is not great.

Taking this summary of national preferences formation as a point of departure, the present section is divided into two parts. The first part demonstrates the process of incorporation of domestic groups (and subsequently their interests), i.e. it shows how the decision to promote Eurasian integration has become possible, determines the main groups interested in integration, and shows how their preferences have been delegated to the government. In parallel, it defines a series of economic preferences (in industry and services) that drive the states to integration. The second part of the section is dedicated to secondary preferences by Andrew Moravcsik – political and ideological ones. In reference to the preferences in agriculture and macroeconomics they are explained in the second section of the chapter due to the specific nature of cooperation they deal with.

8.1.1. Nature of state-society relations in each EAEU member-state and their economic preferences

Analyzing state-society relations within the EAEU members it is seen that implementation of the Eurasian integration became possible only after the consolidation of power had been achieved in each of them. As shown in chapter 6, all CIS countries passed through a long process of nation-building and only after this process had been completed, implementation of external governmental decisions became possible.

The ways of consolidation of power in the case of Kazakhstan and Russia have much in common and they are described in the first turn, while the Belarussian case is different and is explained in the second turn.

There are three common features of the process of consolidation of power in the case of Kazakhstan and Russia. The first is that incorporation of political elites was made through amalgamation of parties and establishment of the “dominant” one; secondly, both systems were created in the 2000s by groups that had already come to

power by that time;¹ and the third feature is that dominant parties have considerable dependence on public support of their leaders.² In such a manner both countries created party-based regimes which, as V. Gel'man finds, are characterized by relative stability and state succession.³

In the case of Kazakhstan, the process of consolidation of power had been largely completed by 2006 when the main party NurOtan was created by merger of the Asar and Civil Party of Kazakhstan (CPK) with Otan (established and led by the Head of State).⁴ These two parties were established by two pro-presidential domestic groups – the group of Dariga Nazarbayeva and Rakhat Aliev (Asar party) and the Eurasian group (CPK).⁵

The Eurasian Group, represented nowadays by the Eurasian Group LLP, where 20.7% of shares belong to Alidzhan Ibragimov, another 20.7% to Alexandr Machkevitch, 18.6% to Patoh Chodiev and 40% to the Government of the Republic of Kazakhstan,⁶ is one of the largest financial and industrial groups, whose establishment dates back to the epoch of post-Soviet privatization at the beginning of the 1990s.⁷ In the field of production of ferroalloys the group possesses the majority of shares in Kazchrome (RK), Zhairam GOK (RK) and Serov (RF) companies; in production of ironstone - Sokolov-Sarbai Mining Production Association unites a series of mines in RK, in addition, the group possesses shares in companies related to mining in Brazil, China, Democratic Republic of Congo and South Africa; in the sphere of aluminum production, Aluminium of Kazakhstan, Kazakhstan Aluminium Smelter and Pavlodar Machinery Plant (RK) belong to the group; regarding energy production, it owns Eurasian Energy Corporation (EEC) and Shubarkol Komir Joint Stock Company; in the transport sphere, ENRC Logistics belongs to the group;⁸ while in the financial sphere

¹R.ISAAC and S.WHITMORE, "The Limited Agency and Life-Cycles of Personalized Dominant Parties in the Post-Soviet Space: The Cases of United Russia and Nur Otan", *Democratization*, Vol. 21, Issue 4, 2014, p. 703.

²*Ibid.*, p. 699.

³With reference to B. Geddes, V. Gel'man states that party-based regimes are more stable than ones established on personalized or military ground. *Vid.* V.GEL'MAN, "Party Politics in Russia: From Competition to Hierarchy", *Europe-Asia Studies*, Vol. 60, No. 6, 2008, p. 917; B.GEDDES, "How the Cases You Choose Affect the Answers You Get: Selection Bias and Related Issues" in B.GEDDES, *Paradigms and Sand Castles: Theory Building and Research Design in Comparative Politics*, Michigan, The University of Michigan Press, 2006 (4th edition), pp. 27-88.

⁴R.ISAAC and S.WHITMORE, "The Limited Agency and Life-Cycles of Personalized Dominant Parties...", *op. cit.*, p. 707; ҚР ОРТАЛЫҚ САЙЛАУ КОМИССИЯСЫ, "Партиялар", (RK CENTRAL ELECTION COMMITTEE, "Parties"), http://election.kz/portal/page?_pageid=115,58960&_dad=portal&_schema=PORTAL [1-12-2014].

⁵R.ISAAC and S.WHITMORE, "The Limited Agency and Life-Cycles of Personalized Dominant Parties...", *op. cit.*, p. 707.

⁶FORBES, "Алиджан Ибрагимов", (FORBES, "Alidzhan Ibragimov"), <http://forbes.kz/ranking/object/46> [04-11-2014].

⁷R.ISAAC, "Bringing the "Formal" Back in: Nur Otan, Informal Networks, and the Countering of Elite Instability in Kazakhstan", *Europe-Asia Studies*, Vol. 65, No. 6, 2013, p. 1068.

⁸EURASIAN NATURAL RESOURCES COMPANY, "Our divisions", <http://www.enrc.com/our-divisions> [04-11-2014].

it manages the Eurasian Financial Company JSC,⁹ which owns Eurasian Bank JSC and its branches.¹⁰

As the studied integration project is limited to inter-state rapprochement in certain areas only groups' dominions in electricity and transport fields are analyzed, which is described in the second section of the chapter.

Regarding the Eurasian group, it is necessary to note that increase of the state share in the corporation coincided with the merger of CPK and Otan party.¹¹ In parallel with the merger the political impact of the CPK and its sponsoring by Eurasian group has decreased,¹² but its elites remain pro-presidential.¹³

Concerning the group of D. Nazarbayeva and Rahat Aliev, decline in its political power (together with an economic one in media and financial sectors) coincided not only with the 2006 merger of the parties, but also with the arrest of R. Aliev (the former son-in-law of the President)¹⁴ charged with kidnapping of Nurbank directors.¹⁵ As a result, 49.99% of the media-holding Khabar that included two national channels "Khabar" and "El Arna", satellite programme Caspionet, and "Radio Kkabar" which belonged to D. Nazarbayeva,¹⁶ was sold to the National Science-Technology Holding Samgay¹⁷ whose final beneficiary was the state.¹⁸

⁹FINANCIAL SUPERVISION OF THE NATIONAL BANK OF KAZAKHSTAN, "Composite Information About The Banking Conglomerates Of The Republic of Kazakhstan on 1 July 2013", <http://www.afn.kz/attachments/6/263/publish263-1041557.pdf> [05-11-2014].

¹⁰KASE, "Eurasian Bank JSC", [http://www.kase.kz/en/emitte rs/show/EUBN](http://www.kase.kz/en/emitte%20rs/show/EUBN) [05-11-2014].

¹¹By 2007, the state represented by The State Property and Privatisation Committee of the Ministry of Finance of the Republic of Kazakhstan possessed only 19.31% of shares in the company, among other shareholders not listed nowadays was Kazakhmys Eurasia BV, the branch of Kazakhmys PLC (another large mining corporation) chaired by Vladimir Kim, while nowadays (as was mentioned) the government possess 40% of shares in the corporation. *Vid.* EURASIAN NATURAL RESOURCES COMPANY, *Report in ENRC Annual Report and Accounts 2007*, p. 51, <http://www.enrc.com/investors/financial-operational-reports> [05-11-2014]; EURASIAN NATURAL RESOURCES COMPANY, "Major Shareholders And Relationship Agreements", http://www.enrc.com/sites/enrc.g3dbuild.com/files/prospectus/ENRC_Prospectus_FINAL_Part_9.pdf [05-11-2014]; FORBES, "Владимир Ким", (FORBES, "Vladimir Kim"), <http://forbes.kz/ranking/object/44> [05-11-2014]; R.ISAACS, "Bringing the "Formal" Back in: Nur Otan, Informal Networks, and the Countering of Elite Instability in Kazakhstan", *op. cit.*, p. 1072.

¹²*Ibid.*, p. 1072.

¹³D.BEACHAIN and R.KEVLIHAN, "Threading a Needle: Kazakhstan between Civic and Ethno-Nationalist State-building", *Nations and Nationalism*, Vol. 19, No. 2, 2013, p. 350.

¹⁴R.ISAACS and S.WHITMORE, "The Limited Agency and Life-Cycles of Personalized Dominant Parties...", *op. cit.*, p. 707.

¹⁵R.ISAACS, "Bringing the "Formal" Back in: Nur Otan, Informal Networks, and the Countering of Elite Instability in Kazakhstan", *op. cit.*, p. 1070.

¹⁶The Group possessed shares in Khabar media-holding through "Kazcenter LLP" and "Kazakh Telecorporation LLP". *Vid.* Т.НИКОЛАЕВА, "Весь "Хабар" в Одни Руки", *Эксперт*, No. 13 (602), 31 марта 2008, (Т.НИКОЛАЕВА, "Entire "Khabar" to One Owner", *Expert*, No. 13 (602), March 31, 2008), http://expert.ru/expert/2008/13/ves_habar_v_odni_ruki/ [30-11-2014].

¹⁷КАЗАХСТАНСКАЯ ФОНДОВАЯ БИРЖА, АО "Агентство "Хабар" (Казахстан) Сообщило О Продаже 570 848 Своих Простых Акций АО "Национальный Научно-Технологический Холдинг "Самгау", (KASE, "Khabar" Agency" (Kazakhstan) Announces Sale of 570 848 of shares to "Samgay" National Science-Technology Holding), <http://www.kase.kz/news/show/1043963>[30-11-2014].

¹⁸In 2010, financial shares of the family in Nurbank were also sold. *Vid.* ZAKON.KZ, "Дарига Назарбаева И Ее Сын Нурали Вышли Из Состава Акционеров Нурбанка", 20 мая 2010, (ZAKON.KZ, "Dariga Nazarbayeva and Her Sun Nurali Ceased Being Shareholders of Nurbank", May 20, 2010), <http://fin.zakon.kz/172832-dariga-nazarbaeva-i-ee-syn-nurali.html> [1-12-2014]; Т.НИКОЛАЕВА, "Весь "Хабар" в Одни Руки", *op. cit.*, (Т.НИКОЛАЕВА, "Entire "Khabar" to One Owner", *op. cit.*).

Among other elites, which play an important role in spheres related to integration, is the group of «Central-Asian Power Energy Company» JSC owned by E. Amirkhanov, A. Klebanov, S. Kan¹⁹ (each of them possess 30.99% of company shares) and G.D. Artambayeva (7.03%).²⁰ That private company is a significant player in Kazakhstan's market of generation and distribution of electricity. In addition to that, it is represented at the national chemical market,²¹ banking sector (Eximbank),²² and media (Alash Media group LLP that includes two channels – STV and the 7th – Tengri FM, vesti.kz, etc.).²³

In parallel with national players in the electricity market (Eurasian group, Central-Asian Power Energy Company, and State Fund Samruk-Kazyna studied later), there are foreign actors such as AES Corporation (American Energy Holding),²⁴ which nowadays is only involved in production of electricity in Eastern Kazakhstan (Electric Distribution Company JSC, owned by AES was sold to Samruk-Energy JSC in 2012).²⁵ Possessions of both groups are analyzed in the second section of the chapter.

Another important national group is “ALMEX group” chaired by Timur Kulibayev and Dinara Kulibayeva.²⁶ The group is largely present in the oil and gas sector, construction, metalwork²⁷ and gold mining.²⁸ In banking, it owns the largest bank (by total assets) in the country (Halyk Savings Bank of Kazakhstan).²⁹ As the present analysis is limited only to the spheres involved in integration, only the pertinent possessions of the group are analyzed.

¹⁹In accordance with Forbers, the first three shareholders belong to the top-30 richest people in Kazakhstan. *Vid.* FORBES, “50 Богатейших Людей Казахстана – 2014”, (FORBES, “50 Richest persons in Kazakhstan”), http://forbes.kz/ranking/50_bogateyshih_lyudey_kazahstana_-_2014 [1-11-2014]

²⁰ЦЕНТРАЛЬНО-АЗИАТСКАЯ ТОПЛИВНО-ЭНЕРГЕТИЧЕСКАЯ КОМПАНИЯ, *Годовой Отчет АО “Центрально-Азиатская Топливо-Энергетическая Компания”*, 2013, p. 7, (CENTRAL-ASIAN POWER ENERGY COMPANY, *Annual Report of “Central-Asian Power Energy Company” JSC*, 2013, p. 7), http://www.capec.kz/admin/upload/files/go_capec_2013.pdf [1-11-2014].

²¹*Ibid.*, p. 13.

²²*Ibid.*, p. 7.

²³FORBES, “Александр Клебанов”, (FORBES, “Alexander Klebanov”), <http://forbes.kz/ranking/object/52> [4-11-2014].

²⁴EAST KAZAKHSTAN REGIONAL ENERGY COMPANY, “About Company”, <http://www.ekrec.kz/index.php/en/about> [4-11-2014].

²⁵BUSINESS-GROUPS: THE INFORMATION SYSTEM, “Группа “AES” в Казахстане”, (BUSINESS-GROUPS: THE INFORMATION SYSTEM, “AES in Kazakhstan”), <http://bg-is.com/index.php/Zarubezhnye-gruppy-v-Kazahstane-Amerikanskie/aes.html> [3-11-2014].

²⁶FORBES, “Тимур Кулибаев”, (FORBES, “Timur Kulibayev”), <http://forbes.kz/ranking/object/40> [30-10-2014].

²⁷KASE, “Инвестиционный Меморандум Простых Акций В Количестве 100 000 штук Акционерного общества “МЕРКУРИЙ”, с. 12, (KAZAKHSTAN STOCK EXCHANGE, *Investment Memorandum on 100 000 shares of “Mercury” JSC*, p. 12).

²⁸FORBES, “Тимур Кулибаев”, *op. cit.*, (FORBES, “Timur Kulibayev”, *op. cit.*).

²⁹KASE, “Halyk Savings Bank of Kazakhstan Provides to KASE Extract From Shareholders Registers System as of October 1, 2014”, <http://www.kase.kz/news/show/1232793> [29-10-2014]; НАЦИОНАЛЬНЫЙ БАНК КАЗАХСТАНА, “ҚР-ның ЖЗҚ-ның Меншікті Капиталы, Міндеттемелері Және Активтер Туралы Мәліметтер”, (NATIONAL BANK OF KAZAKHSTAN, “Data on Private Capital, Obligations And Shares Of The Citizens of the RK”), <http://www.nationalbank.kz/?docid=856&switch=kazakh> [29-10-2014].

Regarding Kazakhstan's interest groups it is also necessary to mention the group of Bolat Ytemuratov, the richest person in Kazakhstan,³⁰ who through Verny Capital group³¹ has shares in companies in spheres of construction, transport (Karaganda airport), security firms, gold mining (primary in Kazakhstan), telecommunications (in Kazakhstan and Kyrgyzstan), the hotel industry (in Austria, Russia and Kazakhstan), etc.³² In addition, he controls Temirbank (81% sharehold in the 13th largest bank in the state),³³ Fortebank (80%),³⁴ and has shares in Alliance bank governed by Samruk-Kazyna.³⁵

Among other groups that should be noted is Meridian Capital Limited involved in transport (airport management) and banking;³⁶ the group of Kazakmys, a large mining and energy corporation, which after selling its shares in the electricity generation sphere focused on mining;³⁷ and the group of Kazkommerzbank, which is increasingly important in the political arena of Kazakhstan.³⁸ Issues related to these two groups are also mentioned in the second section.

Citation of these companies was not only necessary for determining the main groups involved in cooperation within the studied integration project, but also for showing that nowadays Kazakhstan has completed the process of centralization of power. There is no significant political and economic power able to oppose decisions of the government, which has made possible the implementation of Eurasian integration as an intergovernmental project.

Thus, business of all groups mentioned above is affiliated with the government in varying degree: 40% of Eurasian group LLP belongs to the government; media actives of the group of D.Nazarbayeva and R.Aliev were sold to governmental institutions; in the case of Central-Asian Power Energy Company JSC, 40% of "Kaystik LLP" (a company in the chemical industry which the group is involved in) belongs to "Kazatomprom JSC", which in turn is managed by National Fund Sumruk-Kazyna;³⁹ Samruk-Kazyna also controls the Alliance bank, where B. Utemuratov has shares, as

³⁰FORBES, "Булат Утемуратов", (FORBES, "Bylat Utemuratov"), <http://forbes.kz/ranking/object/41> [29-10-2014]

³¹The group is named after the old name of Almaty city. *Vid.* VERNYCAPITAL, "About Us", <http://www.vernycapital.com/en/o-nas/kto-my.html> [29-10-2014].

³²VERNYCAPITAL, "Portfolio", <http://www.vernycapital.com/en/portal/> [02-12-2014].

³³НАЦИОНАЛЬНЫЙ БАНК КАЗАХСТАНА, "ҚР-ның ЖЗҚ-ның Меншікті Капиталы, Міндеттемелері Және Активтер Туралы Мәліметтер", *op. cit.*, (NATIONAL BANK OF KAZAKHSTAN, "Data on Private Capital, Obligations And Shares Of The Citizens of the RK", *op. cit.*); KASE, "Temirbank JSC (TEBN)", <http://www.kase.kz/en/emitters/show/TEBN> [02-12-2014].

³⁴FORTEBANK JOINT STOCK COMPANY, *Financial Statements*, 2013, p. 5, http://www.fortebank.com/en/about_us/msfo.php [02-12-2014]

³⁵KASE, "Alliance Bank JSC (ASBN)", <http://www.kase.kz/en/emitters/show/ASBN> [02-12-2014].

³⁶FORBES, "Евгений Фельд", (FORBES, "Evgeniy Feld"), <http://forbes.kz/ranking/object/109> [02-12-2014].

³⁷FORBES, "Владимир Ким", *op. cit.*, (FORBES, "Vladimir Kim", *op.cit.*).

³⁸Y.ZABORTSEVA, "Rethinking the Economic Relationship between Kazakhstan and Russia", *Europe-Asia Studies*, Vol. 66, Issue 2, 2014, p. 318.

³⁹KAZENERGY, "Казатомпром Вошел В Состав Акционеров Казахстанского АО "Каустик", 3 декабря 2013, (KAZENERGY, "Kazatomprom Enters "Kaystik" JSC", December 3, 2013), <http://www.kazenergy.com/press/2011-04-21-10-24-20/11955--qq.html> [02-12-2014].

for ALMEX group, the government, through the Single Accumulative Pension Fund JSC forms part of Halyk Bank group,⁴⁰ similar to these two cases,⁴¹ Samruk-Kazyna is one of shareholders (a minor one) of Kazkommertsbank,⁴² etc.

The government not only cooperates with business groups implementing joint projects but also enters package deals (taking into account Moravcsik's terminology) at a national level (at an international level package deals are explained in the second section). Thus, one of the latest package deals launched by the highest authorities and economic elites involved the sale of "Ekibastuz State District Power Station-1" (the largest electricity generating power station in the country) by Kazhmys group to governmental "Samruk-Energy JSC" in exchange for the state's disaffiliation with mining actives of the group.⁴³

Cooperation of the government with business elites and merger of political parties make centralization of power possible not only in the political sphere but also in industrial and financial fields. This is clearly seen in the spheres where common markets within integration are planned to be created (except the pharmaceutical industry).

Thus, in the oil and gas market the State (through subsidiaries of Samruk-Kazyna) is represented by KazMunaigaz JSC; in electricity by "Samruk-Energy JSC", "KEGOC JSC", "COREM JSC", "Kazatomprom JSC" and Joint Chemical Corporation (the last two companies focus on nuclear energy); in transport by "Kazakhstan Temir Zholi JSC", "Air Astana JSC", and airports in Atyray, Aktobe and Pavlodar.⁴⁴ In this regard, it is worth noting that integration is planned in the spheres where the government has the largest amount of shares.

Coming back to political elites, Beacháin and Kevlihan distinguish three types of parties in Kazakhstan – "pro-presidential, loyal opposition and opposition"⁴⁵ – and only the first two types are represented in the Parliament. NurOtan is the largest party in the legislative institution,⁴⁶ while two minor parties in the Parliament – Ak

⁴⁰KASE, "Halyk Savings Bank of Kazakhstan Provides to KASE Extract from Shareholders Registers System as of October 1, 2014", *op. cit.*

⁴¹In addition to business issues the leader of the ALMEX group – Timur Kulibayev – is the son-in-law of the President. *Vid.* R.ISAAC, "Bringing the "Formal" Back in: Nur Otan, Informal Networks, and the Countering of Elite Instability in Kazakhstan", *op. cit.*, p. 1068.

⁴²However, the share of the government in Kazkommertsbank decreased from 21.28% in 2013 to 12.77% in 2014 (by October), which the fund transmitted to trust management to CAIC company, which in turn is controlled by Mr. Subkhanberdin. *Vid.* KAZKOMMERTSBANK, "Shareholder structure", <http://en.kkb.kz/page/ShareholdersKKB> [03-12-2014]; КАЗКОММЕЦБАҢК, *Годовой Отчет 2013*, с. 62, (KAZKOMMERTSBANK, *Annual Report 2013*, p. 62), [http://ru.kkb.kz/attach/Financial Reports/god_otchet_2013.pdf](http://ru.kkb.kz/attach/FinancialReports/god_otchet_2013.pdf) [03-12-2014].

⁴³FORBES, "Владимир Ким", *op. cit.*, (FORBES, "Vladimir Kim", *op. cit.*).

⁴⁴The Fund also has shares in finances, machinery and telecommunications. *Vid.* SAMRUK-KAZYNA JSC., "Indicators of the Subsidiaries of the Fund", <http://sk.kz/company/indicators?lang=en> [03-12-2014].

⁴⁵D.BEACHÁIN and R.KEVLIHAN, "Threading a Needle: Kazakhstan between Civic and Ethno-Nationalist State-building", *op. cit.*, p. 348.

⁴⁶ҚР ОРТАЛЫҚ САЙЛАУ КОМИССИЯСЫ, "Партиялар", *op. cit.*, (RK CENTRAL ELECTION COMMITTEE, "Parties", *op. cit.*).

Zhol and KNPК (Communist People Party of Kazakhstan) – do not generally have disputes with the dominant party.⁴⁷

Regarding Eurasian integration, one of the opposition forces that argues against it is the Nationwide Social Democratic Party, which however does not have real power in the state (at the last Parliament elections it received only 1.68% of votes).⁴⁸ In justification of its protest the party maintains the position of preserving national values (using Moravcsik's terminology) saying that integration with Russia and Belarus is a direct threat to Kazakhstan's independence.⁴⁹

However, as the party is not represented in the Parliament and does not have large public support it can be concluded that currently in Kazakhstan there is no opposition party that can diminish the state's progress towards Eurasian integration and the power of ruling elites is consolidated enough for its further implementation.

In the case of Russia, political centralization of power started with Putin's first term as president⁵⁰ and was formed on the ground of the "United Russia",⁵¹ which (as happened in Kazakhstan) swallowed up three parties – Fartherland-All Russia, People's Deputy and Regions of Russia.⁵² Since that time, as Vladimir Gel'man finds, the political system of parties represented in State Duma was made into a hierarchy under the Kremlin management.⁵³ Such centralization of power had wide public support because in economic terms it coincided with the increase of oil prices, which the Russian economy is largely dependent on, and subsequent growth in prosperity,⁵⁴ while in political terms it was encouraged by the electorate who had already been disappointed in the parties system based on highly fragmented political elites typical of the Yeltsin epoch.⁵⁵

Even though merger of parties into United Russia happened in 2001,⁵⁶ power dominance (as the major party) only occurred in 2007 when in the State Duma (RF's Parliament) elections it gained 64.30% of votes⁵⁷ (in previous elections in 2003 the

⁴⁷R.ISAACS, "Bringing the "Formal" Back in: Nur Otan, Informal Networks, and the Countering of Elite Instability in Kazakhstan", *op. cit.*, p. 1075.

⁴⁸ҚР ОРТАЛЫҚ САЙЛАУ КОМИССИЯСЫ, "Партиялар", *op. cit.*, (RK CENTRAL ELECTION COMMITTEE, "Parties", *op. cit.*).

⁴⁹ АФН, "Оппозиция Казахстана Предлагает Провести Референдум По Вступлению в Евразийский союз" (AFN, "Opposition Of Kazakhstan Asks Referendum On Joining Eurasian Union"), <http://afn.by/news/i/171906> [03-12-2014].

⁵⁰С.АКИМБЕКОВ, "Год России для Казахстана", *Институт Азиатских Исследований*, 4 февраля 2013, (S.AKIMBEKOV, "The Year of Russia for Kazakhstan", *Asian Researches Institute*), <http://www.asiakz.com/god-rossii-dlya-kazakhstana> [14-11-2014]

⁵¹R.ISAACS and S.WHITMORE, "The Limited Agency and Life-Cycles of Personalized Dominant Parties...", *op. cit.*, p. 708.

⁵²V.GEL'MAN, "Party Politics in Russia: From Competition to Hierarchy", *op. cit.*, p. 914.

⁵³*Ibid.*, p. 913.

⁵⁴С.АКИМБЕКОВ, "Год России для Казахстана", *op. cit.*, (S.AKIMBEKOV, "The Year of Russia for Kazakhstan", *op. cit.*).

⁵⁵V.GEL'MAN, "Party Politics in Russia: From Competition to Hierarchy", *op. cit.*, p. 914.

⁵⁶*Ibid.*, p. 916.

⁵⁷ЦЕНТРАЛЬНАЯ ИЗБИРАТЕЛЬНАЯ КОМИССИЯ РОССИЙСКОЙ ФЕДЕРАЦИИ, "Выборы Депутатов Государственной Думы Федерального Собрания Российской Федерации Пятого Созыва", (CENTRAL ELECTION COMMITTEE OF THE RUSSIAN FEDERATION, "Elections to State Duma of the Federal Council of the Russian Federation of the Fifth Term),

party obtained 37% of votes).⁵⁸ In 2011 the party lost some part of the electorate acquiring 49.32% of votes.⁵⁹ However, it did not change the system largely because the other parties gained more than 7% of votes⁶⁰ necessary for entering Duma⁶¹ – Just Russia (Spravedlivaya Rossiya) chaired by Sergei Mironov⁶² and LDPR ruled by Vladimir Zhirinovskii – are also “pro-Kremlin,”⁶³ while the third one – KPRF (Communist Party of Russian Federation) – transferred from opposition party, as declared by itself in 1990s, to “loyal” under the new rule.⁶⁴

Centralization of power in Russia not only structured the system in political terms but also strengthened the line of “governmental participation” in economic development of the state, which is clear most of all in its real sector.⁶⁵

Thus, on the one hand, the government takes responsibility for strengthening and maintaining national currency, controlling inflation, increasing state reserves, while on the other it not only participates in the economy but also cooperates with business elites by supporting them, although not allowing oligarchs to gain power. E. Primakov calls this way of ruling “private-public partnership”.⁶⁶

In economic terms, the process of centralization of power is seen clearly in the oil sector, which after privatization was divided mostly among five private corporations – Lukoil, Surgutneft, Sibneft, Yukos and TNK-BP.⁶⁷ Thus, by 2005, the government was already largely present in the oil sector: state company Rosneft bought Yukos, which had been charged with tax default,⁶⁸ while Gazprom, which had already

http://www.vybory.izbirkom.ru/region/region/izbirkom?action=show&root=1&tvd=100100021960186&vrn=100100021960181®ion=0&global=1&sub_region=0&prver=0&pronetvd=null&vibid=100100021960186&type=242 [01-12-2014].

⁵⁸V.GEL'MAN, “Party Politics in Russia: From Competition to Hierarchy”, *op. cit.*, p. 916.

⁵⁹РОССИЙСКАЯ ГАЗЕТА, “Постановление Центральной избирательной комиссии Российской Федерации от 9 декабря 2011 г. No. 70/576-6: “О Результатах Выборов Депутатов Государственной Думы Федерального Собрания Российской Федерации Шестого Созыва”, *Российская Газета*, Федеральный выпуск (суббота), No. 5654, 10 декабря 2011, (RUSSIAN NEWSPAPER, “Statement of the Election Central Committee of Russian Federation from 9 December 2011 No 70/576-6 “On the Results of the Elections to State Duma of the Federal Council of Russian Federation of the Fifth Term”, *Russian Newspaper*, Federal Issue (Saturday), No. 5654, December 10, 2011), <http://www.rg.ru/2011/12/10/dumaitogi-dok.html> [01-12-2014].

⁶⁰*Ibid.*

⁶¹J.ADRÉS, “El Sistema Político Ruso” en L.MOURE and K.SODUPE (Eds.) *Rusia en la Era Postsoviética*, Zarautz, Servicio Editorial de la Universidad del País Vasco, 2011, p. 148.

⁶²“Just Russia” Party was established in 2006 by the merger of the Party of Life, People’s Party, Motherland and Party of Pensioners. *Vid. Ibid.*, p. 149.

⁶³In the case of “Just Russia”, Ge’man calls it “pro-Kremlin”, while LDPR is a “satellite” of United Russia, which it uses for not very politically correct and unpopular declarations. V.GEL'MAN, “Party Politics in Russia: From Competition to Hierarchy”, *op. cit.*, pp. 913, 920 and 924.

⁶⁴*Ibid.*, p. 925.

⁶⁵Е.ПРИМАКОВ, *Мир без России? К чему ведет политическая близорукость*, Москва, Российская газета, 2009, с. 105, (E.PRIMAKOV, *World without Russia? What Political Lack of Foresight Leads to*, Moscow, Russian Newspaper, 2009, p. 105).

⁶⁶*Ibid.*, pp. 104-105.

⁶⁷R.FERNÁNDEZ, “Economía de Rusia: Dos Décadas de Contrastes” en L.MOURE y K.SODUPE (Eds.), *Rusia en la Era Postsoviética*, *op. cit.*, p. 178.

⁶⁸*Ibid.*

come under government control by that time,⁶⁹ acquired Sibneft,⁷⁰ and also in 2013 TNK-BP was bought by Rosneft.⁷¹ Therefore, only two of these five major oil companies remain under private control – Lukoil and Surgutneft. Among other players in the Russian oil sector are Russneft and Bashneft involved in JS Financial Corporation System⁷² and Tatneftproduct, controlled by TAIF group.⁷³

The government's interest in the oil sphere is justified by the fact that it had become the basis of economic development of the state, which in turn played a significant role in the entire process of centralization of power.⁷⁴ By acquiring economic shares the government eliminated its opponents in the political arena. For instance, the political influence of the opposition Yabloko party collapsed after the arrest of its sponsor, M. Khadorkovskiy,⁷⁵ and the transferring of his business in Yukos to Rosneft.⁷⁶ The political influence of two other persons associated with the name of M. Khadorkovskiy – B. Berezovskiy and V. Gusinskiy – (who possessed large economic resources and had agreed with the governmental course on centralization of power),⁷⁷ decreased after being charged with fraud (and other offenses) and their subsequent exit from the country. Assets that V.Gusinskiy had in Media Holding “Most Group JSC” were sold to Gazprom-Media; as for B.Berezovskiy, in many companies which he was affiliated with (for example, the media group of ORT, now the First Channel and Sibneft) the government nowadays plays an important role (the case of Sibneft has already been mentioned, while facts regarding the First Channel are explained in the second section).⁷⁸

Similar to the situation in Kazakhstan, the Russian government not only enters privately-owned organizations by buying its shares, but also enters into package deals with them. For instance, for selling 50% of its share in TNK-BP, British Petroleum received not only \$12.5 billion but also increased its share in Rosneft, herewith Rosneft

⁶⁹E.ПРИМАКОВ, *Мир без России?...* op. cit., с. 106, (E.PRIMAKOV, *World without Russia?...* op.cit., p. 106).

⁷⁰R.FERNÁNDEZ, “Economía de Rusia: Dos Décadas de Contrastes”, op. cit., p. 178.

⁷¹РОСНЕФТЬ, “Роснефть” и Консорциум ААР Подписали Договор Купли-Продажи 50-Процентной Доли в ТНК-ВР, 12 декабря 2012, (ROSNEFT, “Rosneft and AAP consortium Sign Agreement on Sale And Purchase of 50% Share of TNK-BP”, December 12, 2012), <http://www.rosneft.ru/integration/history/12122012.html> [04-12-2014].

⁷²BUSINESS-GROUPS: THE INFORMATION SYSTEM, “Группа “Башнефть”, (BUSINESS-GROUPS: THE INFORMATION SYSTEM, “Bashneft” Group”), <http://bg-is.com/index.php/Rossiyskie-Otraslevye-TEK-Neftegaz/2011-07-04-10-28-31.html> [04-12-2014]; BUSINESS-GROUPS: THE INFORMATION SYSTEM, “Группа “РуссНефть” (BUSINESS-GROUPS: THE INFORMATION SYSTEM, “RusNefit” Group”), <http://bg-is.com/index.php/Rossiyskie-Otraslevye-TEK-Neftegaz/2011-07-04-20-00-01.html> [04-12-2014]

⁷³BUSINESS-GROUPS: THE INFORMATION SYSTEM, “Группа Компаний “ТАИФ”, (BUSINESS-GROUPS: THE INFORMATION SYSTEM, “TAIF” Group of Companies”), <http://bg-is.com/index.php/Mnogootraslevye-Rossiyskie-gruppy/2011-04-20-09-39-00.html> [04-12-2014]

⁷⁴R.FERNÁNDEZ, “Economía de Rusia: Dos Décadas de Contrastes”, op. cit., p. 178

⁷⁵V.GEL'MAN, “Party Politics in Russia: From Competition to Hierarchy”, op. cit., p. 926.

⁷⁶T.MACALISTER, “Mikhail Khodorkovsky: How the Yukos Tycoon Became Russia's Richest Man”, *The Guardian*, December 20, 2013, <http://www.theguardian.com/world/2013/dec/20/mikhail-khodorkovsky-russia-richest-man> [04-12-2014]

⁷⁷C.TÁIBO, *Rusia frente a Ucrania. Imperios, Pueblos, Energía*, Madrid, Catarata, 2014, p. 24.

⁷⁸ВЕДОМОСТИ, “Владимир Гусинский”, (VEDOMOSTI, “Vladimir Gusinskiy”), <http://www.vedomosti.ru/persons/11530/Владимир%20Гусинский> [04-12-2014]; КОММЕРСАНТ, “Б.Березовский”, (KOMMERSANT, “B.Berezovskiy”), <http://www.kommersant.ru/doc/2153901> [04-12-2014].

acquired 100% of shares of TNK-BP, while BP obtained 19.75% of Rosneft (before the deal BP had 1.25% of Rosneft shares).⁷⁹

In such a manner, the process of Eurasian integration (on the level of the Customs Union and EAEU) was started after the stable political system in Russia, managed by the ruling elites (represented by United Russia and its supporters), had been created, which made it possible to implement decisions taken at intergovernmental level.

Determining the range of groups interested in Eurasian integration, it is seen that in the case of Russia, the majority of them are those in which the government is strongly represented.

Thus, in cooperation with Kazakhstan, the main spheres of Russian FDI are oil and gas, transport and telecommunications, energy, manufacturing, and services in real estate.⁸⁰ In oil and gas services the most interested players are LUKoil (more than half of the company's investments are concentrated in RK), Rosneft and Gasprom⁸¹ (the latter has become a major company not only in the gas sector but also in oil, electricity, chemical and mining industries).⁸²

In the sphere of energy, projects which Russia is involved in lie in the spheres of electricity production and mining and enrichment of uranium, where the main players are State Corporation Rosatom (and its subsidiaries such as Tekhsnabexport JSC)⁸³ and Inter RAO UES JSC⁸⁴ governed by state and private groups.⁸⁵

In Belarus, Russia mainly invests in gas transportation, manufacturing, transport and communications.⁸⁶ In gas and oil spheres, Belarus is important for

⁷⁹FORBES, "Роснефть" Закрыла Сделку по Покупке 100% ТНК-ВР", (FORBES, "Rosneft" Buy in 100% of TNK-BP"), <http://www.forbes.ru/news/236055-rosneft-zakryla-sdelku-po-pokupke-100-tnk-vr> [4-12-2014]; UNCTAD, *World Investment Report 2014. Investing in the SDGs: an Action Plan*, New York and Geneva, United Nations Publications, p. 71.

⁸⁰МИНИСТЕРСТВО ЭКОНОМИЧЕСКОГО РАЗВИТИЯ РОССИЙСКОЙ ФЕДЕРАЦИИ, *Республика Казахстан*, март 2014, с. 7 (MINISTRY OF ECONOMIC DEVELOPMENT OF THE RUSSIAN FEDERATION, *Republic of Kazakhstan*, March 2014, p. 7), <http://economy.gov.ru/minec/activity/sections/foreignEconomicActivity/cooperation/economicsng/> [04-12-2014].

⁸¹Y.ZABORTSEVA, "Rethinking the Economic Relationship between Kazakhstan and Russia", *op. cit.*, pp. 316-317.

⁸²R.FERNÁNDEZ, "Economía de Rusia: Dos Décadas de Contrastes", *op. cit.*, p. 180.

⁸³МИНИСТЕРСТВО ЭКОНОМИЧЕСКОГО РАЗВИТИЯ РОССИЙСКОЙ ФЕДЕРАЦИИ, "Перечень Основных Инвестиционных Проектов, Реализуемых Российскими Экономическими Операторами в Казахстане ТЭК", (MINISTRY OF ECONOMIC DEVELOPMENT OF RUSSIAN FEDERATION, "List of the Main Investment Projects of Russian Economic Operators in Kazakhstan Fuel and Energy Complex"), http://www.ved.gov.ru/exportcountries/kz/kz_ru_relations/kz_rus_projects/ [04-12-2014]; BUSINESS-GROUPS: THE INFORMATION SYSTEM, "Госкорпорация "Росатом", (BUSINESS-GROUPS: THE INFORMATION SYSTEM, "Rosatom" State Corporation"), <http://bg-is.com/index.php/Rossiyskie-gruppy-Gosholdingi/2011-04-23-00-38-35.html> [04-12-2014].

⁸⁴МИНИСТЕРСТВО ЭКОНОМИЧЕСКОГО РАЗВИТИЯ РОССИЙСКОЙ ФЕДЕРАЦИИ, "Перечень Основных Инвестиционных Проектов, Реализуемых Российскими Экономическими Операторами в Казахстане ТЭК", *op. cit.*, (MINISTRY OF ECONOMIC DEVELOPMENT OF RUSSIAN FEDERATION, "List of the Main Investment Projects of Russian Economic Operators in Kazakhstan Fuel and Energy Complex", *op. cit.*).

⁸⁵INTER RAO UES JSC, "Capital Structure", <http://www.interrao.ru/en/company/capital/> [5-12-2014]

⁸⁶МИНИСТЕРСТВО ЭКОНОМИЧЕСКОГО РАЗВИТИЯ РОССИЙСКОЙ ФЕДЕРАЦИИ, "Республика Беларусь", март 2014, с. 14, (MINISTRY OF ECONOMIC DEVELOPMENT OF RUSSIAN FEDERATION, "Republic of Belarus", March 2014, p. 14), <http://economy.gov.ru/minec/activity/sections/foreignEconomicActivity/cooperation/economicsng/201404227> [4-12-2014].

Russia because Yamal-Europe and Friendship pipelines pass through its territory.⁸⁷ The main companies involved are state Gazprom, Transneft and TNK-BP, and privately owned Lukoil. In the sphere of electricity, state Rosatom represented by Atomstroieksport LLP.⁸⁸

In the case of Belarus, the process of consolidation of power has happened differently from its EAEU partners. The system created in the state is more “personalist” than ones in Kazakhstan and Russia,⁸⁹ which are less stable as party-based systems.⁹⁰ The system common for Belarus was created with Lukashenka’s coming to power and was strengthened by two referendums passed in 1994 and 1996, which gave greater authority to the President,⁹¹ and in parallel, limited the ones of the Supreme Council.⁹² Through the 1996 referendum, the House of Representatives and the Council of the Republic were created (replacing the Supreme Council).⁹³

The difference of this institution from Kazakhstan and Russian parliaments is that candidates to the House of Representatives are not obliged to belong to any party, but every district proposes its representative.⁹⁴ As a result, none of the parties has real power in the state and they are not organized enough to have a strong influence on the electorate.⁹⁵ Thus, 104 of 110 delegates of the House of Representatives of the fifth term (by the Parliamentary elections in 2012) do not belong to any party⁹⁶ (but support the presidential course)⁹⁷, while the rest are members of pro-presidential parties.

⁸⁷ *Ibid.*, p. 2.

⁸⁸МИНИСТЕРСТВО ЭКОНОМИЧЕСКОГО РАЗВИТИЯ РОССИЙСКОЙ ФЕДЕРАЦИИ, “Изменение Доли Участия Российских Компаний На Товарных Рынках Беларуси За Последние Пять Лет”, (MINISTRY OF ECONOMIC DEVELOPMENT OF RUSSIA FEDERATION, “Change of Russian Companies Share in Belarusian Trade Markets During Last Five Years”). <http://www.ved.gov.ru/files/images/country/Byelorussia/2014/Belarusian-Russian%20cooperation%20in%20investment%202012.pdf> [5-12-2014]

⁸⁹V.GEL’MAN, “Party Politics in Russia: From Competition to Hierarchy”, *op. cit.*, p. 918.

⁹⁰S.EKE and T.KUZIO “Sultanism in Eastern Europe: The Socio-Political Roots of Authoritarian Populism in Belarus”, *Europe-Asia Studies*, Vol. 52, No. 3, 2000, p. 532.

⁹¹V.SILITSKI, “Preempting Democracy: the Case of Belarus”, *Journal of Democracy*, Vol. 16, Issue 4, October 2005, p. 87.

⁹²ПРАВИТЕЛЬСТВО РЕСПУБЛИКИ БЕЛАРУСЬ, “История Парламентаризма в Беларуси”, (GOVERNMENT OF THE REPUBLIC OF BELARUS, “History of Parliament in Belarus”), <http://house.gov.by/index.php/87,,,,,0.html> [13-12-2014].

⁹³V.SILITSKI, “Preempting Democracy: the Case of Belarus”, *op. cit.*, p. 87.

⁹⁴ПРАВИТЕЛЬСТВО РЕСПУБЛИКИ БЕЛАРУСЬ, “Порядок Образования Палаты Представителей”, (GOVERNMENT OF THE REPUBLIC OF BELARUS, “The Order of Establishment of the House of Representatives”), <http://house.gov.by/index.php/89,,,,,0.html> [13-12-2014].

⁹⁵И.РОМАНОВСКИЙ, “Современные Политические Партии Беларуси: Генезис, Динамика, Развития, Проблемы” в У.КОРШУК (Рэд.), *Працы Гістарычнага Факультэта БДУ*, Вып. 2, Мінск, БДУ, 2007, с. 187, (I.ROMANOVSKIY, “Current Political Belarussian Parties: Genesis, Dynamics and Developments” in U.KORSHUK (Ed.), *Monograph of the Historical Faculty of BSU*, Vol. 2, Minsk, BSU, 2007, p. 187).

⁹⁶НАРОДНАЯ ГАЗЕТА, “Об Итогах Выборов Депутатов Палаты Представителей Национального Собрания Республики Беларусь Пятого Созыва”, (PUBLIC NEWSPAPER, “Results of Elections of Delegates to the House of Representatives of the National Council of the Republic of Belarus”), <http://ng.sb.by/politika-3/article/ob-itogakh-vyborov-deputatov-palaty-predstaviteley-natsionalnogo-sobraniya-respubliki-belarus-pyatogo-sozyva.html> [13-12-2014].

⁹⁷V.SILITSKI, “Preempting Democracy: the Case of Belarus”, *op. cit.*, p. 94.

However, it does not contradict the fact that Belarus remains on the road to democratization. It has all the main attributes of democracy in legislative, executive and judiciary branches.⁹⁸ There are 15 registered political parties in the country, 6 of which are pro-presidential and 9 belong to opposition groups. Among pro-presidential parties, Agrarian, Communist, Patriotic, Republic and Republic party of labor and justice can be highlighted,⁹⁹ among the opposition, the most popular alliances are the Talaka and the People's Referendum.¹⁰⁰

In social aspects, one of the causes of weak party organization in the state lies in the fact that Belarus (as seen in the sixth chapter) did not experience large social movements based on nationalist feelings.¹⁰¹ Similar to other republics there were civil protests (in April 1991), but the questions they were concerned about related to economic issues not to national identity.¹⁰²

In this situation people's favouring of Lukashenka's coming to power was based on the "widespread nostalgia for the relative stability and prosperity of the Soviet system".¹⁰³ As Grigory Ioffe notes it was thanks to the merits of Lukashenka's rule that industrial giants of the country restarted work after the crisis caused by the collapse of the USSR and following privatization.¹⁰⁴ That not only resumed development of the Belarussian economy, but also "ensured social stability" of the country.¹⁰⁵ It is another particularity of the political system in Belarus. For Lukashenka, alliance with Russia was an important leverage for gaining rule of the country, while nowadays cooperation with Moscow gives Minsk three important instruments necessary for maintaining leading elites in power: access to credits (and cancellation of previous ones), access to valuable markets, and reduced prices of energy resources.¹⁰⁶

Regarding trade, Belarus-Russian cooperation is determined by geographical proximity of the two countries. As shown in the previous chapter, Russia is the main trade partner of Belarus, where the most prosperous RF districts (primarily the

⁹⁸S.EKE and T.KUZIO "Sultanism in Eastern Europe: The Socio-Political Roots of Authoritarian Populism in Belarus", *op. cit.*, p. 523.

⁹⁹ПОСОЛЬСТВО РЕСПУБЛИКИ БЕЛАРУСЬ В РОССИЙСКОЙ ФЕДЕРАЦИИ, "СКОЛЬКО Политических Партий Зарегистрировано и Действуют в Республике Беларусь?", (EMBASSY OF THE REPUBLIC OF BELARUS IN RUSSIAN FEDERATION, "How Many Political Parties Are Registered and Function in the Republic of Belarus?"), [http://www.embassybel.ru/one-window/frequent-questions/belarus/115/\[13-12-2014\]](http://www.embassybel.ru/one-window/frequent-questions/belarus/115/[13-12-2014]).

¹⁰⁰P.USOV, "Political Scenario for 2014", *BelarusInfo Letter*, Issue 12 (42), 2013, p. 2, [http://www.eesc.lt/uploads/news/id688/Bell%202013_12\(42\).pdf](http://www.eesc.lt/uploads/news/id688/Bell%202013_12(42).pdf) [13-12-2014].

¹⁰¹This might be determined by the fact that Belarus as a state first became independent only after the dissolution of the USSR. *Vid.* R.DONALDSON and J.NOGEЕ, *The Foreign Policy of Russia: Changing Systems, Enduring Interest*, New York, M.E. Sharpe, Inc., 2009, p. 207.

¹⁰²S.EKE and T.KUZIO "Sultanism in Eastern Europe: The Socio-Political Roots of Authoritarian Populism in Belarus", *op. cit.*, p. 526.

¹⁰³Cited by Steven Eke and Taras Kuzio: *Ibid.*, p. 526. Original text: K.МИХАЛИСКО, "Belarus: Retreat to Authoritarianism" in K.DAWISHA and B.PARROTT (Eds.), *Democratic Change and Authoritarian Reaction in Russia, Ukraine, Belarus*, Cambridge, Cambridge University Press, 1997, p. 259.

¹⁰⁴G.IOFFE, "Understanding Belarus: Economy and Political Landscape", *Europe-Asia Affairs*, Vol. 56, No. 1, January 2004, p. 30.

¹⁰⁵*Ibid.*, p. 89.

¹⁰⁶R.VANDERHILL, "Promoting Democracy and Promoting Authoritarianism: Comparing the Cases of Belarus and Slovakia", *Europe-Asia Studies*, Vol. 66, Issue 2, 2014, p. 276.

Central Federal District, then Ural, Volga, North-West and Siberia districts in that order) are responsible for half of their inter-state trade.¹⁰⁷

In financial sphere, Russia is not only the largest investor in Belarus (as shown in chapter 6), but also an important external creditor. For example, around \$875 million of \$2.429 billion borrowed by Minsk in 2013 were lent by the RF, and another \$880 million by the Anti-Crisis Fund of EurAsEC, which also largely depends on Russian deposits.¹⁰⁸

As for energy terms, it has already been shown that Belarus totally depends on Russia (explained in more detail in the second section). In addition, Moscow provides support to ruling elites in intelligence and military questions necessary for staying in power.¹⁰⁹

In such manner, Belarus, similar to Russia and Kazakhstan, succeeded in establishing a stable political system with high level of consolidation of power, which made possible the decision on participation in Eurasian integration to be made and implemented.

Concerning economic groups involved in the process, it is seen that in the case of Belarus, in all spheres of integration, the main interested player is the government. It can be determined by the fact that Belarus has been less open to liberal reformation of its economy than Kazakhstan and Russia. In both these countries privatization played a significant role in creation of political elites,¹¹⁰ while in the case of Belarus it is seen as a direct threat of power shift in the state.¹¹¹

In the sphere of electrical energy, the state is represented by Industrial Corporation "BelEnergo"; in the oil and gas sphere, by "Belarusneft" and "Complex Belnefterhim" with "Naftan group" and "Belarussian oil company"¹¹² (during the process of integration some of these entities were bought by Russia).

Thus, as shown, all EAEU members can be characterized by a common stable political system and large governmental participation in economy (at least in the spheres of integration). All countries have completed the process of consolidation of power. In the case of Kazakhstan and Russia, it became possible through unification of political elites and incorporation of them under the control of dominant parties,

¹⁰⁷МИНИСТЕРСТВО ЭКОНОМИЧЕСКОГО РАЗВИТИЯ РОССИЙСКОЙ ФЕДЕРАЦИИ, "Республика Беларусь", *op. cit.*, с. 16, (MINISTRY OF ECONOMIC DEVELOPMENT OF RUSSIAN FEDERATION, "Republic of Belarus", *op. cit.*, p. 16).

¹⁰⁸*Ibid.*, p. 4.

¹⁰⁹R.VANDERHILL, "Promoting Democracy and Promoting Authoritarianism: Comparing the Cases of Belarus and Slovakia", *op. cit.*, p. 278.

¹¹⁰R.ISAACS, "Bringing the "Formal" Back in: Nur Otan, Informal Networks, and the Countering of Elite Instability in Kazakhstan", *op. cit.*, p. 1068.

¹¹¹R.ASTAPENIA, "Belarus 2014: Economic Threats and Political Opportunities", *BelarusInfo Letter*, Issue 12 (42), 2013, p. 4, [http://www.eesc.lt/uploads/news/id688/Bell%202013_12\(42\).pdf](http://www.eesc.lt/uploads/news/id688/Bell%202013_12(42).pdf) [13-12-2014].

¹¹²BUSINESS-GROUPS: THE INFORMATION SYSTEM, "Госхолдинги в Беларуси", (BUSINESS-GROUPS: THE INFORMATION SYSTEM, "State Holdings In Belarus"), <http://bg-is.com/index.php/Beloruskie-gruppy-Gosholdingi/2012-10-18-15-31-53.html> [13-12-2014].

while in Belarus, elites are not properly formed yet, due to lack of political and economic powers.¹¹³

Passing now to preferences lying in the sphere of economy, it is necessary to note that even after becoming independent states none of the CIS members (including Russia) has joined the club of developed countries.¹¹⁴ Many of them face similar problems (as shown in the previous chapters), which in turn lead to formation of similar economic preferences. These preferences lie in the range of the observations made by Moravcsik, which states prefer to promote cooperation in the spheres where they have advantages and protect their market from their partners or third parties in the fields where they are less advanced.

Taking these two observations as a point of departure, the following economic preferences (both in industry and services spheres) are common for EAEU members:

- Protection of the market from more developed economic rivals;¹¹⁵
- Joint response to challenges posed by world financial crisis;¹¹⁶
- Enlargement of the market for national producers;¹¹⁷
- Assuring further access to markets of EAEU partners;¹¹⁸
- Joint entry into the global market;¹¹⁹
- Support of domestic producers;
- Stimulation of export;

¹¹³ Not only these three countries tried to consolidate power, the same features of political systems are common for other CIS states, but they were not so successful. The most prominent examples of failure of consolidation of elites are Kyrgyzstan, Georgia and Ukraine, where party-based regimes were shifted by Orange revolutions. *Vid.* V.GEL'MAN, "Party Politics in Russia: From Competition to Hierarchy", *op. cit.*, p. 917.

¹¹⁴ Р.ГРИНБЕРГ, "Формирование Евразийского Союза: Шансы и Риски" в СОВЕТ ФЕДЕРАЦИИ ФЕДЕРАЛЬНОГО СОБРАНИЯ РОССИЙСКОЙ ФЕДЕРАЦИИ, *О роли Российской Федерации в Евразийском Интеграционном Процессе: Перспективы Развития и Углубления Экономической Интеграции*, Аналитический вестник, No. 6 (524), 2014, с. 21, (R.GRINBERG, "Establishment of Eurasian Union: Chances and Risks" in FEDERATION COUNCIL OF FEDERAL ASSEMBLY OF RUSSIAN FEDERATION, *On The Role Of Russian Federation in Eurasian Integration Process: Prospects of Development of Strengthening of Economic Integration*, No. 6 (524), 2014, p. 21).

¹¹⁵ E.VINOKUROV and A.LIBMAN, "Do Economic Crises Impede or Advance Regional Economic Integration in the Post-Soviet Space?", *Post-Communist Economies*, Vol. 26, Issue 3, 2014, p. 343.

¹¹⁶ В.ДОДОНОВ, "Перспективные Инструменты Нейтрализации Влияния Мировых Кризисов в Рамках ЕЭП" в Б.СУЛТАНОВ и Л.МУЗАПАРОВА (Ред.), *Формирование ЕЭП: Состояние, Проблемы, Перспективы*, Сборник материалов научно-практической конференции, Алматы, КИСИ, 2012, с. 66. (V.DODONOV, "Potential Instruments of Neutralization of Influence of the World Crises within the SEC" in B.SYLTANOV and L.MYZAPAROVA, *SES Creation: Situation, Problems, Prospects*, collected volume of materials of research and practice conference, Almaty, KISI, 2012, p. 66).

¹¹⁷ Б.ОРДАБАЕВ, "Евразийская Интеграция: Этапы и Перспективы Развития" в Б.СУЛТАНОВ и Л.МУЗАПАРОВА (Ред.), *Формирование ЕЭП: Состояние, Проблемы, Перспективы*, *op. cit.*, с. 18, (B.ORDABAYEV, "Eurasian Integration: Terms and Prospects of Development" in B.SYLTANOV and L.MYZAPAROVA, *SES Creation: Situation, Problems, Prospects*, *op. cit.*, p. 18).

¹¹⁸ Д.МУХАМЕДЖАНОВА, "Потенциал развития ЕЭП: Приоритеты и Тенденции" в Б.СУЛТАНОВ и Л.МУЗАПАРОВА (Ред.), *Формирование ЕЭП: Состояние, Проблемы, Перспективы*, *op. cit.*, с. 143, (D.MUHAMEDZHANOVA, "Prospects of Development of SEC: Priorities and Tendencies" in B.SYLTANOV and L.MYZAPAROVA, *SES Creation: Situation, Problems, Prospects*, *op. cit.*, p. 143).

¹¹⁹ Б.ОРДАБАЕВ, "Евразийская Интеграция: Этапы и Перспективы Развития", *op. cit.*, с. 13, (B.ORDABAYEV, "Eurasian Integration: Terms and Prospects of Development" *op. cit.*, p. 13).

- Innovative and technic development;¹²⁰
- Implementation of joint transnational projects;¹²¹
- Attraction of direct foreign investments;¹²²
- Attraction of mutual investments;¹²³
- Access to and control of transportation routes of oil and gas (in the case of Kazakhstan and Russia).¹²⁴

The range of the preferences can be expanded when cooperation is studied more precisely, but most importantly they demonstrate that each member is rational and sees cooperation as an instrument of resolution of its domestic challenges. Moravcsik considers economic preferences as the primary ones, which in turn are interdependent from political and ideological priorities, explained in the second part of the section.

8.1.2. Political and ideological preferences of the EAEU members

Proceeding now to political preferences, for Moravcsik, they are synonyms to geopolitical ones, and are secondary to economic priorities. Political interdependence (for example, in the event of collective defense) affects the choice of economic partners, while its significance differs from one region to region and from one issue to another. Moreover, political matters become more important if the economic paybacks of integration are hard to calculate or they have already been obtained.

Generally, in geopolitical terms (and proceeding from the example of the European Union), four models can explain regional integration. First is the *balance of power* scenario that sees integration as a response to external threat; second is the *balancing approach* that explains interstate rapprochement as necessity to preserve their independence from major influencing powers in the region; third is the *collective security explanation* that determines integration as an instrument for promoting

¹²⁰Б.ЕСЕКИНА, “Механизмы ЕЭП для Модернизации Национальной Экономики”, в Б.СУЛТАНОВ и Л.МУЗАПАРОВА (Ред.), *Формирование ЕЭП: Состояние, Проблемы, Перспективы*, *op. cit.*, с. 46. (B.ESEKINA, “SES Mechanisms for National Economy Modernization” in B.SYLTANOV and L.MYZAPAROVA, *SES Creation: Situation, Problems, Prospects*, *op. cit.*, 2012, p. 46).

¹²¹В.ДОДОНОВ, “Перспективные Инструменты Нейтрализации Влияния Мировых Кризисов в Рамках ЕЭП”, *op. cit.*, с. 72. (V.DODONOV, “Potential Instruments of Neutralization of Influence of the World Crises within the SEC”, *op. cit.*, p. 72).

¹²²А.ЯКОВЛЕВ, “Пути Интеграции от Таможенного Союза к ЕЭП: Задачи и Проблемы” в Б.СУЛТАНОВ и Л.МУЗАПАРОВА (Ред.), *Формирование ЕЭП: Состояние, Проблемы, Перспективы*, *op. cit.*, с. 110. (A.YAKOVLEV, “Way of integration from the Customs Union to SEC: tasks and prospects” in B.SYLTANOV and L.MYZAPAROVA, *SES Creation: Situation, Problems, Prospects*, *op. cit.*, p. 110).

¹²³*Ibid.*, p. 111.

¹²⁴Г.РАХМАТУЛИНА, “Влияние ЕЭП на Развитие Нефтегазового Сектора Казахстана” в Б.СУЛТАНОВ и Л.МУЗАПАРОВА (Ред.), *Формирование ЕЭП: Состояние, Проблемы, Перспективы*, *op. cit.*, сс. 123-124. (G.RAHMATULINA, “Influence of SEC on Development Of Oil and Gas Sector in Kazakhstan” in B.SYLTANOV and L.MYZAPAROVA, *SES Creation: Situation, Problems, Prospects*, *op. cit.*, pp. 123-124).

dialogue and preventing conflicts inside the community; while the fourth model defends integration as an *ideological choice* widely supported by public and elites.

In parallel, it is necessary to note that similar to economic preferences, political ones are driven by fundamental interests of each state; they are not as constant as national interests because they are formed by national elites and can be changed as and when circumstances are changing; and there is not only one, but rather a series of preferences that lead a country to integration.

Projecting now this model on the study case, political preferences of each EAEU member-state should be analyzed separately, there are both national (or state) preferences and ones of the ruling elites. All four scenarios are applicable for Eurasian integration: balance of power and balancing models determine Russian political preferences; the collective security model is seen where Kazakhstan and Belarussian priorities are analyzed; while the ideological choice is common for all EAEU countries. Moravcsik considers the last preference (ideological) both as geopolitical and independent, while in the present section it is analyzed separately from geopolitical preferences.

As far as Russian political priorities are concerned, Moravcsik's thesis on the temporal nature of preferences is confirmed by the fact that Moscow's attitude toward integration with former Soviet republics was changing with changes that were happening in Russian elites. As already shown in the sixth chapter, Russian foreign policy at the beginning of the 1990s and its current one has altered dramatically. The reasonable explanation for that, in accordance with both theories (Hoffmann's intergovernmentalism and Moravcsik's LI), is in the changes of elites. Indeed, there are very few people who remain in power in Russia from the beginning of the 1990s. Subsequently, the political preferences that are further explained are those that are formed by the realist-statist group, who have been in power in Russia since the crisis of 1998.

Concerning the first block of preferences, Russia sees Eurasian integration as a way to create a community capable of being one of the centers of the new polycentric world,¹²⁵ which is the example of Moravcsik's balancing model of geopolitical priorities. In this context it is necessary to note that in Russian political thinking, the idea of a multipolar world is very popular, an international system based on the balance of four (or more) poles equal in political, economic, social and military terms.¹²⁶ Officially, Russia (together with China) declared its vision of the new world order in 1997 signing the Russian-Chinese Bilateral Declaration on Multipolar World and Formation of the New International Order.¹²⁷ Since this time, the idea of

¹²⁵А.ТОРКУНОВ, "Перспективы Евразийской Экономической Интеграции", *Международные Отношения*, No. 4 (31), 2013, с. 10, (A.TORKUNOV, "Prospects of Eurasian Economic Integration", *International Relations*, No. 4 (31), 2013, p. 10).

¹²⁶А.БОГАТУРОВ, *История Международных Отношений и Внешней Политики России: События 1945-2008 Годов*, Москва, 2009, с. 26, (A.BOGATUROV, *History of international relations and foreign policy of Russia: 1945-2008 Events*, Moscow, 2009, p. 26).

¹²⁷*Ibid.*, p. 497.

multipolarity appeared constantly in speeches of Russian political leaders and official documents.¹²⁸

Multipolarity is not a new phenomenon in international relations, it characterized the world system before WWII, but was then replaced by bipolarity of the Cold War, and then unipolarity that came after the collapse of the Soviet Union.¹²⁹ This unipolarity with the USA at the top, which Bogaturov calls “pluralistic” as it is formed by the American led G8, is a “transitional” period of the international system¹³⁰ toward its forthcoming multipolarity.¹³¹ In this situation the question is about the future poles, or centers, of the new world order,¹³² and the Eurasian integration (as Russia is playing the role of its leader) gives Moscow the opportunity to be one of them.

Among other possible poles are those regional leaders who, like Russia, do not agree with the positions they occupy in the world of pluralistic unipolarity, such as its partners within BRICS.¹³³ For these emerging powers current international trends including financial crisis present them with the possibility of gaining more importance¹³⁴ in the world arena and consolidate their efforts for the common goal – reformation of the existing order.¹³⁵ However, it is necessary to take into account that apart from being bound by shared problems, the group of BRICS is not a consolidated one, its members have many differences in social, political and economic dimensions. Thus, for example, among them only Russia and China have official nuclear power status; prosperity of Brazil and Russia largely depends on high oil and gas prices, while in the case of India, the situation is just the inverse; China is the largest importer of the group and is concerned with promotion of Doha Round, which India is less interested in; to say nothing of the territorial disputes that states have (between China and India) and their struggle for the spheres of influence (China and India in the Indian Ocean, Russia and China in Central Asia).¹³⁶ Thus, in this context, it is necessary to note that multipolarity, which Russia is standing for, is an “emerging”¹³⁷

¹²⁸Vid. Введение. МИД РФ, “Обзор Внешней Политики Российской Федерации”, 28 Марта 2007, (Vid. Introduction. MFA RF, “Foreign Policy Review of the Russian Federation”, March 28, 2007), http://www.mid.ru/brp_4.nsf/sps/690A2BAF968B1FA4C32572B100304A6E [01-08-2014]; Vid. Point 3: Strengthening international security. RUSSIAN FEDERATION, “The Foreign Policy Concept of the Russian Federation”, July 12, 2008, <http://archive.kremlin.ru/eng/text/docs/2008/07/204750.shtml> [20-11-2014].

¹²⁹Е.ПРИМАКОВ, *Мир без России?...op. cit.*, с. 10, (E.PRIMAKOV, *World without Russia?...op.cit.*, p. 10).

¹³⁰А.БОГАТУРОВ, *История Международных Отношений и Внешней Политики России...*, *op. cit.*, сс. 24-26, (A.BOGATUROV, *History of international relations and foreign policy of Russia...*, *op. cit.*, pp. 24-26).

¹³¹Е.ПРИМАКОВ, *Мир без России?...op. cit.*, с. 6, (E.PRIMAKOV, *World without Russia?...op.cit.*, p. 6).

¹³²*Ibid*, p. 22.

¹³³*Ibid*.

¹³⁴O.STUENKEL, “The Financial Crisis, Contested Legitimacy, and the Genesis of Intra-BRICS Cooperation”, *Global Governance: A Review of Multilateralism and International Organizations*: Vol. 19, No. 4, October-December 2013, p. 612.

¹³⁵*Ibid*, p. 615.

¹³⁶*Ibid*, p. 620.

¹³⁷Vid. Point 3: Strengthening international security. RUSSIAN FEDERATION, “The Foreign Policy Concept of the Russian Federation”, *op. cit.*

trend, that Moscow favours in order to counter-balance (in line with the balancing model by Moravcsik) other great powers as an independent actor in the world arena.

Other political preferences reflect the balance of power scenario when integration is seen as a response to external threat. In this context Moscow acts in order to protect its sphere of influence. For Russia, its immediate neighbors are the traditional zone of its “privileged interests”, which is relevant due to the “civilized unity” of people living in the post-Soviet area.¹³⁸ These interests are based not only on material needs (which economic preferences deal with), but also on the necessity to promote Russian language and culture and maintain relations with those people who are attracted by Russian heritage and feeling Russian (in the prism of their civilizational choice) even if they belong to other ethnic groups.¹³⁹ The official leverage Russia uses for this goal is Russian World (Russkiy Mir) foundation aimed, apart from linguistic and cultural promotion, at supporting Russian diaspora abroad,¹⁴⁰ which on the one hand maintains close relations with the historical Motherland, while on the other guarantees continued use of Russian in the countries of residence.¹⁴¹ This foundation, formed in 1997, encourages activity throughout the world, but its main application area is the post-Soviet space.¹⁴²

Nowadays, unlike previous times, the future of countries is the prerogative of their ordinary citizens, which makes struggle for influence part of the struggle for minds. Currently, people in many CIS states make a European choice finding this model more attractive¹⁴³ and determining herewith the future of their states. In this context, Russia should become a “civilizational model” of successful interconnectedness of Europe and Asia, whose importance is increasing in the light of transformation of the unipolar order.¹⁴⁴ The Russian world against this background is seen not as a country with clear borders but as a civilization, which is a much wider term than its opposite the nationalist vision, whose followers identify Russian political

¹³⁸The term “civilized unity” is used by Sergei Lavrov, Russian Minister of Foreign Affairs. Vid. M.SPECHLER and D.SPECHLER, “Russia’s Lost Position in Central Eurasia”, *Journal of Eurasian Studies*, Vol. 4, Issue 1, January 2013, pp. 1-2.

¹³⁹A.СТОЛЯРОВ, *Русский Мир*, eBook, 2013, с. 21, (A.STOLYAROV, *Russian World*, eBook, 2013, p. 21).

¹⁴⁰S.SAARI, “Russia’s Post-Orange Revolution Strategies to Increase its Influence in Former Soviet Republics: Public Diplomacy po russkii”, *Europe-Asia Studies*, Vol. 66, Issue 1, 2014, p. 60.

¹⁴¹R.SAUNDERS, “The Geopolitics of Russophobia: The Problems and Prospects of Post-Soviet “Global Russian”, *Globality Studies Journal*, Issue 40, 15 July 2014, <https://gsj.stonybrook.edu/article/the-geopolitics-of-russophobia-the-problems-and-prospects-of-post-soviet-global-russian/> [21-11-2014].

¹⁴²S.SAARI, “Russia’s Post-Orange Revolution Strategies to Increase its Influence in Former Soviet Republics...”, *op. cit.*, p. 60.

¹⁴³D.TRENIN, “Russia Reborn. Reimagining Russian Foreign Policy”, *Foreign Policy*, November-December 2009, Vol. 88, Issue 6, p. 71.

¹⁴⁴В.ПУТИН, “Россия Сосредотачивается – Вызовы, на которые Мы Должны Ответить”, *День Республики*, No. 14 (18438), 24 января 2012, с. 2, (V.PUTIN, “Russia Focuses – Challenges We Need To Respond”, *Day of the Republic*, January 24, 2012, p. 2).

jurisdiction with the area of ethnic Russians (which includes Belarus, part of Ukraine and the North Kazakhstan) living divided by “artificial frontiers”.¹⁴⁵

In this regards, Eurasian integration is seen not as a “recollection of territories”¹⁴⁶ by Russian politicians, but as a need to support people who consider Russian heritage as their civilizational choice. Making now the parallel with Moravcsik’s theory, this situation is close to the balance of power model, where Moscow protects its sphere of influence as an area of Russian civilization different and independent from European, Chinese and Muslim ones. This thesis becomes more comprehensible taking into account the threat (in this context, the civilizational one), which the EU, the USA (and to some extent China) pose to the Russian zone of interests in the CIS by launching programmes such as the Eastern Partnership and Silk Road Strategy described in the previous chapter.

In parallel with the civilizational aspect of application of the balance of power model, it is necessary to note that Eurasian integration for Russia is a way to defend its territorial integrity rather than an expansion of its possessions.¹⁴⁷ The territory behind Ural contains 80% of Russian natural resources and it is five times bigger than its European part.¹⁴⁸ At the same time, this part is in the zone of demographic risk because of very low population and relative proximity to China.¹⁴⁹

In administrative terms, Russia is divided into eight federative districts: Central, North-West, North Caucasus, South, Volga, Ural, Siberia, and Far East.¹⁵⁰ After Crimean joining to Russia, the number of federative districts was expanded to nine (Crimean Republic and Sevastopol formed the Crimean district).¹⁵¹ Division of

¹⁴⁵И.ЗЕВЕЛЕВ, “Границы Русского Мира”, *Россия в Глобальной Политике*, 27 апреля 2014, (I.ZEVELEV, “Borders of the Russian World”, *Russia in Global Policy*, April 27, 2014), <http://www.globalaffairs.ru/number/Granitsy-russkogo-mira--16582> [21-11-2014]

¹⁴⁶С.АКИМБЕКОВ, “Год России для Казахстана”, *op. cit.*, (S.AKIMBEKOV, “The Year of Russia for Kazakhstan”, *op. cit.*).

¹⁴⁷Е.ИСМАИЛОВ and В.ПАПАВА, *Rethinking Central Eurasia*, Singapore, Central Asia-Caucasus Institute & Silk Road Studies Program, 2010, p. 38.

¹⁴⁸Е.ПРИМАКОВ, *Мир без России?...**op. cit.*, с. 132, (E.PRIMAKOV, *World without Russia?...**op. cit.*, p. 132).

¹⁴⁹Е.ИСМАИЛОВ and В.ПАПАВА, *Rethinking Central Eurasia*, *op. cit.*, p. 38.

¹⁵⁰ПРЕЗИДЕНТ РОССИЙСКОЙ ФЕДЕРАЦИИ, “Указ Президента РФ “О Полномочном Представителе Президента Российской Федерации в Федеральном Округе”, No. 849, 13 мая 2000, (PRESIDENT OF RUSSIAN FEDERATION, Decree of the President of RF “On Plenipotentiary Representative of the President of Russian Federation in the Federal District”, No. 849, May 13, 2000), <http://www.rg.ru/2000/05/14/okruga-dok-site-dok.html> [21-11-2014]; ПРЕЗИДЕНТ РОССИЙСКОЙ ФЕДЕРАЦИИ, “Указ Президента РФ “О Внесении Изменений В Перечень Федеральных Округов, Утвержденный Указом Президента Российской Федерации от 13 мая 2000 г. No. 849, и в Указ Президента Российской Федерации от 12 мая 2008 г. No. 724 “Вопросы Системы И Структуры Федеральных Органов Исполнительной Власти”, No. 82, 19 января 2010, (PRESIDENT OF RUSSIAN FEDERATION, “Decree of the President of RF of “On introduction of modifications to the list of federal districts endorsed by the Decree of the President of May 13, 2000, No. 849 and Decree of the President of RF of May 12, 2008, No. 724 “On System and Structure Issues of Federal Bodies of Executive Power”, No. 82, January 19, 2010), <http://www.rg.ru/2010/01/21/ukaz-dok.html> [21-11-2014].

¹⁵¹ПРЕЗИДЕНТ РОССИЙСКОЙ ФЕДЕРАЦИИ, “Указ Президента Российской Федерации об Образовании Крымского Федерального Округа”, 21 марта 2014, (PRESIDENT OF RUSSIAN FEDERATION, “Decree of the President of RF on formation the Crimean Federative district”, March 21, 2014), <http://news.kremlin.ru/media/events/files/41d4cb1349c4325d7681.pdf> [21-11-2014].

the state in this way is linked to military issues rather than geographic ones¹⁵² as they are very different from each other in economic terms and concentration of population. Thus, the density of the most populated Central district of 650,000 km² is 57.1 persons per km², while the density of the Far East federative region, which is in ten times larger (6,169,300 km²) is only 1 person per km². The density of big cities such as Moscow and San-Petersburg is 9,681 and 3,288 persons per km² respectively.¹⁵³ The three biggest regions Ural, Siberia and Far East, which cover 76.8% of Russian territory,¹⁵⁴ account for only 26.4% of its population (Ural 8.5%, Siberia 13.5% Far East 4.4%).¹⁵⁵ The situation is even more complicated taking into account the demographic problems Russia faces. Since the collapse of the USSR the population of Russia has been decreasing (from 148.3 million in 1991 to 142.8 million in 2010). The decline only ceased in 2010-2011 and nowadays (by 2014) the population count is 143.7 million.¹⁵⁶ However, by the most optimistic forecast it would not increase above 152 million by 2030, while by a pessimistic prognoses it could decline to 132 million by this time.¹⁵⁷ The situation also complicates with the results of internal migration. Thus, the Far East, Siberia, Ural, Volga, and North Caucasus are those regions that suffer a decline in population for immigration reasons in favour of South, North-West, and Central districts.¹⁵⁸ In the ethnic ratio of the RF's population, even if there are more than 190 nationalities, Russians dominate, accounting for 80.9% of the total population.¹⁵⁹ The only region where Russians are an ethnic minority is the North Caucasus district

¹⁵²M.HYDE, "Putin's Federal Reforms and their Implications for Presidential Power in Russia", *Europe-Asia Studies*, Vol. 53, No. 5, 2001, p. 726.

¹⁵³ФЕДЕРАЛЬНОЕ АГЕНТСТВО ПО СТАТИСТИКЕ, "Численность Населения: Административно-территориальное Деление По Субъектам Российской Федерации", 1 января 2010, (FEDERAL STATE STATISTICS SERVICE, "Population: Administrative-territorial Division By The Subjects of the Russian Federation", January 1, 2010) www.gks.ru/bgd/free/b10_107/IssWWW.exe/Stg/%253Cexhtid%253E/%253Cstoragepath%253E::%257Ctab1-01-09.xls+&cd=4&hl=es&ct=clnk&gl=es [21-11-2014].

¹⁵⁴Calculations are made on the basis of data provided by the Federal State Statistics Service. *Ibid.*

¹⁵⁵Population of Far East is 6,226,640 persons; Ural – 12,234,224; Siberia – 19,292,740. *Vid.* ФЕДЕРАЛЬНОЕ АГЕНТСТВО ПО СТАТИСТИКЕ, "Демография", FEDERAL STATE STATISTICS SERVICE, "Demography", http://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/ru/statistics/population/demography/# [21-11-2014]; ФЕДЕРАЛЬНОЕ АГЕНТСТВО ПО СТАТИСТИКЕ, "Об итогах Всероссийской переписи населения 2010 года", (FEDERAL STATE STATISTICS SERVICE, "Results of Russian Population Census – 2010"), http://www.gks.ru/free_doc/new_site/perepis2010/perepis_itogi1612.htm [23-11-2014].

¹⁵⁶FEDERAL STATE STATISTICS SERVICE, "Population", http://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/en/figures/population/ [21-11-2014].

¹⁵⁷ФЕДЕРАЛЬНОЕ АГЕНТСТВО ПО СТАТИСТИКЕ, "Демографический Прогноз до 2030 Года", (FEDERAL STATE STATISTICS SERVICE, "Demographic Forecast 2030"), http://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/ru/statistics/population/demography/ [21-11-2014].

¹⁵⁸Data is correspondent to 2013. ФЕДЕРАЛЬНОЕ АГЕНТСТВО ПО СТАТИСТИКЕ, "Результат Миграционного Обмена Населением (Сальдо Миграции) между Федеральными Округами Российской Федерации в 2013 году", (FEDERAL STATE STATISTICS SERVICE, "Result of Migration Exchange of Population (Balance Of Migration) Among Federative Districts of the RF in 2013"), http://www.gks.ru/free_doc/new_site/population/demo/map4.jpg [23-11-2014].

¹⁵⁹ФЕДЕРАЛЬНОЕ АГЕНТСТВО ПО СТАТИСТИКЕ, "Численность Населения: Национальный Состав Населения Российской Федерации", (FEDERAL STATE STATISTICS SERVICE, "Population: Ethnic Composition of Russian Federation"), http://www.gks.ru/free_doc/new_site/perepis2010/perepis_itogi1612.htm [21-11-2014].

(around 30%).¹⁶⁰ Thus, in Chechenia, Russians account only for 1.9% of the population, in Dagestan 3.6%; in Ingushetia 0.5%; in Alania (North Osetia), Karachaevo-Cherkessia, Kabardino-Balkaria 20-30% in each of the republics, the only North Caucasus district where Russians are prevalent is Stavropolski Krai (80.9%).¹⁶¹

Under these circumstances what Russia currently needs is to promote “internal colonization” of those regions that suffer most of all from demographic challenges and decline in production rather than external colonization.¹⁶² The demographic problems Russia faces might threaten its abilities to control the extensive territories it possesses.¹⁶³ Thus, under the dramatic scenario, the state might be divided into in four zones of influence (possibly unofficially): the zone protected by the EU (the borders of the Tsardom of Muscovy), the Volga region influenced by Muslims, South Siberia under the protection of China, and the Far East divided between the USA and Japan.¹⁶⁴

In this context, Russian allies, Astana and Minsk, play the role of its buffer states with the Islamic world (in the case of Kazakhstan)¹⁶⁵ and NATO (in event of Belarus).¹⁶⁶ The latter becomes more understandable taking into account that Russia is excluded from the European security system and does not have any guarantees that NATO would stop its expansion to the East.¹⁶⁷

Thus, making a parallel with balance of power and balancing models of political preferences, Russian commitment to Eurasian integration is justified by necessity to preserve what it has nowadays – sphere of influence in external matters and territorial integrity in internal ones. These two needs are much more evident and realistic than imperialist goals of recollection of territories. In addition, against imperialist ambitions is the fact their implementation might be very expensive, which the Russian economy cannot afford.¹⁶⁸

Concerning the collective security model that is able to prevent disputes inside the integrating community, its features are seen when political preferences of Kazakhstan and Belarus are analyzed.

For Kazakhstan, Russia is the largest neighbouring country. The total length of Russian-Kazakh border is 7,591 km that makes it the longest land border in the world. Seven of fourteen Kazakhstan’s administrative districts border with 12 of the RF’s districts. On Kazakhstan’s part, they are the Atray, Aktobe, West Kazakhstan, Kostanay, North-Kazakhstan, Pavlodar and East-Kazakhstan regions (oblasts). On the

¹⁶⁰Calculations are based on data provided by the Federal State Statistics Service. *Ibid.*

¹⁶¹*Ibid.*

¹⁶²A.СТОЛЯРОВ, *Русский Мир*, *op. cit.*, c. 21, (A.STOLYAROV, *Russian World*, *op. cit.*, p. 21).

¹⁶³*Ibid.*, p. 14.

¹⁶⁴*Ibid.*, pp. 2; 15-16.

¹⁶⁵M.ALEXANDROV, *Uneasy Alliance: Relations between Russia and Kazakhstan in the Post-Soviet Era, 1992-1997*, London, Greenwood Press, 1999, p. x.

¹⁶⁶J.BLACK, *Vladimir Putin and the New World Order: Looking East. Looking West?*, Lanham, Rowman & Littlefield Publishers, 2004, p. 270.

¹⁶⁷D.TRENIN, “Russia Reborn. Reimagining Russian Foreign Policy”, *op. cit.*, p. 71.

¹⁶⁸A.KLIMENT, “Putin’s Fairy Tale Why Russia Will Try – and Fail – To Build a New Empire”, *Foreign Affairs*, March 31, 2014, <http://www.foreignaffairs.com/articles/141079/alexander-kliment/putins-fairy-tale> [24-09-2014].

side of Russia, they are the Astrahan, Volgograd, Saratov, Samara, Chelyabinsk, Orenburg, Kurgan, Tumen, Omsk, Novosibirsk regions (oblasts), Altai Krai and Republic of Altai.¹⁶⁹ The border that lies between the two countries has very few natural barriers¹⁷⁰ that makes it “artificial” in geographic terms.¹⁷¹

Regarding ethnic ratio, both Russian and Kazakh parts of the area have much in common because Russians and Kazakhs as well as other nationalities of two multiethnic countries live in both of them. On the Russian border territory live around 26 million people, on Kazakhstan’s the number is five times less (5.8 million).¹⁷² Kazakhs live in many regions of the RF; in Astrahan oblast, they account for 16.3% of the population, in Orenburg and Republic of Altai for more than 6%.¹⁷³ In total, 647,732 Kazakhs live in Russia.¹⁷⁴

Among Kazakhstan’s border territories, the oblasts most populated by Russians are East Kazakhstan (37.97%), West Kazakhstan (20.96%), Kostanai (42.12%), North Kazakhstan (49.94%) and Pavlodar (37.25%). In Atiray and Aktobe even if these areas are close to the border the Russian population is not large and accounts for only 5.92% and 12.54% respectively. Among other Russian populated oblasts are Akmolinsk and Karaganda (situated in Central Kazakhstan), where they account for 34.46% and 37.44% respectively.¹⁷⁵

As Russians and Kazakhs live in both parts of the area divided by the border, it is difficult to say to whom these territories historically belong. On the one hand, some Russian politicians¹⁷⁶ state that by Stalinist reforms Kazakhstan was created in the borders of the territories, which belonged to Semirechie, Ural and Siberia Cossack

¹⁶⁹А.ЧЕБОТАРЁВ, “Форум Межрегионального Сотрудничества Казахстана и России: Новый Шаг Навстречу Друг Другу”, 08 октября 2014, (A.CHEBOTAREV, “Forum on Inter-Regional Cooperation of Kazakhstan and Russia: New Step Forward”, October 8, 2014), [http://www.ritmeurasia.org/news--2014-10-08--forum-mezhregionalnogo-sotrudnichestva-kazahstana-i-rossii-novyj-shag-navstrechu-drug-drugu-14889\[24-09-2014\]](http://www.ritmeurasia.org/news--2014-10-08--forum-mezhregionalnogo-sotrudnichestva-kazahstana-i-rossii-novyj-shag-navstrechu-drug-drugu-14889[24-09-2014]).

¹⁷⁰R.ORTTUNG and A.LATTA, *Russia’s Battle with Crime, Corruption and Terrorism*, New York, Routledge, 2008, p. 55.

¹⁷¹Е.МИНЧЕНКО, “Украина и Казахстан: Два Полюса Национального Лидерства”, *Лаборатория Общественно-Политического Развития Стран Ближнего Зарубежья*, 18 марта 2010, (E.MINCHENKO, “Ukraine and Kazakhstan: Two Poles Of National Leadership”, *Laboratory of Social and Political Development in the Near Abroad Countries*, March 18, 2010), [http://www.ia-centr.ru/expert/6465/\[24-10-2014\]](http://www.ia-centr.ru/expert/6465/[24-10-2014]).

¹⁷²R.ORTTUNG and A.LATTA, *Russia’s Battle with Crime, Corruption and Terrorism*, *op. cit.*, p. 55.

¹⁷³ФЕДЕРАЛЬНОЕ АГЕНТСТВО ПО СТАТИСТИКЕ, “Численность Населения: Национальный Состав Населения Российской Федерации”, *op. cit.*, (FEDERAL STATE STATISTICS SERVICE, “Population: Ethnic Composition of Russian Federation”, *op. cit.*).

¹⁷⁴*Ibid.*

¹⁷⁵АГЕНТСТВО ПО СТАТИСТИКЕ РЕСПУБЛИКИ КАЗАХСТАН, “Аналитический Отчет “Итоги Национальной Переписи Населения Республики Казахстан 2009 года”, Астана, Агентство по Статистике, 2011, с. 20, (STATISTICS AGENCY OF THE REPUBLIC OF KAZAKHSTAN, “Analytical report “Results of National Population Census of the RK”, Astana, RK Statistics Agency, 2011, p. 20), [http://www.stat.gov.kz/getImg?id=WC16200032648 \[14-02-2015\]](http://www.stat.gov.kz/getImg?id=WC16200032648 [14-02-2015]).

¹⁷⁶For example, K. Zatulin and D. Rogozin (the leaders of the Congress of Russian Communities) at the beginning of their career in 1990s to the beginning of 2000s and V.Y. Zhirinovskiy (the leader of LDPR party) found that the Dniester Republic in Moldova, Crimea, Northern Kazakhstan, North-East Estonia historically belong to Russia. *Vid.* A.INGRAM, “Broadening Russia’s Borders?: The Nationalist Challenge of the Congress of Russian Communities”, *Political Geography*, Vol. 20, Issue 2, February 2001, pp. 204; 206; 209.

hosts.¹⁷⁷ On the other hand, Orenburg oblast in Russia played an important role in the history of Kazakhstan's nation building because here after revolution the Kazakh "Alash" party was created, while Orenburg was the first capital of Kazakhstan in 1920-1925 when it was part of Kyrgyz SSR.¹⁷⁸

As already shown in the previous chapters, Kazakhstan is highly dependent on Russia in military, economic and energy terms. Any conflict with Moscow (because of disputed territories) might lead to political and economic disaster, which obviously Astana is not interested in.¹⁷⁹

Concerning Moscow, it also does not want deterioration of relations with Astana bearing in mind their large border, drug trade and migration problems. In this context, the Russian-Kazakhstan border is a "safety belt" against drug-trafficking that comes from Afghanistan¹⁸⁰ and extremism of the Muslim world, which Russia itself is prone to, taking into account the problems it faces in the North Caucasus district¹⁸¹ where the Russian population is a minority. In addition to that, the political stability in the Kazakhstan-Russia border area is a condition of successful implementation of Russian Concept-2020 created to diversify and modify state's economy,¹⁸² where border regions in Volga and Siberia districts are involved.¹⁸³

In the case of Belarus, in collective security terms, alignment with Russia is caused by NATO Eastern enlargement,¹⁸⁴ which both countries consider as "common threat".¹⁸⁵ Additionally, for Moscow military partnership with Minsk gives "direct access to the borders of Central Europe", in which region it gradually loses its influence, and makes it closer to Kaliningrad, Russian enclave.¹⁸⁶

Concerning political preferences related to the collective security model (as a way to prevent conflicts within integrating community), they are also common for Belarus, whose population is not totally homogeneous. Belarusians make up the ma-

¹⁷⁷ Д. РОГОЗИН, *Враг Народа*, Москва, Алгоритм, 2008, с. 54, (D. ROGOZIN, *Enemy of the People*, Moscow, Algorithm, 2008, p. 54).

¹⁷⁸ А. ЧЕБОТАРЕВ, "Оренбургье – сердце Евразии", *Ритмы Евразии*, (A. CHEBOTAREV, "Orenburg- the Heart of Eurasia", *Rhythms of Eurasia*), <http://www.ritm Eurasia.org/news--2014-09-03--orenburzhe-serdce-evrazii-14360> [14-02-2015].

¹⁷⁹ In this context, it is necessary to note that for Kazakhstan, historically, it is typical balancing approach, which the most prosperous times of Kazakh state is linked with (as it was in the 18th century when one of the most famous Kazakh khans, Abilay khan, succeeded in maintaining Kazakh nationhood threatened by Dzungar Khanate, China and Russia). *Vid.* "САМУРЫҚ-ҚАЗЫНА" АҚ ЖӘНЕ ОРТАЛЫҚ КОММУНИКАЦИЯЛАР ҚЫЗМЕТІ, "Абылай Ханның Қазақ Хандығын Нығайту Жолындағы Қызметі", *Қазақстан Тарихы Веб-Порталы*, ("SAMURUK-KAZYNA" JSC AND CENTRAL COMMUNICATIONS SERVICE, "Consolidation Role of Abilay-khan for Kazakh State"), *Web-Portal of Kazakh History*, <http://e-history.kz/kz/contents/view/840> [24-11-2014]

¹⁸⁰ R. ÖRTTUNG and A. LATTA, *Russia's Battle with Crime, Corruption and Terrorism*, *op. cit.*, p. 55.

¹⁸¹ M. SPECHLER and D. SPECHLER, "Russia's Lost Position in Central Eurasia", *op. cit.*, p. 3.

¹⁸² S. MALLE, "Economic Modernisation and Diversification in Russia: Constraints and challenges", *Journal of Eurasian Studies*, Vol. 4, Issue 1, 2013, p. 83.

¹⁸³ *Ibid.*, p. 92.

¹⁸⁴ P. SZYSZLO, "Countering NATO Expansion A Case Study of Belarus-Russia Rapprochement", *NATO Research Fellowship*, Final report, June 2003, p. 11, <http://www.nato.int/acad/fellow/01-03/szyszlo.pdf> [11-11-2014].

¹⁸⁵ *Ibid.*, p. 15.

¹⁸⁶ *Ibid.*, p. 3

jority of population (83.73%), among the largest minorities are Russians and Polacks (8.26% and 3.1% respectively).¹⁸⁷ There is also a difference between western and eastern parts of the country. The western part is more rural, less industrial, and it is the part where the majority of the Polish minority live (principally in the South-West),¹⁸⁸ while the eastern part is more urban, has more production entities and less Belarussian-language speakers.¹⁸⁹ This situation (as division into west and east parts) reflects the situation in the neighboring Ukraine, however, as shown in the first part of the section, the policy pursued by Minsk and its national character (mentioned in chapter 6) is very different from what is typical for Kiev authorities.

The threat of repetition of the Ukraine scenario is interconnected with another political preference common for Minsk, which is the preservation of the status quo for political elites.

As shown in the first part of the chapter, elites, who remain in power in EAEU members, possess the major power in their countries and are concerned about its continuation.¹⁹⁰ Party-based regimes were brought down by disorders (such as Orange revolutions) within their CIS partner states¹⁹¹ and it is obvious that none of the political elites, be they in Moscow, Minsk or Astana, is interested in recurrence of these events (or ones similar to the Arab Spring) in their territories.¹⁹²

This largely concerns the political stability in Belarus, dependent on close cooperation with Moscow. Thus, in the case of Minsk, it was Russia which greatly helped Lukashenka to come to power. As mentioned in sixth chapter, close cooperation with Moscow has been common for presidential rhetoric of the Belarussian leader. For example, one of the first of Lukashenka's reforms was the referendum on integration with Russia and giving Russian the status of official state language together with Belarussian,¹⁹³ while some authors even find that Moscow rendered them financial support in order to centralize power in the country.¹⁹⁴ Thus, Rachel Vanderhill finds that one of the reasons of success of Lukashenka's regime and its large public support is in the fact that he succeeded in guaranteeing many public benefits such as full employment, free education and medical care, and moderate prices on basic goods, which citizens in other CIS countries lost since the collapse of

¹⁸⁷ АГЕНТСТВО ПО СТАТИСТИКЕ РЕСПУБЛИКИ БЕЛАРУСЬ, "Итоговые Данные Переписи Населения Республики Беларусь 2009 года", (STATISTICS AGENCY OF THE REPUBLIC OF BELARUS, "Final Results of Population Census of the Republic of Belarus - 2009"), <http://census.belsat.gov.by/default.aspx> [11-11-2014]

¹⁸⁸ SEKE and T.KUZIO "Sultanism in Eastern Europe: The Socio-Political Roots of Authoritarian Populism in Belarus", *op. cit.*, pp. 533-534.

¹⁸⁹ *Ibid.*, p. 534.

¹⁹⁰ N.JACKSON "Trans-Regional Security Organisations and Statist Multilateralism in Eurasia", *op. cit.*, p. 189.

¹⁹¹ V.GEL'MAN, "Party Politics in Russia: From Competition to Hierarchy", *op. cit.*, p. 917.

¹⁹² *Vid.* Приложение к докладу. MINCHENKO CONSULTING, "Политбюро 2.0" Накануне Перегрузки Элитных Групп", (*Vid.* Attachment to Report. MINCHENKO CONSULTING, "Politburo 2.0" in the Reload of Elites"), [http://minchenko.ru/netcat_files/File/Prilojenie%202\(1\).pdf](http://minchenko.ru/netcat_files/File/Prilojenie%202(1).pdf) [11-11-2014].

¹⁹³ R.DONALDSON and J.NOGEЕ, *The Foreign Policy of Russia: Changing Systems...* *op. cit.*, p. 208.

¹⁹⁴ R.VANDERHILL, "Promoting Democracy and Promoting Authoritarianism: Comparing the Cases of Belarus and Slovakia", *op. cit.*, p. 256.

the USSR, which in turn has become possible due to financial support that Moscow has been rendering Minsk.¹⁹⁵

As already shown in previous chapters, Belarus relies largely on Russia in military, economic and energy support, which is going to continue in order to prevent such events as are happening now in neighbouring Ukraine.

Dependence on Russia and need to prevent any possible conflicts partially explains why it was Minsk and Astana (more precisely Almaty) who initiated integration with Moscow not vice versa.

Another secondary preference determined by Moravcsik lies in the sphere of ideology, which in the case of the Eurasian integration needs explanation of Eurasianism.

The origin of Eurasianism as a philosophical concept dates back to the 1920s when it was created and developed by Russian intellectuals who had emigrated.¹⁹⁶ Lavrov finds that it is determined best of all by Trubezkoy, who says that the national basis of territories united by the Russian Empire and then the Soviet Union is not only an ethnicity but “multinational nation”, which is “Eurasian, its territory is Eurasia and its nationalism is Eurasianism”.¹⁹⁷

Gumilyov, one of the main followers of Eurasianism, in reliance on elaborations made by Trubezkoy distinguishes two levels of identity of nations. The low level (ethnos) is determined by ethnic origins,¹⁹⁸ which is bestowed on a person upon his/her birth indifferent to his/her self-recognition,¹⁹⁹ while the high level (super-ethnos) is formed by “multifunctional culture” of spirit and the way of thinking. In such a manner, identities of Eurasian nations are different in the low level but coincide with each other in the high one.²⁰⁰ National sovereignty in this belief system is an indispensable condition of interethnic supra-ethnicity, which allows it not to contradict cultural and national identity, but to extend its boundaries.²⁰¹

Therefore, Eurasianism is not about self-determination, whether it is ethnic or religious (N.Nazarbayev finds that in the 21st century these two aspects have been slipping into the background),²⁰² but about “complementarity” of Eurasian nations.²⁰³

¹⁹⁵*Ibid.*, pp. 275-276.

¹⁹⁶С.ЛАВРОВ, “Л. Н. Гумилев и Евразийство” в Л.ГУМИЛЕВ, *Ритмы Евразии: Эпохи и Цивилизации*, Санкт-Петербург, Кристалл, 2003, с. 5, (S.LAVROV, “L.N. Gumilyov and Eurasianism” in L.GUMILYOV, *Rhythms of Eurasia: Epochs and Civilizations*, San-Petersburg, Crystal, p. 5).

¹⁹⁷*Ibid.*, p. 7.

¹⁹⁸Л.ГУМИЛЕВ, *Ритмы Евразии: Эпохи и Цивилизации*, *op. cit.*, с. 66, (L.GUMILYOV, *Rhythms of Eurasia: Epochs and Civilizations*, *op. cit.*, p. 66).

¹⁹⁹Т.ТУЛЕШОВ, *Евразийская Интеграция: Построение Будущего*, Москва, Издание Вольного экономического общества России, 2013, с. 39, (T.TULESHOV, *Eurasian Integration: Construction of the Future*, Moscow, Press of Free Economic Russian Society, 2013, p. 39).

²⁰⁰Л.ГУМИЛЕВ, *Ритмы Евразии: Эпохи и Цивилизации*, *op. cit.*, с. 66, (L.GUMILYOV, *Rhythms of Eurasia: Epochs and Civilizations*, *op. cit.*, p. 66).

²⁰¹Т.ТУЛЕШОВ, *Евразийская Интеграция: Построение Будущего*, *op. cit.*, с. 95, (T.TULESHOV, *Eurasian Integration: Construction of the Future*, *op. cit.*, p. 95).

²⁰²Н. НАЗАРБАЕВ, *Евразийский Союз: Идеи, Практики, Перспективы...op. cit.*, с. 175, (N.NAZARBAYEV, *Eurasian Union: Ideas, Practices and Prospects...op. cit.*, p. 175).

²⁰³*Ibid.*, p. 184.

There is no unity in Slavonic ethnics, neither in Turkic nations,²⁰⁴ but there is a Peoples' will to be together.²⁰⁵

In territorial matters, the borders of Eurasia are determined by other super-ethnics, which are China ("the Middle Plain"), Middle East and Iran (Afrasia) and Western Europe (Romano-Germanic entity).²⁰⁶

An interesting observation about modern Eurasianists is that they favour the "principle of stewardship" instead of "principle of ownership" because it better reflects the needs of "common good", and appreciates the "paternalistic" role of a government that should support and protect national producers approving herewith mercantilist measures.²⁰⁷

At the same time, it is important that Eurasianism does not contradict the idea of the multipolar world promoted by Russia, but comes in line with it because it defends diversity and multiculturalism, which the unipolar order is less able to preserve.²⁰⁸

Eurasianism has different interpretations. Therefore, Tashenov distinguishes three of them: "imperialistic" driven by Alexander Dugin, "pragmatic" promoted by Nursultan Nazarbayev and "historic" elaborated by Lev Gumilyov.²⁰⁹ The latter one comes in line with unity and complementarity of Eurasian nations²¹⁰ described above.

Imperialistic vision justifies Russian right to be the leader of the geographic center of the Eurasia continent, which Halford Mackinder considered as "Heartland"²¹¹ and increase its importance as an independent pole in the world

²⁰⁴Thus, for example it is difficult to ignore differences between west and east Ukrainians, neither between Serbs and Slovaks. At the same time, there are differences between ethnics in Central Asia. For instance, Turkmenistan considers itself as a Caspian nation, Tajikistan is closer to South Asia. As for Kazakhstan, it is necessary to note that its association with Central Asia has become a common practice only after dissolution of the USSR. In Soviet political thought the region was called "Kazakhstan and Middle Asia", where both areas, Kazakhstan on one side and Kyrgyzstan, Uzbekistan, Tajikistan and Turkmenistan on the other, had been developing as separate economic zones, which is understandable taking into account the size of Kazakh territories that greatly exceeds the size of territories of its neighbouring republics added together. *Vid.* А.ТАРАКОВ "Комментарии, Отклики, Прогнозы" в Н.НАЗАРБАЕВ, *Евразийский Союз: Идеи, Практики, Перспективы...op. cit.*, с. 184, (А.ТАРАКОВ, "Comments, Reviews, Forecasts" in N.NAZARABYEV, *Eurasian Union: Ideas, Practices, Prosperities...op. cit.*, p. 184); N.JACKSON "Trans-Regional Security Organisations and Statist Multilateralism in Eurasia", *Europe-Asia Studies*, Vol. 66, No. 2, 2014, p. 183; E.ISMAILOV and V.PAPAVA, *Rethinking Central Eurasia*, *op. cit.*, p. 64; V.PAPAVA, "The Eurasianism of Russian Anti-Westernism and the Concept of "Central Caucasо-Asia", *Russian Politics & Law*, Vol. 51, Issue 6, November-December 2013, p. 46.

²⁰⁵Н.НАЗАРБАЕВ, *Евразийский Союз: Идеи, Практики, Перспективы...op. cit.*, с. 94, (N.NAZARABYEV, *Eurasian Union: Ideas, Practices, Prosperities...op. cit.*, p. 94).

²⁰⁶Л.ГУМИЛЕВ, *Ритмы Евразии: Эпохи и Цивилизации*, *op. cit.*, с. 57, (L.GUMILYOV, *Rhythms of Eurasia: Epochs and Civilizations...op. cit.*, p. 57).

²⁰⁷V.PAPAVA, "The Eurasianism of Russian Anti-Westernism and the Concept of "Central Caucasо-Asia", *op. cit.*, 60.

²⁰⁸Т.ТУДЕШОВ, *Евразийская Интеграция: Построение Будущего*, *op. cit.*, с. 39, (T.TYLESHOV, *Eurasian Integration: Construction of the Future*, *op. cit.*, p. 39).

²⁰⁹*Ibid.*, p. 156.

²¹⁰*Ibid.*

²¹¹Mackinder "Pivot area" approach is one of the debated areas in geopolitics that approximately correlates with territories the USSR occupied. He found that Russia "replaces the Mongol Empire" that gives it a "central strategic position" in the world similar to that which Germany occupies in Europe. *Vid.*

arena.²¹² It considers Russia as “the Third Rome” able to gather and protect smaller nations under its leadership.²¹³ Eurasianism in this way is a focus of Russia’s future development that finds the “middle ground” between European and Asian or more precisely European and Mongol sides of the “Eurasian identity”.²¹⁴

Pragmatic vision is common for Kazakhstan’s elites, which try to develop the economic part of Eurasian cooperation²¹⁵ and where ideas of Eurasianism are used not only in external policy, but also in internal one. Similar to what Moravcsik was talking about by two-level game, promotion of Eurasian ideas allows Kazakhstan’s political elites, led by Nursultan Nazarbayev, to not only build friendly relations with Russia but also gain public support of the none-Kazakh electorate of the country, which in ethnic ratio is composed by more than 130 ethnics and account for 35% of total population.²¹⁶ Kazakh Eurasianists do not deny their identity as part of the Asian world, which plays an important role in their foreign policy,²¹⁷ but calls attention to its multiculturalism, which is geographically justified as its Western part lies in Eastern Europe.²¹⁸ In this context the role Eurasianism as a ground for territorial integrity and unification is even more important than the civilizational choice.

As for Belarus, similar to Russia, the search for middle ground between East and West that implies Eurasian ideology comes in line with Minsk’s intentions to be a bridge between Europe and Asia preserving its sovereignty and multi-vector nature of the policy.²¹⁹

In this way Eurasian ideology allows all EAEU members to pursue their own interests responding to necessities of their internal politics.

According to Moravcsik, when national preferences are formed, sides proceed to international bargaining, which the next section is dedicated to.

the map of Pivot area. H.MACKINDER, “The Geographical Pivot in History”, *The Geographical Journal*, Vol. 23, No. 4, April 1904, pp.435-436.

²¹²E.ISMAILOV and V.PAPAFA, *Rethinking Central Eurasia*, op. cit., pp. 22-23.

²¹³M.RYWKIN, “Russia: Mythology in the Service of Realpolitik”, *American Foreign Policy Interests: The Journal of the National Committee on American Foreign Policy*, Vol. 36, No. 3, 2014, p. 197.

²¹⁴*Ibid.*, p. 199.

²¹⁵Т.ТУДЕШОВ, *Евразийская Интеграция: Построение Будущего*, op. cit., с. 156 (Т.TYLESHOV, *Eurasian Integration: Construction of the Future*, op. cit., p. 156).

²¹⁶E.ISMAILOV and V.PAPAFA, *Rethinking Central Eurasia*, op. cit., p. 24; АГЕНТСТВО ПО СТАТИСТИКЕ РЕСПУБЛИКИ КАЗАХСТАН, “Аналитический Отчет “Итоги Национальной переписи населения Республики Казахстан 2009 года”, op. cit., с. 20, (STATISTICS AGENCY OF THE REPUBLIC OF KAZAKHSTAN, “Analytical report “Results of National Population Census of the RK”, op. cit., p. 20).

²¹⁷V.PAPAFA, “The Eurasianism of Russian Anti-Westernism and the Concept of “Central Caucaso-Asia”, op. cit., p. 54.

²¹⁸E.ISMAILOV and V.PAPAFA, *Rethinking Central Eurasia*, op. cit., p. 71.

²¹⁹И.АКИНЧИЦ, “Беларусь между ЕС и Россией: Геополитическая Перспектива”, *Экономика и Менеджмент*, No. 1, 2012, с. 15, (I.AKINNIZ, “Belarus between the European Union and the Russian Federation: a Geopolitical Perspective”, *Economy and Management*, No. 1, 2012, p. 15).

8.2. Interstate bargaining around CU, SES and EAEU conditions

Before proceeding to interstate bargaining, some notes should be made about two-level game. In accordance with Moravcsik, each state is limited by what other states will agree to and what Parliament will ratify at home. Two-level approach shows the negotiation process from three sides: international, domestic and individual.

In the international sphere, the government is constrained by external and internal circumstances. This statement helps to understand the behavior of EAEU members and their decisions. Thus, in the case of Belarus, it will be shown that Minsk has made concessions to Moscow allowing it to buy national companies in strategic spheres (in oil refinery and gas transportation); the rationale of this decision becomes evident when preferences of ruling elites are taken into account. As shown, Minsk prefers to avoid privatization on a large scale, but it needs loans to maintain its economy in the light of financial crisis (analyzed in more detail in the second part of the section), in this situation Minsk's decision is seen as an enforced action necessary to recover from the crisis.²²⁰ In the case of Astana, two-level approach explains why during the negotiation process Kazakhstan, which was the initiator of Eurasian integration, declared itself against "politization" of the Union.²²¹ This may be explained by the rise of anti-Eurasian movements in Kazakhstan²²² and, what is more important, the threat of escalation of the Ukrainian crisis (by the time of negotiation), the consequences of which Astana did not plan to be involved in.²²³ In the case of Russia, A. Bridman finds that the Ukrainian crisis forced Moscow to make concessions to Minsk in the sphere of oil customs duties that Belarus charges from the export of Russian oil to Europe.²²⁴

In the domestic sphere, Moravcsik finds that each of the domestic groups impact the external policy of the state in the way its relative bargaining power allows. That power in turn is measured by the access to four main foreign policy instruments – initiative, institutions, information and ideas – that gives groups the right (and facility) to initiate a policy, to make decisions, to be aware of the issue of bargaining and justify its position to the electorate. Accordingly in Kazakhstan, Russia and Belarus after the process of centralization of power had finished the leading groups

²²⁰R. ASTAPENIA, "Belarus 2014: Economic Threats and Political Opportunities", *op. cit.*, p. 4.

²²¹REGNUM BELARUS, "Назарбаев Отметил Недопустимость Политизации Евразийского Экономического Союза", 24 декабря 2013, (REGNUM BELARUS, "Nazarbayev Refused Politization of the Eurasian Economic Union", December 24, 2013), <http://belarus.regnum.ru/news/belarus/1749282.html> [14-12-2014].

²²²К.БЕРЕНТАЕВ, "Методические Аспекты Региональной Интеграции на Постсоветском Пространстве" в Б.СУЛТАНОВ и Л.МУЗАПАРОВА (Ред.), *Формирование ЕЭП: Состояние, Проблемы, Перспективы*, *op. cit.*, с. 92, (К.BERENTAYEV, "Methodological Aspects of Regional Integration in the Post-Soviet Space" in B.SYLTANOV and L.MYZAPAROVA, *SES Creation: Situation, Problems, Prospects*, *op. cit.*, p. 92).

²²³А.БИРМАН, "Главный Вопрос Интеграции", *Известия*, 29 мая 2014, (A.BIRMAN, "The Main Question of Integration", *Izvestiya*, May 29, 2014), <http://izvestia.ru/news/571670> [14-12-2014].

²²⁴*Ibid.*

represented by the NurOtan (in Kazakhstan), United Russia (in RF) and pro-presidential elites (in RB) acquired the dominant access to all these leverages of foreign policy.

In the RF and RK, dominant parties possess the majority in Parliaments: United Russia by the 2011 elections in the State Duma got 238 mandates out of 450;²²⁵ in 2012 NurOtan obtained 80.99% of votes in elections to the lower chamber of Parliament, Mazhilis, appointing 83 lawmakers of 107.²²⁶ In RB, the majority of delegates in the House of Representatives are pro-presidential. This gives the ruling elites the access to initiative of foreign policy (adoption of respectful statutes, ratification of agreements, etc.). At the same time, in executive branches of the EAEU states the majority of officials are loyal to the Heads of States and/or affiliated with the dominant parties,²²⁷ which prioritizes access of ruling elites to institutions²²⁸ and information. As governments (represented by Samruk-Kazyna Fund in RK and State corporations in the RF and RB) possess the main companies in the fields of integration, it greatly facilitates their access to information. As for ideas, in Russia mass media works in collaboration with ruling elites.²²⁹

On an individual level, proceeding from Moravcsik's terminology of dividing leaders into "statesman-as-agent", "statesman-as-dove" and "statesman-as-hawk", Alexander Lukashenka, Vladimir Putin and Nursultan Nazarbayev could be considered as "statesmen-as-agents" due to their major public support (which has been already mentioned in chapter 6).

Passing now to inter-state bargaining, it is necessary to remember that Moravcsik sees an intergovernmental process, which stands on three pillars: firstly, in negotiations, state is a unitary actor which voluntarily decided to cooperate because it is more beneficial than unilateral policy or alliance with other partners; secondly, all sides have equal access to information; and thirdly, each state has relative bargaining power defined by asymmetrical interdependence.

Because of circumstances of interdependence, states enter issue-linkages formed as package deals, where they benefit in one sphere and lose in another. Costs of issue-linkages may be felt by the benefitting group, on the third parties or be difficult to calculate.

²²⁵РОССИЙСКАЯ ГАЗЕТА, "Постановление Центральной Избирательной Комиссии Российской Федерации от 9 декабря 2011 г. No. 70/576-6: "О Результатах Выборов Депутатов Государственной Думы Федерального Собрания Российской Федерации Шестого Созыва", *op. cit.*, (RUSSIAN NEWSPAPER, "Statement of the Election Central Committee of Russian Federation from 9 December 2011 No 70/576-6 "On the Results of the Elections to State Duma of the Federal Council of Russian Federation of the Fifth Term", *op. cit.*).

²²⁶ҚР ОРТАЛЫҚ САЙЛАУ КОМИССИЯСЫ, "Партиялар", *op. cit.*, (RK CENTRAL ELECTION COMMITTEE, "Parties", *op. cit.*).

²²⁷R.ISAACS and S.WHITMORE, "The Limited Agency and Life-Cycles of Personalized Dominant Parties...", *op. cit.*, p. 706.

²²⁸С.ТАЙВО, *Rusia frente a Ucrania. Imperios, Pueblos, Energía*, *op. cit.*, p. 26.

²²⁹*Ibid.*

Under negotiation processes states come to the lowest common denominator. As far as the beneficiaries of bargaining are concerned, they can be direct (those who participate in the process) and indirect (those who do not participate in negotiation). The best outcome of bargaining is a Pareto-efficient one that happens when benefits of one player do not lead to losses of another.

During analysis of the bargaining all these theoretical statements will be used, except the first two (the state as unitary actor and equal access to information) because both these observations have much in common with Keohane's theory and therefore have already been confirmed in chapter 7.

Concerning interstate bargaining in the case of Eurasian integration, it can be divided into three groups: issues of the near-term perspective, i.e. those related to the questions that had already been resolved (such as creation the CU) and those, whose results are planned to be implemented in the near future (common pharmaceutical market); issues of the second-term perspective, which is creation of the common market of electricity; and issues of the long-term perspective – market of oil, oil products and gas, and those issues around which sides are negotiating but where there are still many unresolved questions. In the present section that division correspond to three parts of the section. The first one deals with the CU and common pharmaceutical market, which should come into operation very soon – in 2016. The second part deals with those issues of the second-term perspectives and the third part relates to questions about which there are still many ambiguities (oil, gas, agriculture, transport, and monetary cooperation), classified here as a long-term perspective.

8.2.1. Interstate bargaining around the issues of the near-term prospect

Where bargaining related to creation of the Customs Union is analyzed, the first preference determined in the first section – protection of the market from more developed economic rivals – implies states' behavior.

For a better understanding of the protectionist nature of decisions taken within the Customs Union it is necessary to analyze the structure of trade among its member-states in 2009 (the year before CET came into force), represented in figure 16. The classification of trade corresponds to Standard International Trade Classification, Revision 4 (the names of classification groups are taken as in the original).²³⁰

²³⁰For explanation Standard International Trade Classification (SITC), Rev.4 commodities, see COMTRADE UN Database, "Detailed structure and explanatory notes", <http://unstats.un.org/unsd/cr/registry/regcst.asp?Cl=28> [10-12-2014].

Figure 16. Structure of interstate trade of Customs Union partners, million USD, 2009

Country	Total, million \$	Food and live animals	Beverages and tobacco	Crude materials, inedible, except fuels	Mineral fuels, lubricants and related materials	Animal and vegetable oils, fats and waxes	Chemicals and related products, n.e.s.	Manufactured goods classified chiefly by material	Machinery and transport equipment	Miscellaneous manufactured articles	Commodities and transactions not classified elsewhere in the SITC	Country
Kazakhstan: import	8,896 (100%)	767 (8.62%)	194 (2.18%)	185 (2.08%)	2,406 (27%)	72 (0.8%)	772 (8.7%)	2,350 (26%)	1,667 (18.7%)	449 (5%)	28 (0.3%)	Russia: export
Kazakhstan: export	3,547 (100%)	133 (3.7%)	5.8 (0.16%)	1,250.9 (35.2%)	987 (27.8%)	0.01 (0%)	344 (9.7%)	679.6 (19.2%)	134 (3.8%)	12 (0.33%)	0.3 (0.08%)	Russia import
Belarus: import	16,726 (100%)	466.7 (2.79%)	129 (0.77%)	550.9 (3.29%)	11,164 (66.7%)	45.8 (0.09%)	879.5 (5.2%)	1,714.6 (10%)	1,089.9 (6.5%)	311.8 (1.8%)	372.9 (2.2%)	Russia: export
Belarus: export	6,718 (100%)	1,708 (25%)	14.5 (0.2%)	137.5 (2%)	22.6 (0.3%)	8 (0.1%)	387.9 (5.7%)	1,416 (21%)	1,935(28.8%)	823.6 (12%)	263.7 (3.9%)	Russia: import
Kazakhstan: import	367 (100%)	85.4 (23.2%)	0.1 (0.03%)	1.6 (0.4%)	0.08 (0.02%)	1 (0.27%)	26 (7%)	78 (21.3%)	130.6 (35.5%)	44 (12%)	0.01 (0.02%)	Belarus: export
Kazakhstan: export	54.7(100%)	1.1 (2%)	0 (0%)	0.9 (1.6%)	0.2(0.37%)	0 (0%)	4.2(7.68%)	44.57(81.6%)	3.57(6.5%)	0.05(0.09%)	0 (0%)	Belarus: import

Source: COMTRADE DATABASE (calculations in % are made by the author, prepared by the author).

As shown in the figure, Kazakhstan's export to Russia and Belarus is not very different from the structure of its export to other partners: raw materials and fuels dominate its export. Protection of these commodities is not very important because they are not competed for by third parties and their export capacity is unlikely to be increased greatly.²³¹ The commodities that needed protection were manufactured goods (SITC 6), which in Kazakhstan's export to Russia accounted for 19.2%, making Russia the third largest importer of Kazakhstan's manufactures goods (after China and the UK, Belarus was in 17th place).²³² By entering the CU Kazakhstan largely increased its customs duties for manufactured products. Thus, the average MFN applied duty for "wood and paper" increased from 6.0% to 12.7%; for "textiles", from 7.6% to 11.2%; for "clothing", from 5.6% to 11.8%, for "leather, footwear" from 7.6% to 8.5%.²³³ This increase allowed it to protect its market from foreign competitors (in favor of domestic producers) rather than assuring an increase of export capacity to CU partners.

²³¹М.БОЧАРНИКОВ, "ЕЭП как Новая Фаза Интеграции" в Б.СУЛТАНОВ и Л.МУЗАПАРОВА (Реда.), *Формирование ЕЭП: Состояние, Проблемы, Перспективы, оп. cit.*, с. 32, (M.BOSCHARNIKOV, "SES as New Phase of Integration" in B.SYLTANOV and L.MYZAPAROVA, *SES Creation: Situation, Problems, Prospects, op. cit.*, p. 32).

²³²COMTRADE Database.

²³³The names of the commodities correspond to Harmonized System nomenclature 2007. WTO, *Tariffs Profiles 2009*, http://www.wto.org/english/res_e/booksp_e/tariff_profiles09_e.pdf [14-12-2014]; WTO, *Tariff Profile 2011*, http://www.wto.org/english/res_e/booksp_e/tariff_profiles11_e.pdf [14-12-2014].

Russia benefits from the CU more than Kazakhstan because it is more industrially developed and has more companies focused on export.²³⁴ Creation of the CU closed Kazakhstan's market from more advanced foreign rivals²³⁵ and makes access easier for less competitive Russian manufactures.²³⁶

Apart from creating better conditions for domestic producers of manufactured products in the Kazakhstani market (which is important for Russia because Kazakhstan and Belarus is the 5th and 8th largest importers of Russian manufactured products),²³⁷ Russia protected potential market for its machinery and transport equipment. Emphasis is made on Kazakhstan because it is Astana which had to make the largest concessions with the establishment of the Common External Tariff. Thus, the average MFN tariff for electrical machinery rose from 1.5% to 6.2%, the percentage of duty-free imports of these commodities decreased from 81.5% to 33.1%, while the maximum duty increased from 29% to 50%. The same happened for transport equipment, the AVG MFN applied rose from 2.1% to 10.5%; the duty-free percentage of import decreased 70% to 24.1%, while the maximum tariff increased from 10% to 139%.²³⁸ The reason for the growth of these customs²³⁹ in the fact that Kazakhstan's market is the main one for Russian machinery and transport equipment (SITC 7).²⁴⁰

As for Belarus, it is the 4th largest importer of Russian commodities of SITC 7 (after Kazakhstan, India and Ukraine).²⁴¹ However, for Minsk there were not many changes on tariffs because the majority of them had already been harmonized with Russian customs,²⁴² which in turn were taken as the basis for the Customs Union.²⁴³ Moreover, in some issues, for Russia and Belarus establishment of CET decreased their national duties (in order to stabilize them with more liberal Kazakhstan's customs).²⁴⁴ For example, the AVG MFN for electrical machinery for Russia and

²³⁴M.БОЧАРНИКОВ, "ЕЭП как Новая Фаза Интеграции", *op. cit.*, с. 32, (M.BOCHARNIKOV, "SES as New Phase of Integration", *op. cit.*, p. 32.

²³⁵*Ibid.*, p. 30.

²³⁶M.SPECHLER and D.SPECHLER, "Russia's Lost Position in Central Eurasia", *op. cit.*, p. 4.

²³⁷COMTRADE Database.

²³⁸The names of the commodities correspond to Harmonized System nomenclature 2007. Comparison is made on data provided by WTO. *Vid.* WTO, *Tariffs Profiles 2009*, *op. cit.*; WTO, *Tariff Profile 2011*, *op. cit.*

²³⁹As an example of the volume of customs growth in Kazakhstan, Martin C. Spechler and Dina R. Spechler notes that for this reason the price of the Toyota Camry for Kazakhstan's citizens rose from \$22 thousand to \$40 thousand. *Vid.* M.SPECHLER and D.SPECHLER, "Russia's Lost Position in Central Eurasia", *op. cit.*, p. 4

²⁴⁰COMTRADE Database.

²⁴¹*Ibid.*

²⁴²A.MKRTCHYAN and H.GNUTZMANN, "Mutual Protectionism", *Armenian Economic Association*, October 9, 2012, p. 7, <http://aea.am/files/papers/w1214.pdf> [7-01-2015].

²⁴³*Vid.* Context. EUROPEAN COMMISSION, "Customs Union between Russia, Belarus and Kazakhstan: Implementation - State Of Play", December 1, 2010, http://trade.ec.europa.eu/doclib/docs/2010/december/tradoc_147124.pdf [7-01-2015].

²⁴⁴A.MKRTCHYAN, "The Customs Union Between Russia, Belarus and Kazakhstan: Some Evidence from the New Tariff Rates and Trade Flows", *Forum for Research on Eastern Europe and Emerging Economies*, <http://freepolicybriefs.org/2013/10/07/the-customs-union-between-Russia-Belarus-and-Kazakhstan-some-evidence-from-the-new-tariff-rates-and-trade-flows/> [7-01-2015].

Belarus decreased from (8.8% and 9.4% respectively) to 7.4%, while for transport equipment Belarus decreased customs from 12.8% to 11.1%, etc.²⁴⁵

In total, EAEU states harmonized tariffs in 4,360 lines, which is 86% of all import commodities,²⁴⁶ 44% of which had been harmonized before the negotiations related to the CU.²⁴⁷

In addition to protecting the market of manufactured products and equipment, tariffs rose for food and animal goods,²⁴⁸ which is important for Russia because in spite of the small volume of Russian export of food and live animals products (SITC 0) to its EAEU partners, Kazakhstan and Belarus are the 2nd and 5th largest importers of these commodities from Russia.²⁴⁹

Similar to Russia, Belarus benefitted greatly from market protection because on the one hand it opened Minsk to the market of Kazakhstan (as seen in figure 16 the Kazakhstan-Belarus trade turnover is much lower than the Belarus-Russian one), while on the other, it secured the Russian market for Belarussian products. The latter plays a significant role for Minsk because Russia is its largest importer of food and animals products (Kazakhstan is the 3rd after the RF and Ukraine), of manufactured products (RK is the 8th), and machinery products (RK is the 5th). Russia is also the largest importer of Belarussian products classified as SITC 0, SITC 1, SITC 2, SITC 8, SITC 9.²⁵⁰

Another note that should be made regarding negotiations related to establishment of the CU is that it coincided with the beginning of the economic crisis of 2008, which forced countries to protect their markets.²⁵¹ Thus, Kazakhstan, using the CU, greatly increased its tariffs (which is rational in the light of crisis), Belarus safeguarded its export to Russia and opened the market of Kazakhstan, while Russia, whose tariffs were used as the basis of CET, had increased them before the harmonization started within the RF government's anti-crisis measures.²⁵²

In this way, analysis shows that interstate bargaining allowed sides to come to the lowest common denominator – in this context to tariffs, which correspond to relative interests of each of them – that is seen as Kazakhstan greatly increased its customs tariffs, while Belarus and Russia decreased them. For Belarus and Russia it

²⁴⁵The names of the commodities correspond to Harmonized System nomenclature 2007. is made on data provided by WTO. *Vid.* WTO, *Tariffs Profiles 2009, op. cit.*; WTO, *Tariff Profile 2011, op. cit.*

²⁴⁶The fact that not all (i.e. 100%) duties were harmonized but only 86%, which explains why there is a small difference between Kazakhstan's average duties and the Russian and Belarussian one. *Vid.* A.MKRTCHYAN and H.GNUTZMANN, "Mutual Protectionism", *op. cit.*, p. 8.

²⁴⁷A.MKRTCHYAN, "The Customs Union Between Russia, Belarus and Kazakhstan: Some Evidence from the New Tariff Rates and Trade Flows", *op. cit.*

²⁴⁸The names of the commodities correspond to Harmonized System nomenclature 2007. Comparison is made on data provided by WTO. *Vid.* WTO, *Tariffs Profiles 2009, op. cit.*; WTO, *Tariff Profile 2011, op. cit.*

²⁴⁹COMTRADE Database.

²⁵⁰*Ibid.*

²⁵¹E.VINOKUROV and A.LIBMAN, "Do Economic Crises Impede or Advance Regional Economic Integration in the Post-Soviet Space?", *op. cit.*, p. 353.

²⁵²*Vid.* Context. EUROPEAN COMMISSION, "Customs Union between Russia, Belarus and Kazakhstan: Implementation - State Of Play", *op. cit.*

was beneficial to protect the market to assure their export of food and animal products, manufactured goods and machinery, and transport equipment.

For Kazakhstan, even if it does not export these commodities on a large scale (except manufactured goods), the CU promises it alternative gains. Firstly, the CU is a way for RK to attract more foreign and mutual investments. Due to a more favorable tax climate, Kazakhstan, in comparison with Russia and Belarus is more attractive for foreign companies focused on the CU market and who want to open their entities on its territory. That is planned to attract FDI not in mining and oil fields (where the foreign capital is mostly accumulated), but to the fields that Astana needs to develop such as machinery, transport, oil and gas equipment and consumer goods manufacturing.²⁵³ Another alternative gain is the possibility to develop its own production in the protected fields of the market not only for export to EAEU partners, but also for domestic consumption.

Another field of cooperation, which is analyzed in the present part, is the common pharmaceutical market. The special feature of the negotiation process in this field is that the bargaining states do not entirely control the situation. Thus, as seen from figure 17, the EAEU pharmaceutical market is highly import-dependent. National production in this field has decreased dramatically since the collapse of the USSR, the deficit of pharmaceutical products was covered by imports, which was stimulated by giving preferences to foreign producers in customs and technical regulations.²⁵⁴

As the figure demonstrates, the existing situation in the pharmaceutical market of the EAEU countries is a considerable threat to national security.²⁵⁵ The markets are import-dependent, and their main suppliers are companies from outside the Union (this concerns primarily Kazakhstan and Russia and to a lesser extent Belarus). Domestic producers share a smaller part of the market, but even the existing relatively small national production is largely dependent on pharmaceutical substances (base materials), which in turn are produced abroad.²⁵⁶ Another weakness of EAEU

²⁵³М.БОЧАРНИКОВ, "ЕЭП как Новая Фаза Интеграции", *op. cit.*, с. 30, (M. BOCHARNIKOV, "SES as New Phase of Integration", *op. cit.*, p. 30).

²⁵⁴ЕВРАЗИЙСКИЙ БАНК РАЗВИТИЯ, *Перспективы развития фармацевтического рынка Единого экономического Пространства*, Отраслевой Обзор No. 18, Алматы, 2013, с. 6, (EURASIAN DEVELOPMENT BANK, *Prospects of Development Of Pharmaceutical Market of Single Economic Space*, Almaty, 2013, p. 6), http://www.eabr.org/general/upload/docs/AU/AU%20-%20Издания%202013/OBZOR_18_rus.pdf [18-12-2014].

²⁵⁵РОССИЙСКАЯ ФЕДЕРАЦИЯ, "Стратегия Развития Фармацевтической Промышленности Российской Федерации На Период До 2020 года", 23 октября 2009, (RUSSIAN FEDERATION, "Strategy Of Development Of Pharmaceutical Industry Of Russian Federation in the Period to 2020", October 23, 2009, <http://pharma2020.ru/> [07-11-2014].

²⁵⁶*Vid.* Основные показатели в динамике. РЕСПУБЛИКА КАЗАХСТАН, "О Программе по Развитию Фармацевтической Промышленности Республики Казахстан на 2010 - 2014 годы", (*Vid.* Main dimensions in dynamics. REPUBLIC OF KAZAKHSTAN, "On the Program Of Development Of Pharmaceutical Industry of the RK in the period of 2010-2014"), <http://adilet.zan.kz/rus/docs/P100000791> [14-01-2015]; РОССИЙСКАЯ ФЕДЕРАЦИЯ, "Стратегия Развития Фармацевтической Промышленности Российской Федерации на период до 2020 года", *op. cit.*, (RUSSIAN FEDERATION, "Strategy of Development of pharmaceutical industry of RF by 2020", *op. cit.*).

countries' pharmaceutical industry is that basically they are specialized in "generics", those medical treatments that do not have patent protection, whose production is quite large, while price is low.²⁵⁷

Figure 17. Pharmaceutical market of the EAEU states, 2009-2010

Country	Export				Import				Volume of market, USD mln	Pharmaceutical market, % of sales				Main companies		Health expenditures, USD	
	value of export, USD mln	export destinations	Trade value	% of total export	value of import, USD mln	importers	Trade value	% of total import		Imported products		Domestic products		Top companies, % of sales in money terms	State of origin	% of GDP	Per capita
										in money terms	in natural units	in money terms	in natural units				
RK	17.1	Kyrgyzstan	7.6	44	924.2	Germany	141.6	15	1,288	88.8	66.8	11.2	33.2	Sanofi-aventis (5%)	France	4.4	323
		Tajikistan	2.6	15		France	91.5	9.8						Bayer Schering Pharma (4.2%)	Germany		
		Uzbekistan	1.7	10		Austria	78.1	8.4						Nycomed Pharma AS (4.1%)	Switzerland		
RF	313.6	Ukraine	84.9	27	11,111.4	Germany	2,019.8	18	24,204	76.5	35.5	23.5	64.6	PHARMSTANDART (4.8%)	Russia/Germany**	6.3	669
		Uzbekistan	49.3	15.7		France	1,145.8	10						Sanofi-aventis (4.4%)	France		
		Belarus	37.4	11.9		Switzerland	881.7	7.9						Berlin-Chemie (4%)	Germany/Italy		
RB	116.0	Russia	72.8	62	553.6	Germany	62.8	11.3	676	76.04	23.96	43.08	56.92	Belmedpreparati (5.06%)	Belarus (state company)	5.6	398
		Kazakhstan	14.7	12.6		India	55.3	9.98						Borsovskiy zavod medicinskih preparatov JSC (4.39%)	Belarus (state company)		
		Ukraine	7.6	6.5		France	38.7	6.99						Pharmland (4.22%)	Belarus/The Netherlands		
														Sanofi-Aventis (4.04%)	France		
														Novartis (3.89%)	Switzerland		

*Since 2011, Khimfarm JSC is part of Poland's Polpharma Group.²⁵⁸ **PHARMSTANDART in Russia is owned by STADA Arzneimittel AG – Germany.²⁵⁹

Source: for export and import, COMTRADE DATABASE: Commodity group – 30 – pharmaceutical products (calculation on % are made by the author); for volume of market, ЕВРАЗИЙСКИЙ БАНК РАЗВИТИЯ, "Перспективы Развития Фармацевтического Рынка Единого Экономического Пространства", Алматы, 2013, с. 17, (EURASIAN DEVELOPMENT BANK, "Prospects of Development of the Pharmaceutical Market of Single Economic Space, Almaty, 2013, p. 17).

For foreign and domestic companies on Kazakhstan's pharmaceutical market, VI-ORTIS, "Фармацевтический рынок Казахстана", pp. 12; 14, http://viortis.kz/files/36_farm_market.pdf [08-11-2014]; on Russian pharmaceutical market, DSM GROUP, "Russian Pharmaceutical Market 2010", pp. 8, 13, http://www.dsm.ru/docs/analytics/farmrinok_roccii_itogi_2010_eng.pdf [08-11-2014]; on Belarusian pharmaceutical market, INTELLIX, "Фармацевтический рынок Беларуси: Первое полугодие 2014 года", с. 9, (INTELLIX, "Pharmaceutical market of Belarus: First semester of 2014, p. 9."), http://intellix.by/pdf/Obzor_2014_1_intellix.pdf [08-11-2014].

For state of origin for all foreign companies (except Berlin-Chemie), FORTUNE, "Global 500", 2014.

²⁵⁷ЕВРАЗИЙСКИЙ БАНК РАЗВИТИЯ, "Перспективы Развития Фармацевтического Рынка Единого Экономического Пространства", *op. cit.*, сс. 6; 12, (EURASIAN DEVELOPMENT BANK, "Prospects of Development of the Pharmaceutical Market of Single Economic Space, *op. cit.*, pp. 6; 12).

²⁵⁸PHARMACEUTICAL COMPANY SANTO, "Member of Polpharma Group", <http://www.generic.kz/business/304> [08-11-2014]

²⁵⁹DSM GROUP, "Russian Pharmaceutical Market 2010, *op. cit.*, p. 14; STADA, "Sales companies", <http://www.stada.com/company/stada-worldwide.html> [08-11-2014]

<http://fortune.com/global500/> [08-11-2014]; for BERLIN-CHEMIE “Berlin-Chemie Develops, Produces and Sells Pharmaceutical Products.”, <http://www.berlin-chemie.com/Home> [08-11-2014]; for Belarusian companies. ПОРТАЛ ИНФОРМАЦІОННОЙ ПОЛІФРЖКІ ЭКСПОРТА, “РУП “Белмедпрепараты”, (WEB-PORTAL OF INFORMATION SUPPORT OF EXPORT, “Belmedpreparaty”) http://www.export.by/?act=member&id=651&mode=view_details [08-11-2014]; ПОРТАЛ ИНФОРМАЦІОННОЙ ПОЛІФРЖКІ ЭКСПОРТА. “ОАО “Борисовский Завод Медицинских Препаратов” (WEB-PORTAL OF INFORMATION SUPPORT OF EXPORT, “Borisov factory of pharmaceutical products JSC”); http://export.by/?act=member&mode=view_details&id=572 [08-11-2014]; PHARMLAND, “About PharmLand”, <http://www.pharmland.by/en/about-pharmland> [08-11-2014]. For health expenditure, WORLD BANK Database: Health Expenditure, total (% of GDP), <http://data.worldbank.org/indicator/SH.XPD.TOTL.ZS> [06-11-2014] (prepared by the author)

As for interstate trade, the situation was also very difficult. Thus, before integration Kazakhstan’s export of pharmaceutical products to Russia was extremely low (around 0.01%),²⁶⁰ Russian export to Kazakhstan’s market was also low – less than 4%.²⁶¹ In the case of Russia, Kazakhstan and Belarus were in third and fourth place in pharmaceutical export destinations (after Ukraine and Uzbekistan).²⁶² The situation with Belarus was better because Russia and Kazakhstan were its two main importers of products in this field.

In this quite challenging situation there are three preferences that are the most evident to pursue by the bargaining countries: attraction of FDI; stimulation of export; and joint innovative and technical development.

Regarding the attraction of FDI, it is necessary to note that one of the reasons why national producers lost their market here, deferring to foreign companies technological inferiority.²⁶³ The policy that Russia and Kazakhstan pursue now is establishment of new pharmaceutical facilities in collaboration with external actors and creation of favourable conditions for foreign companies to open their entities and produce on EAEU countries’ territory in accordance with the latest technological innovations. Integration made Eurasian space more attractive for foreign investments. For example, in Kazakhstan new pharmaceutical factories were established by Jordan Hikma Pharmaceuticals,²⁶⁴ Polish Pharma, Turkish Abdi Inbharim, Czech Favea, and Russian Pharmstandard (which belongs to German STADA Arzneimittel AG). While in Russia, new production assets were held by Slovenian KPKA, Hungarian Gedeon Richter, French Server, German Stada, Polish Hemofarm, and Belgian Solvey.²⁶⁵

Another preference in the pharmaceutical industry is stimulation of technological development, which in the case of Kazakhstan, together with attraction of FDI, overlap preferences in other spheres (for example, support of national producers). Thus, in order to attract more investments and improve the technological

²⁶⁰COMTRADE database.

²⁶¹*Ibid.*

²⁶²*Ibid.*

²⁶³ЕВРАЗИЙСКИЙ БАНК РАЗВИТИЯ, “Перспективы Развития Фармацевтического Рынка Единого Экономического Пространства”, *op. cit.*, с. 30, (EURASIAN DEVELOPMENT BANK, “Prospects of Development of the Pharmaceutical Market of Single Economic Space, *op. cit.*, p. 30).

²⁶⁴ИЗВЕСТИЯ, “Казахстанские Лекарства не Пустили в Российские Госзакупки”, 19 марта 2014, (IZVESTIA, “Kazakhstan Medicines are not Allowed to Enter Russian Governmental Purchases”, March 19, 2014), <http://izvestia.ru/news/546863> [11-11-2014].

²⁶⁵ЕВРАЗИЙСКИЙ БАНК РАЗВИТИЯ, “Перспективы Развития Фармацевтического Рынка Единого Экономического Пространства”, *op. cit.*, сс. 23-24, (EURASIAN DEVELOPMENT BANK, “Prospects of Development of the Pharmaceutical Market of Single Economic Space, *op. cit.*, pp. 23-24).

basis of the industry Khimpharm JSC, the most successful and oldest pharmaceutical factory in the country (which was established at the end of the 21st century) was sold to Polish Polpharma in 2011²⁶⁶ (according to Forbes before this deal 51% of shares of Khimpharm belonged to ALMEX group).²⁶⁷ Another example is sale of 60% of shares in the third most successful local company JC Global Pharm LLP to Turkish Abdi Inbharim (now 60% belongs to this company and 40% belongs to AlmaPharmInvest, part of Lancaster Group).²⁶⁸

As for the last preference – stimulation of export – the only country that is orientated to expansion of the market for national companies is Belarus, for whom Russia and Kazakhstan are the biggest and permanent markets, integration with whom allows it to expand its export capacities.²⁶⁹ Regarding Russian and Kazakhstan, as seen from figure 16, for these two countries the markets of CA countries represent considerable importance (Kyrgyzstan and Uzbekistan for Kazakhstan, and Uzbekistan for Russia), which in turn have also launched the programmes of import-substitution in the pharmaceutical industry, which will pose obstacles to export expansion of EAEU countries.²⁷⁰ For Kazakhstan, another weakness is absence of a permanent market for export. For example, in the case of Belarus its export in three main directions (Russia, Kazakhstan, and Ukraine) has been increasing gradually,²⁷¹ the same can be said about Russia, while in the case of Kazakhstan, its export to three

²⁶⁶МЕГАПОЛИС, “Химфарм” Меняет Хозяина”, 5 октября 2011, (MEGAPOLIS, “Himpharm to Change the Owner”, October 5, 2011), http://www.megapolis.kz/art/Himfarm_menyaet_hozyaina [10-11-2014]; ХИМФАРМ, Проспект Третьего Выпуска Именных Купонных Облигаций без Обеспечения Акционерное Общество “Химфарм” (АО “Химфарм”), 31 октября 2012, р. 30, (HIMPHARM, “Third Issue of Non-Collateral Coupon Bounds of “Himpharm” JSC, October 31, 2012), http://www.santo.kz/files/mci/2012-11-20_signed_Prospectus_rusFINAL.pdf [10-11-2014].

²⁶⁷FORBES, “Тимур Кулибаев”, *op. cit.*, (FORBES, “Timur Kulibayev”, *op. cit.*).

²⁶⁸КАПИТАЛ.КЗ, “Лекарство Для Отрасли”, 15 ноября 2012, (КАПИТАЛ.КЗ, “Medicaments for the Industry”, November 15, 2012), <http://kapital.kz/gazeta/9031/lekarstvo-dlya-otrasli.html> [10-11-2014]; ФИНАНСОВЫЙ НАДЗОР НАЦИОНАЛЬНОГО БАНКА РЕСПУБЛИКИ КАЗАХСТАН, *Проспект Выпуска Акций. Полное Наименование: Акционерное Общество «Нобел Алматинская Фармацевтическая Фабрика»*, с. 4, FINANCIAL SUPERVISION OF THE NATIONAL BANK OF KAZAKHSTAN, *The Second Domestic Pharmaceutical Entity (Nobel Pharm) Is Part Of Turkish Nobel Pharma*, р. 4, [http://www.afn.kz/attachments/emi/stocks/A0176/stocksA0176\\$-\\$3428\\$-\\$..pdf](http://www.afn.kz/attachments/emi/stocks/A0176/stocksA0176$-$3428$-$..pdf)[10-11-2014].

²⁶⁹ФАРМАЦЕВТИЧЕСКИЙ ВЕСТНИК, “Процедура Взаимного Признания Регистрации Лекарств в Странах Таможенного Союза Заработает Не Раньше Декабря 2012 г”, (PHARMACEUTICAL HERALD, “Procedure Of Mutual Recognition Of Medicaments Licences In Member-States Of The Customs Union Works By December 2012”, http://www.pharmvestnik.ru/publs/lenta/v-rossii/24078.html#.vgdqrvmg_5m [10-11-2014].

²⁷⁰*Vid.* Пункт 3.3. Анализ слабых и сильных сторон, возможностей и угроз. РЕСПУБЛИКА КАЗАХСТАН, “О Программе по Развитию Фармацевтической Промышленности Республики Казахстан на 2010 - 2014 годы”, *op. cit.*, (*Vid.* Point 3.3. Main dimensions in dynamics. REPUBLIC OF KAZAKHSTAN, “On the Program Of Development Of Pharmaceutical Industry of the RK in the period of 2010-2014”, *op. cit.*).

²⁷¹From \$35 mln in 2007 to \$43 in 2008, to \$53 in 2009, to \$72 mln in 2010 to Russia; from \$6 mln in 2007, to \$10 in 2008, to \$12 in 2009, to \$14 in 2010 to Kazakhstan; and similar (with some challenges) in the case of export to Ukraine: from \$2.7 in 2007, to \$4.3 in 2008, to \$3.6 in 2009, to \$7.5 in 2010. ЕВРАЗИЙСКИЙ БАНК РАЗВИТИЯ, “Перспективы Развития Фармацевтического Рынка Единого Экономического Пространства”, *op. cit.*, с. 33, (EURASIAN DEVELOPMENT BANK, “Prospects of Development of the Pharmaceutical Market of Single Economic Space, *op. cit.*, p. 33).

main partners (Kyrgyzstan, Tajikistan, Uzbekistan) has been decreasing or its growth was temporary.²⁷²

In such a manner, where negotiations regarding the issues of the pharmaceutical market are analyzed, it is seen that states' preferences do not contradict each other because they are rather more dependent on foreign players than interdependent with each other. Sides are similarly weak in their relative bargaining powers, which causes them not to struggle within the union, but to look for a joint solution to existing problems which threaten their national security. Results of these negotiations are Pareto-efficient because for Russia and Kazakhstan it attracts foreign companies to open their entities in EAEU territory which in turn improves their technological base, while for Belarus it assures the export market. Regarding the latter preference – stimulation of export – some special measures for its implementation are captured in the Treaty of the Eurasian Economic Union and are analyzed within the statements of the third section of the present chapter.

Bargaining in the pharmaceutical field is also an example of direct and indirect beneficiaries. In this situation the direct beneficiary is Belarus because it has more industrial capacities, while indirect ones are foreign companies which do not participate in bargaining, but benefit from enlargement of the potential market.

Another field of cooperation, whose provisions are planned to be implemented in the second-term perspective, is creation of common markets of electrical energy explained in the next part.

8.2.2. Interstate bargaining around the issues of the second-term prospect

Regarding the common market of electrical energy, the main features of the situation in this sphere are represented in figure 18, whose data corresponds to 2010 – approximately a year before the time when bargaining started.

As seen in figure 18, in all three countries the majority of electricity is produced by thermal electric stations. In difference with its partners, Russia also produces electricity in hydro and nuclear stations, which determines its greater experience in this spheres.

²⁷²*Vid.* Приложение 1. ЕВРАЗИЙСКИЙ БАНК РАЗВИТИЯ, “Перспективы Развития Фармацевтического Рынка Единого Экономического Пространства”, *op. cit.*, (*Vid.* Annex 1. EURASIAN DEVELOPMENT BANK, “Prospects of Development of the Pharmaceutical Market of Single Economic Space, *op. cit.*).

Figure 18. Electrical energy market of EAEU countries, 2010

Country	Generation of electricity, TWh (%)				Annual Consumption, TWh			Trade, TWh			
	Total	electric power stations			Total	Industry/Transport (%)	per capita kWh	Export	Export destination countries	Import	Import countries
		Thermal	Hydro	Nuclear							
RK	82.63 (100)	74.6 (90.3)	8.02 (9.7)	-	84.10	64/6.1	5,243	1.54	Russia (1.54)	3.01	Russia(1.38); Kyrgyzstan (1.63)
RB	34.9 (100)	34.85 (99.8)	0.05 (0.2)	-	37.6	48.1/4.5	3,958	0.27	Lithuania (0.27)	2.97	Ukraine (2.94); Russia (0.03)
RF	1,038 (100)	699.1 (67.4)	168.2 (16.2)	170.7 (16.4)	1,020.98	55/9	7,142	19.95	Finland (11.6); Lithuania (5.1); Kazakhstan(1.4)	2.92	Kazakhstan (1.5);Georgia (1.11)

Source: EURASIAN DEVELOPMENT BANK, "Integration Processes in the Electric Power Sectors of the EDB Member States", Almaty, 2012, pp. 12; 19, 23-27, http://eabr.org/general/upload/reports/Full%20version_Electricity.pdf [12-11-2014].

The important fact about the electricity transmission networks of these countries is that all of them were created during the Soviet epoch and from this time have not been largely reformed, which explains their high level of interdependence.²⁷³ Thus, in the case of Kazakhstan, in energy terms its territory is not a united one. The country is divided into three blocks: the North part includes Aktubinks, Kostanai, Pavlodar, North Kazakhstan, East Kazakhstan, Akmolinsk, and Karaganda regions, where the first five share a border with Russia; the south part consists of Almaty, Zhambil, Kyzylorda and South Kazakhstan regions; and the west part covers Atyray, West Kazakhstan and Magistay,²⁷⁴ where the first two oblasts share borders with the RF.²⁷⁵ Because the CIS transmission networks were constructed in Soviet times, the Russian European electricity network, which also covers the Urals, and Kazakhstan's north and west electricity lines are linked with each other.²⁷⁶ For Kazakhstan the north part is the most abundant in electricity because of a high generation of power in the Pavlodar and Karaganda regions that together generate more than half the country's electricity.²⁷⁷ The west is self-sufficient, while the southern block is an electricity defi-

²⁷³ЕВРАЗИЙСКИЙ БАНК РАЗВИТИЯ. "Интеграционные Процессы в Электроэнергетическом Секторе Государств – Участников Евразийского Банка Развития", Отраслевой обзор No. 159, с. 17, (EURASIAN DEVELOPMENT BANK, "Integration processes in the electrical energy sector of member-states of the Eurasian bank of development", Industry review No. 159, p. 17).

²⁷⁴КАЗАХСТАНСКИЙ БАНК РАЗВИТИЯ, *Обзор электроэнергетической отрасли Республики Казахстан в 2013 году*, 2014, с. 8, (KAZAKHSTAN DEVELOPMENT BANK, Industry review of electric energy of the RK in 2012, 2014, p. 8), http://www.kdb.kz/file.php?id_file=5054[14-11-2014].

²⁷⁵Vid. UNITED NATIONAL DEVELOPMENT PROGRAMME, *Map of Kazakhstan*, <http://www.undp.kz/en/pages/22.jsp> [14-11-2014].

²⁷⁶ЕВРАЗИЙСКИЙ БАНК РАЗВИТИЯ. "Интеграционные Процессы в Электроэнергетическом Секторе Государств – Участников Евразийского Банка Развития", *op. cit.*, p. 27, (EURASIAN BANK OF DEVELOPMENT, "Integration Processes in Electrical Energy Sector of Member-Sates of the Eurasian Bank of Development", p. 27).

²⁷⁷КАЗАХСТАНСКИЙ БАНК РАЗВИТИЯ, *Обзор электроэнергетической отрасли Республики Казахстан в 2013 году*, 2014, с. 9, (KAZAKHSTAN DEVELOPMENT BANK, Industry review of electric energy of the RK шт 2012, 2014, p. 9).

cient region, at the same time it is the region where consumption is growing faster than in other places.²⁷⁸

In the case of Belarus, due to Soviet construction, its electricity networks are linked with Russia, Lithuania, Ukraine and Poland. Similar to other EAEU states, the majority of electricity is produced by thermal electrical stations,²⁷⁹ but in the case of Kazakhstan they are mostly coal powered generators,²⁸⁰ while in Belarus 95.5% of them are dependent on natural gas supply from Russia.²⁸¹

In the case of Kazakhstan and Belarus, even if their electricity networks are not interconnected with each other the preferences that both states promote are similar to each other ie. stimulation of export and joint overcoming of technological inferiority.

For Belarus, the main interested group in this field is the government itself represented by State Industrial Organization “Belenergo”, which controls all main entities in the sphere. The system that Belarus inherited from the Soviet times allows it to increase its energy producing capacity and export the electricity abroad. The only thing necessary for that is an increase in generation through construction of new stations and reformation of already existing ones. At the same time, its interconnectedness with neighbours in electricity terms allows it to import energy when it needs it (for example, when there are problems with gas supply or when reconstruction of the system is necessary).²⁸²

In Kazakhstan’s case, joint overcoming of technological inferiority is very important for the Republic. The entire electricity network of Kazakhstan was built during Soviet times,²⁸³ while during the years of independence the Republic invested their own financial resources to maintain the system rather than its development.²⁸⁴ Because of that nowadays 57% of existing power lines need reformation, and consequently large investments (the costs of reformation rise due to the long distances between the power plants and the potential consumers, and because of the extreme continental climate).²⁸⁵ The finances for reparation are mostly provided by companies

²⁷⁸E.VINOKUROV, *Nuclear Energy Complexes: Prospects for Development and Cooperation*, Industry Report, Eurasian Bank of Development, April 4, 2008, p. 7, http://eabr.org/general/upload/docs/Report_1_nuclear_EDB.pdf [14-11-2014].

²⁷⁹ЭЛЕКТРОЭНЕРГЕТИЧЕСКИЙ СОВЕТ СНГ. “Электроэнергетика Республики Беларусь”, (ELECTRIC ENERGY COUNCIL OF CIS, “Electric energy of the Republic of Belarus”), http://energo-cis.org/new/modules.php?op=modload&name=PageEd&file=index&topic_id=0&page_id=7 [16-12-2014]

²⁸⁰П.СВОИК, “Энергорынок Казахстана: Из света в мрак перелетая”, *Forbes*, (P.SVOIH, “Electric Energy Market of Kazakhstan: From Light To Dark”, *Forbes*), http://forbes.kz/process/energetics/energoryinok_kazhastana_iz_sveta_v_mrak_pereletaya [14-11-2014]

²⁸¹ЭЛЕКТРОЭНЕРГЕТИЧЕСКИЙ СОВЕТ СНГ. “Электроэнергетика Республики Беларусь”, *op. cit.*, (ELECTRIC ENERGY COUNCIL OF CIS, “Electric energy of the Republic of Belarus”, *op. cit.*).

²⁸²*Ibid.*

²⁸³ЕВРАЗИЙСКИЙ БАНК РАЗВИТИЯ. “Интеграционные Процессы в Электроэнергетическом Секторе Государств – Участников Евразийского Банка Развития”, *op.cit.*, p. 20, (EURASIAN BANK OF DEVELOPMENT, “Integration Processes in Electrical Energy Sector of Member-Sates of the Eurasian Bank of Development”, p. 20).

²⁸⁴П.СВОИК, “Из ЕАЭС получается АЭС”, *Forbes*, 27 июня 2014, (P.SVOIH, “EAEU Means NPS”, *Forbes*, June 27, 2014), http://forbes.kz/process/energetics/iz_eaes_poluchaetsya_aes [04-11-2014].

²⁸⁵ЕВРАЗИЙСКИЙ БАНК РАЗВИТИЯ. “Интеграционные Процессы в Электроэнергетическом Секторе Государств – Участников Евразийского Банка Развития”, *op.cit.*, p. 16, (EURASIAN BANK OF

which are involved in energy production, while the level of FDI in this field is very low (0.2% of total investments).²⁸⁶ This explains why the current level of Kazakhstan's generation of electricity is still far from that of 25 years ago (110 TWh against current 82 TWh).²⁸⁷ In the situation, Kazakhstan largely needs cooperation with its partners to overcome the technological problems it faces. At the same time, the country launched its industrial development, which – as already stated in chapter 7 – is directly dependent on the provision of sufficient supply.

Regarding stimulation of export, in the case of Kazakhstan, the situation with potential benefits of export/import of electricity are similar to Belarus, but there are differences regarding the distribution of these benefits. In Kazakhstan around 64% of electricity is used for industrial needs, where some of the highest energy consuming industries are those related to mining and smelting of metals. It explains why major mining companies such as Eurasian Group LLP, Kazahmys and ArcelorMittal are largely involved in energy production. This gives them not only guarantees of permanent electricity supply, but also low tariff rates. If ArcelorMittal produces energy largely for its own needs,²⁸⁸ Eurasian Group LLP and Kazahmys, in addition to their own consumption, provides it for other industries and households. Thus, the Eurasian Group LLP possesses the second largest thermal station - Aksu Power Plant - which generates electricity for Western Siberia and Altai region in Russia and North-East of Kazakhstan. In addition, it controls the Shubarkol Komir Joint Stock Company focused on production of semi-coke and thermal coal necessary for supplying the thermal stations.²⁸⁹ The important role Kazahmys played in electricity generation has decreased since the package deal with the government when it sold its Ekibastuz station (the most productive one in the country) and the state sold its shares in mining.

Another private player in the sphere – the «Central-Asian Power Energy Company» JSC – is not involved in mining but focuses more on the electricity market. The company owns Petropavlovsk, Ekibastuz, Pavlodar -2 and Pavlodar -3 heat electricity generating plants. It is responsible not only for generation the electricity but also its distribution. Therefore, the company owns North-Kazakhstan Regional Electric Distribution Company JSC,²⁹⁰ Pavlodar Regional Electric Distribution Company JSC and controls Akmolinsk Regional Electric Distribution Company LLP

DEVELOPMENT, "Integration Processes in Electrical Energy Sector of Member-States of the Eurasian Bank of Development", p. 16).

²⁸⁶*Ibid.*, p. 20.

²⁸⁷П.СВОИК, "Из ЕАЭС получается АЭС", *op. cit.*, (P.SVOIKH, "EAEU Means NPS", *op. cit.*), http://forbes.kz/process/energetics/iz_eaes_poluchaetsya_aes [04-11-2014].

²⁸⁸П.СВОИК, "Энергорынок Казахстана: Из света в мрак перелетая", *op. cit.*, (P.SVOIKH, "Electric Energy Market of Kazakhstan: From Light To Dark", *op. cit.*).

²⁸⁹Technic terms taken as original. EURASIAN NATURAL RESOURCES CORPORATION, "Energy", <http://www.enrc.com/our-divisions/energy> [04-11-2014].

²⁹⁰SEVKAZENERGO, "North-Kazakhstan Regional Electric Distribution Company, JSC", <http://www.sevkazenergo.kz/en/divisions/ao-severo-kazaxstanskaya-raspredelitel'naya-elektrosetevaya-kompaniya.html> [1-11-2014].

(51.59%). All these companies are incorporated into Central Asian Electric Power Corporation JSC (owned by Central-Asian Power Energy Company), which also includes SevKazEnergo LLP, Pavlodarenrgo LLP, Astanaenergobit LLP (the companies working in selling the electricity).²⁹¹

In such a way, the “Central-Asian Power Energy Company” JSC controls the entire process of generation, distribution and selling of electricity in three regions of the North block of Kazakhstan’s electricity network.

This analysis shows that as the northern electricity block is the most productive one, the companies which generate the electricity for its regions benefit most of all from improving trade relations with Russia in energy terms in order to stimulate Kazakhstan’s export to its northern neighbour. In this situation it is seen that the government promoting energy cooperation with Moscow acts as an agent of the Eurasian Group LLP and “Central-Asian Power Energy Company” JSC. These two companies are not only interested in export of electricity to Russia,²⁹² but also to enter the market of electricity in neighbouring regions. Indeed, as will be shown in chapter 9, RF-RK cooperation allows Kazakhstani firms to open entities in Russia. In this context it is necessary to note that for the latter, increased electricity import would also be beneficial, because it will allow the RF to keep their natural gas for export instead of using it for electricity generation.²⁹³

However, it would be an exaggeration to state that the government does not play an important role in the electricity market because even though there are private companies which are significant in the sphere of electricity in Kazakhstan, it is the government, which controls the entire system through the state owned company KEGOC, who is responsible for management of the entire system.²⁹⁴

Regarding Russian preferences toward interstate bargaining in the energy sphere they are very asymmetrical toward the interests that Kazakhstan and Belarus pursue. For Moscow the preferences are support of domestic producers and entering into the global market.

²⁹¹ЦЕНТРАЛЬНО-АЗИАТСКАЯ ТОПЛИВНО-ЭНЕРГЕТИЧЕСКАЯ КОМПАНИЯ, *Годовой Отчет АО “Центрально-Азиатская Топливо-Энергетическая Компания”*, 2013, p. 5, (CENTRAL-ASIAN POWER ENERGY COMPANY, *Annual Report of “Central-Asian Power Energy Company” JSC*, 2013, p. 5), http://www.capec.kz/admin/upload/files/go_capec_2013.pdf [1-11-2014]; CENTRAL-ASIAN POWER ENERGY COMPANY, *Joint Stock Company Central-Asian Power-Energy Company and its Subsidiaries : Consolidated financial statements*, December 31, 2011, p. 11, http://www.capec.kz/admin/upload/files/CAPEC_audit_%202011_en.pdf [1-11-2014].

²⁹²ЦЕНТРАЛЬНО-АЗИАТСКАЯ ТОПЛИВНО-ЭНЕРГЕТИЧЕСКАЯ КОМПАНИЯ, *Годовой Отчет АО “Центрально-Азиатская Топливо-Энергетическая Компания”*, *op. cit.*, p. 8, (CENTRAL-ASIAN POWER ENERGY COMPANY, *Annual Report of “Central-Asian Power Energy Company” JSC*, *op. cit.*, p. 8).

²⁹³ЕЭК, “Железнодорожный Альянс Стран ТС в 10 раз Увеличит Долю Перевозок из Китая в Евросоюз Через Территорию ЕЭП”, - Член Коллегии (Министр) По Энергетике И Инфраструктуре ЕЭК Даниал Ахметов”, (ЕЕС, “Danial Ahmetov, Council Member (Minister) on Energy and Infrastructure of the EEC: Railway Alliance of the Customs Union Member-States Increased In Ten Times The Share Of Transit Of Goods From China to Europe via CIS territory”), <http://www.eurasiancommission.org/ru/nae/news/Pages/22-05-2014-1.aspx> [1-11-2014].

²⁹⁴КЕГОС, “Company”, <http://www.kegoc.kz/en> [14-12-2014].

The first one relates to national producers of technical equipment necessary for construction and reparation of power stations. Therefore, close cooperation with Minsk and Astana gives Moscow advantages when competing with foreign producers of machinery in this field (which are ready to supply the market, but not to invest in its development).²⁹⁵ In parallel with activation of the Eurasian integration, Russian “Siloviye Mashini” JSC (Power machines JSC) supplied the equipment for constructing State regional electricity station, Karaganda thermal station, Buhtarminsk hydrostation in Kazakhstan,²⁹⁶ Lukomolsk electricity station, and Vitebsk thermal station in Belarus.²⁹⁷

100% of the shares of “Siloviye Mashini” JSC, which focuses on production of equipment of nuclear, thermal, hydro stations,²⁹⁸ belong to Highstat Limited²⁹⁹ governed by Alexei Mordashev.³⁰⁰ As the corporation is totally private it shows that in all these deals the RF government was acting not as a principal, but as an agent of the private group which owns this factory.

Another preference that Moscow pursues is entering into the global market. As already mentioned in chapter 7, Russia has ambitions to become a major energy power, which is justified by the fact that it is one of the few countries in the world that possesses large reserves in four fields – oil, coal, gas and uranium.³⁰¹ Regarding the latter one, in its nuclear export plans Russia largely promotes construction and sale of atom reactors to non-nuclear states. To the present date it has realized three projects related to the nuclear cooperation sphere (construction of a reactor for Iran, and selling two nuclear plants to China and India), nowadays under different conditions it has projects in India, China, Bangladesh, Vietnam, Finland, Iran, Hungary, Slovakia, Jordan and Turkey (the last two implies construction within the BOO model).³⁰²

To this extent the Russian nuclear export programme is very ambitious,³⁰³ but its own nuclear resources are not enough to supply both its domestic consumption

²⁹⁵ЕВРАЗИЙСКИЙ БАНК РАЗВИТИЯ. “Интеграционные Процессы в Электроэнергетическом Секторе Государств – Участников Евразийского Банка Развития”, *op. cit.*, p. 9, (EURASIAN BANK OF DEVELOPMENT, “Integration Processes in Electrical Energy Sector of Member-Sates of the Eurasian Bank of Development”, *op. cit.*, p. 9).

²⁹⁶*Ibid.*, pp. 32-33.

²⁹⁷*Ibid.*, p. 32.

²⁹⁸ВЕДОМОСТИ, “Силовые Машины”, (VEDOMOSTI, “Silovie Mashnini”), <http://www.vedomosti.ru/companies/a-z/1127/Силовые%20машины> [7-12-2014]

²⁹⁹СИЛОВЫЕ МАШИНЫ, “Акционерный Капитал”, (SILOVIE MASHNINI, “Capital”). <http://www.power-m.ru/investor/equity/> [7-12-2014].

³⁰⁰Companies involved in the holding produce on the territory of Russian Federation and export their production to 57 countries. *Vid.* FORBES, “Мажоритарий “Силовых Машин” Направил Оферту На Выкуп Акций Концерна” (FORBES, “The Main Shareholder Of “Silovie Mashnini” Offers Entire Buying Of Companies’ Shares), <http://www.forbes.ru/news/53622-mazhoritarii-silovyh-mashin-napravil-ofertuna-vyкуп-aktsii-kontserna> [7-12-2014]; ВЕДОМОСТИ, “Силовые Машины”, *op. cit.*, (VEDOMOSTI, “Silovie Mashnini”, *op. cit.*).

³⁰¹R.FERNÁNDEZ, “Economía de Rusia: Dos Décades de Contrastes”, *op. cit.*, p. 186.

³⁰²WORLD NUCLEAR ASSOCIATION. “Nuclear Power in Russia: Export Of Nuclear Reactors”, <http://www.world-nuclear.org/info/Country-Profiles/Countries-O-S/Russia--Nuclear-Power/> [09-01-2015]

³⁰³At internal level, Russia has 31 projects of power plants, 9 of which are being constructed now. *Vid. Ibid.*

and implementation of nuclear projects abroad. According to calculations of the Eurasian Bank of Development, Russia needs to cover at least 30-40% of its nuclear demand by foreign resources.³⁰⁴ In this situation, Russia largely needs access to Kazakhstan's uranium, which nowadays is a leader in world supply of mined uranium (36%).³⁰⁵ That will allow Russia to not only be a significant player in the world nuclear energy market, but also impact on the market of nuclear weapons.³⁰⁶

Cooperation in the nuclear sphere between Kazakhstan and Russia comes also in issue-linkage. Thus, Kazakhstan gave Rosatom, and its subsidiary Uranium One, access to its uranium mines, while Moscow allows Astana to enrich its uranium at a Russian industrial complex.³⁰⁷ Russia-Kazakhstan nuclear cooperation has a large institutional background, an explanation of bargaining in this sphere is given in more detail in the third section.

Summarizing the facts that have been stated about bargaining related to the common electricity market, the most important conclusion that can be made is that it was Pareto-sufficient. Thus, the system that the three countries have allows them export and import electricity without any technological problems. For stimulation of export Astana and Minsk need construction and reconstruction of electricity generating stations, for which Moscow is ready to provide technological assistance. In the case of Belarus, potential export will be directed to Russia, Lithuania, Ukraine and Poland, with whom the Belarus electricity networks are linked. In the case of Kazakhstan, currently it is most evident that its export is limited to Russia because only the north of the country produces enough electricity to sell abroad. Russia in this event also benefits because it allows it to save natural gas that it currently uses to supply its southern territories with electricity. Russia's preferences in the common electrical market are asymmetrical to its partners. At domestic level Moscow is interested in exportation of technical equipment of its national companies (which are private); while on an international level, cooperation within the EAEU comes in line with its ambitions to become a global power in nuclear energy, because firstly it gives access to uranium mines in Kazakhstan and secondly it opens Russian access to two new markets (RB and RK) for construction of its nuclear stations.

Another sphere of bargaining relates to the questions of the long-term perspective, which the next part deals with.

³⁰⁴E. VINOKUROV, *Nuclear Energy Complexes: Prospects for Development and Cooperation*, *op. cit.*, p. 8.

³⁰⁵WORLD NUCLEAR ASSOCIATION, "World Uranium Mining Production", <http://www.world-nuclear.org/info/Nuclear-Fuel-Cycle/Mining-of-Uranium/World-Uranium-Mining-Production/> [6-12-2014]

³⁰⁶КАЗАТОМПРОМ, "На Мировом Рынке Урана Произошло Повышение Цен", *op. cit.*, (KAZATOMPROM, "Increase of Prices on the World Nuclear Market", *op. cit.*).

³⁰⁷*Ibid.*

8.2.3. Interstate bargaining around the issues of the long-term perspective

Regarding the common market of oil and oil products, as already shown in chapter 7, Kazakhstan is largely dependent on Russia because the majority of the oil it exports passes through its territory (Caspian Pipeline and Uzen-Atyrau-Samara Pipeline). 38.5% of the Caspian Pipeline consortium (runs from Tengiz to Novorossiysk)³⁰⁸ is controlled by the RF represented by Transneft (24%) Rosneft-Shell Caspian Ventures Limited (7.5%); and CPC Company (7%);³⁰⁹ 19% is owned by JSC National Company “KazMunaiGaz” (subsidiary of Samruk-Kazyna), among smaller shareholders there are Chevron Caspian Pipeline Consortium Company (15%) and Lukarco B.V. (12.5%).³¹⁰

As for Uzen-Atyrau-Samara Pipeline, 100% of its shares belong to “KazTransOil” JSC (subsidiary of state KazMunaiGaz),³¹¹ while from Samara the oil is transported to consumers in Europe by Russian Transneft.³¹²

Among other issues of mutual concern in the oil sphere is the market of oil products in Kazakhstan. The republic has three oil refineries (in Pavlodar, Atyrau and Shymkent) all of which were constructed in Soviet times and nowadays are entirely under control of State owned KazMunaiGaz.³¹³ The Pavlodar refinery entirely operates on the oil from the Western Siberia fields exploited by Russia,³¹⁴ in addition to that the Western Siberia oil is used at the Shymkent refinery (20% of all oil supply).³¹⁵ In this situation, even if it makes Kazakhstan more dependent on Russia, Moscow does not benefit from supplying the Pavlodar refinery because oil in this situation is exported without receiving export tariffs and it losses about \$2 billion annually.³¹⁶

Analyzing Kazakhstan-Russia relations in the oil sphere, it becomes evident that the preferences Astana pursues is further access to oil transportation routes and further supply to the Pavlodar refinery. This explains why for Kazakhstan the creation of a common market of oil and oil products is so important as it would confer full access to transportation system within the Union.

³⁰⁸CASPIAN PIPELINE CONSORTIUM, “Project Geography”, <http://www.cpc.ru/en/expansion/pages/maps.aspx> [16-12-2014].

³⁰⁹CASPIAN PIPELINE CONSORTIUM, “KazMunaiGaz”, <http://www.kmg.kz/en/manufacturing/oil/ktk/> [16-12-2014].

³¹⁰CASPIAN PIPELINE CONSORTIUM, “Shareholders”, <http://www.cpc.ru/EN/about/Pages/shareholders.aspx> [16-12-2014].

³¹¹KAZMUNAIGAZ, “Oil Transportation”, <http://www.kmg.kz/en/manufacturing/oil/> [16-12-2014].

³¹²KAZMUNAIGAZ, “Atyrau-Samara Pipeline”, http://www.kmg.kz/en/manufacturing/oil/atyrau_samara/ [16-12-2014].

³¹³KAZMUNAIGAZ, “Oil Refining And Marketing”, <http://www.kmg.kz/en/manufacturing/refining/> [16-12-2014].

³¹⁴Г.РАХМАТУЛИНА, “Влияние ЕЭП на Развитие Нефтегазового Сектора Казахстана”, *op. cit.*, c. 124, (G.RAHMATULINA, “Influence of SEC on Development Of Oil and Gas Sector in Kazakhstan”, *op. cit.*, p. 124).

³¹⁵KAZMUNAIGAZ, “Oil Refining And Marketing”, *op. cit.*

³¹⁶Г.РАХМАТУЛИНА, “Влияние ЕЭП на Развитие Нефтегазового Сектора Казахстана”, *op. cit.*, c. 134, (G.RAHMATULINA, “Influence of SEC on Development Of Oil and Gas Sector in Kazakhstan”, *op. cit.*, p. 134).

Related to Kazakhstan, Russian preference is the exploitation of its oil fields, both the existing ones and the recently discovered ones (in this situation the RF defends the interests of privately owned Lukoil).

In this context it is necessary to note that the future of Kazakhstan as an oil state largely depends on exploitation of the Kashagan field, recognized as the biggest oil field discovered recently outside the Middle East. If exploitation of the oil field goes well the state may become the tenth largest oil and gas exporter in the world.³¹⁷ In this situation, the question is not only who will exploit the resources of Kashagan, but also which pipelines will Kazakhstan chose for its exportation,³¹⁸ and in both these issues Moscow has all political and technological leverages to participate in cooperation.

Regarding Russia-Belarus relations, as stated in chapter 7, Russia is dependent on Belarus in transportation terms because of Druzhba (Friendship) and North-West pipelines systems. Belarus in turn is almost entirely dependent on Russia in fuel supply (95%). In this situation it is evident that Moscow needs to ensure further transportation of oil, while Belarus its further supply. The main players in this bargaining are Russian Transneft that controls the Russian part of the Friendship pipeline and Belarussian state complex of oil and chemicals “Belneftehim” that controls the Belarussian part,³¹⁹ as commitments of bargaining are encapsulated in the treaty they are explained in more detail in the third section.

Regarding Kazakhstan-Belarus cooperation in the oil sphere, the issue of mutual concern is the transit of Kazakhstani oil via Belarussian territory and RK’s supply of oil its refineries.³²⁰ However, as Kazakhstan participates in control of its oil transportation only in Russian and Kazakhstani territory (i.e. from Uzen in RK to Samara in RF, and from Tengiz in RK to Novorossiysk in RF), in this situation it bargains on the same side as the RF and the results of this bargaining are expressed in the third section.

Regarding the common market of gas, as stated in chapter 7, Kazakhstan is dependent on Russia because it controls CA gas by buying it and then reselling it to Europe.³²¹ Kazakhstan gas goes to Russia via the Central Asia Center Pipeline and Bukhara-Urals Pipeline. However, the preferences that Astana pursues in this field are not about securing the status quo (which it does not totally agree with), but rather

³¹⁷Y.ZABORTSEVA, “Rethinking the Economic Relationship between Kazakhstan and Russia”, *op. cit.*, p. 315.

³¹⁸*Ibid.*, p. 315.

³¹⁹TASS, “Досье: Трубопровод “Дружба”, 15 октября 2013, (TASS, “Report: “Friendship” Pipeline”, October 15, 2013), <http://itar-tass.com/info/1507664> [16-12-2014]; БЕЛНЕФТЕХИМ, “О концерне”, (BELNEFTEHIM, “About the Company”), <http://www.belneftekhim.by/about/> [16-12-2014].

³²⁰Г.РАХМАТУЛИНА, “Влияние ЕЭП на Развитие Нефтегазового Сектора Казахстана”, *op. cit.*, с. 122, (G.РАХМАТУЛИНА, “Influence of SEC on Development Of Oil and Gas Sector in Kazakhstan”, *op. cit.*, p. 122).

³²¹K.RUZIEV and T.MAJIDOV, “Differign Effects of the Global Financial Crisis on the Central Asian Countries: Kazakhstan, the Kyrgyz Republic and Uzbekistan”, *Europe-Asia Studies*, Vol. 65, Issue 4, p. 695.

gaining access to the Russian gas transportation system.³²² The latter becomes much more important taking into account that Kazakhstan's production of gas will greatly increase after the Kashagan oil and gas field comes into operation.³²³ This explains why for Kazakhstan the possibility of cooperation in the gas field within the EAEU is so important.

Regarding Belarus-Russian gas relations, Moscow is dependent on Minsk in transportation of natural gas by the Yamal-Europe gas pipeline, while Belarus is entirely dependent on the RF in gas supply. In this situation it is evident that Russia needs to assure transportation routes, while Belarus needs continued supply of Russian gas (at low cost).

In this respect Belarus-Russian cooperation represents an example of issue-linkage. Thus, in 2011-2012 Belarussian economy was in a very difficult situation: trade balance was negative³²⁴ and inflation subsequently increased up to 53% and then 59% (in 2011 and 2012 respectively),³²⁵ which was caused – as Evgeny Vinokurov and Alexander Libman find – by the speculative macroeconomic domestic policy of the 2000s aimed at stimulating demand.³²⁶ In this situation the price of natural gas had largely increased for Belarus with an average price of \$263.50 per 1,000 m³ (by the end of 2011 prices were at a level of \$303 per 1,000 m³).³²⁷ In these circumstances Russia helped considerably for Belarus to overcome the crisis: the Anti-Crisis Fund provided it with a \$3 billion loan,³²⁸ while the price of gas decreased from \$300 to \$150 per 1,000 m³, in which Russia lost \$3 billion.³²⁹ In exchange for that Belarus opened its highly protected market for Russian investments.³³⁰ As a result, Gazprom bought 50% of Beltransgaz (it already possessed the other 50%) assuring herewith its transportation of gas to Europe (Beltransgaz operates the Yamal-Europe 1 pipeline)³³¹ and increasing

³²²Г.РАХМАТУЛИНА, “Влияние ЕЭП на Развитие Нефтегазового Сектора Казахстана”, *op. cit.*, с. 122, (G.RAHMATULINA, “Influence of SEC on Development Of Oil and Gas Sector in Kazakhstan”, *op. cit.*, p. 122).

³²³K.RUZHIEV and T.MAJIDOV, “Differign Effects of the Global Financial Crisis on the Central Asian Countries: Kazakhstan, the Kyrgyz Republic and Uzbekistan”, *op. cit.*, p. 687.

³²⁴COMTRADE database.

³²⁵IMF database.

³²⁶E.VINOKUROV and A.LIBMAN, “Do Economic Crises Impede or Advance Regional Economic Integration in the Post-Soviet Space?”, *op. cit.*, p. 353.

³²⁷The average prices for Belarus were the following: 2006 – \$46.68; 2007 – \$100; 2008 – \$125; 2009 – \$144.75; 2010 – \$185.19; 2011 – \$263.50. Calculations are made by Vedomosti. *Vid.* ВЕДОМОСТИ, “Отвязались от Европы”, (VEDOMOSTI, “Broken with Europe”), http://www.vedomosti.ru/politics/news/1430693/otvyazalis_ot_evropy [26-11-2014].

³²⁸E.VINOKUROV and A.LIBMAN, “Do Economic Crises Impede or Advance Regional Economic Integration in the Post-Soviet Space?”, *op. cit.*, p. 354.

³²⁹Е.МАЗНЕВА, “Россия Завершает Газовые Конфликты с Белоруссией”, *Ведомости*, 22 ноября 2011, (E.MAZNEVA, “Russia Competes Gas Conflicts with Belarus”, *Vedomosti*, November 22, 2011), http://www.vedomosti.ru/politics/news/1430693/otvyazalis_ot_evropy [26-11-2014]

³³⁰E.VINOKUROV and A.LIBMAN, “Do Economic Crises Impede or Advance Regional Economic Integration in the Post-Soviet Space?”, *op. cit.*, p. 354.

³³¹БЕЛТА, “Белтрансгаз” Останется Оператором Газопровода Ямал-Европа, Несмотря На Создание Дочернего Предприятия “Газпрома” в Беларуси”, 16 октября 2010, (BELTA, “BeltransGas” Remains being the Operator of “Yamal-Europe” pipeline, In Spite of Establishment of Gazprom Branch in Belarus”, October 16, 2010), http://www.belta.by/ru/all_news/economics/Beltransgaz-ostanetsja-

its benefits through national (Belarussian) distribution of gas.³³² With liberalization of RB market Russia acquired other important Belarussian entities, which is studied in 4th chapter.

Even if counties plan to establish the common market of gas there are still many questions of dispute which are explained in the third section.

Regarding monetary cooperation, first it is necessary to confirm the statements of Moravcsik related to this field (as mentioned in the first section) and then determine the main questions of bargaining.

Moravcsik's observations in monetary cooperation relate to two terms: exchange rate regulations and common monetary policy.

Concerning the first observation, he states that when countries are highly interdependent in trade they try to stabilize the exchange rate of their currencies. That suits Kazakhstan and Russia extremely well, because in both cases National Banks play an important role in maintaining national currencies. Indeed, analyzing the ruble-tenge exchange rate, from 2003 to 2014, for ten years there were not dramatic differences in their correlation. The average exchange rate varies from 4.64 to 4.87 tenge per ruble with largest fall of the Russian currency in 2009 and 2014 (up to 3.32 tenge per ruble)³³³ caused by weakening of the RF economy within the worldwide recession in 2009 and sanctions imposed on Russia in 2014.³³⁴

Another observation that Moravcsik proposes is that those countries which produce tradable goods prefer low exchange rate making their products cheaper and thus more competitive; while a higher exchange rate is beneficial for non-tradable goods producers, consumers and investors. Confirmation of this statement is difficult to find in the case of Eurasian integration because even though similar situations took place, their circumstances were different. Thus, Belarussian currency constantly weakens in relation to Russia's. From 2007 to 2014 the rate of the Belarussian ruble decreased from 80.78 BYR = 1 RUB to 284.28 BYR = 1 RUB.³³⁵ In parallel, Kazakhstan devaluated its currency by 20% at the beginning of 2014.³³⁶ Even if the weakening currency of these two states temporally stimulated its export (as will be shown in the next chapter), the causes for that were rather more external than internal. Thus,

operatorom-gazoprovoda-Jamal-Evropa-nesmotrja-na-sozdanie-dochnego-predprijatija-Gazproma-v-Belarusi_i_535702.html [13-11-2014].

³³²Е.МАЗНЕВА, "Россия Завершает Газовые Конфликты с Белоруссией", *op. cit.*, (E.MAZNEVA, "Russia Competes Gas Conflicts with Belarus", *op. cit.*).

³³³КАЗИНФО, "Курс Российского Рубля На 27 Ноября", (KAZINFO, "Russian Ruble Exchange Rate on 27 of November"), <http://kazfin.info/exchange/rur/> [8-12-2014].

³³⁴Г.МИРЗАЯН, "Тенге Устоит", *Expert*, 22 октября 2014, (G.MIRZOYAN, "Tenge Stands On"), <http://expert.ru/2014/10/22/tenge-ustoit> [22-10-2014].

³³⁵НАЦИОНАЛЬНЫЙ БАНК РЕСПУБЛИКИ БЕЛАРУСЬ, "Статистика", (NATIONAL BANK OF THE REPUBLIC OF BELARUS, "Statistics"), <http://www.nbrb.by/statistics/Rates/AvgRate/?yr=2014> [8-12-2014].

³³⁶J.FARCHY, "Kazakhstan devalues tenge by almost 20%", *Financial Times*, February 11, 2014, <http://www.ft.com/intl/cms/s/0/5a30f3e4-931a-11e3-b07c-00144feab7de.html#axzz3KYMECF6g> [30-11-2014].

devaluation of the Kazakh tenge was not connected with integration processes³³⁷ and was taken within devaluation measures worldwide (in Iceland, South Africa, Brazil, Turkey, South Korea, etc.),³³⁸ while weakening of the Belarussian ruble (as stated above) coincided with stagnation of RB's economy rather than provoked artificially.

As for common monetary policy, Moravcsik finds that it can be launched when countries have a similar governmental spending, inflation and interest rate, data for EAEU members is represented in the figure below (for practical matters, data related to tax rates and governmental debt are also offered).

Figure 19. Monetary cooperation within the EAEU, 2013-2014

Country	Inflation,%	Income tax rate, %	Corporate tax rate, %	Government total expenditure, % of GDP	General government gross debt, % of GDP	Lending interest rate to private sector, %	Central bank discount rate,%
Belarus	18.3	12	18	42.8	36.7	19.1	10.5**
Kazakhstan	5.8	10	20	22.9	13.5	6.6	5.5
Russia	6.7	13	20	37.5	13.4	9.5	8.25

* Lending interest rate from commercial banks

**Even if Belarus' lending interest rate seems very high, the real interest rate (reviewed in accordance with inflation) is only 0.1%.³³⁹

Source: IMF DATABASE: World Economic Outlook Database, April 2014; THE HERITAGE FOUNDATION AND WALL STREET JOURNAL, "Index of Economic Freedom", <http://www.heritage.org/index/explore?view=by-variables> [27-11-2014]; WORLD BANK DATABASE: Lending Interest Rate (%); CIA: World Factbook; NATIONAL BANK OF KAZAKHSTAN.

As the figure demonstrates, in monetary terms, EAEU members do not correspond with each other very well. There are differences in all three dimensions mentioned by Moravcsik. The greatest difference in this situation is seen in the case of Belarus, whose inflation rate, government expenditures and governmental debt do not correspond with Kazakhstan and Russian dimensions.

This explains why there is still no exact date when common monetary market and common currency can be established.

Moreover, all three countries are still in the process of reformation of their national financial systems. For example, there is a policy in Kazakhstan and Russia to create two or three systemic banks in these countries, which becomes possible by unification of banks. In Kazakhstan it will probably be Halyk Bank (governed by

³³⁷C.MICHEL, "Vladimir Putin's Impotent Eurasian Union: Why the Russian president's Dream Of 'Near Abroad' Linked To Moscow Might Be Less Than The Sum Of Its Parts", *Foreign Affairs*, June 5, 2014, http://www.foreignpolicy.com/articles/2014/06/05/vladimir_putins_impotent_eurasian_union_kazakhstan_belarus_ukraine [Retrieved 24-09-2014].

³³⁸ҚАЗАҚСТАН РЕСПУБЛИКАСЫ ҰЛТТЫҚ ЭКОНОМИКА МИНИСТРЛІГІ, "Девальвация Тенге: Плюсы И Минусы", (MINISTRY OF NATIONAL ECONOMY OF THE REPUBLIC OF KAZAKHSTAN, "Devaluation of Tenge: Advantages and Disadvantages"), http://www.minplan.gov.kz/pr_essservice/78/3190/ [30-11-2014].

³³⁹WORLD BANK database: Real interest rate (%), <http://data.worldbank.org/indicator/FR.INR.RINR/countries> [26-11-2014].

ALMEX group), which recently acquired HSBC, Kazkommerzbank, which is buying BTA bank from the government, and possibly the group of Aliance, Temir, and Forte Bank merged, (in each of which Bolat Utemuratov has a share). Russia also has this aim,³⁴⁰ but there are still debates about possible candidates.³⁴¹

In the case of Belarus there are six systemic banks, but in contrast with its partners three of them are foreign: three banks belong to the state, two banks are Russian and one is Austrian (in total there 31 registered banks).³⁴²

In what EAEU states are similar is tax rates, both income (for individuals) and corporate (for companies), but that makes them more attractive for FDI rather than bringing them closer to common monetary policy.³⁴³

However, in spite of differences, states plan to enlarge financial cooperation and coordinate their policies in the related spheres, which is studied in the third section.

Regarding two other questions of integration – agriculture and transport, the data provided in figure 20 can be useful for analysis.

As mentioned in the first part of the section, agriculture is not the main export industry of EAEU countries. It accounts for 5.6% of Russian export, 9.3% of Belarusian and only 3.2% of Kazakhstan's,³⁴⁴ which explains varying importance of the subject for each one. Another difference is in the form of property; in Kazakhstan and Russia the field of agriculture was largely reformed (in this context, privatized), while in Belarus, the State (as in Soviet times) largely controls the market through JSC.³⁴⁵ In addition, in Belarus the large scale interested groups “agroholdings”³⁴⁶ dominate the agricultural market (70%), while in RK and RF they are less significant (28% and 48% of total volume of entities respectively). Another difficult question is subsidizing, where Belarus provides the largest support to national producers (in proportion to its economy), which in turn negatively affects interstate trade; in second place is Russia, while the lowest support is provided by RK.

Concerning transport cooperation, it is seen that Kazakhstan and Russia transit a greater volume of goods than Belarus and the main form of transportation is by

³⁴⁰FORBES, “Келимбетов: Нас Тревожат Санкции Против России”, (FORBES, Kelimbetov: We are Concerned about Sanctions against Russia”), http://forbes.kz/finances/integration/kelimbetov_nas_trev_ojat_sanktsii_protiv_rossii [30-11-2014].

³⁴¹ВЕСТИ, “25 Самых Надежных Банков России”, (VESTI, “25 Most secured Banks of Russia”, <http://www.vestifinance.ru/articles/36487> [30-11-2014].

³⁴²MYFIN.BY, “Рейтинг Белорусских Банков По Итогам 1 квартала 2014 года”, (MYFIN.BY, “Rating of the Main Belarussian Banks by the 1 Semester of 2014), <http://myfin.by/stati/view/3272-rejting-belorusskih-bankov-po-itogam-1-kvartala-2014-goda> [30-11-2014]; NATIONAL BANKS IN THE REPUBLIC OF BELARUS, “Information on Banks Operating in the Republic of Belarus and Their Branches as of 1 December 2014”, <http://www.nbrb.by/eng/system/banks.asp> [30-11-2014].

³⁴³EAEU taxes are much lower than in advanced economies. For example in Benelux countries the income tax rate varies from 43% to 57%, while in the EAEU states it is in the range of 10-13%. *Vid. HERITAGE FOUNDATION AND WALL STREET JOURNAL, 2014 Index of Economic Freedom database.*

³⁴⁴K.RUZIEV and T.MAJIDOV, “Differign Effects of the Global Financial Crisis on the Central Asian Countries: Kazakhstan, the Kyrgyz Republic and Uzbekistan”, *op. cit.*, p. 695.

³⁴⁵J.WANDEL, A.PIENIADZ and T.GLAUBEN, “What is Success and What is Failure of Transition? A Critical Review of Two Decades of Agricultural Reform in the Europe and Central Asia region”, *Post-Communist Economics*, Vol. 23, No. 02, 2011, p. 147.

³⁴⁶*Ibid.*, p. 148.

road. In this situation, it is worth noting the main project that counties launched – The Western Europe-Western China road.

Figure 20. Industrial, agriculture and services production in EAEU members, 2012

Country	Industrial production		Agriculture				Services				
	Value, USD billion	Structure %: manufacturing / mining / generation*	Value, USD billion	Structure %: holdings/ private farms	subsidizing		Trade, USD billion		% of transportation in export of services	Transit of goods	
					Value	affect/ does not affect interstate trade	Export	Import		Total, million tones	Structure %: railway/road ways/ water transport/air
RB	55.8	91.5/7.1/1.4	12.1	70/30	21 227	7.7/ 92.3	6.9	4.4	Transportation – 54.7; Travel – 10.5; Other commercial services – 34.8	313	44.6/53.3/1.9/0.006
RK	82.1	29.3/64.3/6.4	9.8	28/72	15 391	77.6/ 22.4	5.05	11.98	Transportation – 56.5; Travel – 28.9; Other commercial services – 14.6	2,245.4	11.9/87.8/0.09/0.001
RF	1,148.2	65.6/23.6/10.8	85.2	48/52	107 183	28.3/ 71.7	64.8	123.01	Transportation – 31.7; Travel – 18.5; Other commercial services – 49.7	6,689	19.6/78.3/1.5/0.07

* i.e. generation and distribution of gas, electricity and water, etc.

Source: ЕЭК, *Государства-члены Таможенного Союза и Единого Экономического Пространства: 2005–2012*, Краткий Статистический Сборник, Москва, 2013, сс. 45-47; 57-58; 75, (ЕЕС, Member-states of the Customs Union and Single Economic Space: 2005-2012, Brief Statistic Manual, 2013, pp. 45-47; 57-58; 75, http://www.tsouz.ru/db/stat/econ_stat/publications/Documents/Brief_Statistics_Yearbook_2005-2012.pdf [27-11-2014]; ЕЭК, “Анализ Уведомлений Государств – членов Таможенного Союза и Единого Экономического Пространства об Объемах Государственной Поддержки Сельского Хозяйства за 2011 год”, (ЕЕС, “Analysis of Reports by the Member-states of the Customs Union and Single Economic Space on Governmental Spendings and Agricultural Support, 2011”), http://www.eurasiancommission.org/ru/act/prom_i_agroprom/dep_agroprom/sxs/Documents/formstudy.pdf [17-12-2014]; WTO DATABASE (prepared by the author).

Realization of “Western Europe-Western China” project allows Kazakhstan government to resolve a series of issues. It increases Kazakhstan’s role as an important transfer center, increases budget revenues from transit payments. From an economic point of view the project is being realized on the basis of “government-private partnership”³⁴⁷ from three financial resources – national budget, loans offered by international entities (IBRR, EBRR, Islam Bank of Development, Asian Bank of Developments, etc.) and private investments. However, of the 825.2 billion tenge necessary for implementation the project only 266 billion is provided by private

³⁴⁷Т.ТАШИМОВ, “Запад – Китай – Транзит”, *Эксперт-Казakhstan*, 2007, (T.TASHIMOV, “West-China-Transit”, *Expert-Kazakhstan*, 2007), http://expert.ru/kazakhstan/2007/05/tranzitniy_potencial_kazahstana/ [6-12-2014].

entrepreneurs,³⁴⁸ which suggests that the main interest group in the process is government.

For Kazakhstan, the project has an economic and social effect. A large part of the road passes through the Southern and South-East cities of the Republic (Kyzylorda, Turkestan, Shymkent, Taraz, Almaty),³⁴⁹ whose regions – Zhambyl, Kyzylroda and South Kazakhstan oblasts – attract less investments than other regions and in economic terms are regressive.³⁵⁰ Initiating the Western Europe-Western China project, the government expects growth of business activity (largely small and medium entrepreneurship) in services and tourism³⁵¹ and provide employment in these regions,³⁵² which happens in accordance with the common worldwide practice of instigating largescale infrastructure projects at a time of economic stagnation.

As for Russia, in economic terms, it pursues similar interest as Kazakhstan – generating employment in involved regions and creation of opportunities for small and medium business. For Russia, it is also a way to bring north and south regions of the Federation close together, improving infrastructure for future FIFA-2018, and stimulating the national construction engineering industry as materials used for implementation of the project are largely provided by national companies³⁵³ (Kazakhstan also makes use of this opportunity).³⁵⁴

Among other projects in the transport field, it is necessary to mention the Meridian group (RK), which nowadays owns a series of airports in Russia (its business is studied in more detail in the next chapter).³⁵⁵

However, even though both countries benefit from cooperation the common transport market is still far from completion because of unresolved issues, which are studied in the next section.

³⁴⁸ЗАПАДНЫЙ КИТАЙ-ЗАПАДНАЯ ЕВРОПА, “Экономические и Социальные Эффекты от Реализации Проекта”, (WESTERN CHINA-WESTERN EUROPE, “Economic and Social Effects of Project Realization”), <http://www.europe-china.kz/info/86> [6-12-2014]

³⁴⁹ЗАПАДНЫЙ КИТАЙ-ЗАПАДНАЯ ЕВРОПА, “Экономические и Социальные Эффекты от Реализации Проекта”, *op. cit.*, (WESTERN CHINA-WESTERN EUROPE, “Economic and Social Effects of Project Realization”, *op. cit.*).

³⁵⁰Т.ТАШИМОВ, “Запад – Китай – Транзит”, *op. cit.*, (Т.ТАШИМОВ, “West – China – Transit”, *op. cit.*).

³⁵¹ЗАПАДНЫЙ КИТАЙ-ЗАПАДНАЯ ЕВРОПА, “Экономические и Социальные Эффекты от Реализации Проекта”, *op. cit.*, (WESTERN CHINA-WESTERN EUROPE, “Economic and Social Effects of Project Realization”, *op. cit.*).

³⁵²Т.ТАШИМОВ, “Запад – Китай – Транзит”, *op. cit.*, (Т.ТАШИМОВ, “West – China – Transit”, *op. cit.*).

³⁵³Т.ШАДРИНА, “От Европы до Китая Проложат Дорогу”, *Российская Газета*, 18 марта 2013, (Т.ШАДРИНА, “Road from Europe to China”, *Russian Newspaper*, March 18, 2013), <http://www.rg.ru/2013/03/18/doroga-site.html> [6-12-2014]

³⁵⁴Т.ТАШИМОВ, “Запад – Китай – Транзит”, *op. cit.*, (Т.ТАШИМОВ, “West – China – Transit”, *op. cit.*).

³⁵⁵FORBES, “Евгений Фельд”, *op. cit.*, (FORBES, “Evgeniy Feld”, *op. cit.*).

8.3. Cooperation on the level of supranational Eurasian institutions

In accordance with Moravcsik, states create supranational institutions because in this way they undertake credible commitments of bargaining, i.e. they assure implementation of the negotiated obligations by themselves and by their partners.

Cooperating on the supranational level, states' behavior once again can be understood through two-level approach. Thus, on international level, they "lock in" future conditions of cooperation (which have been formed under the bargaining process), while at domestic level it increases their relative bargaining power.

In such a manner, by establishing supranational institutions states create the regimes in accordance with whose rules they will cooperate in the future. Institutions can regulate relations among members where states have delegated or pooled their sovereignty. Pooling sovereignty means that decisions can be made in a different way from consensus, while delegation means that institutions have authority to take decisions autonomously.

Countries are likely to delegate or pool sovereignty when potential risks of cooperation are high, political risks of losing independence are low, and there is a need to overcome uncertainty among partners.

As for supranational officials, the authority that they might be responsible for are external representation, enforcement and agenda-setting.

For explanation regarding cooperation at supranational level and confirmation of the theory by Moravcsik the Treaty of Eurasian Economic Union will be analyzed. Preference for this document comes because it sums up all commitments that have been made during the Eurasian integration. The issues appear in the same order as they appear in the Treaty.

Regarding the Customs Union, its features have already been studied in the last section of chapter 7, where it is shown that the main achievements of the CU is the establishment of the Common External Tariff (CET) and common external policy. By establishment of the CU, States expanded the potential market for domestic goods from Brest to Vladivostok³⁵⁶ and simultaneously protected their most vulnerable production against foreign producers, making it more expensive for them to come into the internal market of the Union.³⁵⁷ Cooperation in this situation was not only export-stimulating but also "crisis-driven" taking into account the global challenges posed by world financial crisis.³⁵⁸

³⁵⁶Б.ОРДАБАЕВ, "Евразийская Интеграция: Этапы и Перспективы Развития", *op. cit.*, с. 19, (B.ORDABAYEV, "Eurasian Integration: Terms and Prospects of Development" *op. cit.*, p. 19).

³⁵⁷*Vid.* Context. EUROPEAN COMMISSION, "Customs Union between Russia, Belarus and Kazakhstan: Implementation - State Of Play", *op. cit.*

³⁵⁸E.VINOKUROV and A.LIBMAN, "Do Economic Crises Impede or Advance Regional Economic Integration in the Post-Soviet Space?", *op. cit.*, p. 353.

Concerning distribution of CET income, the Treaty establishes it in the following manner: 87.97% goes to the budget of RF, 7.33% to RK and 4.70% to RB,³⁵⁹ which is proportional to the volume of imports consumed by each of members.³⁶⁰

Among special commitments that member-states succeeded to lock in, two examples can be provided.

Firstly, Article 41 stimulates joint promotion of goods made in the EAEU abroad through participation and organization of subsequent workshops, giving loans for stimulation of export, cooperation in financial leasing, and introduction and popularization of the brand “the product of the Eurasian Economic Union”. That article was added by Belarus,³⁶¹ which is explained by its own particular needs in all these facilities.

Secondly, Article 42, point 6 is dedicated to candidates to the CU. Thus, in the case of new members of the CU, the provisional version of the Treaty allowed the candidate to use customs tariffs different from CET for five years after accession, limiting the volume of products, which this limit is applied to, to five percent of the total import. Russia was against putting limits on volume and time.³⁶² In the final version any candidate can exclude products from imposition of CET for the time posed in its Treaty on Accession, while the volume of these products is not determined. At the same time the new member-state that uses tariffs lower than CET is obliged not to export these products to its members within the CU without paying the difference between its tariffs and CET.³⁶³ This can be explained by Russia's need to enlarge the CU while at the same time not allow re-export of products to its territory.

As far as the pharmaceutical market is concerned, the first note that should be made is that provisions that are planned to be implemented only concern those goods that are produced in EAEU countries.³⁶⁴ As sides do not have contradictions with each other, the market should come into operation by 1 January 2016.³⁶⁵

³⁵⁹*Vid.* Пункт 12: Протокол о Порядке Зачисления и Распределения Сумм Ввозных Таможенных Пошлин (Иных Пошлин, Налогов и Сборов, Имеющих Эквивалентное Действие), Их Перечисления В Доход Бюджетов Государств-Членов. ЕАЭС, Договор о Евразийском Экономическом Союзе, *op. cit.*, (*Vid.* Point 12: Protocol on the Order Of Accounting And Distribution Of Customs Tariffs (And Other Duties, Taxes And Charges Of Equal Significance), And Their Transfer To The Budgets Of The Member-States. EAEU, “Treaty on Eurasian Economic Union”, *op. cit.*).

³⁶⁰I.KROTOV, “Customs Union between the Republic of Belarus, the Republic of Kazakhstan and the Russian Federation within the framework of the Eurasian Economic Community”, *World Customs Journal*, Vol. 5, No. 2, September 2011, p. 134.

³⁶¹*Vid.* Статья 54 (48-1): Меры по Развитию Экспорта. ЕАЭС, “Проект Договора о Евразийском Экономическом Союзе”, 12 февраля 2014, (*Vid.* Article 54 (48-1): Export Development Measures. EAEU, “Draft of the Treaty on Eurasian Economic Union”, February 12, 2014), http://economy.gov.ru/minrec/about/structure/depSNG/doc20140212_1 [08-12-2014]

³⁶²*Vid.* Статья 56: Пункт 6. Единый Таможенный Тариф Евразийского Экономического Союза. *Ibid.* (*Vid.* Article 56: Point 6. Single Customs Tariff of the Eurasian Economic Union. *Ibid.*).

³⁶³*Vid.* Пункт 6: Статья 42. ЕАЭС, “Договор о Евразийском Экономическом Союзе”, *op. cit.*, (*Vid.* Point 6: Article 42. EAEU, “Treaty on Eurasian Economic Union”, *op. cit.*).

³⁶⁴ЕВРАЗИЙСКИЙ КОММУНИКАЦИОННЫЙ ЦЕНТР, “Интеграция Как Лекарство”, 3 Июля 2014, (EURASIAN COMMUNICATION CENTER, “Integration as a Medicine”, July 3, 2014), <http://eurasiancenter.ru/perspective/20140703/1003570384.html> [06-11-2014].

³⁶⁵*Vid.* Статья 100. ЕАЭС, “Договор о Евразийском Экономическом Союзе”, *op. cit.*, (*Vid.* Article 100. EAEU, “Treaty on Eurasian Economic Union”, *op. cit.*).

Moreover, commitments that sides undertake by signing this part of the Treaty correspond to their national (internal) goals. Thus, almost simultaneously sides approved national programmes on development of their pharmaceutical markets. Comparing these programmes it is seen that their aims have much in common. In the medium term, all countries planned to create new production entities able to produce advanced technology products (Russia until 2012, Kazakhstan to 2014, Belarus to 2014).³⁶⁶ While in the long-term perspective Russia and Belarus (to 2017 and 2020 respectively) planned active import-substitution by expansion of production not only of generics but also their substances, giving preference to national producers in access to government purchases, and development of licensed production of innovative pharma products in collaboration with foreign producers³⁶⁷ (Kazakhstan's Program on Development of the Pharmaceutical Industry is focused only on 2010-2014 period).³⁶⁸ In such a manner opening new entities of foreign companies went in line with national goals of each of states, integration in this situation (more precisely the market that it had created) made this aim easier to achieve.

Regarding export stimulation, integration gives EAEU countries access to government procurement. According to EDB, in monetary terms, hospital purchases account for more than 25% of the markets of Belarus and Russia and 37% of Kazakhstan's.³⁶⁹ For Kazakhstan, in the light of decreasing export volumes to CA countries, the EAEU market is the most prospective one and which includes the sphere of government spending. For this it actively promotes mutual recognition of licenses on medical products necessary for gaining access to public purchasing that is

³⁶⁶*Vid.* Пункт 31. ЕАЭС, "Паспорт Программы по развитию фармацевтической промышленности Республики Казахстан на 2010 - 2014 годы", (*Vid.* Point 31. EAEU, "Passport of the Program of development of the Pharmaceutical Industry of the Republic of Kazakhstan – 2010-2014"), <http://www.03portal.kz/spravochniki/pravovaya-baza/programmy-pravitelstva/42897-o-programme-porazvitiyu-farmatsevticheskoy-promyshlennosti-respubliki-kazakhstan-na-2010-2014-gody> [06-11-2014]; РОССИЙСКАЯ ФЕДЕРАЦИЯ, "Стратегия Развития Фармацевтической Промышленности Российской Федерации на Период до 2020 года", *op. cit.*, с. 31, (RUSSIAN FEDERATION, "Strategy of Development of Pharmaceutical Industry of RF by 2020", *op. cit.*, p. 31); ЕВРАЗИЙСКИЙ БАНК РАЗВИТИЯ, "Перспективы Развития Фармацевтического Рынка Единого Экономического Пространства", *op. cit.*, с. 22, (EURASIAN DEVELOPMENT BANK, "Prospects of Development of the Pharmaceutical Market of Single Economic Space, *op. cit.*, p. 22).

³⁶⁷РОССИЙСКАЯ ФЕДЕРАЦИЯ, "Стратегия Развития Фармацевтической Промышленности Российской Федерации На Период До 2020 года", *op. cit.*, с. 31, (RUSSIAN FEDERATION, "Strategy of Development of pharmaceutical industry of RF by 2020", *op. cit.*, p. 31); ЕВРАЗИЙСКИЙ БАНК РАЗВИТИЯ, "Перспективы Развития Фармацевтического Рынка Единого Экономического Пространства", *op. cit.*, с. 22, (EURASIAN DEVELOPMENT BANK, "Prospects of Development of the Pharmaceutical Market of Single Economic Space, *op. cit.*, p. 22).

³⁶⁸*Vid.* Пункт 1. ЕАЭС, "Паспорт Программы по Развитию Фармацевтической Промышленности Республики Казахстан на 2010 - 2014 годы", *op. cit.*, (*Vid.* Point 1. EAEU, "Passport of the Program of Development of the Pharmaceutical Industry of the Republic of Kazakhstan – 2010-2014", *op. cit.*).

³⁶⁹ЕВРАЗИЙСКИЙ БАНК РАЗВИТИЯ, "Перспективы Развития Фармацевтического Рынка Единого Экономического Пространства", *op. cit.*, сс. 21-22, (EURASIAN DEVELOPMENT BANK, "Prospects of Development of the Pharmaceutical Market of Single Economic Space, *op. cit.*, pp. 21-22).

planned to be achieved by 2016,³⁷⁰ while its partners Russia and Belarus have already overcome these barriers in mutual trade since 2012.³⁷¹

Provision of access to EAEU partners in the sphere of governmental purchases is captured in Article 88 of the Treaty. In addition, it points out that no third party can enjoy “a regime more favorable than the one offered to member-states” of the Union.³⁷²

Concerning monetary cooperation, which Chapter 12 and 14 of the Treaty deal with, it is necessary to note the level of integration within the EAEU is still very far from the one necessary for establishment of a common currency, the question of which is not even under discussion. Common currency can only be issued when the Economic Union and common calculation unity (such as ECU in the EU) will have been created.³⁷³ Both these terms have not been finished yet, which explains why there is no provision in the treaty for a common currency.

What states need is to pursue a common monetary policy, which is difficult to implement due to their external dependence and low level convergence of their economies. As shown in previous chapters, Kazakhstan's and Russia's economy are resource-based and dependent on oil prices,³⁷⁴ while Belarus has more developed industries.³⁷⁵ In Russia and Belarus, the governments have more power in the banking sector, while in Kazakhstan all second tier banks (including those that should be become systemic) are private.³⁷⁶

In addition, national banks of EAEU members spend much of states' reserves for stabilizing the exchange rate of their currencies,³⁷⁷ and no EAEU currency is reserve one. Moreover, the level of world payments in them is also very low. For example, in accordance with SWIFT, in 2014 the strongest EAEU currency – the

³⁷⁰КАЗИНФОРМ, “К 2016 году Экспорт Казахстанской Фармацевтической Продукции Значительно Облегчится - Е.Сагадиев”, 25 сентября 2014, (KAZINFORM, E.Sagadiyev: By 2016, It will be easier to Export Kazakhstan Pharmaceutical Products”, September 25, 2014), <http://www.inform.kz/rus/article/2700244> [11-11-2014].

³⁷¹FORBES, “Наши Лекарства Не Пустят в Россию”, (FORBES, “Our Medicines are Not Allowed in Russia”), http://forbes.kz/finances/integration/nashi_lekarstva_ne_pustyat_v_rossiyu [11-11-2014]

³⁷²*Vid.* Статья 88. ЕАЭС, “Договор о Евразийском Экономическом Союзе”, *op. cit.*, (*Vid.* Article 88. EAEU, “Treaty on Eurasian Economic Union”, *op. cit.*).

³⁷³ВЗГЛЯД: ДЕЛОВАЯ ГАЗЕТА, “Назарбаев: Рубль Не Может Стать Валютой Евразийского Союза” 19 ноября 2011, (VIEW: BUSINESS NEWSPAPER, “Nazarbayev: Ruble Cannot be the Currency of the Eurasian Union”, November 19, 2011), <http://vz.ru/news/2011/11/19/539931.html> [30-11-2014].

³⁷⁴МОСКОВСКИЙ КОМСОМОЛ, “Новая Евразийская Валюта Будет Называться “Алтын”, 9 апреля 2014, (MOSCOW KOMSOMOL, “New Eurasian Currency Calls “Altyn”, April 9, 2014), <http://www.mk.ru/economics/article/2014/04/09/1011735-novaya-evraziyskaya-valyuta-budet-nazyivatsya-altyin.html> [27-11-2014].

³⁷⁵И.НОВИКОВА, “Трансформация Парадигмы Экономического Взаимодействия между Россией, Беларусью и Украиной”, *Международная Жизнь*, Январь 2012, с. 126, (I.NOVIKOVA, “Transformation of the Paradigm of the Eurasian Cooperation between Russia, Belarus and Ukraine”, *International Life*, January 2012, p. 126).

³⁷⁶К.РУЗИЕВ and Т.МАЖИДОВ, “Differing Effects of the Global Financial Crisis on the Central Asian Countries: Kazakhstan, the Kyrgyz Republic and Uzbekistan”, *op. cit.*, p. 699.

³⁷⁷THE ECONOMIST, “The Russian economy: The end of the line”, November 22, 2014, <http://www.economist.com/news/briefing/21633816-more-decade-oil-income-and-consumer-spending-have-delivered-growth-vladimir-putins> [27-11-2014].

Russian ruble – was in 17th position in the list of currencies of global payments accounting only for 0.4% of global transactions, which is two positions lower than the one it occupied in 2013, competing with the South African Rand, Polish Zloty and Mexican Peso.³⁷⁸

In monetary terms, the task that states currently have is facilitation of financial cooperation, such as giving access to each other's financial markets and "mutual recognition of licenses in banking and insurance sectors".³⁷⁹ In addition, sides plan to create the united payment system, where frequent attempts were made within their national borders, but in Kazakhstan and Russia they were blocked by lobbies of local commercial banks which are used to working with international systems (such as Visa and Mastercard).³⁸⁰ The only country that succeeded in establishing its national payment system is Belarus (called Belkart).³⁸¹ However, economist Petr Svoih finds transition to united payment system would have more political effect than increase of interstate financial flows.³⁸²

Nevertheless, even though sides are still far from a common financial market and common currency, they agreed to coordinate their macroeconomic policies (in spite of their differences). Within these commitments they established macroeconomic dimensions necessary for "stable economic development." In this way the annual deficit in the state budget should not exceed 3% of GDP, the government-guaranteed deficit should be within limits of 50% of GDP and the difference between the annual inflation rates in member-states should not be higher than 5%.³⁸³

As far as results of negotiations around the common market of electrical energy are concerned there are certain geopolitical consequences that are worth noting.

Therefore, while promoting integration with Russia, Kazakhstan at the same time scales down cooperation with Central Asian republics, with whom its south region is connected.³⁸⁴ By 2009 Kazakhstan finished realization the project "North-

³⁷⁸For comparison, by January 2014, world payments in dollar accounted for 38.95% , euro – 33.51%. Vid. SWIFT, "Chinese Renminbi Overtakes the Swiss Franc as a World Payments Currency", February 27, 2014, http://www.swift.com/about_swift/shownews?param_dcr=news.data/en/swift_com/2014/PR_RMB_Jan.xml [27-11-2014].

³⁷⁹Vid. Статья 70. ЕАЭС, "Договор о Евразийском Экономическом Союзе", *op. cit.*, (Vid. Article 70. EAEU, "Treaty on Eurasian Economic Union", *op. cit.*).

³⁸⁰FORBES.KZ, "Григорий Марченко: Банкам Плевать На Интересы Клиентов (Интервью С Экс-Главой Национального Банка РК)", 2 октября 2014, (FORBES.KZ, "Grigoriy Marchenko: Banks do not Matter the Interests of their Clients (Interview of Ex-Chief of the National Bank of RK", October 2, 2014), http://forbes.kz/finances/finance/grigoriy_marchenko_ya_nikogda_ne_imel_akkaunta_v_sotssetyah [27-11-2014]

³⁸¹БЕЛКАРТ, "История развития", (BELCART, "History of Development"), <http://belkart.by/BELKART/history/> [27-11-2014].

³⁸²П.СВОИХ, "Торги Юанем на KASE с Позиции Политики", *Forbes*, 29 сентября 2014, (P.SVOIH, "Trade with Uan' on KASE from Politics View", *Forbes*, September 29, 2014), http://forbes.kz/finances/exchange/torgi_yuanem_na_kase_sblijayut_kazahstan_s_rossiey [27-11-2014].

³⁸³Vid. Статья 63. ЕАЭС, "Договор о Евразийском Экономическом Союзе", *op. cit.*, (Vid. Article 63. EAEU, "Treaty on Eurasian Economic Union", *op. cit.*).

³⁸⁴ЕВРАЗИЙСКИЙ БАНК РАЗВИТИЯ. "Интеграционные Процессы в Электроэнергетическом Секторе Государств – Участников Евразийского Банка Развития", *op. cit.*, p. 46, (EURASIAN BANK OF DEVELOPMENT, "Integration Processes in Electrical Energy Sector of Member-States of the Eurasian Bank of Development", p. 46).

South” in order to resolve the problem of energy deficit of the southern regions³⁸⁵ and thus eliminate its dependence on imports from other CA republics. That demonstrates (even if not officially) that Kazakhstan favours more collaboration with Russia than strategies that the USA promotes in the energy sphere within the Great Central Asia project. Moreover, Russia-Kazakhstan cooperation in the sphere of electricity may make them the center of the electricity market in the CIS area in future.³⁸⁶

Regarding Russia, as already stated, cooperation within the EAEU in nuclear terms comes in line with Moscow’s ambition to become an energy power. In Russia the nuclear industry renaissance dates back to 2006 when the “Federal Target Programme on the Development of Russia’s Nuclear Energy Complex in 2007–2010 and Potential Development to 2015” was approved.³⁸⁷ In 2007 it started expansion of external markets that at time coincided with AtomEnegoProm establishment (now it is RosAtom).³⁸⁸ Nowadays, Russia is one of the leaders in uranium enrichment,³⁸⁹ while in construction of equipment necessary for nuclear power stations RosAtom competes with such powers as General Electric and Westinghouse (the USA), AREVA (France) and Siemens-Framatom (France-German joint company).³⁹⁰

In this situation, Eurasian integration allows Russia to obtain favorable conditions of cooperation with Kazakhstan, abundant in raw nuclear materials,³⁹¹ which are captured in “Complex Program of Russian-Kazakhstan cooperation in the sphere of use of nuclear power for peaceful means” of 2006, agreement on deepening of cooperation between Kazatomprom and Rosatom of 2010,³⁹² etc. The importance of Russia-Kazakhstan nuclear cooperation is also seen in the fact that even the Treaty on EAEU does not have the provisions related only to this sphere, the “Memorandum of Understanding Concerning the Cooperation in Building a Nuclear Power Plant in the Republic of Kazakhstan” was signed in parallel with the Treaty on Eurasian Economic Union in May 2014.³⁹³

Coming back to the electricity energy market, the parties concluded that it will be formed on the basis of electricity networks operating in parallel.³⁹⁴ In addition,

³⁸⁵*Ibid.*, p. 18.

³⁸⁶ЕВРАЗИЙСКИЙ БАНК РАЗВИТИЯ, “Общий Электроэнергетический Рынок СНГ”, Август 2008, (EURASIAN DEVELOPMENT BANK, “Common Electricity Market of the CIS”, August 2008), http://eabr.org/general/upload/docs/publication/analyticalreports/report_summary_rus.pdf [13-11-2014]

³⁸⁷E.VINOKUROV, *Nuclear Energy Complexes: Prospects for Development and Cooperation*, *op. cit.*, p. 10.

³⁸⁸*Ibid.*, p. 11.

³⁸⁹*Ibid.*, p. 5.

³⁹⁰*Ibid.*

³⁹¹*Ibid.*, p. 7; А.ТЮРИН, “Большой Уран Казахстана: Загадочная Uranium One И Успехи “Росатома”, *Однако*, 28 июля 2014, (А.TURIN, “Big Uranium of Kazakhstan: Mysterious Uranium One and Achievements of Rosatom”, *Odnako*, July 28, 2014), <http://www.odnako.org/blogs/bolshoy-uran-kazahstana-chast-1-zagadochnaya-uranium-one-i-uspehi-rosatoma/> [14-11-2014].

³⁹²КАЗАТОМПРОМ, “Российская Федерация”, (KAZATOMPROM, “Russian Federation”), <http://www.kazatomprom.kz/en/#!/map-of-cooperation/ru> [14-11-2014].

³⁹³ROSATOM, “Russia and Kazakhstan signed a memorandum on construction of a NPP”, May 29, 2014, <http://www.rosatom.ru/en/presscentre/highlights/21a49780442ca5dcb8f6bbfbf29b353a> [08-12-2014].

³⁹⁴*Vid.* Статья 81. ЕАЭС, “Договор о Евразийском Экономическом Союзе”, *op. cit.*, (*Vid.* Article 81. EAEU, “Treaty on Eurasian Economic Union”, *op. cit.*).

member-states give access to services of natural monopolies in the sphere of electrical energy under the condition of “giving priority to needs of the internal market”³⁹⁵ (the condition is amended by the RF).³⁹⁶

It is planned that by 1 July 2015, the Supreme Council elaborate the Concept of establishment of the Common Market by 1 July 2016 – its programme aims to be implemented by 1 July 2018, after which the subsequent Treaty should be signed and from 1 July 2019 the common electrical market of the EAEU should come into operation.³⁹⁷

One of the questions regarding operation of the common electricity market was the tariff policy³⁹⁸ (which is different in each state). According to the treaty, it was stated that “prices of the services of natural monopolies should be established in accordance with legislature of member-states”.³⁹⁹

Concerning the common market of gas, it is necessary to note that the most difficult spheres of bargaining were ones related to “oil and gas, transport services and access to oil and gas pipelines.”⁴⁰⁰

Even the inclusion of this issue to the agenda can be seen as a valuable concession from the part of Russia because, as shown in chapter 7, states did not imply creation of the common gas market when the Single Economic Space was established.

The most evident reason of this change can be the future of the Kashagan oil and gas field. The RF and RK have three joint projects, none of which has yet been realized. The first two refer to gas refineries, which are the Caspian gas chemical complex (with participation of Lukoil) and Gazprom-KazMunaiGaz project of gas refinery on the technological base of Orenburg gas refinery. Another project is construction of the Caspian gas pipeline.⁴⁰¹

³⁹⁵*Vid.* Пункт 1: Статья 82. *Ibid.*, (*Vid.* Point 1: Article 82. *Ibid.*).

³⁹⁶*Vid.* Пункт 1: Статья 87. Обеспечение Доступа К Услугам Субъектов Естественных Монополий В Сфере Электроэнергетики. ЕАЭС, “Проект Договора о Евразийском экономическом союзе”, *op. cit.*, (*Vid.* Point 1: Article 87. Assuring of Access toward Services of the Natural Monopolies in the Sphere of Electricity”, ЕАЕУ, “Draft of the Treaty on Eurasian Economic Union”, *op. cit.*).

³⁹⁷*Vid.* Пункт 2-3: Статья 104. ЕАЭС, “Договор о Евразийском Экономическом Союзе”, *op. cit.*, (*Vid.* Point 2-3: Article 104. ЕАЕУ, “Treaty on Eurasian Economic Union”, *op. cit.*).

³⁹⁸ЕВРАЗИЙСКИЙ БАНК РАЗВИТИЯ, “Интеграционные Процессы в Электроэнергетическом Секторе Государств – Участников Евразийского Банка Развития”, *op.cit.*, p. 17, (EURASIAN BANK OF DEVELOPMENT, “Integration Processes in Electrical Energy Sector of Member-Sates of the Eurasian Bank of Development”, p. 17).

³⁹⁹*Vid.* Пункт 11. Протокол об Обеспечении Доступа К Услугам Субъектов Естественных Монополий В Сфере Электроэнергетики, Включая Основы Ценообразования И Тарифной Политики. ЕАЭС, “Договор о Евразийском Экономическом Союзе”, *op. cit.*, (*Vid.* Point 11. Protocol on Assuring of Access toward Services of the Natural Monopolies in the Sphere of Electricity. ЕАЕУ, “Treaty on Eurasian Economic Union”, *op. cit.*).

⁴⁰⁰СНГ, “Премьеры “Таможенной Тройки” Обсудили Проект Договора о Евразийском Союзе”, (СIS. “Prime-Ministers of the “Three Customs Members” Discuss the Draft of the Treaty on Eurasian Economic Union”), <http://www.e-cis.info/news.php?id=8878> [10-12-2014]

⁴⁰¹МИНИСТЕРСТВО ЭКОНОМИЧЕСКОГО РАЗВИТИЯ РОССИЙСКОЙ ФЕДЕРАЦИИ, “Перечень Основных Инвестиционных Проектов, Реализуемых Российскими Экономическими Операторами в Казахстане ТЭК”, *op. cit.*, (MINISTRY OF ECONOMIC DEVELOPMENT OF RUSSIAN

Even though these projects are still not realized, the Treaty on EAEU gives the institutional base for their further implementation. Thus, it is stated that sides will cooperate in “transportation of gas in their territories”, in “construction, reconstruction and use of gas pipelines...” and in “offering the services for the internal needs of member-states”.⁴⁰²

Regarding Belarus-Russia gas relations, the main question is tariffs. The Treaty states that the member-states should try to establish “mutually beneficial prices of gas”,⁴⁰³ where “mutually beneficial” for Russia means “export price [for third parties] minus export customs and transport costs”, while for Belarus this is not beneficial.⁴⁰⁴

The main statement regarding the gas market is that Point 4, article 83 constitutes that “the member-states, within their technical capabilities, make available free facilities of the gas transportation systems in accordance with the indicative (estimated) gas balance of the Union, and civil agreements of economic entities, assuring free access of economic entities of other member-states to the gas transportation system situated on the territories of the member-states for gas transportation...”⁴⁰⁵ The Treaty also assures application of equal tariffs for gas transportation for all member-states.⁴⁰⁶

However, there are still many questions regarding the gas market. Thus, free access is given only within the Union, Kazakhstan insists on enlargement of this provision for selling gas to third parties, which is not beneficial for Moscow that gains on re-selling Kazakhstani gas.⁴⁰⁷

As there are still many issues to resolve the market is of the long-term perspective. Its Concept of the Common market of gas should be formed by the Supreme Court by 1 January 2016, the programme – by 1 January 2018, and its provisions are planned to be implemented by 1 January 2024.⁴⁰⁸

FEDERATION, “List of the Main Investment Projects of Russian Economic Operators in Kazakhstan Fuel and Energy Complex”, *op. cit.*).

⁴⁰²*Vid.* Пункт 9. Протокол Правил Доступа К Услугам Субъектов Естественных Монополий В Сфере Транспортировки Газа По Газотранспортным Системам, Включая Основы Ценообразования И Тарифной Политики. ЕАЭС, “Договор о Евразийском Экономическом Союзе”, *op. cit.*, (*Vid.* Point 9. Protocol of the Rules of Access to the Services of Natural Monopolies in the Sphere of Transportation of Gas by Gas Transporting Systems Including Price-Making and Tariff Policy. EAEU, “Treaty on Eurasian Economic Union”, *op. cit.*).

⁴⁰³*Vid.* Пункт 6. *Ibid.* (*Vid.* Point 6. *Ibid.*).

⁴⁰⁴А.ЛАБЫКИН, “Эффект на 900 Миллиардов”, *Эксперт*, 29 мая 2014, (А.ЛАБИКИН, “900 Billion Effect”, *Expert*, May 29, 2014), <http://expert.ru/2014/05/29/prityagatelnyj-tsentr-ekonomicheskogo-razvitiya/> [10-12-2014].

⁴⁰⁵*Vid.* Пункт 4: Статья 83. ЕАЭС, “Договор о Евразийском Экономическом Союзе”, *op. cit.*, (*Vid.* Point 4: Article 83. EAEU, “Treaty on Eurasian Economic Union”, *op. cit.*).

⁴⁰⁶*Vid.* Пункт 7. Протокол Правил Доступа К Услугам Субъектов Естественных Монополий В Сфере Транспортировки Газа По Газотранспортным Системам, Включая Основы Ценообразования И Тарифной Политики, *op. cit.*, (*Vid.* Point 7. Protocol of the Rules of Access to the Services of Natural Monopolies in the Sphere of Transportation of Gas by Gas Transporting Systems including Price-Making and Tariff Policy, *op. cit.*).

⁴⁰⁷А.ЛАБЫКИН, “Эффект на 900 Миллиардов”, *op. cit.*, (А.ЛАБИКИН, “900 Billion Effect”, *op. cit.*)

⁴⁰⁸*Vid.* Пункт 4: Статья 104. ЕАЭС, “Договор о Евразийском Экономическом Союзе”, *op. cit.*, (*Vid.* Point 4: Article 104. EAEU, “Treaty on Eurasian Economic Union”, *op. cit.*).

The common market of oil and oil products is also the one where still only general norms of cooperation are determined. Thus, creating that market, states take the responsibility of eliminating oil tariffs in mutual trade, giving priority to supply of EAEU member-states,⁴⁰⁹ assuring possibility of “long-term transportation of oil”, and “access to oil transportation systems” under the same conditions imposed on national economic entities and with the tariffs not higher than ones imposed on national entities.⁴¹⁰ This is highly beneficial to Minsk because it gives it access to Russian and Kazakh energy resources without paying additional tariffs.⁴¹¹ In parallel, the Treaty assures “the priority supply ... by oil and oil products” to partners within the Union,⁴¹² also beneficial for Minsk, which is almost entirely dependent on Moscow for fuels.

The most disputed question in this sphere is export tariffs (for selling to third sides). Russian export tariff is USD 400 per tonne, while Kazakhstan’s is only USD 80 per tonne. In this situation, there is the threat that Astana can re-sell Russian oil.⁴¹³

In the case of Russia-Belarusian relations, the main dispute is what part of export tariffs from oil export to third parties Minsk should return to Moscow.⁴¹⁴ The Treaty states that this question will be resolved by bilateral agreements.⁴¹⁵ This allowed Minsk to bargain large concessions from Moscow regarding export tariffs for 2015 (in monetary terms it amounts to \$2 billion).⁴¹⁶

As there are still issues to bargain, the common market of oil and oil products is also regarded as long-term perspective. Similar to the cases of common markets in electrical energy and gas, it should be established by 1 January 2025, its Concept by 1 January 2016, the programme by 1 January 2018 (implemented by 1 January 2024).⁴¹⁷

The next commitments captured in the treaty relate to the transport sphere. Even if sides benefit widely from cooperation (the most considerable example is “Western Europe-Western China” project), they are still far from a common market of

⁴⁰⁹*Vid.* Пункт 3. Протокол О Порядке Организации, Управления, Функционирования И Развития Общих Рынков Нефти И Нефтепродуктов. ЕАЭС, “Договор о Евразийском Экономическом Союзе”, *op. cit.*, (*Vid.* Point 3. Protocol on the Order of Organization, Management, Operation and Development of Common Markets of Oil and Oil Products. EAEU, “Treaty on Eurasian Economic Union”, *op. cit.*).

⁴¹⁰*Vid.* Пункт 6-7. *Ibid.* (*Vid.* Point 6-7. *Ibid.*).

⁴¹¹ Д.САТПАЕВ, “Евразийский Экономический Союз: Перспективы И Риски Для Казахстана”, *Petroleum: Kazakhstan Analytical Journal*, No. 3 (87), 2014, <http://www.petroleumjournal.kz/index.php?p=article&aid1=49&aid2=238&id=568&outlang=1> [30-11-2014].

⁴¹²*Vid.* Пункт 3. Протокол О Порядке Организации, Управления, Функционирования И Развития Общих Рынков Нефти И Нефтепродуктов, *op. cit.*, (*Vid.* Point 3. Protocol on the Order of Organization, Management, Operation and Development of Common Markets of Oil and Oil Products, *op. cit.*).

⁴¹³ А.ЛАБЫКИН, “Эффект на 900 Миллиардов”, *op. cit.*, (А.ЛАВИКИН, “900 Billion Effect”, *op. cit.*).

⁴¹⁴*Ibid.*

⁴¹⁵*Vid.* Пункт 3. Протокол о порядке организации, управления, функционирования и развития общих рынков нефти и нефтепродуктов, *op. cit.*, (*Vid.* Point 3. Protocol on the Order of Organization, Management, Operation and Development of Common Markets of Oil and Oil Products, *op. cit.*).

⁴¹⁶ А.ЛАБЫКИН, “Эффект на 900 Миллиардов”, *op. cit.*, (А.ЛАВИКИН, “900 Billion Effect”, *op. cit.*).

⁴¹⁷*Vid.* Пункт 5-6: Статья 104. ЕАЭС, “Договор о Евразийском Экономическом Союзе”, *op. cit.*, (*Vid.* Point 5-6: Article 104. EAEU, “Treaty on Eurasian Economic Union”, *op. cit.*).

transport service and the terms of when it can be established.⁴¹⁸ The reason for that are the different tariffs that countries have.⁴¹⁹ What countries promote nowadays is “integration of transport systems of member-states” into the global market, which can be made by realization of different transport projects and “establishment the single transport space”.⁴²⁰

The common market of transport services is seen as one of the tasks of the joint “coordinated policy”,⁴²¹ but as there is no exact time when it will be implemented, this makes it possible to be classified as long-term perspective.

Some notes can be also made about agricultural complex. Even the negotiation of this question shows a high level of cooperation within the Union and large concessions.

Acquiescence is made mostly by Belarus because it is the main party concerned about the issue, due to their high level of development of the field, extensive governmental involvement and large government subsidies to the agricultural industry. Minsk agreed to allow the Union to regulate this sphere because of high potential gains. Thus, the organization establishes unique norms of sanitary and veterinary control, which greatly stimulates potential Belarusian export.⁴²² In parallel, the Union puts limits on state subsidizing, which is 12% for 2015 and 10% for 2016.⁴²³

The interests that Kazakhstan and Russia pursue in agriculture are different to Belarussian. The case is that the RF and RK respectively are the 5th and 12th largest exporters of wheat in the world, while Belarus is not focused on exporting wheat. In 2011, Russia exported 15 million tones and Kazakhstan 2.8 million.⁴²⁴ In the CIS, Russia, Ukraine and Kazakhstan are in first, second and third place respectively in wheat production.⁴²⁵ The price of this export was different (\$242 per tonne for Russian wheat and \$211 for Kazakhstan’s).⁴²⁶ The proposal in this situation is creation of a Wheat Union, which similar to OPEC in oil, can be used by its members to determine the price of wheat.⁴²⁷

⁴¹⁸*Vid.* Раздел XXI: Транспорт. ЕАЭС, “Договор о Евразийском Экономическом Союзе”, *op. cit.*, (Vid. Chapter XXI: Transport. ЕАЕУ, “Treaty on Eurasian Economic Union”, *op. cit.*).

⁴¹⁹А.ЛАБЫКИН, “Эффект на 900 Миллиардов”, *op. cit.*, (А.ЛАВИКИН, “900 Billion Effect”, *op. cit.*)

⁴²⁰*Vid.* Пункт 2 – 3: Статья 86. ЕАЭС, “Договор о Евразийском Экономическом Союзе”, *op. cit.*, (Vid. Point 2-3: Article 86. ЕАЕУ, “Treaty on Eurasian Economic Union”, *op. cit.*).

⁴²¹*Vid.* Пункт 2: Статья 86. ЕАЭС, “Договор о Евразийском Экономическом Союзе”, *op. cit.*, (Vid. Point 2: Article 86. ЕАЕУ, “Treaty on Eurasian Economic Union”, *op. cit.*).

⁴²²А.ЛАБЫКИН, “Эффект на 900 Миллиардов”, *op. cit.*, (А.ЛАВИКИН, “900 Billion Effect”, *op. cit.*).

⁴²³*Vid.* Статья 106. ЕАЭС, “Договор о Евразийском Экономическом Союзе”, *op. cit.*, (Vid. Article 106. ЕАЕУ, “Treaty on Eurasian Economic Union”, *op. cit.*).

⁴²⁴FAO database, <http://faostat.fao.org/site/342/default.aspx> [12-12-2014].

⁴²⁵МИНИСТЕРСТВО ЭКОНОМИЧЕСКОГО РАЗВИТИЯ РОССИЙСКОЙ ФЕДЕРАЦИИ, Республика Казахстан, *op. cit.*, p. 2, (MINISTRY OF ECONOMIC DEVELOPMENT OF THE RUSSIAN FEDERATION, Republic of Kazakhstan, *op. cit.*, p. 2).

⁴²⁶FAO database.

⁴²⁷Т.РАХМАТУЛИНА, “Влияние ЕЭП на Развитие Нефтегазового Сектора Казахстана”, *op. cit.*, с. 159, (G.РАХМАТУЛИНА, “Influence of SEC on Development Of Oil and Gas Sector in Kazakhstan”, *op. cit.*, p. 159).

However, it is only a proposal that still is not settled in an agreement and nowadays cooperation is limited to “coordinated policy” in agriculture.⁴²⁸

Some notes should also be made regarding supranational organs. In the long-term perspective, integration does not seek the creation of an organization sponsored and driven by the RF, but the establishment of a Union whose development will become the main condition of internal prosperity for its member-states.⁴²⁹ Sovereignty in this Union is the main value, which the members have repeatedly stressed. Thus, the President of Kazakhstan has been prioritizing the economic bases of the Union and equality of its members.⁴³⁰ The same is common for the Belarusian leader, who sees independence of each nation as unconditional and denies any similarity of the Eurasian and Soviet Unions.⁴³¹ In this situation, states decide to delegate/pool their sovereignty because the potential benefits of integration are evident; uncertainty among partners needs to be overcome (for example, in the sphere of transportation routes of oil and gas and future supply in energy), while political risks are low (currently, Eurasian integration does not imply any political commitments).

Astana also insisted on removal of the Commission authority to impose restrictive measures (i.e. sanctions) on trade with third parties⁴³² (this provision was removed in the final version of the document); while Minsk opposed the Commission’s authority in industrial and agricultural regulations.⁴³³

Russia was also against some supranational issues. For example, according to the provisional document, it was proposed to establish a supranational institution for coordination of the financial market. Russia was against this provision arguing that it could be established after creation of the common financial market. In the final version (by the proposal of Astana)⁴³⁴ it is stated that authorities and functions of the suprana-

⁴²⁸Vid. Статья 94. ЕАЭС, “Договор о Евразийском Экономическом Союзе”, *op. cit.*, (Vid. Article 94. EAEU, “Treaty on Eurasian Economic Union”, *op. cit.*).

⁴²⁹Р.ГРИНБЕРГ, “Формирование Евразийского Союза: Шансы и Риски”, *op. cit.*, с. 19, (R.GRINBERG, “Establishment of the Eurasian Union: Chances and Risks”, *op. cit.*, p. 19).

⁴³⁰БЕЛОРУССКОЕ ТЕЛЕГРАФНОЕ АГЕНТСТВО, “Назарбаев: Евразийский Экономический Союз Должен Быть Выгоден Всем Странам-Участницам и Строиться на Равноправной Основе”, 4 марта 2013, (BELARUSSIAN TELEGRAPH AGENCY, “Nazarbayev” Eurasian Economic Union Should be Beneficial For All Member-states and be Constructed on Mutually Beneficial Conditions”, March 4, 2013), http://www.belta.by/ru/all_news/president/Nazarbayev-Evrazijskij-ekonomicheskij-sojuz-dolzhen-byt-vygoden-vsem-stranam-uchastnitsam-i-stroitsja-na-ravnopravnoj-osnove_i_648170.html [10-12-2014].

⁴³¹ТАСС, “Участники Будущего Евразийского Экономического Союза Должны Оставаться Независимыми -Александр Лукашенко”, 2 октября 2014, (TASS, “Alexander Lukashenko: Participants of the Future Eurasian Economic Union Should Remain Independent”), <http://itar-tass.com/blizhnee-zarubezhe/684980> [10-12-2014].

⁴³²Vid. Статья 55. Реализация Международных Санкций, Вводимых В Соответствии с Уставом Организации Объединенных Наций. ЕАЭС, “Проект Договора о Евразийском Союзе”, *op. cit.*, (Vid. Article 55. Realization of International Sanctions Imposed In Accordance with the Charter of the UN. EAEU, “Draft of the Treaty on Eurasian Economic Union”, *op. cit.*).

⁴³³А.ЛАБЫКИН, “Эффект на 900 Миллиардов”, *op. cit.*, (A.LABIKIN, “900 Billion Effect”, *op. cit.*).

⁴³⁴Vid. Статья 79. Цели и Принципы Регулирования Финансовых Рынков. ЕАЭС, “Проект Договора о Евразийском Союзе”, *op. cit.*, (Vid. Article 79. Goals and Principles of Regulation of Financial Markets. EAEU, “Draft of the Treaty on Eurasian Economic Union”, *op. cit.*).

tional organ would be determined only after harmonization of legal basis of financial cooperation, the institution will be situated in Almaty (Kazakhstan).⁴³⁵

To sum up, each delegation of sovereignty is thoroughly analyzed within EAEU.

Similar to different preferences, bargaining positions and needs of locking in of credible commitments, results/consequences/effects of integration are different for each of agents of the subsystem of Eurasian integration, which are studied in the next chapter.

8.4. Conclusion

This chapter represents practical application of Moravcsik's theory on the case of Eurasian integration. In system/subsystem terms, it is dedicated to agents of the community, in particular its core members – Belarus, Kazakhstan and Russia. In structural matters, the chapter consists of three sections, each of which corresponds to application of theoretical novelties of three stages of integration pointed out by Andrew Moravcsik – state preferences formation, international bargaining and cooperation at supranational level.

The idea of the Eurasian integration became possible to implement after the consolidation of power in its member-states, which allowed incorporation of preferences of different domestic groups under the authority of the government. In Russia and Kazakhstan party-based regimes have been created under the rule of President-governed Nur Otan and United Russia, while in Belarus, the system largely depends on Presidential rule rather than party rule. Creation of stable domestic systems in the EAEU members concerns political and economic spheres. Therefore, in Kazakhstan the main business groups such as Eurasian Group, ALMEX group, the group of Central Asian Power Energy Company, the group of B.Ytemuratov, Kazakmys group and Kazkommerzbank group are affiliated with the government in different a manner because the government has shares in some of their business fields.

In the case of Russia, the process of consolidation of fragmented domestic groups under the Kremlin's rule coincided with accumulation of government power in other fields of real economy. Within the present chapter, only the spheres which the integration process has been started in are analyzed. In this situation, the main interest groups that drive Eurasian cooperation are state companies such as Rosneft, Gazprom, Rosatom, Inter RAO UES and large private companies such as LUKoil, RUSAL, "Siloviye Mashini" JSC, AutoVAZ, etc.

⁴³⁵*Vid.* Пункт 2: Статья 103. ЕАЭС, "Договор о Евразийском Экономическом Союзе", *op. cit.*, (*Vid.* Point 2: Article 103. EAEU, "Treaty on Eurasian Economic Union", *op. cit.*).

Concerning Belarus, the political system established in the country is more “personalist” rather than party-based. Commitment to integration in this situation is determined by Minsk’s need for Russian support necessary for keeping current political elites in power. In the case of Eurasian integration, in Belarus, the main player involved in the process is the government represented by state companies such as “BelEnergo”, “Belarusneft”, “Complex Belnefterhim”, Naftan group”, “Belarussian oil company”, etc.

Domestic consolidation of power in all EAEU members allowed the integration to be launched and driven by states’ domestic preferences, among which Moravcsik considers economic interests the most important. The analysis demonstrates that the economic preferences toward integration are similar for all EAEU states and can be summarized as follows: protection and enlargement of the market; joint response to challenges posed by world financial crisis; assuring of further access to markets of EAEU partners; stimulation of export; support for domestic producers; attraction of foreign and mutual direct investments; obtaining access to and control of transportation routes of oil and gas; etc.

Regarding geopolitical preferences, in the case of Russia, they correspond to its vision of the new world order as a multipolar system where Russia plays the role of one of the poles, and its need to protect its sphere of interests. In the case of Kazakhstan and Belarus, the nature of political preferences lie in necessity of preserving their territorial integrity and need of Russian support for dealing with common threats such as rise of regional extremism (in the case of RK) and expansion of NATO (in the event of Russia).

Ideological preferences are based on the idea of Eurasianism that promotes two dimensions of national identity – ethnos and super-ethnos – which enables complementability of different nationalities living in the Eurasian space.

Concerning Moravcsik’s consideration regarding two-level game, it is seen that together with accumulation of power by ruling elites they gained access to four foreign policy instruments – initiative, institutions, information and ideas – which enabled them to take and implement the decision of Eurasian rapprochement. In personal matters, integration is also widely dependent on the leaders of the EAEU members – Alexander Lukashenka, Vladimir Putin and Nursultan Nazarbayev – who can be considered as “statesmen-as-agents” due to the large public support they have.

In the case of bargaining, cooperation in the near-term and second-term issues is Pareto-efficient, in the long-term issues there are still many ambiguities. Issue-linkages occur in the gas sphere and nuclear cooperation (there are also package deals on national levels in the oil sphere in Russia, and in electricity and banking in Kazakhstan).

More precisely, analyzing the bargaining around the CU, it is clearly seen that states were advocating tariffs favorable for them in the spheres they were most interested in. For instance, it is obvious in the case of Russia which largely protected

the EAEU market for its machinery and transport equipment. In addition, establishment of the CU coincided in time with the world economic crisis of 2008 which had driven countries to take protection measures of their markets.

Concerning bargaining around the pharmaceutical market of the EAEU, analysis demonstrates that the situation that integrating countries had in this field before integration was launched was direct threat to their national security. Having similarly weak relative bargaining powers sides have used establishment of common pharmaceutical market for FDI attraction, joint overcoming of lack in technological development and stimulation of export.

Analysis of negotiations around common electricity market demonstrates that it is also Pareto-sufficient. Thus, its establishment enables the three countries to export/import electricity without technological problems, construct and reconstruct electricity generating stations (with extensive Russian technological assistance), and more rationally use their energy resources (for instance, by importing electricity from Kazakhstan for its Southern territories Russia can reorientate natural gas to generation of electricity for export, which is more beneficial in economic terms).

Regarding monetary cooperation, states do not negotiate the possibility of common currency, but gradually approximate their financial markets by giving mutual access, establishing similar banking systems of three or more system-determining banks, recognizing licenses in banking and insurance sectors and planning to create a united payment system.

In gas and oil spheres, states give access to each other's transportation systems, however, in spite of many achievements of cooperation in this sphere, there are still many ambiguities related for example, to tariff rates and customs on oil export.

Cooperation at supranational level locks in the commitments states achieved during negotiations. In the case of the CU, it protects the most vulnerable industries; in the pharmaceutical market, it creates the entire regime of its operation; in monetary issues, it confirms states' plans of collaboration in finances; in electricity it states the rules of future regime; in oil and gas it locks in agreements on free access to transportation routes; in agriculture, it puts limits on governmental support, and in transport, it locks in commitments to develop infrastructure.

Regarding supranational organs, in the long-term perspective, integration does not seek the creation of an organization sponsored and driven by the RF, but the establishment of a Union whose development will become the main condition of internal prosperity for its member-states. Sovereignty in this Union is the main value, which the members have repeatedly stressed. Thus, the President of Kazakhstan has been prioritizing the economic bases of the Union and equality of its members. The same is common for the Belarusian leader who sees independence of each nation as unconditional and denies any similarity of the Eurasian and Soviet Unions.

Integration had different effects on each of the agents of subsystem that are analyzed in the next chapter..

CHAPTER 9

APPLICATION OF THEORETICAL STATEMENTS AND LATEST NOVELTIES OF LIBERAL INTERGOVERNMENTALISM ON THE RESULTS OF EURASIAN INTEGRATION AND RECENT DEVELOPMENTS OF THE EAEU

The present chapter deals with the current results of the Eurasian integration and its latest and future developments. In structural matters it is divided into two blocks. The first centers on theoretical elaborations regarding the consequences of integration made by Hoffmann, Keohane and Moravcsik, each of them corresponds respectively to the first, second and third sections of the block. In parallel, as analysis shows, division of results of integration into these three sections allows the explanation of them on three levels – nation-state, regime and institutions. The second block is dedicated to the application of theoretical statements proposed by the followers of Keohane and Moravcsik – Frank Schimmelfennig, Lisa L. Martin and Kalypso Nicolaïdis – that refer to its fourth, fifth and sixth sections respectively.

9.1. Effects of integration and institutional cooperation on the level of nation-state

S. Hoffmann advocates that integration is beneficial when states avoid “institutional mutation”, i.e. it does not replace governmental bodies of external relations and keeps in place “power politics” among states. Countries autonomously decide to es-

establish international institutions because of high political risks of unilateral policies; in spite of that choice they prefer the “logic of diversity” to the “logic of integration”. Institutions serve differently from one state to another depending on their power: they can restrain members from unilateral actions, assure/guarantee future cooperation and/or be used as centers of attraction for third parties. This explains states’ behavior in integrating communities.

Regarding consequences of the choice in favor of integration, among the positive ones there are: enlargement of the market (benefits for consumers and producers); favorable conditions for internal producers that make them more competitive; possibility of promotion of domestic transnational companies; possibility of achieving a leading position by national companies in their specific field; way of direct communication with interest groups in integrating countries; and opportunity of transmission to global standards. Among the negative consequences there are: inability to compete with more industrialized partners; limiting of governmental highest authority; and vulnerability to external events. In addition to that, integration implies diversification of players involved in external relations and attenuation of the gap between internal and foreign affairs. Application of these statements allows an explanation of results of integration on a national level for Russia, Kazakhstan and Belarus, which corresponds to the three parts of the section.

Before proceeding to each state in particular, some notes should be made regarding the first block of Hoffmann’s statements.

Therefore, strict avoidance of “institutional mutation” is seen in the example of Kazakhstan. During the EAEU negotiations, Nursultan Nazarbayev was the initiator of integration and largely advocated the title the Eurasian *Economic* Union (which has been obtained), rather than the Eurasian Union, in order to underline the economic nature of collaboration.¹ In addition, by the proposal (and insistence) of Kazakhstan’s side, such provisions as cooperation in joint foreign policy, joint defense of the borders and struggle against illegal migration were eliminated from the agenda of negotiation.²

As far as “power politics” are concerned, integration is an instrument in competition among great players in the region, which is seen in the case of Russia. Thus, the RF uses the EAEU in order to protect its zone of influence and implement projects alternative to the ones that other major powers in the region pursue. For example, in the transport sphere, the “Western Europe-Western China” might be seen as an alternative to the EU TRACEKA project, which is based on connection of two centers of world trade through Central Asia and Caucasus bypassing Russia.

¹B.VITKINE, “Vladimir Putin’s Eurasian Economic Union Gets Ready To Take On The World”, *The Guardian Weekly*, October 28, 2014, <http://www.theguardian.com/world/2014/oct/28/eurasian-economic-union-russia-belarus-kazakhstan> [14-12-2014].

²INTERFAX, “Астана Против Политизации Евразийского Экономического Союза”, 23 мая 2014, (INTERFAX, Astana Against Politization Of The Eurasian Union, May 23, 2014), <http://www.interfax.by/news/belarus/1157040> [14-12-2014].

The projects are not rivals because they lie in different fields: TRACEKA is a sea and rail project, while Western Europe-Western China develops road communication, but both of them compete for trade transit. Moreover, in this competition, Western Europe-Western China has two evident advantages. First is the transit time, which is 12 days for Western Europe-Western China and 20 days for TRACEKA (while the shipping time is 30-35 days). Second is the customs side of the question. Western Europe-Western China includes only three countries (China, Russia and Kazakhstan) where between the last two there are no customs barriers, while TRACEKA implies cooperation between Armenia, Azerbaijan, Bulgaria, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Rumania, Tajikistan, Turkey, Ukraine, and Uzbekistan, which all have different customs tariffs policies.³

In addition, Western Europe-Western China⁴ is not a planned project, it is already under development. The Kazakh part of the road is already close to full implementation,⁵ while some sections of the Russian part will be finished by 2018, and the entire road is scheduled for 2020. The road route is San-Petersburg-Moscow-Nizhny Novgorod-Kazan-Orenburg-Aktobe-Kyzylorda-Shymkent-Almaty-Horgos, where the Russian part accounts for 2,200 km, Kazakhstan for 2,800 km, and China for 3,000 km of the roads.⁶

Another transport project implemented recently (at the end of 2014) – the “North-South” railway – also comes in line with Russian interests in power politics. Thus, the railway constructed by Kazakhstan, Turkmenistan and Iran with the support of Asian and Islam banks of development in order to improve trade among these three countries⁷ benefits Russia for three reasons. Firstly, it allows improved overland connections with Iran, its partner, left in isolation due to Western sanctions; secondly, the project is an alternative to American and European projects planned to be implemented in Central Asia; and thirdly, the railway links Armenia with Central Asia and Russia via Iran. The last point is very important for Eurasian integration because it

³Т.ТАШИМОВ, “Запад – Китай – Транзит”, *op. cit.*, (T.TASHIMOV, “West – China – Transit”, *op. cit.*).

⁴Among other alternative routes of transit of goods from Asia to Europe that can benefit Russia if it is implemented is the Arctic Ocean route along the Russian coast that will take around 14 days. *Vid. A.SARRIÓN, “Nace un Gigante: Rusia Impulsa La Unión Euroasiática, A Semejanza De La UE”, Siglo de Europa, No. 1067, 2014, pp. 46-47.*

⁵МЕЖДУНАРОДНЫЙ ТРАНЗИТНЫЙ КОРИДОР ЗАПАДНАЯ ЕВРОПА - ЗАПАДНЫЙ КИТАЙ, “Экономические и Социальные Эффекты от Реализации Проекта”, (INTERNATIONAL TRANSIT CORRIDOR WESTERN EUROPE – WESTERN CHINA, “Economic and Social Effects of the Project”, *op. cit.*).

⁶Т.ШАДРИНА, “От Европы до Китая Проложат Дорогу”, *op. cit.*, (T.SHADRINA, “Road from Europe to China”, *op. cit.*).

⁷TASS, “Открылся Железнодорожный Коридор “Север – Юг”, Связавший Иран, Туркменистан и Казахстан”, 3 декабря 2014, (TASS, “North-South” Railway corridor among Iran, Turkmenistan and Kazakhstan opens”, December 3, 2014), <http://itar-tass.com/mezhdunarodnaya-panorama/1620117> [6-12-2014].

guarantees overland connection with Armenia which is isolated (and cut off from Russia) in the sense of rail links by three of four its neighbors.⁸

The same tendency of preserving the sphere of influence by the RF is seen (even if not officially) in activation of integration in the energy sphere, which coincides in time with the similar projects initiated by the EU, the USA and China.

As far as political risks of unilateral policies are concerned, it has been shown that integration became possible after subsequent autonomous decisions of each government had been taken. However, even though states coincided in their commitments to integration, political risks that led them were different from each other, which can be seen in the example of Kazakhstan and Belarus. For Astana, it was the need to prevent any possible conflict with Moscow around the disputed regions with large Russian-ethnic population⁹ and necessity to cooperate with Russia against the common threat of Islam extremism.¹⁰ For Minsk, it is the similar intention to prevent separatist tendencies shared with Russian opposition to the further Eastern enlargement of NATO.

As for Hoffmann's statement that the "logic of diversity" outweighs the "logic of integration", it is confirmed by the example of RF-RB relations. For instance, in 2013 the main event in the world potash market was the disintegration of the Russian-Belarusian cartel of Uralkali and Belaruskali, which together controlled almost half of the global market of potash fertilizers. Officially, that happened due to mutual accusations in sales to third parties outside the cartel and different approaches to price policy,¹¹ when Russia changed the traditional approach of the company "price above vol-

⁸A.КАЗАНЦЕВ, "От Запуска Ветки Казахстан — Иран Китай Выигрывает Больше России", *IA REGNUM*, 8 декабря 2014, (A.KAZANZEV, "China Gains More Than Russia From The Kazakhstan-Iran Railway", *IA REGNUM*, December 8, 2014), <http://regnum.ru/news/polit/1874212.html> [8-12-2014].

⁹In the case of the Russian population in Kazakhstan, it is necessary to note that even if the share of Russian population is significant, it decreased dramatically after the collapse of the Soviet Union because of high immigration (especially from the regions largely populated by Russians). Currently (by 2009), there are 3,793,764 Russians in Kazakhstan, while in 1989 this number was almost twice as high (more than 6,2 million). The tendency of decrease in Russian population seems to be continuing because in only five years from 2009 to 2014, Russian population lowered by more than 100,000 people decreasing its share from 23.7% to 21.47%. *Vid.* ҚАЗАҚСТАН РЕСПУБЛИКАСЫ СТАТИСТИКА АГЕНТТІПІ, *Қазақстанның Демографиялық Жылнамалығы. Статистикалық жинақ*, Астана, 2012, с. 555; (KAZAKHSTAN STATISTICS AGENCY, *Kazakhstan Demography Collection*, Astana, 2012, p. 555); ҚАЗАҚСТАН РЕСПУБЛИКАСЫ СТАТИСТИКА АГЕНТТІПІ, *Итоги Национальной переписи населения Республики Казахстан 2009 года*, Астана, 2009, с. 25; (KAZAKHSTAN STATISTICS AGENCY, *Results of 2009 National Population Census of the Republic of Kazakhstan*, Astana, 2009, p. 25); A. INGRAM, "Broadening Russia's borders? The nationalist challenge of the Congress of Russian Communities", *Political Geography*, Issue 20, 2001, p. 202.

¹⁰In addition to that, mobilization of any separatist movements through the establishment of opposition parties based on religious or ethnic diversity of the country is prevented by the "Law on Political Parties" that establishes the condition of representation of a minimum 700 participants of each of the 14 administrative districts and major cities, which diminishes the possibility of regional mobilization of Kazakh, Russian or other nationalists. *Vid.* D.BEACHAIN and R.KEVLIHAN, "Threading a Needle: Kazakhstan between Civic and Ethno-Nationalist State-building", *op. cit.*, p. 350.

¹¹P.DEVITT and N.SHURMINA, "Potash sector rocked as Russia's Uralkali quits cartel", *Reuters*, July 30, 2013, <http://www.reuters.com/article/2013/07/30/us-russia-uralkali-idUSBRE96T0S220130730> [11-12-2014].

ume” to “volume above price” in order to eliminate possible rivals in the market.¹² In addition, in favor of prevalence of the “logic of diversity” over the “logic of integration” is the fact that during only two years of SES operation, the Court of EurAsEC presided over a total of 13 cases of companies not agreeing with some provisions of integration.¹³

As for the role that integration plays for the members, it is also different from country to country. Thus, for all states, the EAEU is the way to assure/guarantee future cooperation with partners (primarily with Russia) because of complex interdependence among them, while for Russia, it is also the opportunity to attract third countries in order to defend its zone of influence.

Proceeding now to economic results of integration, the analysis of each side in particular is needed, which is represented below.

9.1.1. Republic of Kazakhstan

For RK, as seen from table 1 and its graphic illustration (figure 21), integration allowed an increase of its export of manufactured goods (SITC 6) and transport equipment (SITC 7).

Figure 21. Structure of mutual trade (export flows) among the EAEU members, million USD, 2013

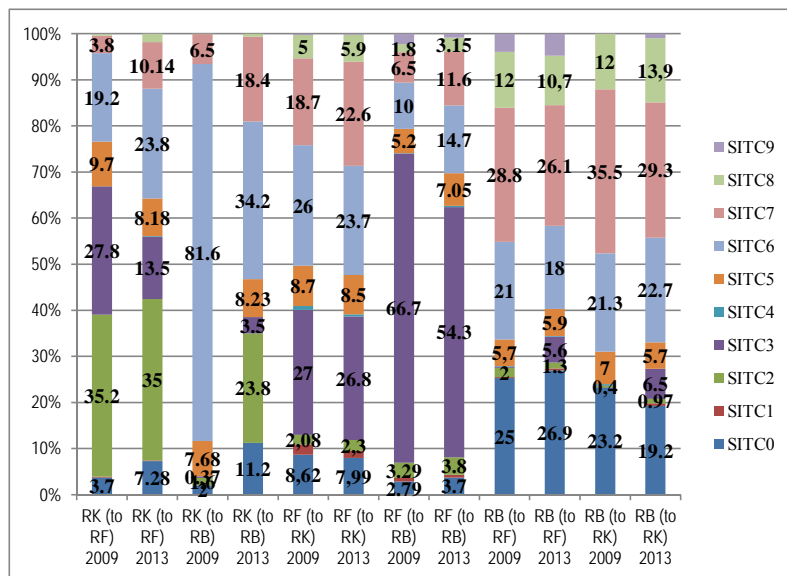
Country	Total, millions	Food and live animals	Beverages and tobacco	Crude materials, inedible, except fuels	Mineral fuels, lubricants and related materials	Animal and vegetable oils, fats and waxes	Chemicals and related products, n.e.s.	Manufactured goods classified chiefly by material	Machinery and transport equipment	Miscellaneous manufactured articles	Commodities and transactions not classified elsewhere in the SITC	
Kazakhstan: import	17,686(100%)	1,413(7.99%)	273(1.54%)	399.8 (2.3%)	4,732(26.8%)	96(0.54%)	1,506 (8.5%)	4,194 (23.7%)	3,994(22.6%)	1,045 (5.9%)	32(0.18%)	Russia: export
Kazakhstan: export	5,807(100%)	423(7.28%)	8 (0.14%)	2,038 (35%)	785 (13.5%)	0.95 (0.16%)	475 (8.18%)	1,384 (23.8%)	589 (10.14%)	103 (1.77%)	0.16 (0.02%)	Russia: import
Belarus: import	22 573 (100%)	824.5 (3.7%)	139.9 (0.61%)	848 (3.8%)	12,258 (54.3%)	67 (0.3%)	1,593 (7.05%)	3,325.5 (14.7%)	2,621 (11.6%)	710 (3.15%)	186 (0.82%)	Russia: export
Belarus: export	16,734 (100%)	4,506 (26.9%)	67 (0.4%)	222 (1.3%)	939.6 (5.6%)	22.3 (0.13%)	992.6 (5.9%)	3,013 (18%)	4,370 (26.1%)	1,795 (10.7%)	806 (4.8%)	Russia: import
Kazakhstan: import	682 (100%)	131 (19.2%)	4 (0.59%)	6.6 (0.97%)	45 (6.5%)	0.02 (0%)	39 (5.7%)	154.8 (22.7%)	199.7 (29.3%)	95 (13.9%)	6.5 (0.95%)	Belarus: export
Kazakhstan: export	57.1 (100%)	6.4 (11.2%)	0 (0%)	13.6 (23.8%)	2 (3.5%)	0 (0%)	4.7 (8.23%)	19.5 (34.2%)	10.5 (18.4%)	0.37 (0.65%)	0 (0%)	Belarus: import

Source: COMTRADE DATABASE (calculations in % are made by the author, prepared by the author).

¹²Г.ПЕТРОВСКАЯ, “Уралкалий” и “Беларуськалий”: ни Войны, ни Мира”, DW, 16 октября 2014, (G.PETROVSKAYA, “Uralkalii and Belaruskalii: no War, no Peace”, DW, October 16, 2014), [http://www.dw.de/уралкалий-и-беларуськалий-ни-войны-ни-мира/a-17998838\[11-12-2014\]](http://www.dw.de/уралкалий-и-беларуськалий-ни-войны-ни-мира/a-17998838[11-12-2014]).

¹³СУД ЕВРАЗЭС, “Рассмотренные Дела”, (COURT OF EURASEC, “Cases Presided”), [http://www.sudevrazes.org/main.aspx?guid=4801 \[11-12-2014\]](http://www.sudevrazes.org/main.aspx?guid=4801 [11-12-2014]).

Figure 22. Comparison of the mutual trade structure in 2009 and 2013: share in % of goods classified by SITC Rev.4 typology, 2009-2013



Source: COMTRADE DATABASE (calculations in % are made by the author, prepared by the author).

Among the SITC 6 classified goods, the largest export share accounts for “iron and steel” (SITC 67) and “non-ferrous metals” (SITC 68).¹⁴ Goods under these two commodities account for 93% of all manufactured products exported to Russia,¹⁵ and their export increased by two and two and half times respectively.¹⁶ The largest producers in this case that increased their export are “ArcelorMittalTemitau” JSC (steel producer) and “Kazakhmys” JSC and “Kazzinc” JSC (non-ferrous metals).¹⁷

However, if metal manufacture is the traditional sphere of Kazakhstan’s industry (that accounts for 22% of its production),¹⁸ the sphere which has been developing under the integration process is machinery.

The situation that happened in Kazakhstan’s machinery equipment comes in line with Hoffmann’s observation that integration leads to the diversification of players, enlargement of the market and opportunities in making national production more competitive.

¹⁴COMTRADE database.

¹⁵Calculations are made on the basis of the data provided by COMTRADE.

¹⁶Calculations are made on the basis of the data provided by COMTRADE.

¹⁷MINISTRY OF INVESTMENTS AND DEVELOPMENT OF THE REPUBLIC OF KAZAKHSTAN, *Kaznexist Report: Metal Industry*, Astana, 2012, p. 15, http://www.kaznexist.kz/en/napr/export/library/brochures_rus_2012/metal12.pdf [11-12-2014].

¹⁸*Ibid.*, p. 8.

Thus, in Kazakhstan, the increase of customs tariffs on imported cars (both new and used)¹⁹ changed the situation on the market of auto dealers. Increase of tariffs on used vehicles made it more viable to buy new ones produced in the territory of the CU.²⁰ In this situation only those companies which were orientated to the sale of cars made in the CU enlarged their profits from the changes, while the others had to increase the prices and as a result lost their share of the market.²¹ In Kazakhstan, it is BIPEK Auto and Allur Auto, which benefitted from integration; their growth has been determined by the fact that they not only sell vehicles but also produce them. Nowadays, BIPEK Auto occupies 51.4% of Kazakhstan's market of new cars, its Asia-Auto produces 79% of all light autos made in Kazakhstan and 13.5% of commercial vehicles.²²

As for the companies that focused on the sale of imported cars, such as Astana Motors and Mercur Auto, in 2007, each of them occupied a third of the market,²³ while nowadays their shares have decreased to 13.1% and 3.4% respectively.²⁴

Concerning the enlargement of the market, in 2014, BIPEK Auto obtained the possibility to enter the retail market of Russian Siberia (with its population of 19 million), which became possible after the subsequent agreement was signed between the company and "AutoVAZ" LLP²⁵ during the Russian President's visit to Atiray (Kazakhstan).²⁶ The importance of this agreement is in the fact that BIPEK Auto will realize production of Kazakhstan's machinery.²⁷

¹⁹Vid. В.КАЛАБИН, "ТС Терпел И Нам Велел", *Expert Online*, 1 февраля 2010, (V.KALABIN, "CU Asks Us To Abide As It Does", *Expert Online*, February 1, 2010), <http://expertonline.kz/a3262/> [12-12-2014]; К.МАРТИН, "Через Тернии К Авто", *Expert Online*, 12 апреля 2010, (K.MARTIN, "Through Difficulties to Cars", *Expert Online*, April 12, 2010), <http://expertonline.kz/a3032/> [12-12-2014].

²⁰В.КАЛАБИН, "ТС Терпел И Нам Велел", *op. cit.*, (V.KALABIN, "CU Asks Us To Abide As It Does", *op. cit.*).

²¹К.МАРТИН, "Через Тернии К Авто", *op. cit.*, (K.MARTIN, "Through Difficulties to Cars", *op. cit.*).

²²There are only two automobile assembly plants in Kazakhstan: "Asia-Auto" JSC incorporated into BIPEK Auto (assembles LADA, Chevrolet, Kia and Scoda) and "Agromash Holding Kazakhstan" (joint corporation of Allur Auto and SsangYong Motors Corporation), which produce different commercial vehicles (UAZ, Rexton, Kyron, etc.). Vid. ЕВРАЗИЙСКАЯ ЭКОНОМИЧЕСКАЯ КОМИССИЯ, *Состояние Легковой Автомобильной Промышленности Государств – Членов Таможенного Союза и Единого Экономического Пространства в 2010 – 2012 годах*, 29 марта 2013, с. 3, (EURASIAN ECONOMIC COMMISSION, *Position of Light Automobile Industry of Customs Union and Single Economic Space member-states in 2010-2011*, March 29, 2013, p. 3), <http://www.tsouz.ru/news/Documents/auto29-03-13.pdf> [11-11-2014]; AZIA AVTO, "Ключевые Цифры Казахстанской Автоиндустрии", (AZIA AVTO, "Key Numbers of Kazakhstan Auto-Industry"), <http://aziaavto.kz/ru/klyucheve-cifry-kazahstanskoy-avtoindustrii> [24-12-2014].

²³Т.НИКОЛАЕВА "Куда Катимся", *Expert Online*, 11 февраля 2008, (T.NIKOLAYEVA, "Where We are Going to", *Expert Online*, February 11, 2008), <http://expertonline.kz/a5613/> [11-11-2014].

²⁴AZIA AVTO, "Ключевые Цифры Казахстанской Автоиндустрии", *op. cit.*, (AZIA AVTO, "Key Numbers of Kazakhstan Auto-Industry", *op. cit.*).

²⁵BIPEK AUTO, "Президентами Одобрено", *Automobile: Автомобили в Казахстане*, No. 3-4 (33-34), 2014, сс. 9-10, (BIPEK AUTO, "Presidents Approve", *Automobile: Autos in Kazakhstan*, No. 3-4 (33-34), 2014, pp. 9-10).

²⁶КАЗИНФОРМ, "Nazarbayev and Putin to Hold Talks in Atyrau", September 30, 2014, <http://www.inform.kz/eng/article/2701554> [11-11-2014].

²⁷С.ДОМНИН, "Пристегнитесь Покрепче", *Expert Online*, 25 декабря 2014, (S.DOMNIN, "Fasten the belt toughly", *Expert Online*, December 25, 2014), <http://expertonline.kz/a13355/> [11-11-2014].

As for the third of Hoffmann's observations, integration largely stimulated national production. Thus, in 2013 165,710 new cars were sold in Kazakhstan, which means that sales increased ten times compared to 16,424 units sold in 2009.²⁸ The share of national machineries in this market is around 21% (in 2006 it was only 7%).²⁹ In total, production increased largely from 1,098 in 2009 to 37,471 vehicles in 2013.³⁰ Even if the majority of Kazakhstan's production is made for the national market, in export terms, Russia remains the main destination for RK's local machinery industry.³¹

According to Hoffmann, integration also allows promotion of domestic transnational companies. For Kazakhstan, in the agricultural sphere, it is the privately-owned "Ivolga-holding" which in Russia accumulated almost 1 billion USD stock of investments,³² and now possesses 800 hectares in Kazakhstan, 700 hectares in Russia³³ and 31 grain elevators in both countries.³⁴

Another example, which lies in the transport sphere of cooperation, is "Novaport" LLC created by Kazakhstan's origin Meridian Group and Russian "AEON corporation", which belongs to Roman Trocenko,³⁵ nowadays "Novaport" owns airports in Novosibirsk, Barnaul, Tomsk, Chita, Astrakhan, Chelyabinsk, Volgograd (all these cities are situated close to the Russian-Kazakhstan border), it also has shares in airports in Kaliningrad and Rostov.³⁶

In the energy sphere, CATEC is engaged in cooperation with Russian regions of Omsk, Kurgan and Barnaul for exporting electricity,³⁷ and the Eurasian Energy Corporation is represented in the Russian market³⁸ (the Eurasian group already possesses 75.3% of shares of the Serov Ferrochrome factory in Russia).³⁹

²⁸АССОЦИАЦИЯ КАЗАХСТАНСКОГО АВТОБИЗНЕСА, *Автомобильный рынок Казахстана: Обзор отрасли*, 2013, с. 8, (ASSOCIATION OF KAZAKHSTAN ANTIBUSINESS, *Automobile market of Kazakhstan. Industry Review*, 2013, p. 8), <http://akab.kz/wp-content/uploads/2013/05/РЫНОК-АВТОМОБИЛЕЙ-В-КАЗАХСТАНЕ-2013.pdf> [12-12-2014].

²⁹*Ibid.*, p. 9.

³⁰*Ibid.*, p. 15.

³¹COMTRADE database.

³²ЕВРАЗИЙСКИЙ БАНК РАЗВИТИЯ, *Мониторинг Взаимных Инвестиций в Странах СНГ*, Доклад 26, Санкт-Петербург, Центр Инвестиционных Исследований, 2014, с. 21, (EURASIAN DEVELOPMENT BANK, *CIS Mutual investments monitoring*, Report 26, San-Petersburg, Center of Investments Studies, 2014, p. 21).

³³R.ORANGE, "Ivolga puts world's biggest farm up for sale", *The Telegraph*, February 13, 2011, <http://www.telegraph.co.uk/finance/newsbysector/constructionandproperty/8321543/Ivolga-puts-worlds-biggest-farm-up-for-sale.html> [12-12-2014]. Even though the title of the article states that the company was put up for sale, the company overcame its economic problems without large foreign support and it is still controlled by Vasiliy Rozinov. *Vid.* FORBES, "Василий Розинов: Тихий Олигарх", Февраль 2013, (FORBES, "Valiliy Rozinov: Kind Oligarch", February 2013), http://forbes.kz/process/businesmen/tihiy_oligarh [31-12-2014].

³⁴*Ibid.*

³⁵КОММЕРСАНТ, "Справка: AEON Corporation", (KOMMERSANT, "Reference: AEON Corporation"), <http://www.kommersant.ru/factbook/21388> [31-12-2014].

³⁶КОММЕРСАНТ, "Справка: Новапорт", (KOMMERSANT, "Reference: Novaport"), <http://www.kommersant.ru/factbook/207399> [31-12-2014].

³⁷ЦАТЕК, *Годовой Отчет АО «Центрально-Азиатская Топливо-Энергетическая Компания»*, Астана, 2013, с. 8, (CAPEC, *Annual Report of "Central Asian Fuel And Energy Company"*, Astana, 2013, p. 8), http://www.capec.kz/admin/upload/files/go_capec_2013.pdf [1-11-2014]

³⁸МИНИСТЕРСТВО ЭКОНОМИЧЕСКОГО РАЗВИТИЯ РОССИЙСКОЙ ФЕДЕРАЦИИ, "АО "Евроазиатская Энергетическая Корпорация" (MINISTRY OF ECONOMIC DEVELOPMENT OF THE

In the financial sphere, the Eurasian Bank,⁴⁰ Kazkommerzbank,⁴¹ and Halyk Bank⁴² operate and have their subsidiaries in Russia. In addition to that, it is worth noting that Timur Kulibayev (the head of ALMEX group) is a member of the Board of Directors of Gazprom.⁴³

Integration has also caused negative consequences for the national economy. Thus, as figure 21 demonstrates Kazakhstan imports from the RF and RB more than it exports and integration did not change this tendency (common also for 2009 as the third chapter demonstrates). The reason for this is the higher industrial development of Russia and Belarus compared to Kazakhstan. This negative fact, according to S. Hoffmann, can be classified as inability to compete with more industrialized partners.

Eurasian integration demonstrates a classical example of asymmetrical interest of benefits of participating states, also confirmed by results for Russia, which are analyzed below.

9.1.2. Russian Federation

As shown in figures 21 and 22, the main industry that increased its share in inter-state trade are goods of “Machinery and transport equipment”. For Russia, the market of the EAEU countries is important for the development of its mechanical industry because it accounts for one third of its total export of machinery production.⁴⁴

In the case of the automobile industry, Russia has a much more favorable position than its partners. There are 16 automobile assembly plants in the RF (Kazakhstan has two, Belarus only one), which assemble models of Chevrolet, Ford, Nissan, Renault, SaangYong, Hyundai, KIA, etc.⁴⁵ However, what is more important about Russia is that it has its own national brands: LADA (produced by AutoVAZ), Zhiguli (produced by IzhAuto, which is also now part of AutoVAZ)⁴⁶ and UAZ for

RUSSIAN FEDERATION, Eurasian Energy Corporation JSC) <http://www.ved.gov.ru/filtercompany/?id=3453> [1-11-2014]

³⁹Y.ZABORTSEVA, “Rethinking the Economic Relationship Between Kazakhstan And Russia”, *op. cit.*, p. 323.

⁴⁰ФИНАНСОВЫЙ НАДЗОР НАЦИОНАЛЬНОГО БАНКА РЕСПУБЛИКИ КАЗАХСТАН, “Акционерное Общество “Евразийская Финансовая Компания» (FINANCIAL SUPERVISION OF THE NATIONAL BANK OF KAZAKHSTAN, “Eurasian Financial Company” JSC”), [http://www.afn.kz/attachments/emi/bonds/D25/bondsD2_5\\$-\\$3554\\$-\\$..pdf](http://www.afn.kz/attachments/emi/bonds/D25/bondsD2_5$-$3554$-$..pdf) [05-11-2014].

⁴¹KAZKOMMERZBANK, “About us”, <http://en.kkb.kz/page/WhoWeAre> [05-11-2014].

⁴²HALYK BANK, “Halyk Bank at-a-glance”, <http://www.halykbank.kz/en> [05-11-2014].

⁴³GAZPROM, “Board of Directors”, <http://www.gazprom.com/about/management/directors/> [31-10-2014].

⁴⁴Д.САТПАЕВ, “Семь Мифов Интеграции”, *Forbes*, (D.SATPAYEV, “Seven Myths of Integration”, *Forbes*), http://forbes.kz/process/expertise/dosyim_satpaev_sem_mifov_integratsii [30-11-2014].

⁴⁵ЕВРАЗИЙСКАЯ ЭКОНОМИЧЕСКАЯ КОМИССИЯ, *Состояние Легковой Автомобильной Промышленности... op. cit.*, с. 3, (EURASIAN ECONOMIC COMMISSION, *Position of Light Automobile Industry...op. cit.*, p. 3).

⁴⁶INTERFAX, “IzhAuto Appoints New CEO”, February 20, 2014, <http://interfax.com/newsinf.asp?id=482338> [30-11-2014].

light motor vehicles, and KAMAZ (49.9% of shares belong to State Rostec),⁴⁷ and GAZ for lorries.

Integration allowed Russia to obtain the dominant position in Kazakhstan's vehicle market, which is the main destination country of the RF's export of machinery production. Thus, in 2013, LADA shared 37.4%⁴⁸ of the car market in Kazakhstan,⁴⁹ which changed the leaders' list in the RK's market (for example, in 2007, the top brands were Toyota, Daewoo and Hyundai,⁵⁰ nowadays (2014), it is LADA, KIA and Hyundai.)⁵¹ LADA not only increased its share in the market but also increased its export ten times (from 5,152 cars sold in 2010,⁵² to 57,484 – in 2013).⁵³

The Russian machinery industry is also leader in Kazakhstan's market of commercial vehicles (mainly buses and tractors), where GAZ and UAZ respectively held 55.7% and 24.9% of the market (2013).⁵⁴

Russia also improved its position in the Belarus market. By 2013, it became the main exporter of goods classified as "machinery and transport equipment" to RB (in 2009, the RF was the second largest exporter of SITC 7 products to Belarus after Germany).⁵⁵ In the market of commercial vehicles (where GAZ and UAZ share 32.62% and 14.88% respectively), it is also leader, while in the market of automobile vehicles, AutoVAZ's brands are in third place after Renault and Volkswagen accounting for 11.29% of new cars sold in 2013.⁵⁶

⁴⁷KAMAZ, "List Of Major Shareholders" <http://kamaz.ru/en/investors-and-shareholders/shareholders/list-of-shareholders/> [30-11-2014].

⁴⁸In 2014, Lada lost 8.6% of its market accounting for 28.8% of all cars sold (nevertheless it remains leader), which is determined by devaluation of the ruble and which made it more viable to buy cars in Russia. *Vid.* AZIA AVTO, "Ключевые Цифры Казахстанской Автоиндустрии", *op. cit.*, (AZIA AVTO, "Key Numbers of Kazakhstan Auto-Industry", *op. cit.*).

⁴⁹АССОЦИАЦИЯ КАЗАХСТАНСКОГО АВТОБИЗНЕСА, *Автомобильный рынок Казахстана: Обзор отрасли*, 2013, с. 9, (ASSOCIATION OF KAZAKHSTAN ANTIBUSINESS, *Automobile market of Kazakhstan. Industry Review*, 2013, p. 9).

⁵⁰Т.НИКОЛАЕВА "Куда Катимся", *op. cit.*, (T.NIKOLAYEVA, "Where We Are Going To", *op. cit.*).

⁵¹AZIA AVTO, "Ключевые Цифры Казахстанской Автоиндустрии", *op. cit.*, (AZIA AVTO, "Key Numbers of Kazakhstan Auto-Industry", *op. cit.*).

⁵²ЕВРАЗИЙСКАЯ ЭКОНОМИЧЕСКАЯ КОМИССИЯ, *Состояние Легковой Автомобильной Промышленности...* *op. cit.*, с. 38, (EURASIAN ECONOMIC COMMISSION, *Position of Light Automobile Industry...* *op. cit.*, p. 38).

⁵³41,896 cars were sold during 11 months of 2014. AZIA AVTO, "Ключевые Цифры Казахстанской Автоиндустрии", *op. cit.*, (AZIA AVTO, "Key Numbers of Kazakhstan Auto-Industry", *op. cit.*); АССОЦИАЦИЯ КАЗАХСТАНСКОГО АВТОБИЗНЕСА, *Автомобильный рынок Казахстана: Обзор отрасли*, 2013, с. 10, (ASSOCIATION OF KAZAKHSTAN ANTIBUSINESS, *Automobile market of Kazakhstan. Industry Review*, 2013, p. 10).

⁵⁴АССОЦИАЦИЯ КАЗАХСТАНСКОГО АВТОБИЗНЕСА, *Автомобильный рынок Казахстана: Обзор отрасли*, 2013, с. 9, (ASSOCIATION OF KAZAKHSTAN ANTIBUSINESS, *Automobile market of Kazakhstan. Industry Review*, 2013, p. 9).

⁵⁵COMTRADE database.

⁵⁶БЕЛОРУССКАЯ АВТОМОБИЛЬНАЯ АССОЦИАЦИЯ, "Итоги Развития Рынка Новых Авто в 2013 Году", (BELARUSIAN AUTOMOBILE ASSOCIATION, "Results of New Cars Market Development in 2013"), <http://marketing.by/analitika/itogi-razvitiya-rynka-novykh-avto-v-2013-godu-dannye-baa/> [10-10-2014].

In the domestic market, due to protective and other measures (such as introduction of an utilization fee aimed at decreasing the import of used vehicles)⁵⁷ Russia succeeded in decreasing the percentage of sales of imported cars from 46% in 2009 to 34% in 2012. It also increased the share of assembled and produced cars of foreign brands in local factories from 26% (in 2009) to 44% (2012). However, the share of national brands in sales of new cars decreased from 28% (2009) to 21% (2012).⁵⁸ It is also interesting that even though LADA remains leader in the Russian car market,⁵⁹ it accounts for only 18% of sales, which is less than its advantages in Kazakhstan's market.⁶⁰

However, even in the case of EAEU partnership, Russia has obtained valuable advantages in machinery industry, its largest investments (and achievements) lie in the energy sphere (they are demonstrated more specifically in figure 28 of the next section), which comes in line with its focus on accumulating power in the energy chessboard.

In the case of Belarus, Gazprom is the absolute leader in its traditional sphere of specialization, the only Belarussian natural gas supplier, also it entirely controls the "Yamal-Europe" pipeline that passes through Belarus, and "Beltransgaz" JSC (national gas pipeline system of RB).⁶¹ LUKOIL-Belarus is the second largest owner of fuel filling stations in the country,⁶² the RF also participates in operation of Mozyr (through Gazprom)⁶³ and Naftan (through Lukoil)⁶⁴ – the only two oil refineries in RB.

⁵⁷ЕВРАЗИЙСКАЯ ЭКОНОМИЧЕСКАЯ КОМИССИЯ, *Состояние Легковой Автомобильной Промышленности...* op. cit., с. 15, (EURASIAN ECONOMIC COMMISSION, *Position of Light Automobile Industry...* op. cit., p. 15).

⁵⁸*Ibid.*, p. 40.

⁵⁹АССОЦИАЦИЯ КАЗАХСТАНСКОГО АВТОБИЗНЕСА, *Автомобильный Рынок Казахстана: Обзор Отрасли*, 2013, с. 7, (ASSOCIATION OF KAZAKHSTAN ANTIBUSINESS, *Automobile Market Of Kazakhstan. Industry Review*, 2013, p. 7).

⁶⁰ЕВРАЗИЙСКАЯ ЭКОНОМИЧЕСКАЯ КОМИССИЯ, *Состояние Легковой Автомобильной Промышленности...* op. cit., с. 40, (EURASIAN ECONOMIC COMMISSION, *Position of Light Automobile Industry...* op. cit., p. 40).

⁶¹By the Agreement between the governments of the Russian Federation and Republic of Belarus purchase and sale conditions and further operation of "Beltransgaz" open stock company, Gazptom bought 50% of shares of Beltransgaz for 2,5 billion US dollars, accumulating herewith 100% of its capital. *Vid.* Статья 1. РОССИЯ и БЕЛАРУСЬ, "Соглашение между Правительством Российской Федерации и Правительством Республики Беларусь об Условиях Купли-Продажи Акций и Дальнейшей Деятельности Открытого Акционерного Общества "Белтрансгаз", 25 ноября 2014, (*Vid.* Article 1. RUSSIA and BELARUS, "Agreement between the Government of Russian Federation and the Government of the Republic of Belarus on sale-purchase conditions and further development of "Belatransgas" JSC" November 25, 2014), http://www.mid.ru/bdomp/spd_md.nsf/0/DC77BDD2C4E6D4E6C3257DB9004734FF [11-10-2014]; ГАЗПРОМ, "О компании "Газпром Трансгаз Беларусь", (GAZPROM, *Gazprom Transgas Belarus*" Company) <http://belarus-tr.gazprom.ru/> [11-10-2014].

⁶²Б.ХЕЙФЕЦ, "Российский Капитал: Белорусский Вектор", *Прямые Инвестиции*, No. 7 (111), с. 12, (B.HEIFEZ, "Russian capital: Belarus", *Direct Investments*, No. 7 (111), p. 12).

⁶³МИНИСТЕРСТВО ЭКОНОМИЧЕСКОГО РАЗВИТИЯ РОССИЙСКОЙ ФЕДЕРАЦИИ, "Изменение Доли Участия Российских Компаний На Товарных Рынках Беларуси За Последние Пять Лет", op. cit., (MINISTRY OF ECONOMIC DEVELOPMENT OF RUSSIA FEDERATION, "Change of Russian Companies Share In Belarussian Trade Markets During Last Five Years", op. cit.).

⁶⁴Б.ХЕЙФЕЦ, "Российский Капитал: Белорусский Вектор", op. cit., с. 14, (B.HEIFEZ, "Russian Capital: Belarus", op. cit., p. 14).

As Belarus has very limited national energy resources, Russian politics is directed towards enlargements of its shares in already existing companies, while in Kazakhstan it actively competes with foreign rivals in the natural energy resources sphere in its main commodities – uranium, coal, gas and oil.

In this situation, Russia-Kazakhstan nuclear cooperation is worth noting. As previously mentioned, RK is the leader in uranium production.⁶⁵ In 2013, it mined 22,451 tons of Uranium, which is much more than Russian production (3,135 tons).⁶⁶ RK's abundance in natural resources makes it the subject of competition among major consumers of nuclear power, among which are Russia, South Korea, France, Canada, China, Japan and the USA.⁶⁷ In this struggle, Moscow wins due to close cooperation with Astana. Nowadays, it is the second largest (after national Kazatomprom) exploiter of Kazakhstan⁶⁸ (through Rosatom subsidiary Uranium One). That not only benefits Moscow regionally, but also has geopolitical significance. Thus, after acquiring the Canadian company Uranium One through success in RK's market, Russia has become involved in projects not only in Kazakhstan, but also in the USA, Australia and Tanzania.⁶⁹ That deal significantly increased Russian international bargaining power, because nowadays it controls 30% of world production of uranium.⁷⁰

As far as coal is concerned, Russia actively promotes its transnational companies in Pavlodar oblast of Kazakhstan, abundant in that energy resource and where two big projects have been realized: development of "Bogatyr Komir" coal mine (the largest one in the republic) and construction of the Ekibastuz State Regional Electro station.⁷¹

⁶⁵Among other leaders are Canada and Australia that respectively account 16% and 11% of world supply. The largest uranium reserves are in Australia (31%), Kazakhstan (12%), Russia (9%), and Canada (9%). *Vid.* WORLD NUCLEAR ASSOCIATION, "World Uranium Mining Production", <http://www.world-nuclear.org/info/Nuclear-Fuel-Cycle/Mining-of-Uranium/World-Uranium-Mining-Production/> [6-12-2014].

⁶⁶*Ibid.*

⁶⁷ЕВРАЗИЙСКИЙ БАНК РАЗВИТИЯ, "Атомно-Энергетические Комплексы России и Казахстана: Перспективы Развития и Сотрудничества", январь 2011, (EURASIAN DEVELOPMENT BANK, "Nuclear Energy Complex of Russia and Kazakhstan: Prospects Of Development And Cooperation", January 2011.), <http://eabr.org/general/upload/docs/publication/analyticalreports/EDB%20Nuclear%20Sector%20Report%20nov07%20summary.pdf> [13-11-2014].

⁶⁸М.СТАРЧАК, "Международная Конкуренция за Урановые Руды Казахстана", *Внешняя Политика*, 7 апреля 2014, (М.СТАРЧАК, "International Competition for Kazakhstan Nuclear Resources", *Foreign Policy*, April 7, 2014), <http://www.foreignpolicy.ru/analyses/mezhdunarodnaya-konkurentsiya-za-uranovye-rudy-kazahstana/> [6-12-2014].

⁶⁹URANIUM ONE, "Welcome to Uranium One", <http://www.uranium1.com/index.php/en/> [8-12-2014].

⁷⁰КАЗАХСТАН TODAY, "На Мировом Рынке Урана Произошло Повышение Цен", 19 ноября 2014, (KAZAKHSTAN TODAY, "Price Growth On The World Nuclear Market", November 19, 2014), http://www.kt.kz/rus/economy/na_mirovom_rinke_urana_proizoshlo_povishenie_cen_obzor_1153596350.html [8-12-2014].

⁷¹ЕВРАЗИЙСКИЙ БАНК РАЗВИТИЯ, *Интеграционные Процессы в Электроэнергетическом Секторе Государств – Участников Евразийского Банка Развития*, Отраслевой обзор No. 15, Алматы, Евразийский Банк Развития, 2012, с. 20, (EURASIAN DEVELOPMENT BANK, *Integration Processes In The Electrical Energy Sector Of Member-States Of The Eurasian Bank Of Development*, Industry review No. 15, Almaty, Eurasian Development Bank, 2012, p. 20), <http://www.eabr.org/general/upload/docs/AU/Obzor%20Energetika%20-%20polnaya%20versia%20-%2006-2012.pdf> [2-12-2014].

The “Bogatyr Komir” mine supplies coal not only to 53% of Kazakhstan’s Ekibastuz stations (the most productive of the country),⁷² but also 42% of Russian thermal electricity stations in the Ural district. After the collapse of the USSR it was privatized by American “Access Industries”; in 2009 Kazakhstan’s government (through “Sumruk-Energy”) together with Russian RUSAL (50/50 deal) obtained control over the mine and it is planned to invest USD 0.5 billion in its further development.⁷³

Another important project is the construction of Ekibastuz State Regional Electro station, realized with credits from the Eurasian Development Bank and Russian Vneshneconombank, which also represents the 50/50 deal between RK’s government and Russian Inter RAO UES JSC.⁷⁴ There are three significant consequences of these two projects: firstly, the RF obtained influence over the main coal mining and electricity generating region in Kazakhstan; secondly, Kazakhstan’s government influenced its bargaining power in the electricity market, where private actors dominate; and thirdly, the development of the Ekibastuz region became the core of Russian-Kazakh cooperation in the electric power field because its capacity is strong enough not only for being the RK’s center of electricity system, but also for the entire region.

As far as national gas is concerned, traditionally a Russian dominated sphere, Gazprom, the largest gas company in the world⁷⁵ (according to Petroleum Intelligence weekly 2013 rating),⁷⁶ has been using integration to maintain its dominant position. The company not only buys and then re-sells CA gas but also has 50% shares of “KazRosGaz” focused on refining gas from Kachaganak (the biggest in RK) in the Russian Orenburg gas refinery, its distribution for domestic needs and exporting abroad (i.e. selling to the RF).⁷⁷

In the sphere of oil, in parallel with controlling Kazakhstan’s oil transport corridors, the RF participates in exploitation of RK’s resources (they are explained more specifically in the third section).

⁷²Ekibastuz is the main coal supplier of Omsk, Sverdlovsk, and Chelyabinsk cities in RF. *Vid. EBPAZIIЙCKИЙ БАНК РАЗВИТИЯ, Интеграционные Процессы в Электроэнергетическом Секторе Государств – Участников Евразийского Банка Развития, op. cit., c. 24, (EURASIAN DEVELOPMENT BANK, Integration Processes In The Electrical Energy Sector Of Member-States Of The Eurasian Bank Of Development, op. cit., p. 24).*

⁷³EURASIAN DEVELOPMENT BANK, “Investment Financing For Bogatyr Komyr Coal Mining Company In Kazakhstan”, http://www.eabr.org/e/projects/edb/?id_4=263 [8-12-2014].

⁷⁴EBPAZIIЙCKИЙ БАНК РАЗВИТИЯ, *Интеграционные Процессы в Электроэнергетическом Секторе Государств – Участников Евразийского Банка Развития, op. cit., c. 31, (EURASIAN DEVELOPMENT BANK, Integration Processes In The Electrical Energy Sector Of Member-States Of The Eurasian Bank Of Development, op. cit., p. 31).*

⁷⁵R.FERNÁNDEZ, “Economía de Rusia: Dos Décadas de Contrastes”, *op. cit., p. 187.*

⁷⁶PETROLEUM INSIGHTS, “Energy Intelligence Announces The PIW Top 50 Ranking Of The World’s Largest Oil Companies”, November 19, 2013, http://petroleuminsights.blogspot.com.es/2013/11/energy-intelligence-announces-piw-top.html#.VIBIXjGG_5M [14-11-2014].

⁷⁷KAZROSGAZ, “History”, [http://kazrosgas.org/eng/about-company/history/\[14-11-2014\]](http://kazrosgas.org/eng/about-company/history/[14-11-2014]).

Regarding market enlargement in energy terms, Kazakhstan and Belarus are two new markets for Russia's further nuclear expansion. Thus, in 2013⁷⁸ within Eurasian integration, Russian "Atomstroyexport" JSC (subsidiary of state Rosatom) started construction of Nuclear Power Station Grodnensk oblast (Belarus).⁷⁹ While in Kazakhstan, the construction of the nuclear station should start in 2018 and be finished by 2024.⁸⁰

Russian policy on involvement of the EAEU partners in its energy projects, which form part of its priority to become "energy superpower"⁸¹ demonstrates an example of attenuation of the gap between internal and foreign affairs, which Hoffmann recognizes as one of the effects of integration. This situation shows how domestic priority of becoming a powerful player in the energy sphere interweaves with the foreign objectives of its implementation. In these terms, the results obtained by the Republic of Belarus studied in the next part seem less ambitious, but which does not diminish their importance for the country.

9.1.3. Republic of Belarus

As far as Belarus is concerned, consequences of integration are seen most of all due to high dependence of the economy on Russian energy supply and access to its market.

The case of Belarus is also different from its partners because it inherited an advanced industrial base from the Soviet Union determined by large investments in its economy after WWII,⁸² moreover, after transition to the open market it did not re-orientate its economy to a resource-based one, but succeeded in maintaining its industrial development.

In the second section it is shown that the share of EAEU countries in RB's foreign export increased by 14% (from 33% in 2009 to 47% in 2014), while in monetary terms it increased almost six fold (see figure 25 and 26). However, as shown in figure 22, the structure of trade did not change dramatically and machinery equipment, manufacture and "food and livestock" are the top-three goods of commodities of RB's export to EAEU partners.

⁷⁸МИНИСТЕРСТВО ЭКОНОМИЧЕСКОГО РАЗВИТИЯ РОССИЙСКОЙ ФЕДЕРАЦИИ, "Российско-белорусское Инвестиционное Сотрудничество", *op. cit.*, (MINISTRY OF ECONOMIC DEVELOPMENT OF RUSSIAN FEDERATION, "Russian-Belarusian Investment Cooperation", *op. cit.*).

⁷⁹МИНИСТЕРСТВО ЭКОНОМИЧЕСКОГО РАЗВИТИЯ РОССИЙСКОЙ ФЕДЕРАЦИИ, "Изменение Доли Участия Российских Компаний На Товарных Рынках Беларуси За Последние Пять Лет", *op. cit.*, (MINISTRY OF ECONOMIC DEVELOPMENT OF RUSSIA FEDERATION, "Change of Russian Companies Share In Belarussian Trade Markets During Last Five Years", *op. cit.*).

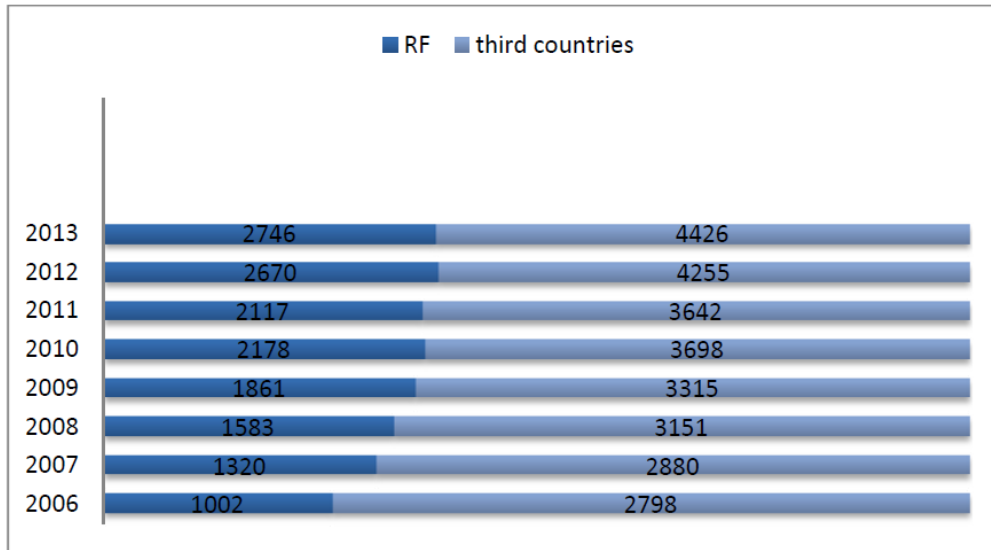
⁸⁰П.СВОИК, "Из ЕАЭС Получается АЭС", *Forbes*, 27 июня 2014, (P.SVOIKH, "From EAEU to ANS", *Forbes*, June 27, 2014) http://forbes.kz/process/energetics/iz_eaes_poluchaetsya_aes [6-12-2014].

⁸¹M.SPECHLER and D.SPECHLER, "Russia's Lost Position In Central Eurasia", *op. cit.*, p. 6.

⁸²S.EKE and T.KUZIO, "Sultanism in Eastern Europe: The Socio-Political Roots of Authoritarian Populism in Belarus", *op. cit.*, p. 538.

The most obvious consequence of integration for Belarus is the possibility of direct communication with interest groups in integrating countries, which is seen in the growth of the number of interstate companies, summarized in figure 23.

Figure 23. Companies, ventures, enterprises with foreign capital in Belarus, 2006-2013



Source: For 2006-2012, МИНИСТЕРСТВО ЭКОНОМИЧЕСКОГО РАЗВИТИЯ РОССИЙСКОЙ ФЕДЕРАЦИИ, "Изменение Доли Участия Российских Компаний На Товарных Рынках Беларуси За Последние Пять Лет", (MINISTRY OF ECONOMIC DEVELOPMENT OF RUSSIAN FEDERATION, "Change of Russian Companies Share in Belarussian Trade Markets During Last Five Years"), <http://www.ved.gov.ru/files/images/country/Byelorussia/2014/BelarusianRussian%20cooperation%20in%20investment%202012.pdf> [10-10-2014]; for 2013, МИНИСТЕРСТВО ЭКОНОМИЧЕСКОГО РАЗВИТИЯ РОССИЙСКОЙ ФЕДЕРАЦИИ, "Российско-Белорусское Инвестиционное Сотрудничество", (MINISTRY OF ECONOMIC DEVELOPMENT OF RUSSIAN FEDERATION, "Russian-Belarussian Cooperation"), http://www.ved.gov.ru/exportcountries/by/by_ru_relations/by_rus_projects/ [10-10-2014] (prepared by the author).

As the table demonstrates, since integration began the number of joint ventures not only doubled but also increased its share in the total amount of companies with foreign capital participation. Nowadays almost 40% of all enterprises which third parties are involved in are established in cooperation with the RF.

At first sight that consequence is positive, but it also has its negative aspect such as limiting governmental authority and vulnerability to external events. Thus, among 2,746 ventures with Russian capital registered on 1 January 2014, 1,704 are 100% Russian, which might indirectly limit RB's governmental power. In addition, many Russian and RF participating companies lie in strategic national areas. In such a manner, alongside the already mentioned RF's large participation in the gas sphere, Gazprom participates in "Belstroytransgaz", "SiburBelservis" and "Belarusneftgas"

(construction services related to natural gas);⁸³ leading Russian oil companies (LUKOIL, Rosneft, TNK-BP, etc.) are the only suppliers of Belarus refineries;⁸⁴ “Transneft” controls a network of oil product transportation routes;⁸⁵ Russian “Severstal-group” is the second largest after national Belarussian metallurgic complex in the roll steel field (13% of the market), where supply is essential for operation of the Belarussian machinery industry.⁸⁶ In addition, it is typical for the RF to buy Belarussian industries when they face financial problems or need investments, which has happened with FV CSC “Molodechno Tube Rolling Plant”,⁸⁷ “Belgips”, the largest building materials company⁸⁸ or “Bresgazoapparat”, the largest producer of gas and electric stoves in the former Soviet space, which is currently controlled by Gazprom.⁸⁹

In the case of Belarus, it is necessary to take into account that expansion of Russian capital goes in parallel with concessions from Moscow in energy terms. Thus, figure 24 demonstrates how, due to close cooperation with the RF, Minsk obtains very low prices on gas for Belarus compared to Europe and all former USSR countries (CIS and Baltic countries).

⁸³МИНИСТЕРСТВО ЭКОНОМИЧЕСКОГО РАЗВИТИЯ РОССИЙСКОЙ ФЕДЕРАЦИИ, “Изменение Доли Участия Российских Компаний На Товарных Рынках Беларуси За Последние Пять Лет”, *op. cit.*, (MINISTRY OF ECONOMIC DEVELOPMENT OF RUSSIAN FEDERATION, “Change Of Russian Companies Share In Belarussian Trade Markets During Last Five Years”, *op. cit.*).

⁸⁴V.SHLYCHKOV, “Belarussian Oil Market to Become a Battlefield for Russian Companies”, *Oil and Gas: Eurasia*, October 4, 2013, <https://www.oilandgaseurasia.com/en/news/belarussian-oil-market-become-battlefield-russian-companies/page/0/1> [1-11-2014].

⁸⁵МИНИСТЕРСТВО ЭКОНОМИЧЕСКОГО РАЗВИТИЯ РОССИЙСКОЙ ФЕДЕРАЦИИ, “Изменение Доли Участия Российских Компаний На Товарных Рынках Беларуси За Последние Пять Лет”, *op. cit.*, (MINISTRY OF ECONOMIC DEVELOPMENT OF RUSSIA FEDERATION, “Change of Russian Companies Share In Belarussian Trade Markets During Last Five Years”, *op. cit.*).

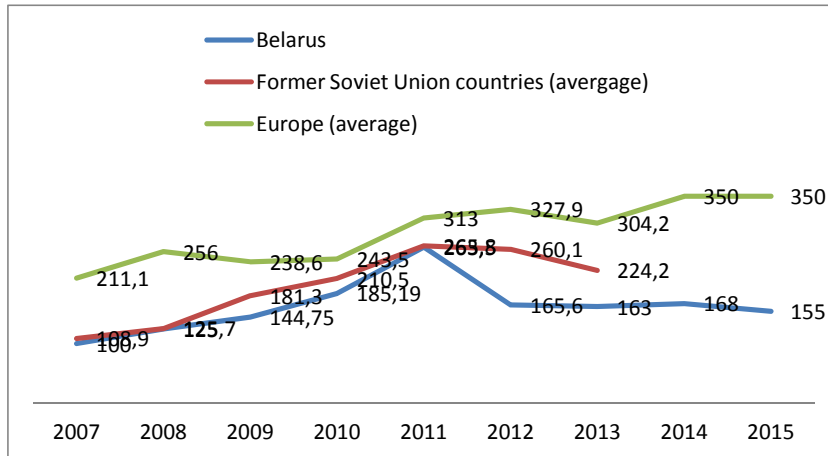
⁸⁶СЕВЕРСТАЛЬБЕЛ, “Северстальбел” Завоёвывает Рынок Беларуси”, (SEVERSTAL, “SeverSteelBel” Conquers Belarussian Market”), http://severstal.by/rus/press_center/news/document365.phtml [10-10-2014].

⁸⁷МИНИСТЕРСТВО ЭКОНОМИЧЕСКОГО РАЗВИТИЯ РОССИЙСКОЙ ФЕДЕРАЦИИ, “Изменение Доли Участия Российских Компаний На Товарных Рынках Беларуси За Последние Пять Лет”, *op. cit.*, (MINISTRY OF ECONOMIC DEVELOPMENT OF RUSSIA FEDERATION, “Change of Russian Companies Share In Belarussian Trade Markets During Last Five Years”, *op. cit.*).

⁸⁸EBRR, “Belarus: Major Structural Reform Developments”, <http://tr.ebrd.com/tr14/belarus/> [10-10-2014].

⁸⁹МИНИСТЕРСТВО ЭКОНОМИЧЕСКОГО РАЗВИТИЯ РОССИЙСКОЙ ФЕДЕРАЦИИ, “Изменение Доли Участия Российских Компаний На Товарных Рынках Беларуси За Последние Пять Лет”, *op. cit.*, (MINISTRY OF ECONOMIC DEVELOPMENT OF RUSSIA FEDERATION, “Change of Russian Companies Share In Belarussian Trade Markets During Last Five Years”, *op. cit.*).

Figure 24. Gas prices for Belarus, EU and the former USSR countries, USD per 1,000 m³, 2007-2015



Source: For gas prices for Belarus, ВЕДОМОСТИ, “Цены “Газпрома” для России и Белоруссии в 2005-2011 гг. (VEDOMOSTI, “Gazprom” prices for Russia and Belarus”), http://www.vedomosti.ru/politics/news/1430693/otvyazalis_ot_evropy [1-11-2014]; РОССИЙСКАЯ ФЕДЕРАЦИЯ и РЕСПУБЛИКА БЕЛАРУСЬ, “Соглашение между Правительством Российской Федерации и Правительством Республики Беларусь о порядке формирования цен (тарифов) при поставке природного газа в Республику Беларусь и его транспортировке по газопроводам, расположенным на территории Республики Беларусь, 25 ноября 2011, (RUSSIAN FEDERATION AND REPUBLIC OF BELARUS, “Agreement between the Government of Russian Federation and the Government of the Republic of Belarus on prices (tariffs) establishment order on Natural Gas Supply to the Republic of Belarus and its transportation by pipelines passing the territory of the Republic of Belarus”, November 25, 2011) http://www.mid.ru/bdomp/spd_md.nsf/0/CD3A08F3004633FC43257E0000219E13 [18-03-2015]; БЕЛТА, Цена на российский газ для Беларуси в 2014 году будет на уровне \$167 за 1 тыс.куб.м, (BELTA, “Price for Russian natural gas will be 167 USD per 1 000m³), http://www.belta.by/ru/all_news/ec_economics/Tsena-na-rossijskij-gaz-dlja-Belarusi-v-2014-godu-budet-na-urovne-167-za-1_tyskubm_i_655181.html [1-11-2014]; REPUBLIC OF BELARUS, “Three-year contract on Russian natural gas deliveries to Belarus signed”, http://www.belarus.by/en/business/business-news/three-year-contract-on-russian-natural-gas-deliveries-to-belarus-signed_i_0000017800.html [10-12-2014]. For gas prices for Europe and former USSR countries, GAZPROM, “Europe”, <http://www.gazprom.com/about/marketing/europe/> [18-03-2015]; ТАСС, “Газпром: Цена На Российский Газ В Европе В 2015 Году Будет Не Ниже, Чем В 2014 Году”, (TASS, “Gazprom: 2015 Prices For Russian Gas For Europe Are Lower Than In 2014”), <http://itar-tass.com/ekonomika/1460926> [12-12-2014] (prepared by the author).

The figure demonstrates that integration allowed Minsk to bargain very low prices for gas, which are lower than for the EU by more than half. Moreover, further integration with the RF guarantees Minsk low prices on gas, locked in by the

Agreement of 2011, where gas prices for Belarus are linked with Russian internal prices of the Yamal-Nenetsk Autonomous region.⁹⁰

It seems that Belarus dependence on energy supply from Russia will be maintained in future due to the integration processes. That makes the country vulnerable to external crisis, such as one that happened in 2011 when the price for gas for Belarus was equal to one imposed for the rest of the post-Soviet countries, which forced the Belarussian government to sell “Belneftegas” to Gazprom.

As for the transition to global standards, it is the result of integration common for all participating countries. The CU, SES as well as the EAEU have been developing under the recognized practices of integration. For example, the Customs Codex of the CU is developed with international norms imposed by the International Convention on the Simplification and Harmonization of Customs Procedures known as the Kyoto Convention⁹¹ elaborated in 1973-74 and reviewed in 2006.⁹² The norms of the WTO have been taken as the basis of internal documentation of the supranational organs, which by the time the CU was established all members had been recognized as observers,⁹³ while Russia’s joining the WTO made standards of this trade organization obligatory for the rest of the EAEU members.⁹⁴

Regarding common results for all nation-states, it is necessary to note three requirements proposed by S. Hoffmann, which should lead to prosperity of the community: social support, geographical proximity and harmonizing nature of institutions whose function is to create a regime able to manage members’ actions in pursuing common goals. Eurasian integration responds to all of them. Thus, in accordance with the latest investigations (2014), 84% of Kazakhstanis, 68% of Belarussians and 79% of Russians positively consider the integration processes.⁹⁵ These three countries are neighbors. As for institutions and their functions, the CU, SES and EAEU created efficient regimes for managing inter-state collaboration studied in the next section.

⁹⁰*Vid.* Статья 3. РОССИЙСКАЯ ФЕДЕРАЦИЯ и РЕСПУБЛИКА БЕЛАРУСЬ, “Соглашение между Правительством Российской Федерации и Правительством Республики Беларусь О Порядке Формирования Цен (Тарифов) При Поставке Природного Газа В Республику Беларусь...”, *op. cit.*, (RUSSIAN FEDERATION and REPUBLIC OF BELARUS, “Agreement Between The Government Of The Russian Federation and the Government of the Republic of Belarus on prices (tariffs) establishment order on Natural Gas Supply to the Republic of Belarus...”, *op. cit.*).

⁹¹С.ГЛАЗЬЕВ, “Зачем Нужен Таможенный Союз?”, *op. cit.*, с. 13, (S.GLAZIEV, “What the Customs Union is Necessary for?”, *op. cit.*, p. 13).

⁹²UNECE, “Convenio de Kyoto Revisado (CKR)”, <http://fig.unece.org/SP/contents/revised-kyoto-convention.htm> [11-12-2014].

⁹³С.ГЛАЗЬЕВ, “Зачем Нужен Таможенный Союз?”, *op. cit.*, с. 14, (S.GLAZIEV, “What the Customs Union is Necessary for?”, *op. cit.*, p. 14).

⁹⁴М.ПИНО, “La Construcción De La Unión Euroasiática Y La Política Exterior De Rusia”, *Humania del Sur*, Año 8, No. 14, Enero-Junio 2013, p. 57.

⁹⁵ЕВРАЗИЙСКИЙ БАНК РАЗВИТИЯ, *Интеграционный Барометр: Таблицы Распределения Ответов Мониторинга – 2014*, 2014, с. 18 (EURASIAN DEVELOPMENT BANK, *Integration Barometer: Tables of Survey Results – 2014*, 2014, p. 8), <http://www.eurasiamonitor.org/rus/research/event-251.html> [10-12-2014].

9.2. Effects of integration on the regime level of the Eurasian institutions and their classification

Concerning regimes classification by Robert Keohane, the following statements might be considered. Therefore, the forms of an institution are determined by its function and vary from one issue to another. For energy and environmental issues, “regime complex” is typically what happens when there is no single institution responsible for management of the field but rather a range of institutions. In military issues, there are inclusive organizations (for dealing with possible risks) and exclusive ones that cope with external threats, which in turn can be designed or spontaneous. In economic questions there are insurance-orientated regimes that do not have total control over regulation of economic issues, and control-orientated ones that have capabilities to exercise control over states’ compliance with the rules imposed by the regime. Regarding membership conditions, organization may be restricted, conditionally open and open. Concerning binding nature, they are formal and informal. According to the criteria of power distribution inside institutions, members can be system-determining, system-influencing, system-affecting and system-ineffectual.

As far as universal classification by Keohane is concerned, in the event of typology by the membership criteria, even though it seems that Eurasian institutions belong to the first group of states (restricted) by analogy with the EU, they are likely to belong to the second group (conditionally opened). The reason for that is in the fact that the EAEU “is open to be joined by any state that shares its aims and principles on conditions agreed by the member-states”.⁹⁶ Thus, the Union does not put geographical approximation of similar cultural and social values as a criteria for membership, which allows the consideration of Eurasian institutions as conditionally open.⁹⁷

In the case of economic issues, all studied Eurasian institutions (Customs Union, Single Economic Space and EAEU) are control-orientated because they impose rules of cooperation, which in parallel with internal affairs monitor external economic relations of participating countries.

Thus, in the case of energy issues, “regime complex” situation might be observed in the example of Kazakhstan because it actively participates in EU-driven programs such as INOGATE, TRACECA and other European strategies of technical assistance promotion including cooperation in the energy sphere.⁹⁸ Together with Russia, it agrees to participate in Energy Club that is planned to be created within the SCO, which, if its observers (such as India, Pakistan and Iran) join the organization,

⁹⁶*Vid.* Статья 108. ЕАЕС, “Договор о Евразийском Экономическом Союзе”, *op. cit.*, (*Vid.* Article 108. EAEU, “Treaty on the Eurasian Economic Union”, *op. cit.*).

⁹⁷Regarding military cooperation, the main organization concerned is CSTO. As CSTO is a collective security organization, according to Keohane’s terminology, it is an exclusive institution, which deals with external threats.

⁹⁸A.YESDAULETOVA, “Kazakhstan’s Energy Policy: Its Evolution And Tendencies”, *Journal of US-China Public Administration*, Vol. 6, No. 4, August 2009, p. 36.

might become the biggest energy community in the world.⁹⁹ In addition to that, Kazakhstan (as mentioned in the sixth chapter) signed the Energy Charter Treaty (one that Russia did not ratify),¹⁰⁰ and its energy market (including exploitation of oil and gas) is open to foreign companies where interests of the USA, China, and many European countries are widely represented. Such observations lead to the consideration that there is no single institution that regulates the energy sphere of Kazakhstan, but there are different fields of cooperation which Astana is committed to, that altogether compose the regime complex of its energy issues.

Regarding binding nature, the CU, SES and EAEU are formal because the norms, principles and rules of cooperation within Eurasian integration are prescribed by agreements.

As for each member's position within the community, it might be concluded that all three participating countries, Kazakhstan, Russia and Belarus, are system-determining actors because they stand at the origins of the Union.

As for the effects of regimes, they are also positive and negative. States with more developed economies have more advantages, in parallel, countries with lower labor costs are more competitive. Integration enhances democracy because it is based on equality of nations; it leads to an increase of FDI that promotes technological development and decreases unemployment; it causes liberalization of the economy, which is positive for the country in general but negative for the government in particular. In addition, similar to nation-states, regimes as integrating communities are vulnerable to external pressure.

Proceeding from this terminology, the regime effects of three Eurasian institutions are analyzed below.

9.2.1. *Customs Union: market protection*

In accordance with Keohane's terminology, the CU is a control-orientated, formal regime because its norms, principles and rules of cooperation are prescribed by the "Treaty on the Establishment of the Common Customs Territory and Formation of the Customs Union of October 6, 2007"; "Treaty on Unified Customs and Tariff Regulation of January 25, 2008"; "Treaty on the Unified Measures of Non-Tariff Regulation with regard to Third Countries of January 25, 2008"; "Treaty on the Customs Code of the Customs Union of June 1, 2010", etc.¹⁰¹

Establishing the CU, its members created the "united customs territory, within whose borders goods produced within the customs territory and goods with origin

⁹⁹*Ibid.*, pp. 34-35.

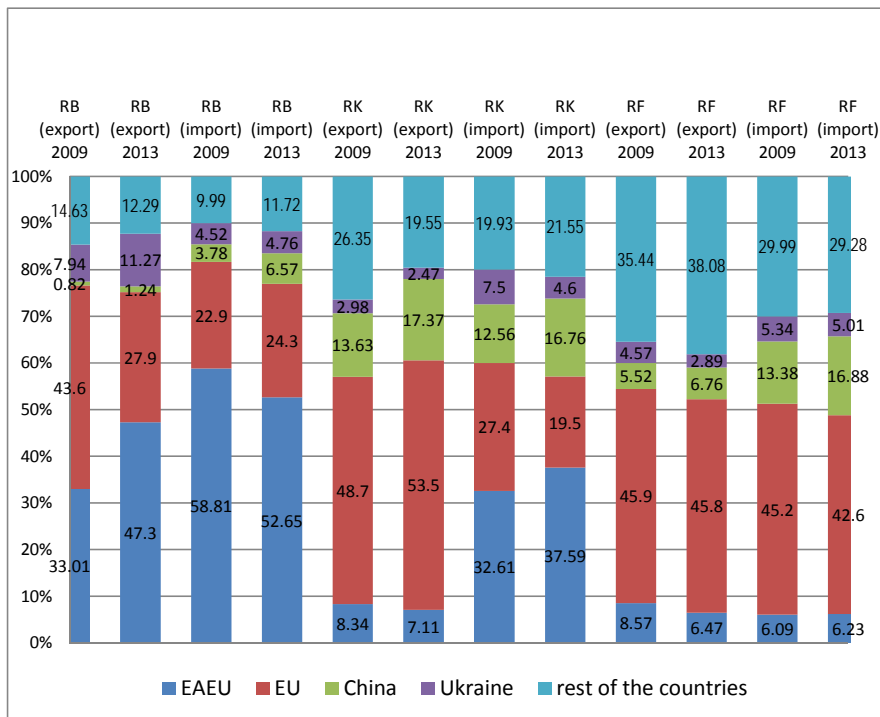
¹⁰⁰*Ibid.*, p. 33.

¹⁰¹For the entire list of documents that regulate the CU see, COMMISSION OF CUSTOMS UNION, "List of the International Treaties Constituting the Legal Framework of the Customs Union", <http://www.tsouz.ru/Docs/IntAgrmnts/Pages/Perechenagl.aspx> [14-12-2014].

from third countries released for free circulation within the customs territory are free from customs tariffs and other economic limitations".¹⁰²

As stated in the previous chapter, the main idea of the CU was protection of the internal market and stimulation of mutual trade; the data related to these two issues is summarized in figures 25 and 26.

Figure 25. Comparison of shares of the foreign trade partners (in %) of the EAEU members, 2009-2013



Source: WTO, *WTO trade profiles 2010*, Geneva, WTO publications, 2010; WTO, WTO TRADE PROFILES DATABASE; WITS DATABASE (prepared by the author).

As the figure demonstrates, in spite of Eurasian integration, Kazakhstan's main export destination partners are the EU and China. That is determined by the fact that RK remain a resource-based economy and its main export commodities (more than

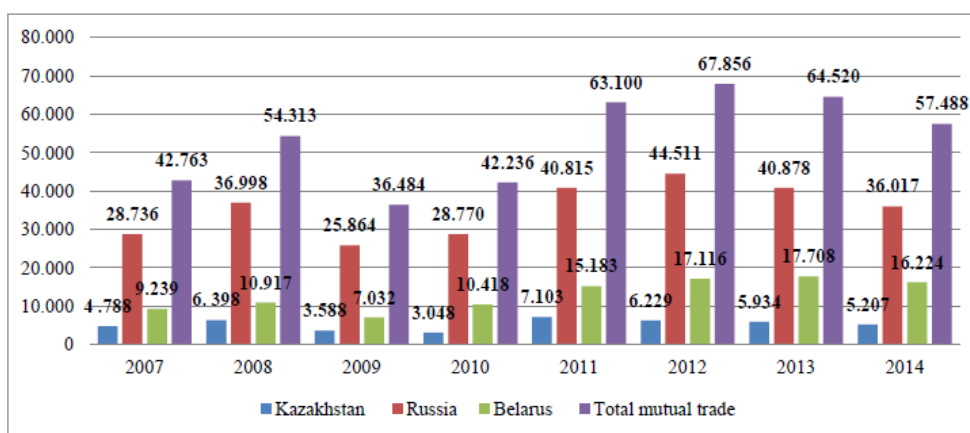
¹⁰²*Vid.* Статья 1. ТАМОЖЕННЫЙ СОЮЗ, "Договор о Создании Единой Таможенной Территории И Формировании Таможенного союза", *op. cit.*, (*Vid.* Article 1. CUSTOMS UNION, "Treaty on Establishment Common Customs Territory and Formation of the Customs Union", *op. cit.*).

75% in 2013) are fuels.¹⁰³ However, integration protected the market from some imports from the EU, whose share decreased from 27.4% (2009) to 19.5% (2013) and was taken over by the EAEU members and China.

In the case of Russia, even though in monetary terms its export within the Union has largely increased (as shown in figure 26), Belarus and Kazakhstan are far from being the RF's main trade partners. In this regard it is worth noting that RB and RK together occupy almost the same share in the RF's imports as Ukraine does.

Integration has the greatest consequences for Belarus, because its industrial production nowadays is entirely orientated towards the internal market of the EAEU and any change in this economic process can have an irreversible effect on its economy.¹⁰⁴ Integration largely increased the share of the EAEU members in RB's export from 33% to 47% making the Union Minsk's main export destination partner. The share of import from the closest partners has decreased by 6% in favor of third parties such as the EU and China, which are the main exporters to the entire EAEU.

Figure 26. Mutual trade within EAEU, billion USD, 2007-2014



Source: COMTRADE DATABASE; ЕЭК, "Статистика Внешней и Взаимной Торговли Товарами" (ЕС, "Statistics of Foreign and Mutual Trade in Goods"), http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_stat/tradestat/Pages/default.aspx [14-12-2014] (prepared by the author).

Figure 26 confirms Hoffmann's observation that more industrialized countries gain more from integration than less advanced ones. Comparing 2009 and 2013,

¹⁰³WITS DATABASE. In 2013, the share of "raw materials" in Kazakhstan's export to the EU and China were 96.4% and 70.58% respectively. Vid. EUROPEAN UNION, *Trade In Goods With Kazakhstan*, August 28, 2014, p. 2, http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113406.pdf [14-12-2014].

¹⁰⁴С.ГЛАЗЬЕВ, "Актуальные Проблемы и Основополагающие Принципы Евразийской (Постсоветской) Экономической Интеграции", *Философия Хозяйства*, No.1 (91), Январь-Февраль 2014, с. 24, (S.GLAZIEV, "Current Problems and Main Principles of Eurasian (Post-Soviet) Economic Integration", *Philosophy of Household*, No. 1 (91), January-February 2014, p. 24).

Kazakhstan's volume in mutual trade increased by 1.9 times,¹⁰⁵ Russia's by 1.6 times, while Minsk increased its export by 2.5 times. Glaziyev explains that even though the GDP of RB is three times smaller than Kazakhstan's (which is shown in figure 31 of the second block), its share in mutual trade accounts for around 27% due to being a more industrialized economy, which allows it to benefit more from liberalization of trade.¹⁰⁶

However, in spite of the different level of acquired benefits, data shows that integration had positive results on protection of the market, which are seen in a decreasing share of third countries and an increase of the internal one in foreign trade of EAEU members. In addition, it is necessary to take into account that growth of mutual trade succeeded in the light of the financial crisis that had provoked the recession of economies and their export capacity in the whole world including EAEU member-states.¹⁰⁷

The CU created the base for the following level integration achieved by establishment of the SES.

9.2.2. Single Economic Space: common market of goods and basis of the future free movement of capital, services and labor

If the Customs Union protects the internal market, SES gives opportunities for industrial development of each member and creates favorable conditions for intra-industrial cooperation.¹⁰⁸ The main aim of the SES was to create the basis for the future EAEU, i.e. not harmonize but approximate states' policies in the key spheres.¹⁰⁹ Those spheres were limited only to those which create equal competitive conditions for member-states,¹¹⁰ and can be divided in five groups based on: economic policy, capital movement, cooperation in the sphere of labor, industry-specific integration and technical regulations.¹¹¹

¹⁰⁵In the present analysis, comparison is made between 2009 and 2013 (not 2014) because firstly, data regarding entire 2014 mutual trade is available but not confirmed yet, secondly, in 2014, mutual trade has been largely decreased not because of the problems inside the Union, but because of sanctions imposed on Russia (studied in the next block).

¹⁰⁶С.ГЛАЗЬБЕВ, "Актуальные Проблемы и Основополагающие Принципы Евразийской (Постсоветской) Экономической Интеграции", *op. cit.*, p. 28, (S.GLAZIEV, "Current Problems and Main Principles of Eurasian (Post-Soviet) Economic Integration", *op. cit.*, p. 28).

¹⁰⁷В.КИЛИН, "Перспективы Развития Внешнеторговой Деятельности России в Условиях Единого Экономического Пространства", *Евразийская Интеграция: Экономика, Право, Политика*, No. 14, 2013, с. 82, (V.KILIN, "Russian Foreign Trade within the framework of Common Economic Space of Eurasian Economic Community", *Eurasian integration: Economy, Law, Policy*, No. 14, 2013, p. 82).

¹⁰⁸СНГ, "Информация о Развитии Производственной Кооперации в Государствах – Участниках СНГ", (CIS, "Information of Industrial Cooperation Development in CIS Member-States"), <http://www.e-cis.info/page.php?id=24017> [12-12-2014].

¹⁰⁹ЕЭК, *Евразийская Экономическая Комиссия: Цифры И Факты*, Москва, Пресс-служба Евразийской Экономической Комиссии, 2014, с. 7, (EEC, *Eurasian Economic Commission: Numbers And Facts*, Moscow, Press-service of the Eurasian Economic Commission, 2014, p. 7).

¹¹⁰С.ГЛАЗЬБЕВ, "Актуальные Проблемы и Основополагающие Принципы Евразийской (Постсоветской) Экономической Интеграции", *op. cit.*, p. 24, (S.GLAZIEV, "Current Problems and Main Principles of Eurasian (Post-Soviet) Economic Integration", *op. cit.*, p. 24).

¹¹¹МИНИСТЕРСТВО ЭКОНОМИЧЕСКОГО РАЗВИТИЯ РОССИЙСКОЙ ФЕДЕРАЦИИ, "Единое Экономическое Пространство и Таможенный Союз: Направления Деятельности",

In the field of economic policy, states undertook common technical requirements of procurement procedures, application of norms for municipal purchases and particularities of provision of national regime.¹¹² In the sphere of trade in services and mutual investments, states offer each other non-discriminative conditions; however, as many services are related to governmental competence such as health care or education, the common market of services has been facing many national barriers.¹¹³ In the field of intellectual property, states take measures aimed at unification of subsequent norms.¹¹⁴

States came to common rules of governmental support fundamental for further coordinated policy on agriculture¹¹⁵ and industrial development,¹¹⁶ and put common limits on inflation, external debt, etc. (explained in chapter 8).¹¹⁷

The SES establishes the principle of members' equality concerning competition law, of infeasibility of anti-competitive measures and effective sanctions against them, control over economic concentration and administration, transparency and cooperation.¹¹⁸

All these measures taken in economic policy allowed for the creation of the common market of goods,¹¹⁹ which as was pointed out in chapter 7, came into full operation within the SES. One of the main features of the market is that it is based not only on a centralized economy, as it was during the Soviet times, but also on the free market principles, which comes in line with what Keohane was speaking about regarding liberalization of economy.

The effect of liberalization is seen most of all in the case of Belarus, 50% of whose economy applies to the public sector in accordance with the World Bank review.¹²⁰ Thus, during only four years of integration, the "total tax rate (as % of

(MINISTRY OF ECONOMIC DEVELOPMENT OF RUSSIAN FEDERATION, "Single Economic Space: Area of Activity"), http://www.ved.gov.ru/reg/souz/napravl_eap/

¹¹²Vid. Статьи 3, 4 и 7. ЕЭП, "Соглашение о Государственных (Муниципальных) Закупках", *op. cit.*, (Vid. Articles 3, 4 and 7. SES, "Agreement on Governmental (Municipal) Purchases", *op. cit.*).

¹¹³С.ГЛАЗЬЕВ, "Актуальные Проблемы и Основополагающие Принципы Евразийской (Постсоветской) Экономической Интеграции", *op. cit.*, p. 26, (S.GLAZIEV, "Current Problems and Main Principles of Eurasian (Post-Soviet) Economic Integration", *op. cit.*, p. 26).

¹¹⁴Vid. Статья 1. ЕЭП, "Соглашение О Единых Принципах Регулирования В Сфере Охраны И Защиты Прав Интеллектуальной Собственности", *op. cit.*, (Vid. Article 1. SES, "Agreement On Single Principles Of Regulations In The Sphere Of Intellectual Property Defense And Protection", *op. cit.*).

¹¹⁵Vid. Article 1, ЕЭП, "Соглашение о единых правилах государственной поддержки сельского хозяйства", *op. cit.*, (Vid. Article 1. SES, "Agreement on single rules of governmental support of agriculture", *op. cit.*).

¹¹⁶Vid. Статья 1. ЕЭП, "Соглашение О Единых Правилах Предоставления Промышленных Субсидий", *op. cit.*, (Vid. Article 1. SES, "Agreement On Single Rules Of Industrial Subsidies Provision", *op. cit.*).

¹¹⁷Vid. Article 5. ЕЭП, "Соглашение О Согласованной Макроэкономической Политике", *op. cit.*, (Vid. Article 5. SES, "Agreement On Coordinated Macroeconomic Policy", *op. cit.*).

¹¹⁸Vid. Articles 3-9. ЕЭП, "Соглашение О Единых Принципах И Правилах Конкуренции", *op. cit.*, (Vid. Articles 3-9. SES, "Agreement On Single Principles And Rules Of Competition", *op. cit.*).

¹¹⁹С.ГЛАЗЬЕВ, "Актуальные Проблемы и Основополагающие Принципы Евразийской (Постсоветской) Экономической Интеграции", *op. cit.*, p. 25, (S.GLAZIEV, "Current Problems and Main Principles of Eurasian (Post-Soviet) Economic Integration", *op. cit.*, p. 25).

¹²⁰ВСЕМИРНЫЙ БАНК, "Республика Беларусь, Особое Внимание: Повестка Структурных Реформ", Октябрь 2013, (WORLD BANK, "Republic of Belarus, Special Focus: Structural Reforms Onto

commercial profits)” decreased from 80.5% in 2010 to 52% in 2014,¹²¹ by comparison for Kazakhstan and Russia it remained almost on the same level (29.4% (2010) to 28.6% (2014) for Kazakhstan and 46.5% (2010) to 48.9% (2014) for Russia. The number of taxes in Belarus decreased from 82 (2010) to 7 (2014), while for Kazakhstan, it accounts for almost an equal number (7 in 2010 and 6 in 2014), the same as for Russia (8 in 2010 and 7 in 2014).¹²² In such a way, Belarus made a significant step toward liberalization of its economy, which had a positive effect on its economy in general (because of an increase of FDI from Russia studied later), but which decreased the authority of the government because it lost its control over strategic points of economy (taking into account the example the event of Beltransgas).

Another important feature of Eurasian integration is that it is based on equality of nations in spite of their different economic development. That equality is seen in the fact that all decisions within the Union are taken by consensus,¹²³ in the case that some members do not agree with decisions of the supranational organs, they have the power of veto (used only once by Kazakhstan regarding antidumping measures of Belarus).¹²⁴ Two these points come in line with Keohane’s thesis that integration promotes equal rights of nations and herewith has democracy-enhancing effects.

As for the more favorable conditions in terms of salaries as seen in figure 27, Russia has higher ones, which explains why immigration to the RF from RK and RB is higher than emigration.¹²⁵

Agenda”, October 2013), <http://www.worldbank.org/content/dam/Worldbank/document/Belarus-Economic-Update-Oct2013-ru.pdf> [10-10-2014].

¹²¹The term used as in the original. WORLD BANK, “Total Tax Rate (% Of Commercial Profits)”, <http://data.worldbank.org/indicator/IC.TAX.TOTL.CP.ZS/countries> [10-10-2014].

¹²²WORLD BANK, “Tax Payments (Number)”, <http://data.worldbank.org/indicator/IC.TAX.PAYM/countries> [11-11-2014].

¹²³M.PINO, “La Construcción De La Unión Euroasiática Y La Política Exterior De Rusia”, *op. cit.*, p. 67.

¹²⁴С.ГЛАЗЬБЕВ, “Актуальные Проблемы и Основополагающие Принципы Евразийской (Постсоветской) Экономической Интеграции”, *op. cit.*, p. 23, (S.GLAZIEV, “Current Problems and Main Principles of Eurasian (Post-Soviet) Economic Integration”, *op. cit.*, p. 23).

¹²⁵For instance, in 2013 the number of immigrants from RK to the RF was 51, 898 persons, from the RF to RK – 10,182; from RB to the RF 115,748, from the RF to RB – 12,031. However, among the reasons of immigration, there are not only more favorable working conditions, but also repatriation reasons. As for short-term trips, Russia has always had many recipients from RB and RK for tourism, business and private causes. For instance, 2.7 million Kazakhstanis visited Russia in 2008, while in 2013, their number was 3,5 million. The largest amount of visitors Russia receives from Ukraine (6.4 million in 2008 and 7 million in 2013), from Belarus the number is much lower – 0.26 million in 2008 and 0.4 million in 2013. As social interdependence was always high among CIS countries, it will be an exaggeration to suppose that it is integration that implies growth of visitors among countries, the reasons for that lie more in close social links among former Soviet republics, which has as already been stated in chapter 7. *Vid.* ФЕДЕРАЛЬНАЯ СЛУЖБА ГОСУДАРСТВЕННОЙ СТАТИСТИКИ, “Численность И Миграция Населения Российской Федерации В 2013 году”, (FEDERAL AGENCY OF STATE STATISTICS, “Number And Migration Of Population In Russian Federation in 2013”), http://www.gks.ru/bgd/regl/b14_107/Main.htm [14-11-2014].

Figure 27. Salaries in the EAEU countries, 2009-2014

Country	Average		Minimum		Unemployment	
	Local currency	USD	Local currency	USD	2009	2014
RF	28,702 RUB (2013)	943*	5,205 RUB	171	8.4	5.5
RK	101,263 KZT (2012)	682	18,660 KZT	125	6.6	5.2
RB	5,061,418 BYR (2013)	591	1,532,230 BYR	178	0.9	0.5

*Calculations are made in accordance with official exchange rates on corresponding time period provided by NATIONAL BANK OF KAZAKHSTAN, NATIONAL BANK OF THE REPUBLIC OF BELARUS and CENTRAL BANK OF RUSSIAN FEDERATION.

Source: for labor costs, ILOSTAT DATABASE; for unemployment rate, IMF DATABASE (prepared by the author).

Another field of integration, which also comes in line with the necessity to create a common market is transport integration because it is essential for guaranteeing free movement of goods. Even though members are still far from equal tariffs on railway and auto-transport services, they gave access to each other's transport corridors,¹²⁶ which not only increased mutual trade among integrating countries but also amplified its value as a transportation center between the two largest blocks of trade (Europe and Asia).¹²⁷

As said in chapter 7, what the SES established in the common market of goods and made the basis for guaranteeing free movement of capital, labor and services, which the EAEU deals with.

9.2.3. Eurasian Economic Union: "the CU plus SES... plus common development strategy"

S. Glazyev characterizes the EAEU as "the CU plus SES of goods, services, capital and labor...plus common development strategy".¹²⁸ Thus, the EAEU is not a very new organization, it just develops what has been done by the SES. The EAEU Treaty consists of twenty-eight chapters, which correspond to the norms and commitments adopted by countries previously.

In customs terms, captured in chapter V-VI, the Treaty re-confirms the regime that has been created by the CU on common tariffs with third countries, information cooperation, official statistics, etc.¹²⁹

¹²⁶С.ГЛАЗЬЕВ, "Актуальные Проблемы и основополагающие Принципы Евразийской (Постсоветской) Экономической Интеграции", *op. cit.*, p. 25, (S.GLAZIEV, "Current Problems and Main Principles of Eurasian (Post-Soviet) Economic Integration", *op. cit.*, p. 25).

¹²⁷A.SARRIÓ, "Nace un Gigante: Rusia impulsa la Unión Euroasiática...", *op. cit.*, p. 46.

¹²⁸С.ГЛАЗЬЕВ, "Актуальные Проблемы и основополагающие Принципы Евразийской (Постсоветской) Экономической Интеграции", *op. cit.*, p. 26, (S.GLAZIEV, "Current Problems and Main Principles of Eurasian (Post-Soviet) Economic Integration", *op. cit.*, p. 26).

¹²⁹*Vid.* Раздел V-VI. ЕАЕС, "Договор о Евразийском Экономическом Союзе", *op. cit.*, (*Vid.* Chapter V-VI. EAEU, "Treaty on the Eurasian Economic Union", *op. cit.*).

In the case of common economic policy, the Treaty confirms already existing norms and makes a step towards larger integration. Thus, if the SES agreement on trade in services and investments ensures no less favorable treatment to partners than the one offered to national entrepreneurs,¹³⁰ the subsequent provisions of the EAEU Treaty captured in Chapter XV guarantees freedom of trade in services and makes the norms of capital investment common for all members.¹³¹ As many spheres of services are under governmental jurisdiction, members cannot establish a common market of services in all spheres, but instead they gradually involve different fields into integration. Thus, by the decision of the High Council of the EAEU the common market of services operates in construction (including capital projects in aviation, electricity generation, space and sea industry), architecture, in some of services related to architecture and consulting, hotel industry, cargo handling and road vehicles repair.¹³²

In agriculture, states put into force a coordinated agricultural policy in development planning, state support, regulation of the common market, innovation, export stimulation and established common rules in the field of production and circulation of agricultural products.¹³³

As far as industrial support is concerned, the EAEU confirms the already existing system of subsidizing.¹³⁴ Regarding municipal purchases, by the agreement signed within the SES members unified conditions of national regime in public procurements, while by the Treaty of the EAEU they gave national regime to each other.¹³⁵

In terms of macroeconomic limits, they are the same (public administration debt not more than 50%; inflation in the range of 5% among the members; and state budget deficit not more than 3%).¹³⁶

Common competition rules are the same as were established by the SES.¹³⁷ As for intellectual property, a new dimension of the EAEU cooperation is “introduction of

¹³⁰*Vid.* Статья 3. ЕЭП, “Соглашение О Торговле Услугами И Инвестициях В Государствах – Участниках Единого Экономического Пространства”, *op. cit.*, (*Vid.* Article 3. SES, “Agreement On Trade In Services And Investments In Member-States Of The Single Economic Space”, *op. cit.*).

¹³¹*Vid.* Статья 65. ЕАЕС, “Договор о Евразийском Экономическом Союзе”, *op. cit.*, (*Vid.* Article 65. EAEU, “Treaty on the Eurasian Economic Union”, *op. cit.*).

¹³²ВЫСШИЙ ЕВРАЗИЙСКИЙ ЭКОНОМИЧЕСКИЙ СОВЕТ, “Решение Высшего Евразийского Экономического Совета “Об Утверждении Перечня Секторов (Подсекторов) Услуг, в Которых Функционирует Единый Рынок Услуг В Рамках Евразийского Экономического Союза”, No. 110, 23 декабря 2014, (SUPREME EURASIAN ECONOMIC COUNCIL, “Decision of the Supreme Council of Eurasian Economic Council “On establishment the Eurasian Economic Union”, No. 110, December 23, 2014), <http://www.garant.ru/products/ipo/prime/doc/70732926/> [11-02-2015].

¹³³*Vid.* Статья 95. ЕАЕС, “Договор о Евразийском Экономическом Союзе”, *op. cit.*, (*Vid.* Article 95. EAEU, “Treaty on the Eurasian Economic Union”, *op. cit.*).

¹³⁴*Vid.* Статья 93. *Ibid.*, (*Vid.* Article 93. *Ibid.*).

¹³⁵*Vid.* Статья 88. *Ibid.*, (*Vid.* Article 88. *Ibid.*).

¹³⁶*Vid.* Статья 63. *Ibid.*, (*Vid.* Article 63. *Ibid.*).

¹³⁷*Vid.* Раздел XVIII. *Ibid.*, (*Vid.* Chapter XVIII. *Ibid.*).

the system of registration of trade and service marks of the Eurasian Economic Union and appellation of the origin of the goods produced within the Union".¹³⁸

Regarding the freedom of finances and monetary cooperation, states are still very far from a common currency system.¹³⁹ However, among important commitments within that sphere is that of giving access to each other's financial markets and mutual recognition of bank and insurance entities' licenses.¹⁴⁰ Even though it is an exaggeration to say that it was only integration that facilitated mutual investments in the field related to finances, the fact is that financial systems of EAEU countries already have much in common. Thus, nowadays, RK's Kazkommerzbank and Halyk Bank work in the Russian market, Sberbank is the fifth largest bank in Kazakhstan by amount of assets,¹⁴¹ while in the case of Belarus, Russian Sberbank and Vneshneconombank are the third and fifth largest banks,¹⁴² which are also recognized as system determining ones.¹⁴³

One of the main aims of integration is promotion of mutual investments.¹⁴⁴ As figure 28 demonstrates the largest of them lie in the field of energy and metallurgy.

As the figure demonstrates the main investors within the EAEU are Russian private and public companies. RK's large investments lie in spheres other than energy such as construction, agriculture and services. The same can be said about Belarus, however, its investments are much lower than Kazakhstan and Russian ones. For instance, among the largest Belarussian acquisitions are Russian "Russian Sea" LLP, one of the leaders of seafood products, which Belarussian-German "Santa-Bremor"

¹³⁸*Vid. Статья 89. Ibid., (Vid. Article 89. Ibid.).*

¹³⁹С.ГЛАЗЬБЕВ, "Зачем Нужен Таможенный Союз?", *op. cit.*, с. 25, (S.GLAZIEV, "What the Customs Union is Necessary for?", *op. cit.*, p. 25).

¹⁴⁰С.ТЮРИН и Н.КУСТОВА, "Договор о ЕАЭС Предоставляет Четыре Свободы", *Торгово-Промышленные Ведомости: Издание Торгово-Промышленной Палаты РФ*, 12 января 2015, (S.TURIN and N.KUSTOVA, "EAEU Treaty Guarantees Four Freedoms", *Trade-Industrial Herald: Trade-industrial chamber publication of RF*, January 12, 2015), http://www.tpp-inform.ru/analytic_journal/5376.html [30-11-2014].

¹⁴¹FORBES, "Ведущие банки Казахстана – 2013", (FORBES, "Main banks of Kazakhstan – 2013"), http://forbes.kz/leader/vedushchie_banki_kazahstana_-_2013_reyting_i_renking[30-11-2014].

¹⁴²VNESHNECONOMBANK, "Shareholders", <http://eng.bveb.by/about/shareholders/> [30-11-2014]; AFN, "Публичные и Непубличные Владельцы Белорусских Банков", 8 февраля 2014, (AFN, "Public and non-public owners of Belarussian banks", February 8, 2014), <http://afn.by/news/i/131227> [30-11-2014].

¹⁴³There are six system-determining banks in Belarus. The largest one - Belarusbank (39,04% of total bank capital) belongs to the Republic of Belarus (98% of shares); Belagroprombank and Belinvestbank – the second and forth banks by capital dimension (19,16% and 5,49% of total bank capital respectively) belong to the State Committee on Property of the RB that possess more than 80% of shares in each of them; the third and the fifth largest banks - BPS-Sberbank and Bank BelVEB OJSC (6,3% and 5,34% of total bank capital respectively) – are the branches of Russian Sberbank and Vneshneconombank; / while the sixth bank by capital dimension - Priorbank JSC (5,01% of the total capital) is the branch of Austrian Raiffeisen Landesbanken Holding AG. *Vid. БЕЛАРУСЬБАНК, "Структура Акционерного Капитала", (BELARUSBANK, "Structure of Capital"),* <http://belarusbank.by/ru/deyatelnost/15452/15564> [30-11-2014]; ИНФОБАНК, "Информация о Банке Белгпромпромбанк ОАО", (INFOBANK, "Information in Belagroprombank JSC), <http://inf-obank.by/300/itemid/24/default.aspx> [30-11-2014]; AFN, "Публичные и непубличные владельцы белорусских банков", *op. cit.*, (AFN, "Public and Not-Public Shareholders of Belarussian Banks", *op. cit.*); VNESHNECONOMBANK, "Shareholders", *op. cit.*; PRIORBANK JSC, "Shareholders of Priorbank JSC", <http://www.priorbank.by/e/about/shareholders/> [30-11-2014].

¹⁴⁴*Vid. Статья 67. ЕАЕС, "Договор о Евразийском Экономическом Союзе", op. cit., (Vid. Article 67. EAEU, "Treaty on the Eurasian Economic Union", op. cit.).*

OSC bought for 52 million USD;¹⁴⁵ which in monetary terms is much lower than FDI from Kazakhstan and Russia.

Figure 28. Largest FDI projects (around 1 billion USD) within the EAEU partnership, 2007-2014

Home country	Ownership	Company	Specialization		FDI Stock, billion USD	Host country
			Sphere	Particular field		
RF	public	Gazprom	Energy	natural gas	7.08	RB
RF	private	LUKOIL	Energy	oil	7.03	RK
RF	private	MTS	Telecommunications	Telecoms and IT	1.94	RB
RF	public	Rosatom	Metallurgy	Non-ferrous metals	1.6	RK
RF	private	Rusal	Metallurgy	Non-ferrous metals	1.31	RK
RK	private	Ivolga-holding	Agriculture	Grain industry	0.95	RF
RF	private	Vimpelcom	Telecommunications	Telecoms and IT	1.5	RK
RF	private	Mechel	Metallurgy	Non-ferrous metals	1.66 (sold in 2013)	RK
RK	private	Capital Partners	Construction	Construction	1.0 (sold in 2013)	RF
RF	public	Rosatom	Energy	Uranium	0.93	RK
RF	private	RUSAL	Energy	Coal	1.0	RK
RF	public	Gazprom	Energy	Natural gas	0.89	RK
RK	private	Verniy Capital	Hotel business	Hotel business	0.7	RF

Source: ЕВРАЗИЙСКИЙ БАНК РАЗВИТИЯ, *Мониторинг Взаимных Инвестиций в Странах СНГ – 2012*, Доклад No. 6, Санкт-Петербург, Центр Интеграционных Исследований, 2013, сс. 7; 35; ЕВРАЗИЙСКИЙ БАНК РАЗВИТИЯ, *Мониторинг Взаимных Инвестиций в Странах СНГ – 2013*, Доклад No. 15, Санкт-Петербург, Центр Интеграционных Исследований, 2014, с. 18; ЕВРАЗИЙСКИЙ БАНК РАЗВИТИЯ, *Мониторинг Взаимных Инвестиций в Странах СНГ – 2014*, Доклад No. 26, Санкт-Петербург, Центр Интеграционных Исследований, 2014, с. 10, (EURASIAN DEVELOPMENT BANK, *CIS Mutual Investment Review in 2012*, Report No. 6, San-Petersburg, Center of Investments Studies, 2013, pp. 7; 35; EURASIAN DEVELOPMENT BANK, *CIS Mutual Investment Review in 2013*, Report No. 15, San-Petersburg, Center of Investments Studies, 2014, p. 18; EURASIAN DEVELOPMENT BANK, *CIS Mutual Investment Review in 2014*, Report No. 26, San-Petersburg, Center of Investments Studies, 2014, p. 10), for all reports, http://www.eabr.org/t/research/centre/projectsCII/invest_monitoring/index.php?id_16=42736 [12-12-2014] (prepared by the author).

However, even if integration has favored the attraction of mutual investments, it is necessary to note that all of them are relative and should be seen within the context of states' integration and position in the world economic system. The latter can be demonstrated when the EAEU members' FDI position is analyzed. Thus, as seen from the table below, integration did not largely change the structure and main investors of the integrating countries.

¹⁴⁵Ю.ГРИБЦОВА и А.КРЕКНИНА, "Санта Бремор" Заплатит за ЗАО «Русское Море» в Ногинске \$52 млн." *Vedomosti*, 19 декабря 2012 (Y.GRIBZOVA and A.KREKNINA, "Santa Bremor" Pays 52 million USD for "Russian Sea" in Noginsk", *Vedomosti*, December 19, 2012), http://www.vedomosti.ru/companies/news/7342481/more_techet_v_belorussiyu [10-10-2014].

Figure 29. FDI in EAEU countries, million USD, 2009-2013

country	FDI from RF		FDI from RK		FDI from RB		Total inward FDI		Main investors		Total outward FDI		Main FDI destinations	
	2009	2013	2009	2013	2009	2013	2009	2013	2009	2013	2009	2013	2009	2013
RK	1,061 (1,47%)	2,035 (1,69%)	-	-	6 (0,08%)	28 (0,02%)	72,013 (100%)	124,720 (100%)	The Netherlands (25,458-35%); The USA (11,781-16%); France (5,114-7%)	The Netherlands (56,836 - 45%); The USA (13,764-11%); France (9,102 - 7.3%)	6,438 (100%)	23,366 (100%)	The Netherlands (2,345 - 36%); RF (894 - 14%); Br. Virgin Islands (672 - 10%)	The Netherlands (12,405 - 53%); Luxembourg (938 - 4%); Switzerland (939 - 4%); RF (673- 2.8%); Br. Virgin Islands (616-2.6%)
RB	4,956 (58%)	9,816 (59%)	19 (0.2%)	26 (0.15%)	-	-	8,537 (100%)	16,668 (100%)	RF (58%); Cyprus (721 - 8.4%); The Netherlands (220 - 2.6%)	RF (59%); Cyprus (2,168- 13%); The Netherlands (407 - 2.4%)	145 (100%)	724 (100%)	RF (106 - 73%); Ukraine (25 - 17%); China (3 - 2%)	RF (572 - 79%); Lithuania (50 - 6.9%); Ukraine (44 - 6%)
RF	-	-	1,051 (0.28%)	1,047 (0.28%)	122 (0.03%)	390 (0.08%)	378,837 (100%)	472,281 (100%)	Cyprus (129,930 - 34%); Br. Virgin Islands (36,599 - 9.6%); The Netherlands (33,619 - 8.9%)	Cyprus (183,276 - 39%); Netherlands (48,943 - 10%); The Bahamas (31,937 - 6.8%)	302,188 (100%)	385,315 (100%)	Cyprus (119,672 - 40%); Br. Virgin Islands (33,285 - 11%); Netherlands (24,569 - 8%)	Cyprus (151,101 - 39%); Br. Virgin Islands (74,924 - 19%); Netherlands (45,252 - 12%)

Source: IMF DATABASE: Coordinated Direct Investment Survey (prepared by the author).

In the case of RK, the share of EAEU partners in its stock of FDI is less than 2%, and the structure of main investors did not change during the years of integration. The stock of RF's investments increased two fold, but it is still much lower than those from other countries such as the Netherlands, the USA and France. In the case of investments, RF-RB relations confirm Keohane's statement that integration leads to their increase. Thus, as figure 29 demonstrates Russia's FDI in Belarus doubled, and the RF continues to be the main investor for Minsk. As for Belarus, in spite of their small amount its investments in the RF increased five times and Russia is the main destination country for Belarussian FDI.

As far as Russia is concerned, RK and RB's share in its FDI stock is very low, at the same time the RF prefers investing in Cyprus, Br. Virgin Islands and the Netherlands rather than the EAEU partners, however that can be explained by the offshore nature of these countries' investments rather than their favorable investment climate.¹⁴⁶

In addition to a fully operational common market of goods and partially integrated markets of services and capital, the EAEU established the common market

¹⁴⁶C.CLOVER and C.WEAVER, "Russian Money Streams Through Cyprus", *Financial Times*, February 3, 2013, <http://www.ft.com/intl/cms/s/0/3ac3f02a-6962-11e2-b254-00144feab49a.html#axzz3OKHQVPPK> [10-10-2014].

of labor. Thus, since the 1st January 2015, states mutually recognize academic degrees issued by each others higher education entities and give equal rights and opportunities for workers from all EAEU countries.¹⁴⁷

In technical terms, common markets of gas, oil, oil products and electricity are postponed because of some unresolved issues among the states (pointed out in the previous chapter), but states are gradually reaching the point of locking in commitments in those spheres.

9.3. Consequences of institutional choice and the effects of integration on the level of institutions

According to Moravcsik, the authorities of supranational officials are reduced to “external representation”, “enforcement” and “agenda-setting”. The main aim of supranational institutions is to facilitate cooperation and support them “to cope with globalization”, but not to take the place of nation-states. In addition to that, cooperation on supranational level enhances democracy because of its accountability principle (all decisions taken within international organizations are under tight control by domestic government); opportunities that integration gives of enlarging the democratic choice of participating nations; and control over protection of civil rights and democratic values that supranational institutions promote. In parallel, integration has three important consequences: it strengthens nation-states empowering them in inter-governmental affairs, enhances its domestic credibility; and strengthens intra-industrial links. In general, integration is the way of “accumulation of power” by the entire region that makes it more competitive in the world arena.

9.3.1. Commission of the Customs Union: authorities in external trade policy and tariff regulation

As stated in the seventh chapter, establishment of the Commission of the Customs Union became a milestone event because it was the first supranational institution created in the CIS space after the collapse of the Soviet Union.

Within the CU, members delegated part of their authorities to the Commission in the sphere of external trade policy, which gave it competence in:

- Regulation of CET;
- Establishment and distribution of tariff preferences and management of its unified system;
- Non-tariff regulation;

¹⁴⁷*Vid.* Раздел XXVI. ЕАЕС, “Договор о Евразийском Экономическом Союзе”, *op. cit.*, (*Vid.* Chapter XXVI. EAEU, “Treaty on the Eurasian Economic Union”, *op. cit.*).

- Management of a unified system of goods in trade with third states where tariff and non-tariff regulations, prohibitions and restrictions are used;
- Maintenance of statistics base of the CU.¹⁴⁸

Creation of the Commission made it possible to speed up the integration process unifying not only border control measures but also eliminating sanitary, veterinary and different technical barriers.¹⁴⁹ One of the most important authorities of the Commission is not only control over the application of CET of the CU but also to change it according to the needs of the community. It is delegated to offer tariff preferences as well as impose protective measures in trade with third countries, which makes the process of integration of the Union into the world community more effective.¹⁵⁰

Another important authority of the Commission is power to accept technical regulations on behalf of the entire Union. For instance, within the cooperation regarding establishment the common market of pharmaceutical products, it is the Commission that is delegated to promote mutual recognition of licenses of medicines and medical products produced according to international standards¹⁵¹ (in particular, Good Manufacturing Practice – GMP).¹⁵² The positive effect of this event is seen in the example of Kazakhstan. Thus, transmission to GMP was part of Astana's development plan for the pharmaceutical industry, the first one launched by the government within the innovation and industrial program-2020¹⁵³ in order to stimulate import substitution and create new pharmaceutical entities.¹⁵⁴ Together with transmission to GMP and attraction of foreign companies to the country (such as Polpharma, for example) Kazakhstan plans (in the future) to become the center of pharmaceutical activity in the region.¹⁵⁵ As for the community in general, transmission to GMP not only

¹⁴⁸С.ГЛАЗЬБЕВ, “Зачем Нужен Таможенный Союз?”, *op. cit.*, с. 13, (S.GLAZIEV, “What the Customs Union is Necessary for?”, *op. cit.*, p. 13).

¹⁴⁹С.ГЛАЗЬБЕВ, “Итоги и Перспективы Интеграционных Процессов на Постсоветском Пространстве”, 31 января 2012, (S.GLAZIEV, “Results and Perspective of Integration Processes in Post-Soviet Space”, January 31, 2012), http://www.glazev.ru/econom_polit/295/ [1-12-2014].

¹⁵⁰*Ibid.*

¹⁵¹*Ibid.*

¹⁵²*Vid.* Пункт 1. ПРАВИТЕЛЬСТВО РЕСПУБЛИКИ КАЗАХСТАН, “Паспорт Программы Программа по Развитию Фармацевтической Промышленности Республики Казахстан на 2010 - 2014 годы”, (*Vid.* Point 1. GOVERNMENT OF THE REPUBLIC OF KAZAKHSTAN, “Republic of Kazakhstan Passport of Pharmaceutical Industry Development Program on 2010-2014”), <http://www.03portal.kz/spravochniki/pravovaya-baza/programmy-pravitelstva/42897-o-programme-po-razvitiyu-farmatsevticheskoy-promyshlennosti-respubliki-kazakhstan-na-2010-2014-gody> [06-11-2014].

¹⁵³Р.МЕЙРАМОВ, “Рынок Фармации: Перспектива на Выздоровление”, *Kaznex Invest*, 23 августа 2010, (R. MEIRAMOV, “Pharmacy Market: Prospects Of Recuperation”, *Kaznex Invest*, August 23, 2010), <http://www.kaznexinvest.kz/press-center/smi/1596/> [07-11-2014].

¹⁵⁴*Vid.* Пункт 1. ПРАВИТЕЛЬСТВО РЕСПУБЛИКИ КАЗАХСТАН, “Паспорт Программы Программа по Развитию Фармацевтической Промышленности Республики Казахстан на 2010 - 2014 годы”, *op. cit.*, (*Vid.* Point 1. GOVERNMENT OF THE REPUBLIC OF KAZAKHSTAN, “Republic of Kazakhstan Passport of Pharmaceutical Industry Development Program on 2010-2014”, *op. cit.*).

¹⁵⁵CAIFC INVESTMENT GROUP, “Polpharma Buys Kazakhstan's Largest Pharmaceutical Company”, September 21, 2011, <http://www.caifcgroup.com/press/1/34.jsp> [10-11-2014].

improves technical development of the industry but also increases the export capacity of all three countries in the global market.¹⁵⁶

However, in spite of large authorities of the Commission in the sphere of external trade policy and tariff regulation, national governments are responsible for implementation of its orders and promotion of initiatives, which means that all decisions taken within the Union on supranational level are coordinated with governments.¹⁵⁷ That fact comes in line with Moravcsik's statement of accountability of supranational authorities, which according to the author has a democracy-enhancing effect on integrating countries. Another fact that confirms this thesis is that even if the Commission has supranational power, all its decisions, which have been implemented up to date, were taken by consensus.¹⁵⁸

As stated in the previous chapter, creation of the CU aimed to protect the internal market of the community, which was planned to have a positive effect on development of high-technology industries and contribute in intra-industrial links. For instance, Belarus succeeded in preserving its industrial base after the collapse of the USSR,¹⁵⁹ it not only depends on Russia for energy and primary materials but also in supply of complements for its high value-added products. Thus, during the production process, Belarussian high-tech goods cross the RF-RB border many times, which due to commitments within the CU is not a barrier anymore.¹⁶⁰

In such a manner, the Commission of the Customs Union was created in order to regulate the protected internal market within the community. Together with deepening the integration, the authorities of the Commission have also been widened, which are explained in the next part.

9.3.2. Eurasian Economic Commission as the main supranational body

The EEC was created by the Treaty on Eurasian Economic Commission of 18th November 2011,¹⁶¹ and came into full operation from 2nd February 2012.¹⁶² It has

¹⁵⁶*Vid.* Пункт 3.3. ПРАВИТЕЛЬСТВО РЕСПУБЛИКИ КАЗАХСТАН, "Паспорт Программы Программа по Развитию Фармацевтической Промышленности Республики Казахстан на 2010 - 2014 Годы", *op. cit.*, (*Vid.* Point 3.3. GOVERNMENT OF THE REPUBLIC OF KAZAKHSTAN, "Republic of Kazakhstan Passport of Pharmaceutical Industry Development Program on 2010-2014", *op. cit.*).

¹⁵⁷С.ГЛАЗЬБЕВ, "Итоги и Перспективы Интеграционных Процессов на Постсоветском пространстве", *op. cit.*, (S.GLAZIEV, "Results and Perspective of Integration Processes in Post-Soviet Space", *op. cit.*).

¹⁵⁸С.ГЛАЗЬБЕВ, "Актуальные Проблемы и основополагающие Принципы Евразийской (Постсоветской) Экономической Интеграции", *op. cit.*, p. 23, (S.GLAZIEV, "Current Problems and Main Principles of Eurasian (Post-Soviet) Economic Integration", *op. cit.*, p. 23).

¹⁵⁹G.IOFFE, "Understanding Belarus: Economy and Political Landscape", *Europe-Asia Affairs*, Vol. 56, No. 1, January 2004, p. 90.

¹⁶⁰С.ГЛАЗЬБЕВ, "Актуальные Проблемы и основополагающие Принципы Евразийской (Постсоветской) Экономической Интеграции", *op. cit.*, p. 28, (S.GLAZIEV, "Current Problems and Main Principles of Eurasian (Post-Soviet) Economic Integration", *op. cit.*, p. 28).

¹⁶¹ЕЭК, "Договор о Евразийской Экономической Комиссии", *op. cit.*, (EEC, "Treaty on Eurasian Economic Commission", *op. cit.*).

¹⁶²ЕЭК, *Евразийская Экономическая Комиссия: цифры и факты*, *op. cit.*, с. 17, (EEC, *Eurasian Economic Commission: numbers and facts*, *op. cit.*, p. 17).

inherited all the authorities in the sphere of common economic policy and tariff regulations that the CU Commission had and was empowered with greater ones.

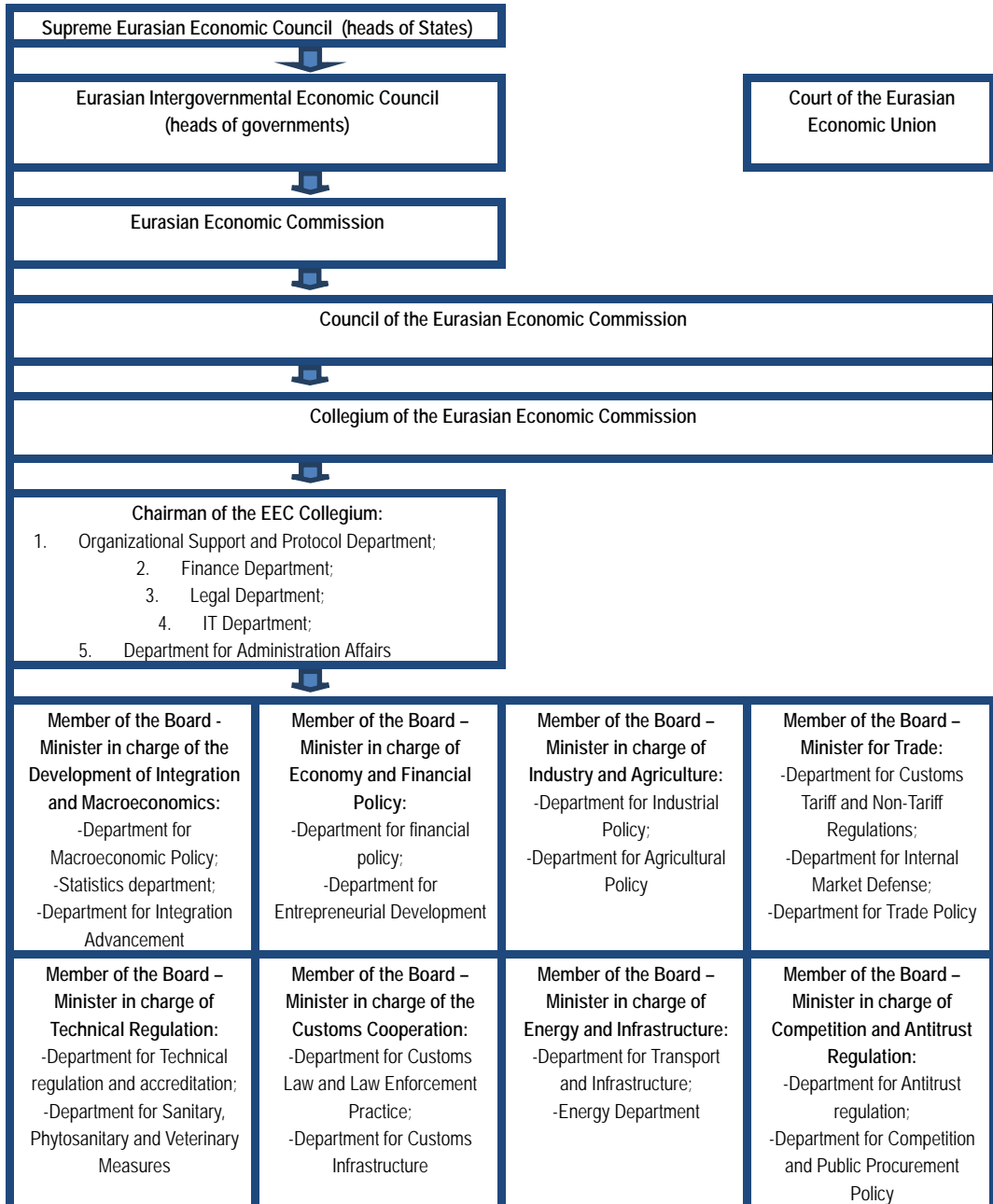
Thus, the authority of the EEC lie in the spheres of:

- Customs tariff and non-tariff regulation;
- Customs administration;
- Technical regulations;
- Sanitary, veterinary and phytosanitary measures;
- Assignment and distribution of import customs tariffs;
- Establishment of trade regimes with third countries;
- Macroeconomic policy;
- Competition policy;
- Industrial and agricultural subsidies;
- Energy policy;
- Natural monopolies;
- Governmental and municipal purchases;
- Mutual trade of services and investments;
- Transport and carriage;
- Currency policy;
- Security and protection of the results of intellectual activity and designation of intellectual property, works and services;
- Labor migration;
- Financial markets (markets of banks, insurance, currencies and capital issues), etc.”¹⁶³

In such a manner, the EEC was delegated to regulate integration in all spheres, where the process had been launched within the SES. With establishment of the EAEU, the structure of the Union did not change greatly and can be explained as shown in figure 30.

¹⁶³*Vid.* Статья 3. ЕЭК, “Договор о Евразийской Экономической Комиссии”, *op. cit.*, (*Vid.* Article 3. EEC, “Treaty on Eurasian Economic Commission”, *op. cit.*).

Figure 30. Organs of the Eurasian Economic Union



Source: ЕАЕС, “Органы Управления”, (EAEU, “Governing Bodies”), <http://www.eaeunion.org/#about-administration>; EEC, *Eurasian Economic Integration: Facts and Figures*, Moscow, Press-service of the Eurasian Economic Commission, 2014, p. 24; EEC, “Structure of Commission: Eurasian Economic Commission”, <http://www.eurasiancommission.org/en/Pages/structure.aspx> [1-12-2014].

In accordance with the Treaty of the EAEU, the Supreme Council is the main organ of the EAEU,¹⁶⁴ while the EEC is an executive one,¹⁶⁵ which is operative and competent since it received superiority over national ministries for foreign affairs in integration issues, but whose decisions do not go further than the limits of integration.¹⁶⁶

As for external representation, enforcement and agenda-setting functions of supranational institutions, in the case of the EAEU, all of them take place. Thus, the Treaty of the EAEU gives the authority of external representation to its supranational officials because the Union possesses international legal personality. In this respect, it is necessary to note that it was Minsk (not Moscow) who proposed giving that authority to the Union together with superiority of the EAEU treaty over state-members' agreements with third parties,¹⁶⁷ which demonstrates the reasonableness of that decision.

As for agenda-setting, even before the establishment of the EAEU the Commission had this authority because it made many proposals to the EAEU Treaty.

Concerning the enforcement mechanism, it is the Court of the Eurasian Economic Union which deals with that function.

Together with technocratic details of operation of the EAEU, cooperation gave greater practical opportunities to integrating states in particular in the sphere of development of intra-industrial links which is explained further.

9.3.3. Consequences of integration in the field of industrial development

Concerning industrial development of integrating states, after the collapse of the USSR in comparison with all other CIS countries, Russian industries suffered most of all.¹⁶⁸ The machine engineering field and high-tech industries widely suffered from the break of intra-industrial links.¹⁶⁹ In addition to that, within the privatization pro-

¹⁶⁴Vid. Статья 10. ЕАЕС, "Договор о Евразийском Экономическом Союзе", *op. cit.*, (Vid. Article 10. EAEU, "Treaty on the Eurasian Economic Union", *op. cit.*).

¹⁶⁵А.ТОРКУНОВ, "Здравый Смысл Интеграции" в СОВЕТ ФЕДЕРАЦИИ ФЕДЕРАЛЬНОГО СОБРАНИЯ РОССИЙСКОЙ ФЕДЕРАЦИИ, О Роли Российской Федерации в Евразийском Интеграционном Процессе: Перспективы Развития и Углубления Экономической Интеграции, Аналитический вестник No. 6 (524), Москва, Управление Информационных Технологий и Документооборота Аппарата Совета Федерации, 2014, с. 12, (A.TORKUNOV, "The Rational Nature of Integration" in COUNCIL OF FEDERATION OF THE FEDERAL ASSEMBLY OF RUSSIAN FEDERATION, *The Role of Russian Federation in Eurasian Economic Process: Prospects of Development and Deepening Economic Integration*, Analytical Herald No. 6 (524), Moscow, Management of Information Technologies and Documentary Distribution of the Federal Assembly Office, 2014, p. 12).

¹⁶⁶ЕЕС, *Eurasian Economic Integration: Facts and Figures*, *op. cit.*, p. 26.

¹⁶⁷М.МАРГЕЛОВ, "Вступительное Слово" в СОВЕТ ФЕДЕРАЦИИ ФЕДЕРАЛЬНОГО СОБРАНИЯ РОССИЙСКОЙ ФЕДЕРАЦИИ, О Роли Российской Федерации в Евразийском Интеграционном Процессе...*op. cit.*, с. 4, М.МАРГЕЛОВ, "Introductory Word", COUNCIL OF FEDERATION OF THE FEDERAL ASSEMBLY OF RUSSIAN FEDERATION, *The Role of Russian Federation in Eurasian Economic Process*...*op. cit.*, p. 4).

¹⁶⁸С.ГЛАЗЬЕВ, "Зачем Нужен Таможенный Союз?", *op. cit.*, с. 3, (S.GLAZIEV, "What the Customs Union is Necessary for?", *op. cit.*, p. 3).

¹⁶⁹*Ibid.*

cess, states stopped improving intra-industrial cooperation and focused their production of export primarily on raw materials,¹⁷⁰ which made yesterday's industrial partners within the United Soviet complex competitors in the external raw materials market.¹⁷¹

Integration made it possible to renew intra-industrial cooperation among EAEU countries.¹⁷² Even though integration did not lead to dramatic differences in states' FDI positions in the world arena it contributed to intra-industrial cooperation. As shown in the previous chapters, integration within the EAEU is rather integration of participating countries with Russia than with the entire Union. This observation is seen most of all in Kazakhstan-Russian and Belarus-Russian intra-industrial links.

Thus, as shown in previous chapters, Kazakhstan imports from Russia more than it exports. However, even though trade with other partners, for example, China and the EU, is more beneficial for the Republic, by the results of trade balance, it only strengthens the raw material orientation of its economy. Kazakhstan nowadays needs industrial, innovative and science-technical development, whose implementation is impossible without a potential market able to absorb the products of this development. In this situation, the sphere Astana is interested in is the necessity of common economic development together with its partners within the EAEU.¹⁷³

In this context, the RK-RF nuclear cooperation example is worth noting again. From a technological point of view Kazakhstan and Russian nuclear production complements each other: the elements produced in Kazakhstan suits Russian technology of production of "fuel pellets", which in turn allows the creation of nuclear reactors. This also concerns the academic background when many Kazakhstan scientists working in the nuclear sphere received education in Russian universities.¹⁷⁴

At the same time Kazakhstan does not have enough technical capabilities for building nuclear station by itself (in spite of rich nuclear reserves), it also concerns the lack of experience and absence of high skilled operators.¹⁷⁵ At the same time it is faced with problems of deterioration of equipment and a subsequent rise of electricity generating cost which justifies the necessity of building new power stations. In such a situation the only possibility Kazakhstan has is to contract foreign companies to build new electricity entities.¹⁷⁶ However, the common technique of Kazakhstan's cooperation with foreign companies is technologies in exchange for access to uranium

¹⁷⁰*Ibid.*, p. 4.

¹⁷¹*Ibid.*, p. 5.

¹⁷²*Ibid.*, p. 11.

¹⁷³FORBES, "ЕАЭС Необходим Казахстану Для Прорыва в Инновациях и Hi-Tech", 29 мая 2014, (FORBES, "Kazakhstan Needs The EAUE For Hi-Tech Projects Development", May 29, 2014) <http://forbes.kz/finances/integration/globus> [5-12-2014].

¹⁷⁴Technical terms are used as in the original. *Vid.* EURASIAN BANK OF DEVELOPMENT, *Nuclear Energy Complexes in Russia and Kazakhstan*, *op. cit.*, p. 19.

¹⁷⁵РОССИЙСКОЕ АТОМНОЕ СООБЩЕСТВО, "Казахстан Рассчитывает На Поддержку Российских Атомщиков В Области Развития Атомной Энергетики", 1 декабря 2014, (RUSSIAN NUCLEAR COMMUNITY, "Kazakhstan Supports Russian Nuclear Scientists In The Sphere Of Nuclear Energy Development", December 1, 2014), <http://www.atomic-energy.ru/news/2014/12/01/53386> [7-12-2014]

¹⁷⁶П.СВОИК, "Из ЕАЭС Получается АЭС", *op. cit.*, (P.SVOIH, "From EAEU to ANS", *op. cit.*).

mines,¹⁷⁷ an exception to this rule is the Chinese scheme of “access to mines (oil, gas, uranium) in exchange for credits”. Russia offers Astana an alternative way – “shares and cooperation in exchange for shares and cooperation”.¹⁷⁸

Within that scheme of cooperation, at the beginning, State Kazatomprom and “Tahnabexport” JSC (subsidiary of Rosatom) created Joint Venture “Uranium Enrichment Center” in order to create a new factory, but because of financial costs of the new factory and absence of potential consumers the plan was not realized. Instead of that Russia offered Kazatomprom 25% of shares in “Uralsk electric chemical complex” which already existed on Russian territory¹⁷⁹, recognized as the world’s largest factory involved in uranium enrichment (a subsidiary of Rosatom).¹⁸⁰ In addition to that Kazakhstan has 10% of International Center of Uranium Enrichment proposed by Vladimir Putin to assure all countries equal access to atomic power in compliance with the requirement of nuclear non-proliferation.¹⁸¹

In exchange for that Kazakhstan does not oppose Russia's move to improve its position in its mining sector, which it does by acquiring shares in already represented foreign companies. Thus, Russia on behalf of the State “AtomPredmetZoloto” (ARMZ) entered the market in 2001 (nowadays ARMZ is a subsidiary of RosAtom) participating in exploitation of only one uranium mine – Zarechnoe.¹⁸² In 2006 it participated in the exploitation of three mines. However, Rosatom became the leading foreign company in the Kazakh nuclear market (after Kazatomprom) after buying shares of Canadian Uranium One.¹⁸³ That company (Uranium One) was created by merging Canadian Southern Cross Resources Inc. and Aflease Gold and Uranium Resources Limited (South Africa). In 2007 it bought UrAsia Energy Ltd., which was already present in Kazakhstan’s market. In 2009 Russian ARMZ exchanged 50% of its shares in Kazakhstan’s mine at Karatay for 19,9% of Uranium One.¹⁸⁴ In 2010 ARMZ already controlled Uranium One possessing 51% of its shares, while in 2013 when shares of Uranium

¹⁷⁷М.СТАРЧАК, “Международная Конкуренция за Урановые Руды Казахстана”, *op. cit.*, (М.СТАРЧАК, “International Competition for Kazakhstan Nuclear Resources”, *op. cit.*

¹⁷⁸KAZAKHSTAN TODAY, “На Мировом Рынке Урана Произошло Повышение Цен”, *op. cit.*, (KAZAKHSTAN TODAY, “Price Growth On The World Nuclear Market”, *op. cit.*).

¹⁷⁹KAZATOMPROM, “Российская Федерация: Сотрудничество”, (KAZATOMPROM, “Russian Federation: Cooperation”), <http://www.kazatomprom.kz/en/#!/map-of-cooperation/ru> [8-12-2014]; М.СТАРЧАК, “Международная Конкуренция за Урановые Руды Казахстана”, *op. cit.*, (М.СТАРЧАК, “International Competition for Kazakhstan Nuclear Resources”, *op. cit.*

¹⁸⁰ШАНХАЙСКАЯ ОРГАНИЗАЦИЯ СОТРУДНИЧЕСТВА, “Российско-казахстанский Альтернативный Центр Обогащения Урана”, (SHANGHAI COOPERATION ORGANIZATION, “Russian-Kazakhstan Alternative Center of Nuclear Enrichment”), <http://infoshos.ru/en/> [8-12-2014].

¹⁸¹KAZATOMPROM, “Российская Федерация: Сотрудничество”, *op. cit.*, (KAZATOMPROM, “Russian Federation: Cooperation”), *op. cit.*

¹⁸²М.СТАРЧАК, “Международная Конкуренция за Урановые Руды Казахстана”, *op. cit.*, (М.СТАРЧАК, “International Competition for Kazakhstan Nuclear Resources”, *op. cit.*

¹⁸³*Ibid.*

¹⁸⁴А.ТЮРИН, “Большой Уран Казахстана: Загадочная Uranium One и Успехи “Росатома”, *op. cit.*, (А.ТЮРИН, “Big Uranium of Kazakhstan. Part 1. Mysterious Uranium One and “Rosatom” Achievements”, *op. cit.*).

One were very cheap due to the incident at the power station in Fukushima, Russia acquired 100% of its shares.¹⁸⁵

In such a manner, RF-RB atomic development cooperation is mutually beneficial in spite of the fact that states pursue asymmetrical interests.

Nuclear development is not the RK-RF's only successful sphere of cooperation. Thus, in the sphere of oil, states come to agreement to enlarge the capacity of the Caspian Pipeline System (up to 67 million tonnes) and invest in further development and reconstruction of the Atray-Samara pipeline. Lukoil together with KazMunaiGaz and other companies exploit "Hvalynskoye", "Zentralnoye", "Dostyk", "Karachaganak", "Tengiz" oilfields, while Rosneft participates in exploitation of "Kurmangazy" and "Adai" fields.¹⁸⁶

In the sphere of mechanical construction, nowadays KAMAZ-engineering produces KAMAZ lorries in Kazakhstan;¹⁸⁷ "AutoVAZ" and Asia-Auto launched a joint venture full-scale production of LADA and some models of Renault (as was mentioned before Kazakhstan had only assembly plants);¹⁸⁸ Russian "Agromashholding" cooperates with "Kostanai" diesel factory in the construction of "Enisei" harvester, while "Transmashholding" plans to produce electric locomotives in Atbasar city of Kazakhstan.¹⁸⁹

In the gas sphere, countries have such ambitious projects as construction of gas refinery complexes on the basis of the Orenburg gas plant and one close to the "Hvalynskoe" oil and gas field. In addition to that they plan further development of the "Central Asia-Center" system and construction of the Caspian gas pipeline.¹⁹⁰

In electricity terms, the already mentioned joint construction by Samruk-Kazyna and Inter RAO UES JSC the "Ekibastuz SDPP-2" and RUSAL investments in development of "Bogatyr-Komir LLP", which nowadays allows Kazakhstan to produce the same amount of electricity that it generated in 1991.¹⁹¹

¹⁸⁵М.СТАРЧАК, "Международная Конкуренция за Урановые Руды Казахстана", *op. cit.*, (M.STARCHAK, "International Competition for Kazakhstan Nuclear Resources", *op. cit.*

¹⁸⁶МИНИСТЕРСТВО ЭКОНОМИЧЕСКОГО РАЗВИТИЯ РОССИЙСКОЙ ФЕДЕРАЦИИ, "Перечень Основных Инвестиционных Проектов, Реализуемых Российскими Экономическими Операторами в Казахстане ТЭК", *op. cit.*, (MINISTRY OF ECONOMIC DEVELOPMENT OF RUSSIAN FEDERATION, "List of the Main Investment Projects of Russian Economic Operators in Kazakhstan Fuel and Energy Complex", *op. cit.*).

¹⁸⁷АО КАМАЗ, "АО КАМАЗ-Инжиниринг", (KAMAZ JSC, "Kamaz-Engineering JSC"), <http://kamaz.kazprom.net/a12427-kamaz-inzhiniring.html> [2-12-2014].

¹⁸⁸С.ДОМНИН, "Пристегнитесь Покрепче", *op. cit.*, (S.DOMNIN, "Fasten The Belt Toughly", *op. cit.*).

¹⁸⁹МИНИСТЕРСТВО ЭКОНОМИЧЕСКОГО РАЗВИТИЯ РОССИЙСКОЙ ФЕДЕРАЦИИ, "Перечень Основных Инвестиционных Проектов, Реализуемых Российскими Экономическими Операторами в Казахстане ТЭК", *op. cit.*, (MINISTRY OF ECONOMIC DEVELOPMENT OF RUSSIAN FEDERATION, "List of the Main Investment Projects of Russian Economic Operators in Kazakhstan Fuel and Energy Complex", *op. cit.*).

¹⁹⁰*Ibid.*

¹⁹¹КАЗАХСТАНСКИЙ БАНК РАЗВИТИЯ, "Обзор Электроэнергетической Отрасли Республики Казахстан в 2013 году", *op. cit.*, p. 9, (KAZAKHSTAN DEVELOPMENT BANK, "Review of Electric Energy Field of the Republic of Kazakhstan in 2013", *op. cit.*, p. 9).

In the transport sphere, additional to the already mentioned projects, states plan construction of “Taskala-Ozinki Internal Inland Port”,¹⁹² which should become not only an important point of inter-state border trade, but also one of the pillars of the trans-Eurasian transport corridor.¹⁹³

In the space industry, Russia constructs domestic satellites for Kazakhstan (“KazSat”), while Baikonur Cosmodrome situated in RK is a very important base for Russian space industry development.¹⁹⁴

Regarding space cooperation, it is necessary to note that Russia gradually involves its allies in its projects. In particular, it was confirmed by the Interstate agreement on cooperation in the sphere of exploitation and development of Russian Global Navigation Satellite System GLONASS signed in December 2013,¹⁹⁵ in which both countries participate.

As far as RB-RF intra-industrial links are concerned, cooperation is much more profound primarily due to the importance of high Russian FDI contribution to Belarussian economy and secondly because of RB’s high industrial development. Thus, in machinery, RB is famous due to such national brands as MAZ and BELAZ, which produce buses and dumper trucks¹⁹⁶ (both controlled by the Ministry of Industry of the RB),¹⁹⁷ specific machinery “Amkodora” and agricultural equipment “Gomselmash”.¹⁹⁸ However, production of all these well-known brands is widely dependent on complements from Russia.¹⁹⁹

Another example is Belarussian trade with the EU. Thus, even though the EU is the second destination region of Belarus, the main commodity of its export in this

¹⁹²МИНИСТЕРСТВО ЭКОНОМИЧЕСКОГО РАЗВИТИЯ РОССИЙСКОЙ ФЕДЕРАЦИИ, “Перечень Основных Инвестиционных Проектов, Реализуемых Российскими Экономическими Операторами в Казахстане ТЭК”, *op. cit.*, (MINISTRY OF ECONOMIC DEVELOPMENT OF RUSSIAN FEDERATION, “List of the Main Investment Projects of Russian Economic Operators in Kazakhstan Fuel and Energy Complex”, *op. cit.*).

¹⁹³МИНИСТЕРСТВО ЭКОНОМИЧЕСКОГО РАЗВИТИЯ РОССИЙСКОЙ ФЕДЕРАЦИИ, “Российско-белорусское Инвестиционное Сотрудничество”, *op. cit.*, (MINISTRY OF ECONOMIC DEVELOPMENT OF RUSSIAN FEDERATION, “Russian-Belarussian Investment Cooperation”, *op. cit.*); СНГ, “Создание МЦПС “Озинки-Таскала”, (CIS, “Establishment of Ozinki-Tappala International Center of Border Cooperation”), <http://cis-center.com/index.php/2009-12-03-00-50-36/2009-12-03-00-40-55/59---1-r> [10-12-2014].

¹⁹⁴ФЕДЕРАЛЬНОЕ КОСМИЧЕСКОЕ АГЕНТСТВО, “Космодром Байконур”, (FEDERAL SPACE AGENCY, “Baikonur Cosmodrome”, <http://www.federalspace.ru/479/>

¹⁹⁵МИНИСТЕРСТВО ЭКОНОМИЧЕСКОГО РАЗВИТИЯ РОССИЙСКОЙ ФЕДЕРАЦИИ, “Российско-белорусское Инвестиционное Сотрудничество”, *op. cit.*, (MINISTRY OF ECONOMIC DEVELOPMENT OF RUSSIAN FEDERATION, “Russian-Belarussian Investment Cooperation”, *op. cit.*).

¹⁹⁶ЕВРАЗИЙСКАЯ ЭКОНОМИЧЕСКАЯ КОМИССИЯ, *Состояние Легковой Автомобильной Промышленности... op. cit.*, с. 3, (EURASIAN ECONOMIC COMMISSION, *Position of Light Automobile Industry... op. cit.*, p. 3).

¹⁹⁷MINISTRY OF INDUSTRY OF THE REPUBLIC OF BELARUS, “Investment Offers”, http://minprom.gov.by/eng/investment_offers [15-11-2014].

¹⁹⁸МИД РЕСПУБЛИКИ БЕЛАРУСЬ, “Машиностроение”, (MFA OF THE REPUBLIC OF BELARUS, “Machine Manufacturing”), http://belarusfacts.mfa.gov.by/ru/belarus/economy_busines/key_economic/engineering/ [12-11-2014].

¹⁹⁹С.ГЛАЗЬЕВ, “Актуальные Проблемы и Основополагающие Принципы Евразийской (Постсоветской) Экономической Интеграции”, *op. cit.*, p. 28, (S.GLAZIEV, “Current Problems and Main Principles of Eurasian (Post-Soviet) Economic Integration”, *op. cit.*, p. 28).

direction is “mineral fuels”,²⁰⁰ which (as already mentioned) in turn is widely dependent on resource supply from Russia.

Another important example is RB-RF cooperation in the defense industry. Thus, 250 companies of Russian military-industrial complex need complete plants produced by 99 Belarussian companies in that sphere, while 940 Russian factories supply complements to 67 Belarussian producers. In total, Belarus supplies 15% of the defense order by the Russian government.²⁰¹

Among other important joint ventures are “Brestgazoapparat” JSC (ovens producer), “MobilTeleSystems” (cellular service), “Unimilk-Pruzhani” (dairy producer), “Grand Express” (railway coach manufacturing), “Interabelstroj” (construction company), etc.²⁰²

All these examples demonstrate that integration had positive effects on industrial development of participating states because it enlarged opportunities for their producers widening markets and facilitating technological cooperation, which in turn increased domestic credibility of governments and allowed states to accumulate power.

Eurasian integration remains in the process of construction, there are questions of enlargement and the way of further development, which the next part deals with.

9.4. Enlargement of the Eurasian Economic Union

The present block dedicated to current developments of Eurasian integration deals with theoretical novelties by Frank Schimmelfennig, Lisa L. Martin and Kalypso Nikolaïdis. In total application of observations of these three authors allow the analysis of current development which the Union undergoes nowadays. The time frame of the explanation is limited to mid February 2015.

The main topic that F. Schimmelfennig deals with is enlargement as a rational response of integrating states to increased interdependence. By his theoretical elaborations he proposes special bargaining techniques related to that sphere such as the use of rhetorical action, political conditionality and legacies. Enlargement is not always a common decision, for that reason inside the community there can be drivers and brakemen. Generally, enlargement favoring countries are driven by consideration of geographical proximity, threats and the chance to influence potential member-states. Drivers of integration try to entrap candidate-countries; entrapment is successful

²⁰⁰EUROPEAN UNION, *European Union, Trade In Goods With Belarus*, August 27, 2014, p. 5, http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113351.pdf [6-12-2014].

²⁰¹СОЮЗНОЕ ГОСУДАРСТВО РОССИИ И БЕЛАРУСИ, “Россия и Беларусь: Итоги 2013 Года”, (RUSSIAN-BELARUSSIAN UNION STATE, “Russia and Belarus: 2013 Results”), http://www.postkomsg.com/actual_comment/198500/ [10-12-2014].

²⁰²МИНИСТЕРСТВО ЭКОНОМИЧЕСКОГО РАЗВИТИЯ РОССИЙСКОЙ ФЕДЕРАЦИИ, “Российско-белорусское Инвестиционное Сотрудничество”, *op. cit.*, (MINISTRY OF ECONOMIC DEVELOPMENT OF RUSSIAN FEDERATION, “Russian-Belarussian Investment Cooperation”, *op. cit.*).

when conditions of integration are considered, they are relevant to existing regime and there was a precedent of cooperation and subsequent negotiations beforehand (organization of forums and publicity of the issue are also convenient). From the point of view of brakemen, they oppose enlargement because of potential losses, but can change their opinion in exchange for compensation or under the threat of exclusion.

Rhetorical action strategy of entrapment is seen in manipulation of group identity, geographical considerations or special conditions of legitimacy of the regime by drivers of integration regarding potential members.

Political conditionality is the top-down mechanism that determines rules and norms of behavior for candidate-countries in exchange for financial support and/or other possible benefits enforcing them to correlate their legitimacy in accordance with rules imposed by the regime and using the tactics of “reinforcement by reward”, “reinforcement by punishment” and or/and “reinforcement by support”.

For involving states into integration, there could also be strategies of using “legacies” or “shadows of the past” that could be structural (culture, religion, civilization, etc.), institutional (social particularities) and interactional (influenced by events in the recent past).

All these theoretical observations of F. Shimmelfennig can be found in the example of Armenia and Kyrgyzstan’s accession to the EAEU as well as Ukraine and Tajikistan’s obstacles to integration described in the first, second and third parts of the section.

9.4.1. *Entrapment through political conditionality: the case of the Republic of Armenia*

In the case of Armenia’s accession to the EAEU, Russia is the main driver of integration. Similar to RK and RB dependence on Russia, as was shown in the first and second chapters, RF-RA are largely interdependent especially in economic terms (the RF is Armenia’s second trade partner after the EU), in energy (Yerevan is dependent on RF fuels supply), investments (Russia is the main investor in RA) and migration issues (in 2008, emigrants revenues accounted for 18% of RA’s GDP, and nowadays 22.1%).²⁰³

However, the case of Armenia is different from Belarus and Kazakhstan, which are secure in terms of peace. Conflicts which Armenia is involved in isolated it from its neighbors and cut it off from Russia: Armenia and Azerbaijan are isolated from each other due to the Nagorno Karabakh conflict, the Armenia-Turkey border is closed due to the Armenian genocide case and Turkey-Azerbaijan brotherhood, while

²⁰³EURASEC ANTI-CRISIS FUND, “Armenia”, [http://acf.eabr.org/e/about_acf_eng/countries_acf_e/armenia_acf_e/\[18-01-2015\]](http://acf.eabr.org/e/about_acf_eng/countries_acf_e/armenia_acf_e/[18-01-2015]).

Tbilisi cannot be partner in RF-RA relations because it does not maintain diplomatic relations with Moscow due to conflicts in South Ossetia and Abkhazia.²⁰⁴

At the same time, Russian decision to drive Armenia to join the Union is rationalized by the fact that Caucasus is an important region in the RF's security system, whose territorial integrity depends on²⁰⁵ taking into account the instability caused by the Chechenia wars. Thus, for both countries cooperation is a matter of political survival and reasoned by the considerations of geographical proximity and military threats. In this case, the obstacle of the absence of common borders with any of the EAEU states²⁰⁶ is overcome by the fact that the EAEU does not stipulate them as a requirement for accession. In addition to that, Moscow's experience of communicating with Kaliningrad, a Russian enclave, encourages states to overcome these difficulties.²⁰⁷

Another obstacle that states dealt with in order to promote Armenian admission to the Union is its membership of the WTO (since 2003), whose conditions are different from ones imposed by the EAEU. The case is that tariffs which Yerevan adopted in accordance with WTO regulations are much lower than CET.²⁰⁸ In order to overcome this obstacle, partners gave Armenia time until 2022 to complete transition to common external tariffs of the Union.²⁰⁹ In this regard, it is necessary to remember that it was Russia who proposed amplification of the adaption period for potential member-states, due to which Armenia's accession has become possible. However, RA's membership in the WTO is not only a difficulty for the EAEU, it is also the benefit for which Armenia's legitimacy has already adapted to international standards, which the Union has been developing.²¹⁰

In such a way, the process of entrapment of Armenia into the EAEU coincides with requirements mentioned by F. Schimmelfennig: in particular with determinacy (entrance conditions are appropriate for RA) and relevance (the customs regime that

²⁰⁴A.КАЗАНЦЕВ, "От Запуска Ветки Казахстан — Иран Китай Выигрывает Больше России", *op. cit.*, (A.KAZANZEV, "China Gains More Than Russia from Kazakhstan-Iran Railway", *op. cit.*).

²⁰⁵М.ЛАУМУЛИН, "Внешняя Политика России и Проблемы СНГ", *Казахстан в Глобальных Процессах*, No. 1, 2008, с. 25, (M.LAUMULIN, "Russian Foreign Policy and CIS Problems", *Kazakhstan in Global Processes*, No. 1, 2008, p. 25).

²⁰⁶N.SCHENKKAN, "Eurasian Disunion Why the Union Might Not Survive 2015", *Foreign Affairs*, December 26, 2014, <http://www.foreignaffairs.com/articles/142745/nate-schenkkan/eurasian-disunion> [30-02-2015].

²⁰⁷С.ГЛАЗЬБЕВ, "Актуальные Проблемы и Основополагающие Принципы Евразийской (Постсоветской) Экономической Интеграции", *op. cit.*, p. 29, (S.GLAZIEV, "Current Problems and Main Principles of Eurasian (Post-Soviet) Economic Integration", *op. cit.*, p. 29).

²⁰⁸F.FAYOS, "The Signature Of The Eurasian Union Treaty: A Difficult Birth, An Uncertain Future", Policy Department, Directorate-General for External Policies, European Parliament, August 2014, p. 8, http://www.europarl.europa.eu/RegData/etudes/IDAN/2014/536391/EXPO_IDA%282014%29536391_EN.pdf [14-02-2015].

²⁰⁹THE MOSCOW TIMES, "Armenia Joins Russia-Led Eurasian Economic Union", January 2, 2015, <http://www.themoscowtimes.com/business/article/armenia-joins-russia-led-eurasian-economic-union/514035.html> [12-02-2015].

²¹⁰С.ГЛАЗЬБЕВ, "Актуальные Проблемы и Основополагающие Принципы Евразийской (Постсоветской) Экономической Интеграции", *op. cit.*, p. 28, (S.GLAZIEV, "Current Problems and Main Principles of Eurasian (Post-Soviet) Economic Integration", *op. cit.*, p. 28).

exists in Armenia partially corresponds to the norms of the EAEU). As for precedent, it was already mentioned in the second chapter that the RF and RA have close bilateral relations (shown in the example of summit meetings) and institutional interdependence (participation in common organizations in CIS space).

Armenian entrapment into the Union is also an example of use of political conditionality strategy by Russia. As mentioned in the second chapter, Yerevan actively participated in the Eastern Partnership program and negotiated with the European Union on Association Agreements. In spite of that, in 2013 when bargaining was almost finished, Armenia stated that it would access the EAEU instead of integration projects proposed by the EU.²¹¹ In addition to economic consideration of that transmission there are also military questions related to the Nagorno Karabakh problem that always influence Armenian foreign policy decision-making. Yerevan's strategic partnership with Russia prevents the "Georgian way" of dissolution of the conflict (in other words it does not let Baku invade Nagorno Karabakh as Tbilisi did in the case of South Ossetia). In this situation Armenia's preference to maintain the conflict frozen makes it prioritize partnership with the RF over any other potential benefits²¹² (proposed by the EU).²¹³ Taking these details into consideration it seems a reasonable observation proposed by Fernando Garcés de Los Fayos that Yerevan's "U-turn in policy" was forced by the RF's agreement with Baku to supply Azerbaijan with new weapons taken one month before the Armenian declaration of commitment to joining the EAEU.²¹⁴ This case of entrapment can be seen as an example of "reinforcement by punishment" tactics used by Russia that enforced Armenia to take a decision in favor of the Eurasian choice.

However, even though those tactics seem to be in place in the case of Yerevan's accession to the Union, it is evident that similar to the EU, Russia prefers to use more sparing tactics such as "reinforcement by reward". That is seen in its leading investment position in the country (around 2,5 billion USD or more than 50% of all FDI accumulated in the Republic)²¹⁵ and Moscow's loyal energy policy toward Armenia, for whom the price of natural gas is maintained at the level of 170-180 USD per 1000 m³.

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²¹¹F.FAYOS, "The Signature Of The Eurasian Union Treaty: A Difficult Birth, An Uncertain Future", *op. cit.*, p. 8.

²¹²Г.МИРЗАЯН, "Две с половиной задачи ОДКБ", *Expert*, 24 декабря 2014, (G.MIRZAYAN, "Two and Half CSTO Tasks", *Expert*, December 24, 2014), <http://expert.ru/2014/12/24/dve-s-polovinoj-zadachi-odkb/> [15-02-2015].

²¹³In this situation, it is necessary to note that not all proposals of the EU were favorable for Armenia. For example, Brussels insisted that Yerevan close its only nuclear station that covers 40% of Republic's electricity needs before 2016, which hardly seems beneficial for Armenian national interests. *Vid.* В.ПОНОМАРЕВ, "Экспансия За Рубеж", *Expert*, 22 октября 2012, (V.PANOMAREV, "Expansionism to Abroad", *Expert*, October 22, 2012), <http://expert.ru/2012/10/22/ekspansiya-za-rubezh/> [03-02-2015].

²¹⁴F.FAYOS, "The Signature Of The Eurasian Union Treaty: A Difficult Birth, An Uncertain Future", *op. cit.*, p. 8.

²¹⁵UNCTAD BILATERAL FDI STATISTICS database.

²¹⁶THE MOSCOW TIMES, "Armenia Joins Russia-Led Eurasian Economic Union", *op. cit.*

As for brakemen of Yerevan's accession to the Union, it was Kazakhstan who stated that Armenia should impose customs control on the border with Nagorno Karabakh (which is understandable taking into account Kazakhstan close relations with Azerbaijan as brother Turkic-speaking nations with whom the Republic borders on the Caspian Sea). In this situation, that obstacle was overcome by Armenian concession to impose the customs control as Astana insisted.²¹⁷

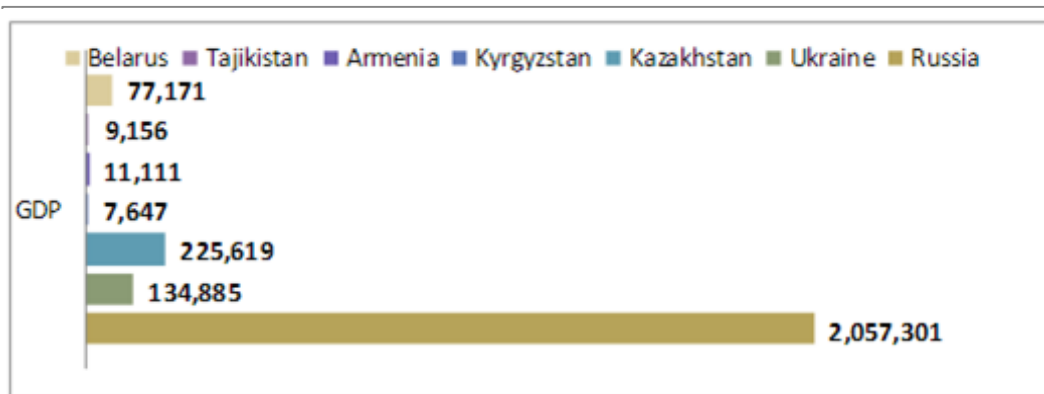
In spite of the limited economic contribution of Armenia to the EAEU economy (the Republic accounts only for 0.5% of the RF GDP),²¹⁸ its entrapment represents an important achievement of Moscow's gathering of CIS states.²¹⁹

Another country that also expressed its will to join the Union is the Kyrgyz Republic, whose process of entrapment is analyzed in the next part.

9.4.2. "Reinforcement by reward" and "reinforcement by support": the entrapment of the Kyrgyz Republic

Similar to Armenia, the Kyrgyz Republic's current economic development cannot largely contribute to material prosperity of the Union. As shown in figure 31, KR's GDP is much lower than its partners and accounts for only 0,4% of Russian GDP.

Figure 31. Gross domestic product of EAEU countries and its potential members, current prices in USD million dollars, 2014



Source: UNCTAD World Economic Outlook Database, October 2014 (prepared by the author).

KR is one of the poorest republics in the region, whose industrial capacity has largely decreased since the collapse of the USSR and the ceasing of donations from

²¹⁷N.SCHENKKAN, "Eurasian Disunion Why the Union Might Not Survive 2015", *op. cit.*

²¹⁸Calculated in accordance with data provided by IMF database.

²¹⁹F.FAYOS, "The Signature Of The Eurasian Union Treaty: A Difficult Birth, An Uncertain Future", *op. cit.*, p. 8.

Russia, which the country, similar to its neighboring Kazakhstan,²²⁰ was largely dependent on.²²¹ Even though the country has one of the most liberal regimes in the region open to foreign investments,²²² its industrial base inherited from Soviet times was largely destroyed, especially concerning machinery, agriculture and consumer goods manufacturing.²²³ The reason for that (as described in the sixth chapter) largely lies in the non-stable political situation caused by two revolutions and conflict in Osh.

At the beginning of its independent history the state, under the rule of Askar Akayev, was trying to position itself as Central Asian “Switzerland”, in other words, to be neutral to any struggle in the region²²⁴ due to which (together with its small size) it was recognized as an “island of democracy”. However, before the American invasion of Afghanistan it was not seen as a strategic partner of any of the great powers except Russia.²²⁵ For example, Zbigniew Brzezinski found that in 1993 among newly independent countries only Ukraine, “oil-rich Turkmenistan and authoritarian Uzbekistan” could be considered as “truly sovereign”.²²⁶

The situation has changed after the events of 9/11. Before that, the only power who tried taking the country out of Russian influence was China.²²⁷ Nowadays, Beijing still challenges Moscow’s influence in Kyrgyzstan, but the struggle lies in the economic chessboard rather than the military one (for example, currently the RF’s FDI accounts for only 5% of total investments stock, the entire EU – for 18%, China – for 14%).²²⁸

In high politics terms, after the proclamation the war against international terrorism by the USA, Kyrgyzstan was involved into its sphere of potential geopolitical interests.²²⁹ In this situation, Russia’s position as the driver of Kyrgyz entrapment is reasonable and can be determined by potential threats rather than possible economic benefits. As shown in the sixth and seventh chapters, Central Asia nowadays is an arena where great powers battle for influence in the region. Its future is hardly predictable due to the difficult political situation caused by the War in Afghanistan and withdrawal of international troops from that country, after which its neighboring countries will stand alone with the growth of terrorist movements in the area (not

²²⁰Б.АХМЕТГАЛИЕВ, *10 Лет: Казахстан и Интеграция*, *op. cit.*, с. 19, (B.Ahmetgaliyev, *10 Years: Kazakhstan and Integration*, *op. cit.*, p. 19).

²²¹Ş.SEZGIN, T.SARUÇ and S.SEZGIN, “Economic Aspects of Defence in Kyrgyzstan”, *International Journal of Contemporary Economics and Administrative Sciences*, Vol. 2, Issue 1, 2012, p. 42.

²²²*Ibid.*

²²³С.ГЛАЗЬЕВ, “Актуальные Проблемы и Основополагающие Принципы Евразийской (Постсоветской) Экономической Интеграции”, *op. cit.*, p. 28, (S.GLAZIEV, “Current Problems and Main Principles of Eurasian (Post-Soviet) Economic Integration”, *op. cit.*, p. 28).

²²⁴Ş.SEZGIN, T.SARUÇ and S.SEZGIN, “Economic Aspects of Defence in Kyrgyzstan”, *op. cit.*, p. 46.

²²⁵*Ibid.*, p. 53.

²²⁶Z.BRZEZINSKI, “The premature partnership”, *Foreign Affairs*, Vol. 73, Issue 2, March/April 1994, pp. 74-75.

²²⁷Ş.SEZGIN, T.SARUÇ and S.SEZGIN, “Economic Aspects of Defence in Kyrgyzstan”, *op. cit.*, p. 54

²²⁸Nowadays (2012), the main investor in KR is Canada, whose investments account for 33% of the FDI stock. *Vid.* UNCTAD BILATERAL FDI STATISTICS database.

²²⁹Ş.SEZGIN, T.SARUÇ and S.SEZGIN, “Economic Aspects of Defence in Kyrgyzstan”, *op. cit.*, p. 54

only in Afghanistan but also in Uzbekistan), and the rise of drug trafficking, whose final consumer destination is Russia.

In this situation, Russian struggle for Kyrgyzstan is understandable in terms of protection of its zone of influence and prevention of potential threats posed by the spread of terrorist movements in the region. The competition between the RF and the USA for KR is seen in the example of military bases deployed by both powers in that country. Thus, since 2001, Washington had been using Manas airport (situated close to KR's capital)²³⁰ as its base assuring herewith its military presence in Kyrgyzstan.²³¹ Russian military presence in turn has been legitimized by CSTO membership, which Moscow used in order to establish Kant military base (in 2003) after the USA came to an agreement with Bishkek regarding Manas. Kant became the first new military base opened within the CSTO (Russia inherited all other bases in the region from Soviet times).²³² In 2009, Bishkek announced the closure of the Manas base, which was declared after Russia had offered it a 2 billion USD credit, Washington responded by offering a 180 million USD payment, and the base was kept in American disposition,²³³ but changed the name from "Manas Air Base" to "Transit Center Manas". In 2013, Bishkek did not prolong the agreement with Washington on further disposition of the airport and in 2014 American troops left Manas,²³⁴ while the government of Almazbek Atambayev (newly elected president in 2011) signed an agreement with Moscow on renting the base for 15 years.²³⁵

In such a manner, Eurasian entrapment of Kyrgyzstan coincided with a Russian victory in the struggle for influence with the USA over that country.

For Kyrgyzstan, in turn, accession to the EAEU is a way of preserving its political stability and nationhood development, which was widely disturbed by conflicts which the country endured.²³⁶

In its entrapment policy toward Bishkek, Moscow uses not only political and military leverages but also the "reinforcement by reward" and "reinforcement by support" tactics, which is seen in the support of KR's economy through an 8.513 billion USD EurAsEC Anti-crisis fund largely financed by Moscow (7.5 USD billion) and

²³⁰O.DZYUBENKO, "U.S. Vacates Base in Central Asia as Russia's Clout Rises", *Reuters*, June 3, 2014, <http://www.reuters.com/article/2014/06/03/us-kyrgyzstan-usa-manas-idUSKBN0EE1LH20140603> [14-02-2014].

²³¹C.WILKINSON, "Development in Kyrgyzstan: Failed State or Failed State-Building" in A.WARE (Ed.), *Development in Difficult Sociopolitical Contexts: Fragile, Failed, Pariah*, New York, Palgrave Macmillan, 2014, p. 146.

²³²Е.КЛИМЕНКО, "Центральная Азия как Региональный Комплекс Безопасности", *op. cit.*, с. 12, (E.KLIMENKO, "Central Asia as Regional Security Complex", *op. cit.*, p. 12).

²³³C.WILKINSON, "Development in Kyrgyzstan: Failed State or Failed State-Building", *op. cit.*, p. 146.

²³⁴RUSSIA TODAY, "Key US Air Base Supplying Afghanistan Closes", June 3, 2014, <http://rt.com/usa/163276-us-leave-manas-airbase/> [23-01-2015].

²³⁵O.DZYUBENKO, "U.S. Vacates Base in Central Asia as Russia's Clout Rises", *op. cit.*

²³⁶С.ГЛАЗЬБЕВ, "Актуальные Проблемы и Основополагающие Принципы Евразийской (Постсоветской) Экономической Интеграции", *op. cit.*, p. 29, (S.GLAZIEV, "Current Problems and Main Principles of Eurasian (Post-Soviet) Economic Integration", *op. cit.*, p. 29).

Astana (1 USD billion).²³⁷ Within that fund member-states have been investing in reformation of the energy sector of the Republic (“Toktogul HPP Rehabilitation” and “Commissioning the second hydro generation unit of Kambaratinskaya HPP-2” programs); transport infrastructure (“The Bishkek-Osh Road Rehabilitation Projects”) and agricultural development.²³⁸ Among other financial support there is the 1 billion USD Russian-Kyrgyz fund established after KR declared its commitment to Eurasian integration created in order to support the agriculture, services and industrial base of the country.²³⁹

In addition to that, it is necessary to remember that 31% of Kyrgyz GDP depends on remittances of its workers abroad (primarily in Russia).²⁴⁰ In this situation, by joining the EAEU, Kyrgyzstan will largely improve the positions of its workers in Kazakhstan and Russia, because of the common labor market it will obtain working conditions similar to those the citizens of its neighboring countries have.²⁴¹

As for determinacy and relevance of the regime, which the EAEU offers to KR, it is appropriate for the republic because Kyrgyzstan is a member of the WTO. However, in accordance with its participation conditions, Bishkek has low tariffs on import from neighboring China,²⁴² which poses a great threat to the entire Union because of potential contraband imports coming from the PRC.²⁴³ Similar to Armenia, Kyrgyzstan has its transition period for adoption to the EAEU regime in order to resolve this type of problems.²⁴⁴

It is planned that the Republic will join the Union in May 2015,²⁴⁵ which has a symbolic meaning for Russia because of the 70th anniversary of the victory in WWII.

²³⁷В.ДОДОНОВ, “Перспективные Инструменты Нейтрализации Влияния Мировых Кризисов в Рамках ЭЭП”, *op. cit.*, с. 65, (V.DODONOV, “Potential Instruments of Neutralization of Influence of the World Crises within the SEC”, *op. cit.*, p. 65).

²³⁸EURASEC ANTI-CRISIS FUND, “Kyrgyz Republic” [http://acf.eabr.org/e/about_acf_eng/countries_acf_e/Kyrgyz_acf_e/\[14-12-2014\]](http://acf.eabr.org/e/about_acf_eng/countries_acf_e/Kyrgyz_acf_e/[14-12-2014]).

²³⁹П.НЕГОИЦА, “Войти в Союз сейчас: Президент Киргизии Алмазбек Атамбаев Считает Интеграционные Условия Хорошими”, *Российская Газета*, 21 декабря 2014, P.NEGOIZA, “To Join The Union Now: Almazbek Atambayev, the President of Kyrgyzstan, Considers Favorable His Country’s Conditions For Joining The EAEU”, *Russian Newspaper*, December 21, 2014) <http://www.rg.ru/2014/12/22/atambaev.html> [14-12-2014].

²⁴⁰N.SCHENKKAN, “Eurasian Disunion Why the Union Might Not Survive 2015”, *op. cit.*

²⁴¹П.НЕГОИЦА, “Войти в Союз Сейчас: Президент Киргизии Алмазбек Атамбаев Считает Интеграционные Условия Хорошими”, *op. cit.*, (P.NEGOIZA, “To Join The Union Now: Almazbek Atambayev, the President of Kyrgyzstan, Considers Favorable His Country’s Conditions For Joining The EAEU”, *op. cit.*).

²⁴²N.SCHENKKAN, “Eurasian Disunion Why the Union Might Not Survive 2015”, *op. cit.*

²⁴³С.ГЛАЗЬЕВ, “Актуальные Проблемы и основополагающие Принципы Евразийской (Постсоветской) Экономической Интеграции”, *op. cit.*, p. 29, (S.GLAZIEV, “Current Problems and Main Principles of Eurasian (Post-Soviet) Economic Integration”, *op. cit.*, p. 29).

²⁴⁴П.НЕГОИЦА, “Войти в Союз сейчас: Президент Киргизии Алмазбек Атамбаев Считает Интеграционные Условия Хорошими”, *op. cit.*, (P.NEGOIZA, “To Join The Union Now: Almazbek Atambayev, the President of Kyrgyzstan, Considers Favorable His Country’s Conditions For Joining The EAEU”, *op. cit.*).

²⁴⁵ТАСС, “Атамбаев: Киргизия Вступает в Евразийский Экономический Союз “На Очень Хороших Условиях”, 27 декабря 2014, (TASS, Atambayev: Kyrgyzstan Joins The Eurasian Economic Union On “Very Favorable Conditions”, December 27, 2014), [http://itar-tass.com/mezhdunarodnaya-panorama/1675892\[14-02-2015\]](http://itar-tass.com/mezhdunarodnaya-panorama/1675892[14-02-2015]).

Enlargement of the EAEU is also an example of the use of rhetorical action and legacies strategies, which the next part deals with.

9.4.3. Use of “legacies” and “rhetorical action” strategies: the cases of Tajikistan and Ukraine

Even though Eurasian integration is proclaimed as an economic one, it is difficult not to mention its political aspect. As a reward for accession to the Union, Russia offers not only economic benefits such as favorable prices on oil and natural gas, but also “political protection” (or more precisely military protection), which is important for integrating states taking into account the difficult situation in which they find themselves.²⁴⁶

Military protection concerns not only Russian presence in all integrating republics through bases deployed in the their territories and weapons supply within the CSTO cooperation, but also the anti-aircraft defense that states promote.²⁴⁷

Eurasian integration in this regard is a way for the RF to once again become the center of attraction for previous brotherhood republics. In this situation Russia mainly uses its strengths such as a dominant position in military and energy spheres and some fields of heavy industries (such as metallurgy, for example).²⁴⁸ However, compared to its rivals in the region, Russian economic, demographic and even geopolitical positions are limited nowadays.²⁴⁹ To overcome its weakness, Russia also uses the rhetorical action strategies, which is seen in its application of Eurasian ideas in order to entrap potential members; and this strategy works in spite of its non-material basis.

Social support for re-unification of former Soviet republics (as an instrument of rhetorical action strategy) has been allowing Russia to maintain its sphere of influence even when its struggle for it by other methods was weak. For example, before creation the CU, EurAsEC was hardly an effective organization, but it was maintained as some kind of Russia-favoring club within the CIS,²⁵⁰ and one of the reasons of that lies in the historical brotherhood (or “shadows of the past” in F. Schimmelfennig’s terminology) of participating nations. For instance, in accordance with a UNIDO survey 93% of entrepreneurs in EurAsEC favor cooperation with other members of the group, more than 60% - enlargement of the circle of the most favorable business partners up to the

²⁴⁶C.ZIEGLER and R.MENON, “Neomercantilism and Great-Power Energy Competition in Central Asia and the Caspian”, *op. cit.*, p. 32.

²⁴⁷М.ЛАУМУЛИН, “Внешняя Политика России и Проблемы СНГ”, *op. cit.*, с. 25, (M.LAUMULIN, “Russian Foreign Policy and CIS Problems”, *op. cit.*, p. 25).

²⁴⁸*Ibid.*, p. 29.

²⁴⁹В.ДАДОНОВ, “Стратегия Реализации Интеграционного Потенциала Казахстана и России: Приоритеты, Направления, Механизмы”, *Казахстан в Глобальных Процессах*, No. 1, 2008, с. 41, (V.DADONOV, “Implementation Strategy of Russia and Kazakhstan’s Integration Potential: Priorities, Tendencies and Mechanisms”, *Kazakhstan in Global Processes*, No. 1, 2008, p. 41).

²⁵⁰М.ЛАУМУЛИН, “Внешняя Политика России и Проблемы СНГ”, *op. cit.*, с. 29, (M.LAUMULIN, “Russian Foreign Policy and CIS Problems”, *op. cit.*, p. 29).

limits of CIS, and only 8% opted for cooperation with third parties.²⁵¹ As for public support for integration, as already shown in the first chapter, it is very high in all countries participating in Eurasian integration.

However, even though the majority of the population of integrating states believe in a common future for post-Soviet countries, none of these republics is ready to sacrifice their sovereignty for that idea. For example, even Belarus, the closest Russian ally and its Slavic brother, prioritizes independence over integration. Thus, in accordance with the Independent Institute of Socio-Economic and Political studies, nowadays (by 2013-2014), only 22% of Belarusians want restoration of the Soviet Union (in 1993 more than 50% of the population was in favor) or unification with Russia, but at the same time they favor integration with the RF and by the latest data, similar to 2007, the majority of Belarussians prefer integration with Russia than with Europe.²⁵²

Commitment to the Eurasian identity is not imposed by Russia, it is proclaimed by the countries themselves, in the same way as happened with the RF itself, which during years of integration and under the rule of Vladimir Putin made a large transition toward that identity²⁵³, and RK, which declared the idea of post-Soviet integration in 1994, although it took twenty years to become a reality (as mentioned in the first chapter). Newly integrated states such as Kyrgyzstan, for example, also do the same, proclaiming their identity in official documents such as Concepts of Foreign Policy.²⁵⁴

Use of rhetorical action strategy is not only in the Russian arsenal but also in other great powers' disposition and the most recent example of its application is the current conflict in Ukraine. Historically considered as a Slavonic nation, Ukraine since the second part of the 1990s has been repeatedly stressing its affiliation to Central Europe.²⁵⁵ These historical links date back to the Polish-Lithuanian Commonwealth that also included Ukrainian territories and which lasted from the 15th to the 18th century until the partitions of Poland that took place in 1772, 1793 and 1795 between Russia, Prussia and Austria.²⁵⁶ The use of historical and cultural commonalities with this region, or structural legacies in Frank Schimmelfennig's terms, is discernable in its relations with Poland and Lithuania²⁵⁷ largely enforced by its European partners. In parallel, for the RF, Ukraine (and especially Kiev) is the Motherland for all Russian

²⁵¹UNIDO, *UNIDO Project To Enhance The Industrial Integration Of EurAsEC Countries*, Moscow, UNIDO Centre for International Industrial Cooperation in the Russian Federation, 2011, p. 2, http://www.unido.ru/eurasecproject/sites/default/files/Express-assesment_report_ENG_v7_final.pdf [10-02-2015].

²⁵²INDEPENDENT INSTITUTE OF SOCIO-ECONOMIC AND POLITICAL STUDIES, "Trends of Change in Belarusian Public Opinion" January 5, 2014, <http://iiseps.org/trends/11/lang/en> [12-12-2014].

²⁵³N.REDMAN, "Russia's Breaking Point", *Survival: Global Politics and Strategy*, Vol. 56, No. 2, April-May 2014, p. 242.

²⁵⁴*Vid.* Статья II: Пункт 2 и Статья III: Пункт 2, КИРГИЗСКАЯ РЕСПУБЛИКА, "Концепция Внешней Политики Кыргызской Республики", *op. cit.*, (*Vid.* Article II: Point 2 and Article III: Point 2, KYRGYZ REPUBLIC, "Foreign Policy Concept of Kyrgyz Republic", *op. cit.*).

²⁵⁵F.LARRABEE, "Ukraine and the West", *Survival: Global Politics and Strategy*, Vol. 48, No. 1, 2006, p. 104.

²⁵⁶V.SOCOR, "Poland, Lithuania Create Interparliamentary Assembly, Joint Battalion", *Eurasian Daily Monitor*, Vol. 2, No. 96, May 17, 2005, http://www.jamestown.org/programs/edm/single?tx_ttnews%5Btt_news%5D=30408&tx_ttnews%5BbackPid%5D=176&no_cache=1#.UzFjn_15Piw [25-03-2014]; ENCYCLOPEDIA BRITANNICA, "Partitions of Poland", <http://www.britannica.com/EBchecked/topic/466910/Partitions-of-Poland> [25-03-2014].

²⁵⁷F.LARRABEE, "Ukraine and the West", *op. cit.*, p. 105.

people because it is the “birthplace of the Russian Orthodox faith”.²⁵⁸ In this situation, it is the population of Ukraine who suffer most of all from the use of rhetorical action by great powers in the country and which threatens its territorial integrity.

The case of Tajikistan is also an example of the use of rhetorical action when the emphasis is put on legacies of the country. Thus, as mentioned in the first chapter, Tajikistan is not a Slavonic nation, neither a Turkic-speaking one, but it constantly declares itself as a Eurasian country.²⁵⁹ However, in this particular case, Dushanbe’s position is determined by necessity to preserve its political stability and integrity threaten by civil war and spread of terrorism in the region rather than pure ideological considerations.²⁶⁰ Among other benefits which the Union can offer it are investments, industrial development and favorable conditions for Tajikistan workers in CIS countries (primarily in Russia).²⁶¹ Even though Dushanbe is still not in the EAEU it has declared its commitment to join and the main obstacle (an official one) is the absence of a common border with Union. In this regards, it seems reasonable to expect Tajikistan’s accession after its neighbor Kyrgyzstan join the organization.²⁶²

Analysis of the enlargement of the EAEU allows confirmation of the statements elaborated by F. Schimmelfennig, which comes in line with the first and second stages of Moravcsik’s model of integration (national preferences formation and international bargaining). As for the third level (institutional choice), it is Lisa L. Martin who largely contributed to development of Moravcsik’s (and Keohane’s) observations, whose theoretical novelties are studied in the next section.

9.5. Institutional effects, economic sanctions and democratic deficit: Ukrainian conflict and other cases

Being confident with Moravcsik and Keohane’s state-centric approaches, which explain institutional choice as the way of securing arrangements obtained under negotiation process and “mutual policy adjustment”, Lisa L. Martin finds that the sphere of changing state behavior under institutional influence is still not elaborated enough and needs further development. In turn, Pr. Martin offers a model aimed at explain-

²⁵⁸N.REDMAN, “Russia’s Breaking Point”, *op. cit.*, p. 238.

²⁵⁹В.ОЧЕРЕДЬКО, “Общее Евразийское Правовое Пространство: Основы Теоретического Анализа”, *Евразийская Интеграция: Экономика, Право, Политика*, No. 14, 2013, с. 104, (V.OCHEREDKO, “Single Eurasian Legal Space: Basis Of Theoretical Analysis”, *Eurasian integration: Economy, Law, Policy*, No. 14, 2013, p. 104).

²⁶⁰С.ГЛАЗЬЕВ, “Актуальные Проблемы и Основополагающие Принципы Евразийской (Постсоветской) Экономической Интеграции”, *op. cit.*, p. 29, (S.GLAZIEV, “Current Problems and Main Principles of Eurasian (Post-Soviet) Economic Integration”, *op. cit.*, p. 29).

²⁶¹РЕДАКЦИЯ, “У Региональной Интеграции – Реальные Цели”, *Евразийская Интеграция: Экономика, Право, Политика*, No. 14, 2013, с. 27, (REDUCTION, “Regional Integration Has Real Goals”, *Eurasian integration: Economy, Law, Policy*, 2013, No. 14, p. 27).

²⁶²С.БЕЛОУСОВ, “Влияние Фактора Совместной Границы На Расширение Таможенного Союза И Единого Экономического Пространства”, *Евразийская Интеграция: Экономика, Право, Политика*, No. 14, 2013, с. 59, (S.BELOUSOV, The influence of the Factor On The Expansion of the Joint Border of the Customs Union and the Common Economic Space”, *Eurasian Integration: Economy, Law, Policy*, 2013, No. 14, p. 59).

ing that phenomena, in accordance with which there is an “average state behaviour” of a given state within an integrating community. Under the pressure of externalities, the “average states’ behaviour” should converge. The power of externalities in this scheme depends on the level of interdependence among participating countries. Convergence of states’ position can take place in different spheres whether it be trade, collective security or monetary cooperation. When externalities have low pressure on integrating countries, their behaviour may diverge; in this situation, domestic differences and inconsistency of national preferences take priority over interdependence. In order to converge states’ interests their agreement is necessary on mutual dealing with common problems, high level of externalities, as in the case of coordination and PD games, and well-designed institutions.

Among other institutional effects emphasized by Lisa L. Martin is an informational one. In this regard she finds that regime provides entirely reliable information in the case that there are member-states or particular domestic groups that can pursue positions different to the common one because they are completely aware of potential losses and benefits.

Another block of Pr. Martin’s novelties concerns economic sanctions, which she also elaborates in line with game theory. In this field she distinguishes senders, leading sender and target country. Sanctions can be unilateral and multilateral. Unilateral ones are cheaper for the leading (and the only) sender but they are less effective, while the side-payments (or audience costs) of multilateral sanctions are higher and more effective. The leading sender enforces its partners to multilateral sanctions through coincidence, coercion or co-adjustment tactics, which can take place if integrated states are bound by subsequent institutional commitments and share interests of imposing restrictions on the target country.

Lisa Martin also comments on the question of democratic deficit of institutional choice. In this field she finds that it could be overcome if there were more accountability and representation in institutions, which would take place if national parliaments and regional representatives got access to participation in the decision-making process at a supranational level.

Application of these two large blocks of Martin’s novelties is done in the first and the second parts of the section. As observations offered by the author is only a point not a block of statements it is mentioned in the first part as an additional note.

9.5.1. Institutional effects of Eurasian integration

Analysis that has been done in the present thesis demonstrates that integrating countries gradually come to a convergence of their positions and even though there are many obstacles that the process faces there is no strong opposition from any of the participating countries. Externalities’ pressure of the community is so high that its members prefer to adjust their policies toward the EAEU regime rather than ceasing cooperation. One recent example of that prioritization in the trade sphere is Kazakh-

stan's accession to the WTO. As mentioned in the sixth chapter, Astana has been trying join that organization for almost twenty years. However, the conditions which Kazakhstan's government had been advocating for its accession during that period did not match the norms of the Union, for that reason Kazakhstan had to launch a new WTO negotiation process and it is still hard to say when it will join that institution.²⁶³

In collective security terms, partnership within the CSTO demonstrates that the process of convergence of interests has already occurred and nowadays states act as a solidary group.

As for monetary cooperation, states gradually come to stable financial systems based on a limited number of large banks (from two to six depending on the country). However, as all integrating states are dependent on changes in the world financial system and none of their currencies is a reserve one, unification of their financial systems and introduction of a common monetary unit is still not under discussion.²⁶⁴

However, even though many examples of institutional effects can be found in the example of the Eurasian integration, it seems reasonable to explain that phenomena in the light of the current conflict in Ukraine which has direct influence on the future development of the Union.

There is not a more symbolic country for Russia than Ukraine. The most glorious and important events of Russian history are linked to this state, such as victory in the battle of Poltava, victory in WW II or Christianization of Old Rus. Crimea also has significant meaning for the RF's power because it is its pillar in the Mediterranean. For that reason it is highly likely that Russia would fight for influence over Ukraine as a symbol of its glory.²⁶⁵

The importance of this country for Moscow has been well-known to all its potential rivals for centuries. Thus, Zbigniew Brzezinski's famous statement that with Ukraine Russia "automatically becomes an empire"²⁶⁶ was first declared by Otto von Bismarck in the 18th century (in accordance with Russian academics), who said that in order to defeat Russia it is necessary to take Ukraine away from it.²⁶⁷ However, even though this statement is common for RF's politicians, Germans find that it a false one used for propaganda aims.²⁶⁸

²⁶³С.ГЛАЗЬБЕВ, "Актуальные Проблемы и Основополагающие Принципы Евразийской (Постсоветской) Экономической Интеграции", *op. cit.*, p. 23, (S.GLAZIEV, "Current Problems and Main Principles of Eurasian (Post-Soviet) Economic Integration", *op. cit.*, p. 23).

²⁶⁴*Ibid.*, p. 29.

²⁶⁵H.KISSINGER, "To Settle The Ukraine Crisis, Start At The End", March 5, 2014, *Washington Post*, http://www.washingtonpost.com/opinions/henry-kissinger-to-settle-the-ukraine-crisis-start-at-the-end/2014/03/05/46dad868-a496-11e3-8466-d34c451760b9_story.html [30-01-2015].

²⁶⁶Z.BRZEZHINSKI, "The Premature Partnership", *Foreign Affairs*, Vol. 73, No. 2, March-April 1994, p. 80.

²⁶⁷С.ГЛАЗЬБЕВ, "Как Не Проиграть в Войне", *op. cit.*, (S.GLAZIEV, "How Not To Lose The War", *op. cit.*).

²⁶⁸For example, German DW finds that it is false that Bismarck could make this statement because he did not use the word "Ukraine" and was thinking in terms of great powers such as Germany, France and Russia "ones and undivided". *Vid.* DW, "Бисмарк ничего не говорил об отделении Украины от России", 15 декабря 2014, (DW, "Bismarck Says Nothing About Ukraine's Separation From Russia", December 15,

However, Ukraine not only has symbolic significance for Russia but also economic and political. In trade terms, it is a large market, which consumes EAEU goods which are not competitive outside the Russian zone of influence, in addition it borders South-East Europe, which is also important in an economic respect.²⁶⁹ For Moscow and the entire Union in general, Ukraine is a transport corridor to the EU, which relates not only to natural gas and oil deliveries but also the transition of other manufactured goods. Ukraine is also an important wheat producer, whose entrapment would be beneficial for the Eurasian states which have plans to establish a Wheat Union significant for food security of participating countries and improvement their position in the world food market.²⁷⁰

Energy and food are not the only national security aspects concerned. In military terms, Russian and Ukrainian defense industries are interdependent,²⁷¹ which is significant for Moscow that nowadays (as shown in the second chapter) competes for leadership in the arms market. Thus, in defense industry terms, the most important regions for Russia are Vladimir, Tula, Chelyabinsk, Perm, Kuibyshev and Kirov cities plus Udmurt and Tatar Republics, which all are situated in the RF²⁷² (not far from the border with Kazakhstan).²⁷³ In Ukraine, the industrial base of Khar'kov and Kiev regions is significant for Russia, while for maintaining its significance as a sea power Ukraine's South (together with San-Petersburg and the far East of Russia) is essential.²⁷⁴

In addition to that, traditionally Russian and Ukrainian economies, especially in the fields of high-tech industries, are interdependent.²⁷⁵ For that reason re-industrialization of Russia would be a difficult task without Ukraine. Thus, nowadays there are about 1000 cooperation intra-industrial links between the two countries, which rationalizes the need to entrap Kiev in EAEU, because if states remove all customs, technical and others barriers, cooperation will be productive. Without Ukraine the customs territory of the EAEU is not complete and for the Union in general the loss of Kiev as a strategic partner is greatly significant.²⁷⁶

2014), <http://www.dw.de/бисмарк-ничего-не-говорил-об-отделении-украины-от-россии/a-18129646> [30-01-2015].

²⁶⁹N.SCHENKCAN, "Eurasian Disunion Why the Union Might Not Survive 2015", *op. cit.*

²⁷⁰N.REDMAN, "Russia's Breaking Point", *op. cit.*, p. 238.

²⁷¹*Ibid.*, p. 238.

²⁷²J.COOPER, "The Soviet Defense Industry and Conversion: the Regional Dimension" in L.PAUKERT and P.RICHARD (Eds.), *Defence Expenditure, Industrial Conversion, and Local Employment*, Geneva, ILO publications, 1991, p. 156.

²⁷³*Vid.* NATIONAL GEOGRAPHIC, "Russia Maps", <http://travel.nationalgeographic.com/travel/countries/russia-map/> [26-03-2015].

²⁷⁴J.COOPER, "The Soviet Defense Industry and Conversion: the Regional Dimension", *op. cit.*, p. 156.

²⁷⁵С.ГЛАЗЬЕВ, "Зачем Нужен Таможенный Союз?", *op. cit.*, с. 16, (S.GLAZIEV, "What the Customs Union is Necessary for?", *op. cit.*, p. 16).

²⁷⁶С.ГЛАЗЬЕВ, "Актуальные Проблемы и Основополагающие Принципы Евразийской (Постсоветской) Экономической Интеграции", *op. cit.*, p. 31, (S.GLAZIEV, "Current Problems and Main Principles of Eurasian (Post-Soviet) Economic Integration", *op. cit.*, p. 31).

For Ukraine in turn, loss of CIS partners is even more disasterous. When DCFTA commitments come into force, the Ukrainian market will be open to European partners,²⁷⁷ and it is hardly possible that Ukrainian industries can be effective enough to compete with high-quality production coming from the EU.²⁷⁸ In this situation it is Kiev's Central European partners such as Poland, for example, who will benefit due to geographical proximity to the Ukrainian association with the EU, but not Kiev.²⁷⁹

In addition to that, for Ukraine, which is dependent on fuels coming from Russia, increase of the price on gas and oil will increase the prices on production of its metallurgical, chemical, machine engineering and metal-working manufacturing industries, making them more expensive (because of high energy consumption of these enterprises) and therefore would be less competitive (especially compared to EU products).²⁸⁰

Current conflict in Ukraine is also a great disadvantage for Russia, which determined the "threat" to the EAEU posed by the Eastern Partnership very late and began to act only when negotiations around the AA had already been done (in particular in November 2013 when the Vilnius summit was on the international agenda).²⁸¹

However, as mentioned in the previous chapters, Ukraine had been taking into consideration the Eurasian choice, but its intentions to integrate with Russia, Kazakhstan and Belarus have dramatically decreased since the Orange revolution in 2003,²⁸² while the recent events in Ukraine together with Maidan protests made its future Eurasian integration very hard to implement.²⁸³

Henry Kissinger finds that this kind of inconstancy lies in Ukraine's historical roots. Since the 14th century the country was under great powers' rule and it has acted as an independent country only since the collapse of the Soviet Union. That fact has its influence on the Ukrainian way of nation state-building and together with East-West differences explains the instability that the country has suffered during the last decades.²⁸⁴

²⁷⁷С.НУРДАВЛЕТОВА и Р. ГОЛЬЧЕНКО, "Политика Государств-Членов Европейского Союза в отношении Украины (2004-2013 гг.)" в К.ШАКИРОВ (Ред.), *Әл-Фараби атындағы Қазақ Ұлттық Университеті ҚазҰУ Хабаршысы: Халықаралық Қатынастар Және Халықаралық Құқық Сериясы*, Алматы, Қазақ университеті, 2014, с. 24, (S.NURDAVLETOVA and R.GOLCHENKO, "Policies of EU Member-States Toward Ukraine (2004-2013)" in K.SHAKIROV (Ed.), *Herald of Al-Farabi Kazakh National University: International Relations And International Law Issues*, Almaty, Kazakh University, 2014, p. 24).

²⁷⁸С.ГЛАЗЬЕВ, "Как Не Проиграть в Войне", *op. cit.*, (S.GLAZIEV, "How Not To Lose The War", *op. cit.*).

²⁷⁹С.НУРДАВЛЕТОВА и Р. ГОЛЬЧЕНКО, "Политика Государств-Членов Европейского Союза в отношении Украины...", *op. cit.*, с. 24, (S.NURDAVLETOVA and R.GOLCHENKO, "Policies of EU Member-States Toward Ukraine...", *op. cit.*, p. 24).

²⁸⁰С.ГЛАЗЬЕВ, "Зачем Нужен Таможенный Союз?", *op. cit.*, с. 17, (S.GLAZIEV, "What the Customs Union is Necessary for?", *op. cit.*, p. 17).

²⁸¹N.REDMAN, "Russia's Breaking Point", *op. cit.*, p. 237.

²⁸²Р.КУБИЦЕК, "The Commonwealth of Independent States: an Example Of Failed Regionalism?", *op. cit.*, p. 248.

²⁸³V.VITKINE, "Vladimir Putin's Eurasian Economic Union Gets Ready To Take On The World", *op. cit.*

²⁸⁴H.KISSINGER, "To Settle The Ukraine Crisis, Start At The End", *op. cit.*

The conflict in Ukraine is an example of convergence of positions of EAEU countries under the influence of externalities. For instance, it is notable that in the case of the Crimean crisis in 2014 Belarus and Armenia were among 11 countries (together with Russia) who did not support the UN resolution on *Territorial Integrity of Ukraine*. As for Kazakhstan, which abstained from voting,²⁸⁵ its MFA declared that it recognizes the results of the referendum in Crimea and understands the Russian position in this case.²⁸⁶ On this obvious example, it might be considered that close links within the community have an impact on foreign policy preferences.

As for institutional effects caused by information that organizations promote, it can be concluded that the EAEU has created a regime with equal information access. In accordance with Martin's observations, that statement can be confirmed by the fact that even though all member-states are constant in their Eurasian choice, all of them face internal opposition to integration posed by domestic groups who, due to information that the institution provides,²⁸⁷ understand that not all conditions of cooperation are favorable for them. In this regards, two example are worth noting. Firstly, the opposition by car dealers that Astana faced when it was planning to increase customs tariffs on imported cars in order to support national production (Kazakhstan's government had this plan since 2002-2003). This opposition is reasonable because car dealers, who do not have their own production entities, are more interested in gains through selling imported machinery than in development of local production.²⁸⁸

Another example is the one that Russia is dealing with. Thus, as integration promotes industrialization of the country groups involved in machinery production, agriculture and food industries favor it, at the same time elites working in natural materials exploitation oppose it because ultimately it is the energy and materials sector which pays for integration, especially in the case of entrapment of countries that are less advantaged in energy terms.²⁸⁹

As for Martin's note about overcoming democratic deficit, states gradually achieve this goal. Even though, nowadays, competence of Eurasian supranational institution, i.e. the EEC is limited to only executive tasks within the integration sphere, there are plans to establish the supranational assembly aimed at uniting legislative

²⁸⁵UN GENERAL ASSEMBLY, "Territorial Integrity of Ukraine", Resolution 68/262, March 27, 2014, [http://www.un.org/en/ga/search/view_doc.asp?symbol=A/RES/68/262&referer=/english/&Lang=E\[17-09-2014\]](http://www.un.org/en/ga/search/view_doc.asp?symbol=A/RES/68/262&referer=/english/&Lang=E[17-09-2014]). For the list of countries who supported or not the resolution, see ТАСС, "Генассамблея ООН Приняла Резолюцию В Поддержку Территориальной Целостности Украины", 27 марта 2014, (TASS, "General Assembly Adopts Resolution On Territorial Integrity of Ukraine", March 27, 2014), <http://itar-tass.com/mezhdunarodnaya-panorama/1079720> [17-09-2014].

²⁸⁶РИАНОВОСТИ, "Казахстан с Пониманием Отнесся К Решению России по Крыму", 18 марта 2014, (RIANOVOSTI, "Kazakhstan Understands The Decision of Russia Regarding Crimea", March 18, 2014), <http://ria.ru/world/20140318/1000082522.html> [18-09-2014].

²⁸⁷С.ГЛАЗЬЕВ, "Зачем Нужен Таможенный Союз?", *op. cit.*, с. 13, (S.GLAZIEV, "What the Customs Union is Necessary for?", *op. cit.*, p. 13).

²⁸⁸EXPERT ONLINE, "Авторынок Под Угрозой", 24 мая 2004, (EXPERT ONLINE, "Automobile Market is Under The Threat", May 24, 2004), <http://expertonline.kz/a9933/> [11-11-2014].

²⁸⁹С.ГЛАЗЬЕВ, "Актуальные Проблемы и Основополагающие Принципы Евразийской (Постсоветской) Экономической Интеграции", *op. cit.*, p. 27, (S.GLAZIEV, "Current Problems and Main Principles of Eurasian (Post-Soviet) Economic Integration", *op. cit.*, p. 27).

branches of participating states,²⁹⁰ which according to Lisa L. Martin would increase representation and accountability in the Union.

The Ukrainian crisis, analyzed above, not only has its effects on convergence of states' positions, but also implies the economic sanctions that Russia suffers nowadays, explained through application of Lisa L. Martin's theoretical novelties in the next part of the section.

9.5.2. Economic sanctions imposed on Russian Federation and its response

Within the present thesis integration is analyzed only in the particular case of the EAEU, because of that, even though sanctions between the EU and Russia are mutual only the Russian position and Russian vision is represented below.

The current world financial, economic and political crisis shows that the technological basis of the future global order is close to dramatic changes. In accordance with Glaziev, the new technologies that imply economic development lie in the sphere of biotechnologies, gene engineering, artificial intelligence, transport systems²⁹¹ aimed at more effective world production and less energy-consumption. In this situation developing countries (such as CIS members) have a chance of overcoming their technological weakness investing in new industries, advanced countries in this situation are in a tough position because it takes time for them to re-orientate their economies and transfer their capital from the industries, which they are currently working in, to new areas.²⁹²

Transformation to a new technological order is traditionally accompanied by political and economic disasters.²⁹³ Thus, the Great Depression of the 1930s was determined by transition from the age of "coal and steel" to the age of "internal combustion engine and bio-chemistry", in this situation the transition period was overcome by expansion of armaments and the tragedy of WWII. Political consequences of this transformation were great and led to conversion of the colonial system to a bipolar global order. The depression of the 1970s-1980s took the world to a new "information and communication" age, in which the USA and its NATO allies are the main benefac-

²⁹⁰Н.НАЗАРБАЕВ, "Евразийский Союз: От Идеи К Истории Будущего", *op. cit.*, с. 27, (N.NAZARBAYEV, "Eurasian Union: From Idea To The Future History", *op. cit.*, p. 27).

²⁹¹С.ГЛАЗЬЕВ, "О Стратегии Модернизации И Развития Экономики России в Условиях Глобальной Депрессии", 17 мая 2011, (S.GLAZIEV, "On strategy of Modernization And Development of the Russian Economy in Conditions Of Global Depression", May 17, 2011), http://www.glazev.ru/econom_polit/269/ [15-03-2015].

²⁹²С.ГЛАЗЬЕВ, "Как Не Проиграть в Войне", *op. cit.*, (S.GLAZIEV, "How Not To Lose The War", *op. cit.*).

²⁹³С.ГЛАЗЬЕВ, "О Стратегии Модернизации И Развития Экономики России в Условиях Глобальной Депрессии", *op. cit.*, (S.GLAZIEV, "On strategy of Modernization And Development of the Russian Economy in Conditions Of Global Depression", *op. cit.*).

tors. In political terms, this transformation led to the collapse of the Soviet Union²⁹⁴ which was the “greatest geopolitical catastrophe of the 20th century”.²⁹⁵

On the eve of a new technological revolution political cataclysms, including conflicts, retarded development of the countries in which they occur.²⁹⁶ For instance, as Nursultan Nazarbayev finds, the Arab spring will impede the industrial progress of these countries for at least a decade.²⁹⁷ The same can happen with Ukraine, which is interdependent with EAEU countries. In the case of Russia, economic sanctions that it suffers as a target country nowadays are also aimed at retarding its industrialization. In this situation, the main beneficiary of these sanctions is the USA,²⁹⁸ which due to geographical distance and low level of trade between countries (as shown in the first chapter) does not lose much in audience costs for imposing them.

As Glaziev finds, the USA is interested in sanctions because of the following reasons. Firstly, they allow Washington to write off the debts owed to Russia. Secondly, they will make it difficult for Moscow to pay debts to European partners, which will destabilize Russia-EU relations and bank systems of both sides. Thirdly, sanctions against Russia would provoke losses for its close trade partners, such as the EU, making the European economy weaker, which would be beneficial for the USA²⁹⁹ in the sense that progress will be achieved in negotiations of the USA-EU free trade agreements known as “Trans-Atlantic Trade and Investment Partnership” (TTIP).³⁰⁰ Fourthly, sanctions allow Washington to compete with Russia for the European market of natural gas substituting it with a shale one which the USA began to exploit, and the nuclear market of Eastern Europe where Russian positions are important. Fifthly, in the event that the EU became more dependent on the USA in energy and economic terms, it would be easier to bargain the conditions of TTIP favorable for Washington. Sixthly, a weak Russia makes it easier to compete for its zone of influence in which China is also interested. Seventhly, the present conflict is another opportunity to increase military expenditures of the USA, in which large, powerful American groups

²⁹⁴С.ГЛАЗЬЕВ, “Как Не Проиграть в Войне”, *op. cit.*, (S.GLAZIEV, “How Not To Lose The War”, *op. cit.*).

²⁹⁵The origin of the phrase belongs to Vladimir Putin, *Vid.* L.MOURE and K.SODUPE, “Presentación: De la Unión Soviética a la Federación Rusa” in L.MOURE and K.SODUPE (Eds.), *Rusia en la Era Postsoviética*, *op. cit.*, p. 12.

²⁹⁶С.ГЛАЗЬЕВ, “Как не Проиграть в Войне”, *op. cit.*, (S.GLAZIEV, “How not to lose the war”, *op. cit.*).

²⁹⁷REGNUM, “Нурсултан Назарбаев: Разве Соблюдалось Международное Право, Когда Бомбили Югославию?”, 25 марта 2014, (REGNUM, “Nursultan Nazarbayev: Is international law being followed when Yugoslavia was bombed?”, March 25, 2014), <http://www.regnum.ru/news/polit/1782700.html> [20-02-2015].

²⁹⁸С.ГЛАЗЬЕВ, “Как Не Проиграть в Войне”, *op. cit.*, (S.GLAZIEV, “How Not To Lose The War”, *op. cit.*).

²⁹⁹*Ibid.*

³⁰⁰BBC, “US And EU “Make Progress” In Free Trade Area Talks”, October 3, 2014, <http://www.bbc.com/news/business-29482892> [20-02-2015].

are involved. In addition to that, Ukraine is an important market for American transnational companies, which allows them to establish their dominance in the region.³⁰¹

For Russia, overcoming of the present crisis and achieving progress in new dimensions of world technological order is not only a question of struggling to become one of the poles of the new world system, but also an issue of political survival. Eurasian integration in this situation plays the role of a platform which will facilitate its technological re-industrialization.³⁰² For that, Russia needs to develop its defense industry³⁰³ and banking sector, without whose credits the state's economic development is impossible.³⁰⁴ At the same time, the economy of the country is highly dependent on oil prices and natural gas prices, which are constantly linked to oil price. However, current decrease of oil prices (to \$58 per barrel Brent) has a negative effect on the Russian economy.³⁰⁵ In parallel, sanctions against Russia are primarily imposed on its bank, defense and oil sectors³⁰⁶ the spheres which Moscow needs to develop in order to bring the country out of the crisis. Since the Crimean crisis and imposing of international sanctions Russian international reserves decreased to 498.926 billion USD in 2014 and 376.208 billion USD in 2015 (in 2013 Russia had 532.155 billion USD in reserves);³⁰⁷ while the ruble has weakened against the USD by almost double. Thus, USD-RUB exchange rate was at the level of 1 = 36.6 on the day before the Crimean referendum (16 March 2014),³⁰⁸ while currently (on 10th February 2015) it is at a level of 1 = 65.4.³⁰⁹ Such a situation made the Russian government declare that the main aim of the current difficult political situation, conflict in Ukraine and sanctions against is to "force the regime change" in the Kremlin.³¹⁰

³⁰¹С.ГЛАЗЬЕВ, "Как Не Проиграть в Войне", *op. cit.*, (S.GLAZIEV, "How Not To Lose The War", *op. cit.*).

³⁰²Е.ВИНОКУРОВ, "Зарождение Евразоскептицизма", *Евразийская Экономическая Интеграция*, No. 1 (22), Февраль 2014, с. 15, (E.VINOKUROV, "Establishment of Eurasioscepticism", *Eurasian Economic Integration*, No. 1 (22), February 2014, p. 15).

³⁰³С.ГЛАЗЬЕВ, "Как Не Проиграть в Войне", *op. cit.*, (S.GLAZIEV, "How Not To Lose The War", *op. cit.*).

³⁰⁴С.ГЛАЗЬЕВ, "Санкции США и Банка России: Двойной Удар По Национальной Экономике", *Вопросы Экономики*, No. 9, 2014, с. 11, (S.GLAZIEV, "USA Sanctions and Bank of Russia: a Double Hit To National Economy", *Issues of Economy*, No. 9, 2014, p. 11), http://www.glazev.ru/econom_polit/373/ [15-03-2015].

³⁰⁵ТАСС, "МЭА Сохранило Прогноз Мирового Спроса На Нефть в 2015 году", 10 февраля 2015, (TASS, "IEA Keeps Oil World Demand Forecast", February 10, 2015), <http://tass.ru/ekonomika/1757443> [15-03-2015].

³⁰⁶ВВС, "Ukraine Crisis: Lavrov Warns Over Russia "Regime Change" Goal", November 22, 2014, <http://www.bbc.com/news/world-europe-30158978> [15-03-2015].

³⁰⁷БАНК РОССИИ, "Международная Инвестиционная Позиция По Международным Резервам Российской Федерации", (BANK OF RUSSIA, "International Investment Position by Russian international reserves of Russian Federation"), http://www.cbr.ru/statistics/print.aspx?file=credit_statistics/iip_ira_15.htm&pid=svs&sid=mipzrRF [15-03-2015].

³⁰⁸ТАСС, "Референдум в Крыму: Хроника событий", 16 марта 2014, (TASS, "Crimea Referendum: Chronicle of Events", March 16, 2014), <http://tass.ru/mezhdunarodnaya-panorama/1049829> [15-03-2015].

³⁰⁹БАНК РОССИИ, "Динамика Официального Курса Заданной Валюты", (BANK OF RUSSIA, "Official Currency Exchange Rate Dynamics"), http://www.cbr.ru/currency_base/dynamics.aspx [15-03-2015].

³¹⁰ВВС, "Ukraine Crisis: Lavrov Warns Over Russia "Regime Change" Goal", *op. cit.*

Counter sanctions imposed by Russia primarily concern not allowing European production to come into the Russian market.³¹¹ In terms of Eurasian integration they are unilateral because none of Russia's allies within the EAEU support them.³¹²

The reason for that lies in the fact that there is no institutional commitments that oblige integrating countries to share sanctions imposed by one of them. Thus, Article 38 of the Treaty on EAEU determines that “member-states coordinate trade in services with third countries”.³¹³ It was Kazakhstan’s proposal to add that coordination of policies in the sphere of trade services does not give “supranational power to the Union in this field.”³¹⁴ Article 53 (55-1) of the provisional project of the EAEU was proposed to allow the Eurasian Commission to not only monitor restrictive measures on third parties toward member-states, but also administer their removal.³¹⁵ In the final version of the Treaty the Commission does not have this authority.

In such a manner, in accordance with Lisa Martin’s terminology regarding counter-sanctions imposed by Russia, Moscow is the leading and only sender, sanctions are unilateral, which makes them cheaper than the multilateral sanctions imposed against Russia, but also less effective.

9.6. Demoicracy, sustainable integration, decentering of integration in internal and external relations of the EAEU members

Generally, the question of democracy can be explained in two ways: intergovernmentalist and supranationalist. The former finds that states’ sovereignty guarantees citizens the liberties of integrated countries, while the latter considers that supranational institutions are responsible for controlling states’ compliance with democratic norms. Kalypso Nicolaïdis offers a third way. She introduces the term “demoicracy” based on pluralistic and “demoicratic ethics” which do not require unity of all nations bound by integration, but compatibility of their identities accompanied by complementability of national and supranational governance and dialogue among their different levels.

Another theoretical novelty by Kalypso Nicolaïdis refers to sustainable integration that can be achieved through implementation of short-term projects lying in dif-

³¹¹RIANOVOSTI, “Ответные Меры России На Санкции”, 10 февраля 2015, (RIANOVOSTI, “Russian Counter-Measures On Sanctions”, February 10, 2015), [http://ria.ru/trend/Russia_sanctions_reaction_06082014/\[14-02-2015\]](http://ria.ru/trend/Russia_sanctions_reaction_06082014/[14-02-2015]).

³¹²ВЕДОМОСТИ, “Итоги Года: Ответные Санкции Не Помогли Сельскому Хозяйству”, 26 декабря 2014, (VEDOMOSTI, “Year’s Results: Counter-Sanctions Do Not Support Agriculture”, December 26, 2014) <http://www.vedomosti.ru/politics/news/37879831/fermer-ne-dozhdalsya-pomoschi> [14-02-2015].

³¹³*Vid.* Статья 38. Договор о Евразийском Экономическом Союзе, *op. cit.*, (*Vid.* Article 38. Treaty on the Eurasian Economic Union, *op. cit.*).

³¹⁴*Vid.* Статья 52 (54): Внешняя торговля услугами. ЕАЭС, “Проект Договора о Евразийском Союзе”, *op. cit.*, (*Vid.* Article 52 (54): External services trade). EAEU, “Project of the Treaty on Eurasian Economic Union”, *op. cit.*).

³¹⁵*Vid.* Статья 53 (55-1): Устранение ограничительных мер в торговле с третьими сторонами. *Ibid.*, (*Vid.* Article 53 (55-1): Removal of limiting barrier measures in trade with third parties. *Ibid.*).

ferent fields without prioritizing any of them, which in a long-term perspective should lead to prosperity of participating countries and perpetual peaceful relations among them. Sustainable integration can be achieved through “empowerment” (extension of rights of vulnerable groups), “recognition” of nations’ diversity, “solidarity” in pursuing a common good and “decentering” principle of “tiered regime” of supranational and national governance, when a problem is considered and resolved at the level it is better suited to and “ownership” is achieved through equal responsibility and participation in integration issues. The main advantage of sustainable integration is that it allows states to maintain political stability even when they are vulnerable due to short-term uncertainty.

As far as external relations are concerned, Kalypso Nicolaïdis states that integration can be used as an instrument of increasing the prestige and influence of the community in the international arena through “decentering” tactics of “integration without accession”. Decentering can be achieved through three steps: “provincializing”, i.e. retreat from the dogma that community’s values are unchangeable, “engagement” through conceptual enrichment of the norm base and “reconstruction” as application of norms of integrating organization in other countries and institutions. As K. Nicolaïdis finds the practice of sharing achievements of integrated community with other countries and groups allows increased world impact and contributes to a stable global order.

As K. Nicolaïdis's statements refer both to internal and external relations, their application to these two dimensions is made in the first and the second parts of the section.

9.6.1. Internal relations: the way to democracy and sustainable integration

The reality of current international politics demonstrates that a self-sufficient country in economic and political terms can hardly be found and all states gravitate toward being part of a particular integration block, the only difference among which is the form and the way of cooperation. The CIS space is not an exception. Since the collapse of the Soviet Union the region has been falling apart under the pressure of internal industrial degradation and external influence of the growing force of its neighbors and interested great powers. In particular, the main threat to re-integration of former USSR countries has been posed by European enlargement, China’s fast economic growth and subsequent expansion of neighboring territories, modernization of Turkish and American financial and military activity in the region.³¹⁶ In other words, the question is not about whether or not the process of integration will take place in the

³¹⁶С.ГЛАЗЬЕВ, “Итоги и Перспективы Интеграционных Процессов на Постсоветском Пространстве”, *op. cit.*, (S.GLAZIEV, “Results and Perspective of Integration Processes in Post-Soviet Space”, *op. cit.*).

CIS region, but what form it will have. Cooperation and gravitation to a potential leader is inevitable and if not Eurasian, there will be Asian or European integration.³¹⁷

Russia in this situation is seen as a “natural gravitation center” for its neighbors, with whom it is bound by economic ties.³¹⁸ However, geographical proximity and economic links are not the only things that Eurasian nations have in common. In addition to these important factors, their ethnic identities complement each other promoting “demoicratic ethics” emphasized by K. Nicolaïdis.

Eurasianism as an ideology has already been described in the third chapter, while in this section not its nature but its importance for the community is explained. Thus, political, military and economic crisis, which many CIS states had to pass through during last two decades, demonstrate disadvantages and imperfections of nation-building strategies that they had chosen after obtaining independence. This observation does not oppose the fact that all newly independent states have established themselves as sovereign nation-states,³¹⁹ but aims to point out that some aspects of their models can be revised. Thus, for all these models, the conflict between national and supranational governance is common. For example, in the case of RB-RF cooperation, from the very beginning of Union State existence there has been a dilemma for Minsk of pursuing the benefits of being involved in integrated community with Russia while at the same time seeking to save its sovereignty and independence within that community.³²⁰

Democracy in this context permits the achievement of both objectives without opposing one another. As mentioned, Eurasian ideas do not deny national identity of integrating countries, but complement it with a supranational one. Eurasianism philosophy can be used not only for inter-state integration but also for nation-building. Thus, in Russia, the core center of the community,³²¹ there is still no national ideology, but there is an intention to recapture its glory lost with the collapse of the Soviet Union and to become one of the centers in the new global order of the multi-polar world.³²² In this situation, Eurasianism can be used as a basis for developing new Russian ideology consistent with new realities and Russian conservative dogma of priori-

³¹⁷Ю.ОСИПОВ, “Евразийская (Постсоветская) Международная Интеграция Как Насущная Актуальность”, *Философия Хозяйства*, No. 1 (91), Январь-Февраль 2014, с. 22, (YU.OSIPOV, “Eurasian (Post-Soviet) International Integration As Current Reality”, *Philosophy of Household*, No. 1 (91), January-February 2014, p. 22).

³¹⁸REGNUM, “Виген Акопян: Прощальный Месседж Хиллари Клинтон - США Против Интеграционных Проектов России”, 10 декабря 2012, (REGNUM, “Vigen Akopyan: “Last Message of Hilary Clinton – the USA Is Against Russia-lead Integration Projects”, December 10, 2012), <http://www.regnum.ru/news/fd-abroad/armenia/polit/1602422.html> [30-03-2014].

³¹⁹Р.ГРИНБЕРГ, “Формирование Евразийского Союза: Шансы и Риски”, *op. cit.*, с. 21, (R.GRINBERG, “Establishment of Eurasian Union: Chances and Risks”, *op. cit.*, p. 21).

³²⁰S.EKE and T.KUZIO, “Sultanism in Eastern Europe: The Socio-Political Roots of Authoritarian Populism in Belarus”, *op. cit.*, p. 523.

³²¹Н.НАЗАРБАЕВ, *Евразийский Союз...*, *op. cit.*, с. 36, (N.NAZARBAYEV, *Eurasian Union...*, *op. cit.*, p. 36).

³²²A.BARBASHIN and H.THOBURN “Putin’s Brain: Alexander Dugin and the Philosophy Behind Putin’s Invasion of Crimea”, *Foreign Affairs*, March 31, 2014, <http://www.foreignaffairs.com/articles/141080/anton-barbashin-and-hannah-thoburn/putins-brain> [14-02-2015].

tizing the power of the state.³²³ This particularity of Eurasian idea lies in its complementability of supranational and national governance. For instance, Torkunov finds that currently the USA “decreases its responsibility for global and regional security”;³²⁴ in this situation, Russia can position itself as a civilization different from the European and Asian one and promote economic expansion of neighboring countries in the spirit of “the Monroe Doctrine”,³²⁵ acting herewith in accordance with its great power ambitions. In parallel, Russia does not compel its partners to integration, they favor Eurasian choice guided by their independent will and rational considerations.³²⁶ Sovereignty of each member in the Union is respected by all partners, all spheres of supranational governance pass through national governments’ approval, and all integrating countries have equal vote rights in spite of their different economic development.³²⁷ These important features of cooperation come in line with independence and sovereignty values, which all EAEU members protect and advocate on a national level.

As for complementability of identities, historical experience of integrating countries make it possible to achieve. For example, Kazakhstan, similar to its CIS partners, passed through a difficult crisis in the 1990s on the way to its statehood, but never had inter-ethnic conflicts in spite of its multi-cultural population.³²⁸ The same can be said about Belarus, while in Russia where more two hundred nationalities live (as mentioned in the eighth chapter), in spite of economic and political severities, the only conflict with clearly defined separatist movements caused by national diversity was the one in Chechnia.³²⁹

In this context, Eurasianism comes in line with ethnic policies that countries pursue because it complements national identity with the Eurasian one. It is “not Slavic-orientated”, but in this respect A.Tarakov finds that in ideological terms only Eurasianism can unite CIS countries different in religious and linguistic aspects, while Nursultan Nazarbayev in turn finds in the 21st century “religious [and] ethnic [factors are] secondary ones”.³³⁰

In addition to that, Eurasianism does not contradict the collective mentality of Eurasian nations, which similar to Asian people, traditionally prioritize collective val-

³²³*Ibid.*

³²⁴А.ТОРКУНОВ, “Здравый Смысл Интеграции”, *op. cit.*, с. 15, (A.TORKUNOV, “The Rational Nature of Integration”, *op. cit.*, p. 15).

³²⁵А.ВАРБАШИН and Н.ТЮБЕРН “Putin’s Brain: Alexander Dugin and the Philosophy Behind Putin’s Invasion of Crimea”, *op. cit.*

³²⁶Н.НАЗАРБАЕВ, *Евразийский Союз, op. cit.*, с. 106, (N.NAZARBAYEV, *Eurasian Union, op. cit.*, p. 106).

³²⁷С.ГЛАЗЬЕВ, “Актуальные Проблемы и Основополагающие Принципы Евразийской (Постсоветской) Экономической Интеграции”, *op. cit.*, p. 33, (S.GLAZIEV, “Current Problems and Main Principles of Eurasian (Post-Soviet) Economic Integration”, *op. cit.*, p. 33).

³²⁸Н.НАЗАРБАЕВ, *Евразийский Союз, op. cit.*, с. 34, (N.NAZARBAYEV, *Eurasian Union, op. cit.*, p. 34).

³²⁹D.TRENIN, *The end of Eurasia: Russia on the Border Between Geopolitics And Globalization, op. cit.*, p. 179.

³³⁰Н.НАЗАРБАЕВ, *Евразийский Союз..., op. cit.*, с. 175, (N.NAZARBAYEV, *Eurasian Union..., op. cit.*, p. 175).

ues over individual ones.³³¹ This special feature can be difficult to understand for Western democracies. For example, Carlos Taibo notes that in Russia, opposition is considered as an instrument to bring about a change of power,³³² which has considerable foreign support.³³³ Specific perception of opposition also has its reflection in observations made by E. Primakov, who finds that Russian mass-media frequently speaks about an “orange revolution” that can be brought to the country from outside. However, he also finds that the opposition does not have much power in Russia just because it is not publicly supported.³³⁴

The present section is not aimed at explaining particularities of democracy in former Soviet countries but it is elaborated in order to demonstrate that Eurasianism and democratic ethics come in line with current realities of development of the Eurasian nations. As for opposition, it should be noted that there are also eurasiophobic movements inside the EAEU, which is common most of all for Kazakhstan because of growth of Russian imports, increase of the number of Russian companies in internal markets and non-tariff barriers that Moscow imposes within common markets (for example, in the sphere of access to the RF's gas and rail transportation systems).³³⁵ However, even if such movements (common for all democracies) takes place, the country's permanent commitment to integration shows that the Kazakhstan government is confident in its choice in favor of the EAEU.

In general, Eurasian integration has been explained by Nursultan Nazarbayev, who finds “that idea will be implemented, it does not have an alternative, the future has chosen it. Its main power comes from the peoples’ will, originating from their spirit and aspirations, who for centuries have been living in the Eurasian space.”³³⁶

Features of democratic ethics that can be found in Eurasianism ideology also come in line with sustainable integration of the Union.

For Russia, Kazakhstan and Belarus economic prosperity has always been the main goal of national state building and has had priority over other aims.³³⁷ At the same time, within the EAEU, rapprochement is launched in four basic fields of econ-

³³¹A.ТАРАКОВ, “Комментарии, Отклики, Прогнозы” в Н.НАЗАРБАЕВ, *Евразийский Союз...*, *op. cit.*, с. 182 (перепечатано из *Казахстанская Правда*, No. 2, 4 января 1995), (A.TARAKOV, “Comments, Reviews, Prospectives” in N.NAZARBAYEV, *Eurasian Union...*, *op. cit.*, p. 182 (reprinted from *Kazakhstan Truth*, No. 2, January 4, 1995).

³³²C.TAIBO, *Rusia frente a Ucrania. Imperios, Pueblos, Energía*, *op. cit.*, p. 27.

³³³*Ibid.*, p. 28.

³³⁴Е.ПРИМАКОВ, “О России Сегодня”, *Российский Совет по Международным Дела*м, 14 января 2015, (E.PRIMAKOV, “Russia Today”, *Russian Council on International Affairs*, January 14, 2015), http://russiancouncil.ru/inner/?id_4=5071&active_id_11=53#top [30-01-2015].

³³⁵Е.ВИНОКУРОВ, “Зарождение Евразоскептицизма”, *op. cit.*, с. 5, (E.VINOKUROV, “Establishment of Eurasioscepticism”, *op. cit.*, p. 5).

³³⁶Н.НАЗАРБАЕВ, *Евразийский Союз...*, *op. cit.*, с. 94, (N.NAZARBAYEV, *Eurasian Union...*, *op. cit.*, p. 94).

³³⁷*Vid.* М.МИЛОСЕВИЧ, “¿Hacia Dónde Va Rusia?”, *Cuadernos de Pensamiento Político*, No. 37, Enero-Marzo 2013, p. 99; Н.НАЗАРБАЕВ, *Евразийский Союз...*, *op. cit.*, с. 94, (N.NAZARBAYEV, *Eurasian Union...*, *op. cit.*, p. 94); А.ЛУКАШЕНКО, “О Судьбах Нашей Интеграции”, *op. cit.*, (A.LUKASHENKA, “About the Future Of Our Integration”, *op. cit.*).

omy – “energy, industry, agriculture and transport”,³³⁸ which all have equal importance for its further cooperation. These two statements correspond to requirements of sustainable integration emphasized by K. Nicolaïdis.

Regarding empowerment, recognition and solidarity principles – all of them are confirmed in the Treaty of the EAEU, whose states concluded “guided by ...equality of states, constitutional rights and liberties of man and citizen” in order to “strengthen solidarity and deepen cooperation among their nations in respect of their history, culture and traditions” and promote “further development of the Eurasian integration correspondent to [their] national interests.”³³⁹

However, the main importance for EAEU states is that sustainable integration assures it political stability and peaceful transition through short-term crisis, which states can occur when taking into account difficult political, economic and social situations in the region. That fact is very important for Kazakhstan, which is under the threat of changes of political elites in the near future because of the declining years of the presidency of Nursultan Nazarbayev, who is now 73 years old.³⁴⁰ The situation is difficult because as the experience of other CA countries shows, a change of leaders in the region coincided with widespread political disorder (bearing in mind the Civil War in Tajikistan and two revolutions in Kyrgyzstan).³⁴¹ In this situation, political and economic support of involvement into Eurasian integration can assist Kazakhstan in overcoming the transition period.

The same can be said about Belarus, whose Presidential elections are scheduled for November 2015³⁴² and which appears in a difficult situation due to conflict in neighboring Ukraine. As for Armenia and Kyrgyzstan, as already mentioned, political stability in both these countries are largely dependent on favorable cooperation with Russia.

Theoretical novelties by K. Nicolaïdis related to sustainable integration (in particular principles of decentering and ownership) can also be applied to external relations of the community, which is made in the next part.

9.6.2. External relations: transformation to sustainable integration and its decentering

In the case of Eurasian integration, observation around sustainable integration can be also applied to the external relations of the community. The decentering principle is clearly seen in responsibility distribution within the community, where it is

³³⁸A.SARRIÓN, “Nace un Gigante: Rusia impulsa la Unión Euroasiática...”, *op. cit.*, p. 46.

³³⁹*Vid.* Преамбула. ЕАЭС, “Договор о Евразийском Экономическом Союзе”, *op. cit.*, (*Vid.* Preamble. EAEU, “Treaty on Eurasian Economic Union”, *op. cit.*).

³⁴⁰THE ECONOMIST, “Kazakhstan’s Political Stability: Heavy Hangs The Head”, October 3, 2014, <http://www.economist.com/blogs/banyan/2013/10/kazakhstans-political-stability?tid=306&ah=1b164dbd43b0cb27ba0d4c3b12a5e227> [27-11-2014].

³⁴¹H.LUCENA, “Diálogo con Nicolás de Pedro Investigador Principal de CIDOB”, *Humana del Sur*, Año 8, No. 14, Enero-Junio, 2013, p. 191.

³⁴²OSCE, “Elections”, <http://www.osce.org/what/elections> [27-11-2014].

commonly accepted that issues related to collective defense are under the competence of CSTO, while such decisions as development of local industrialization programs³⁴³ or spheres related to services where national interests are concerned³⁴⁴ are under strict national prerogative. Another example is the operation of the EEC, whose authorities do not go beyond integration limits contributing herewith to supranational and national governance.

In this situation, it should be noted that Russia uses decentering tactics also in its domestic affairs, which is determined by the federational nature of the country. Thus, Vladimir Putin declared the Far East and Eastern Siberia the main development priorities of the country for the entire 21st century, which gives more possibilities to these regions whose capacities are still not appreciated enough. E. Primakov finds that these plans cannot be realized without decentralization of the country in economic terms, in accordance with which if decentralization were carried out in an appropriate manner, this would contribute to re-industrialization of the state. In this situation, the federal authorities would continue playing the role of coordinating and uniting centers of Russian federative subjects.³⁴⁵ This model of giving regions more economic freedom, preserving the political priority of decision taken by the center, comes in line with K. Nicolaïdis' perception of the decentering principle common for sustainable integration.

As for the ownership principle of sustainable integration based on equal responsibility and participation of integrating countries, the peacemaking mediation of Belarus in the present Ukrainian crisis is worth noting. Thus, in February 2015, Minsk hosted a summit of the leaders of Ukraine, France, Germany and Russia, who chose it as a negotiation arena to find solutions to the conflict in Donetsk and Lugansk.³⁴⁶ There were also plans for a summit in Astana in January 2015, but they were not realized.³⁴⁷ Intermediation of Belarus and Kazakhstan (within their capabilities) in these terms comes in line with ownership principle emphasized by K. Nicolaïdis.

As for decentering tactics of "integration without accession", it is worth noting that in parallel with promotion of Eurasian integration, EAEU countries actively par-

³⁴³С.ГЛАЗЬЕВ, "Актуальные Проблемы и основополагающие Принципы Евразийской (Постсоветской) Экономической Интеграции", *op. cit.*, p. 27, (S.GLAZIEV, "Current Problems and Main Principles of Eurasian (Post-Soviet) Economic Integration", *op. cit.*, p. 27).

³⁴⁴Е.ЭЖ, "Вступил в Силу Договор о Евразийском Экономическом Союзе (ЕАЭС)", (EEC, "Treaty on Eurasian Economic Union (EAEU) Come Into Force"), <http://www.eurasiancommission.org/ru/nae/news/Pages/01-01-2015-1.aspx> [30-01-2015].

³⁴⁵Е.ПРИМАКОВ, "О России Сегодня", *op. cit.*, (E.PRIMAKOV, "Russia Today", *op. cit.*)

³⁴⁶THE GUARDIAN, "Ukraine Ceasefire Deal Agreed At Belarus Talks", February 12, 2015, <http://www.theguardian.com/world/2015/feb/12/ukraine-crisis-reports-emerge-of-agreement-in-minsk-talks> [18-03-2015].; DW, "Leaders Grapple Over Ukraine Deal Behind Closed Doors In Minsk", February 11, 2015, <http://www.dw.de/leaders-grapple-over-ukraine-deal-behind-closed-doors-in-minsk/a-18250672> [18-03-2015].

³⁴⁷ВВС, "Нормандский Саммит в Минске: Вопросы и Ответы", 11 февраля 2015, (BBC, "Normand Summit in Minsk: Questions And Answers", February 11, 2015), http://www.bbc.co.uk/russian/international/2015/02/150210_minsk_summit_q_a [18-03-2015].

ticipate in the CIS free trade area, whose agreement was signed in 2011.³⁴⁸ The agreement binds Russia, Kazakhstan, Belarus, Tajikistan, Kyrgyzstan, Ukraine, Moldova, Uzbekistan and Armenia. Similar to the EAEU, its accession requirements do not involve geographical proximity,³⁴⁹ which allows non-neighboring countries the possibility to consider joining the free trade zone. Nowadays, it is Vietnam and New Zealand who expressed an interest in accession.³⁵⁰

Parallel participation of the integrating countries in the EAEU and CIS free trade zone represents an example of decentering principle application because primarily, it demonstrates that states are agreed on “provincializing” norms of the Union (for example, it is evident that CET is not applied to FTA countries), and at the same time placing barriers on promotion of integration in an enlarged format. Secondly, it shows that states are interested in engagement of other countries trying to reach the lowest common denominator (for instance, even FTA members do not put customs barriers on mutual trade if there are certain vulnerable spheres where tariffs are applied, which are summarized in the appendix to free trade agreement).³⁵¹ Thirdly, states are interested in reconstruction of the norms they are committed to (thus, the agreement determines that technical, sanitary and phytosanitary norms come in line with the WTO norms, which the EAEU regulations imply).³⁵²

Three points seem worth noting at the end of the chapter. First is that even though benefits of integration are asymmetrical for all countries they are proportionate to the costs they paid for its promotion. Thus, it is obvious that Russia through the Eurasian project intends to re-involve former Soviet republics into its zone of influence, but it is also obvious that it pays for it. For instance, due to the CU, Russia has been receiving less revenues from customs tariffs because of elimination of export duties on oil export to Belarus and had to decrease some duties because of the need to harmonize them with Kazakhstan where duties were lower.³⁵³

Another example is a recent one. In 2015 Russia changed tax tariffs on exploitation of natural resources, in accordance to which taxes on oil exploitation have risen while export tariffs on crude oil have decreased. Because of that change Minsk can lose about 1 billion USD because of the cost increase. In order to compensate that for Belarus, since 2015 Minsk is not obliged to return export duties to the Russian budget charged on exporting Russian oil that passes Belarusian territory to third states. That

³⁴⁸СНГ, “Договор о Зоне Свободной Торговли”, 18 октября 2011, (CIS, “Agreement on Free Trade Zone”, October 18, 2011) <http://www.e-cis.info/page.php?id=20062> [18-03-2015].

³⁴⁹*Vid.* Статья 24. *Ibid.* (*Vid.* Article 24. *Ibid.*).

³⁵⁰СНГ, “Зона Свободной Торговли СНГ”, (CIS, “CIS Free Trade Zone”), <http://www.e-cis.info/zst.php> [18-03-2015].

³⁵¹*Vid.* Приложение 1. СНГ, “Договор о Зоне Свободной Торговли”, *op. cit.*, (*Vid.* Articles 11-12. CIS, “Agreement on Free Trade Zone”, *op. cit.*), (*Vid.* Annex 1. CIS, “Agreement on Free Trade Zone”, October 18, 2011).

³⁵²*Vid.* Статья 11-12. СНГ, “Договор о Зоне Свободной Торговли”, *op. cit.*, (*Vid.* Articles 11-12. CIS, “Agreement on Free Trade Zone”, *op. cit.*).

³⁵³С.ГЛАЗЬЕВ, “Зачем Нужен Таможенный Союз?”, *op. cit.*, с. 12, (S.GLAZIEV, “What the Customs Union is Necessary for?”, *op. cit.*, p. 12).

concerns all Russian oil and oil products that pass Belarus and the oil products produced by Belarussian refineries from Russian oil for exporting to Europe. For Belarus, it means about 1,5 billion USD less revenue to the budget.³⁵⁴

Another point concerns priority of sovereignty over integration process. Thus, it is hard to deny the existence of Russian geopolitical and imperial ambitions, but at the same time it is also evident that Moscow does not have enough economic and political capabilities to realize them.³⁵⁵ Moreover, none of the integrating countries are interested in losing independence and becoming part of the new Empire.³⁵⁶ What Russia needs nowadays is to maintain strategic relations with Kazakhstan because if not, with Astana it can lose the whole CA and then Caspian and Caucasus region, which means losing influence throughout the whole of Asia. The same can be said about Belarus in the European direction.³⁵⁷ In addition to that, Russia nowadays has other important tasks in the spheres where EAEU partners cannot provide support. It concerns the Arctic region, which now increases its importance in the global scene.³⁵⁸ For Russia, it is important not only because it is an Arctic actor, but also because the region is abundant in natural gas and oil and has many opportunities for shipping, fishing and tourism.³⁵⁹ Another field is the ambiguous political situation in Eastern Asia, where Russia also has a direct relationship.³⁶⁰

The third point is that Eurasian integration is not established against some states or group of states. Integrating countries launch it in order to contribute to “diversification of their economies, innovation development, growth of volume and improvement of trade and investment structure, stimulation of the integration processes, and further development of the Union as an effective and competitive organization within the global economy.”³⁶¹ In other words, Eurasian integration is the way of

³⁵⁴REGNUM, “Россия Отдаст Белоруссии Все Пошлины От Экспорта Нефтепродуктов”, 8 октября 2014, (REGNUM, “Russia Gives Belarus Part Of Oil Export Customs”, October 8, 2014), <http://regnum.ru/news/polit/1855078.html> [24-09-2014].

³⁵⁵A.KLIMENT, “Putin’s Fairy Tale Why Russia Will Try – and Fail – To Build a New Empire”, *Foreign Affairs*, 31 March 2014, <http://www.foreignaffairs.com/articles/141079/alexander-kliment/putins-fairy-tale> [24-09-2014].

³⁵⁶Z.BRZEZINSKI, “Russia Needs a ‘Finland OPTION’ for Ukraine”, *Financial Times*, February 23, 2014, <http://www.ft.com/intl/cms/s/0/7f722496-9c86-11e3-b535-00144feab7de.html#axzz3NtN1gFsR> [4-03-2015].

³⁵⁷М.ЛАУМУЛИН, “Внешняя Политика России и Проблемы СНГ”, *Казахстан в Глобальных Процессах*, *op. cit.*, с. 28, (M.LAUMULIN, “Russian Foreign Policy and CIS Problems”, *Kazakhstan in Global Processes*, *op. cit.*, p. 28).

³⁵⁸F.FAYOS TOURNAN, “Arctic Governance: Balancing Challenges And Development”, Policy Department, Directorate-General for External Policies, European Parliament, 2012, p. 1, [http://www.europarl.europa.eu/RegData/etudes/briefing_note/join/2012/491430/EXPO-AFET_SP\(2012\)491430_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/briefing_note/join/2012/491430/EXPO-AFET_SP(2012)491430_EN.pdf) [14-01-2015].

³⁵⁹*Ibid.*, pp. 15-23

³⁶⁰К.САРКИСОВ, “Треугольник Япония – США – Китай и Безопасность в Восточной Азии”, *Российский Совет по Международным Делам*, 11 февраля 2015, (K.SARKISOV, “Japan-USA-China Triangle And Security on Eastern Asia”, *Russian Council on International Affairs*, February 11, 2015, http://russiancouncil.ru/inner/?id_4=5258&active_id_11=54#top [14-03-2015].

³⁶¹*Vid.* Статья 33. ЕАЭС, “Договор о Евразийском Экономическом Союзе”, *op. cit.*, (*Vid.* Article 33. EAEU, “Treaty on Eurasian Economic Union”, *op. cit.*).

EAEU members to “cope with globalization” and jointly respond the challenges they face.

9.7. Conclusion

The first block of this chapter represents application of theoretical elaborations by Stanley Hoffmann, Robert Keohane and Andrew Moravcsik concerning consequences/effects/results of Eurasian integration for its subsystem and agents on the level of nation-state, regime and institutions.

In general terms, the EAEU did not lead to “institutional mutation”, neither to declining of “power politics” in the CIS space, which in the first case is seen in the decision of integrating countries to limit the process to economic issues only and in the second case, in the competitive nature of the projects they realize. Thus, one of the main transport projects close to completion within the EAEU – Western Europe-Western China roadway – is a rival to TRACEKA for trade transit, where competition advantages are on the side of the EAEU route because of its lower transit time and more favorable customs environment. The same can be said about the recently completed “North-South” railway, which allowed Moscow to compete with the USA-driven transport projects in CA and improve connections with Armenia and Iran, where the former is isolated by its neighbors and the latter by Western sanctions. In addition to that, in spite of a common will to cooperation “logic of diversity” prevails over the “logic of integration” among EAEU members, which is clearly seen in the example of Potash wars between Russia and Belarus.

On the level of nation-state, in Kazakhstan, integration led to diversification of domestic players, enlargement of the market and increase of national production, which in the present chapter is demonstrated in the examples of the republic’s machinery sphere (represented by private BIPEK Auto and Allur Auto), agriculture (in particular, private-owned “Ivolga-Holding”); transport field (“Novaport” LLC established by RK’s Meridian Group and RF’s “AEON corporation” focused on airport business); electricity-generation sphere (CATEC), metallurgy (Eurasian Energy Corporation) and banking (Eurasian Bank, Kazkommerzbank and Halyk Bank).

In the case of Russia, integration allowed it to obtain a dominant position in the markets of Kazakhstan and Belarus, increased national production, shown in the present chapter, is demonstrated in the example of its machinery industry represented by AutoVAZ, Sollers JSC and GAZ group. It is also necessary to note that in this chapter the field of vehicle production is studied as the main case because it is a high value-added industry, which EAEU countries have been greatly interested in developing and a reason for launching the integration process.

For Russia, Eurasian integration is not only the way of technological development and protection of the domestic and EAEU markets for its own products, it is also its instrument of accumulating power in the energy chessboard. Thus, using Eurasian

commitments Moscow guaranteed its natural gas and oil transit to Europe via Belarus, largely increased nuclear and oil cooperation with Astana and obtained 50% of Kazakhstan's largest coal mine and main electricity-generation station.

Concerning Belarus, the governmental control over strategic fields such as energy decreased within integration, but in place of that Minsk obtained a large amount of FDI and credits from Russia, increased its export to the market of the EAEU and received concessions from Moscow on natural gas tariffs (currently the gas price for Europe is 350 USD per m³, while for Belarus it is 155 USD per m³).

On the regime level, all three stages of Eurasian institutions – CU, SES and EAEU – are formal, control-orientated and conditionally opened. The main aim of the CU is market protection through CET establishment and approval of common external policy. Within SES, states achieved a common market of goods taking out all internal restrictive measures and prepared the fundament for free movement of capital, labour and services. The EAEU in turn inaugurated the common labour market, common services market in construction and construction related fields, hotel industry, cargo handling and vehicle repair, created favorable environment for stimulation of mutual FDI, intra-industrial cooperation and establishment of Eurasian transnational society.

On institutional level, the main achievement of the EAEU is establishment and operation of the Eurasian Economic Commission, the first supranational body in the CIS space during last two decades. The main objective of its predecessor, the Commission of the Customs Union, was to regulate the protected market created by the CU. The functions of the Eurasian Economic Commission are much wider and include authority in tariff and non-tariff regulation; macroeconomic, competition, energy and currency policies; industrial and agricultural subsidies; natural monopolies; governmental and municipal purchases; labour migration; financial markets; etc.

The second block of the chapter is dedicated to application of latest theoretical contributions made by Frank Schimmelfennig, Lisa L. Martin and Kalypso Nicolaïdis, which enables explanation of the current events Eurasian integration passes through – enlargement and economic sanctions imposed on Russia due to the Ukrainian crisis – and prediction of its developments in the near future.

Regarding enlargement, explained through application of Schimmelfennig's novelties, in both cases of newly obtained members – Armenia and very soon Kyrgyzstan – Russia is the main driver of their entrapment. In the first case entrapment is determined by Yerevan's considerations in military protection by Russia and its need for Moscow's FDI and low prices on fuels. The main obstacle was Armenia's participation in the WTO and large difference of its tariffs with CET, which was overcome by giving Yerevan time until 2022 for completion of transition toward CET of the Union. The brakemen of Armenia's accession was Kazakhstan which, as Azerbaijan's Caspian and Turkic-speaking nation ally, insisted (and achieved) that Yerevan put customs control on the border with Nogorno Karabakh.

In the case of Kyrgyzstan, entrapment was done through Bishkek's military considerations, Russian "reinforcement by reward" tactics (used also in the case of Armenia) via investments in projects the country most needs and giving equal rights to workers from Kyrgyzstan, whose remittances Kyrgyzstan's economy is largely dependent on.

Concerning Lisa Martin's novelties, studying the EAEU confirmed that participation in integrating community leads to changing states' behavior, which is seen in the example of Kazakhstan, who being very close to accession to the WTO now has to launch a new negotiation process because conditions of its participation in the WTO contradict conditions of the trade regime within the EAEU. Another example is Kazakhstan's and Belarus's attitude toward Crimea joining Russia. Thus, Minsk (together with Yerevan) did not support the UN Resolution on Territorial Integrity of Ukraine, while Astana abstained from voting and its MFA declared that it understands Russia's position in the Crimean crisis.

In the case of sanctions that Russia currently suffers, its counter-sanctions are unilateral and none of its allies within the EAEU supports them.

Regarding K.Nicolaidis's theoretical novelties, the very idea of Eurasianism is a comprehensive example of democracy, which she was describing, because in social terms the EAEU does not intend to create a single nation, but promotes complementability of integrating nations. The example of decentering is seen in the Russian-driven free trade zone within the entire CIS and its internal policy of giving more authority to regions, which should lead to more progressive development of the state. Concerning sustainable integration, it is the ultimate goal of the EAEU, which will allow its members to deal with the internal and external challenges it faces.

CONCLUDING PART

CHAPTER 10

CONCLUSIONS

Conclusions of the present PhD thesis proceed from the hypotheses and objectives that have been presented in the introduction and are summarized as the following block of issues.

Intergovernmentalism, Institutionalism and Liberal Intergovernmentalism do not contradict but complement each other.

The fact that LI introduced by A.Moravcsik is based on Intergovernmentalism and Institutionalism approaches is confirmed by the author himself as well as the academics dedicated to its study (in this work, Roy H. Ginsberg, Sam-Sang Jo, Stephen George and Frank Schimmelfennig).¹

In addition to the evident aspects where positions of the theories converge, such as the state-focused approach, indefeasibility of sovereignty, prioritizing cooperation over conflict and states' well-being over common good, these three theories largely complement each other. In some aspects they share a similar explanation of certain questions of integration which have a common nature in spite of different interpreta-

¹S.GEORGE, *Politics and Policy in the European Union*, *op. cit.*; S-S.JO, "The Evolution of European Integration Theory", *op. cit.*; R.GINSBERG, *Demystifying the European Union: The Enduring Logic of Regional Integration*, *op. cit.*; F.SCHIMMELFENNIG, "Liberal Intergovernmentalism", *op. cit.*

tions, while in others, the observations that had been made by one author were developed by another without changing the “hard core” in a Lakatosian sense.

For instance, Hoffmann’s division of “social support” as an internal condition of integration, in public approval and political support of groups in power, comes from his division of “modern polity” into state and society, where both these categories are interpenetrated. Moravcsik in turn goes further and uses the formula of state-society relations in order to explain the nature of national preferences formation.

In parallel with this, in order to explain the framework within which preferences should be composed A.Moravcsik uses Political Economy, which was originally proposed by R.Keohane.² These two observations demonstrate that an LI understanding of the first level of integration – states’ preferences formation – comes in line with both theories elaborated by S.Hoffmann and R.Keohane, and at the same time they complement one another.

In addition to that, such aspects as national behavior (“national character”, “style”), which S.Hoffmann focuses attention on, were also highlighted by A.Moravcsik who interpreted it as the product of domestic state-society relations.

As far as the second level of the LI model of integration is concerned, its core attribute – relative bargaining power – determines states’ positions in negotiations and is inherent to the concept of “complex interdependence” broadly developed by R.Keohane, because according to A.Moravcsik its conditions imply bargaining power. In parallel with it, explaining the two-level game, whose rules politicians follow during the negotiations process, Moravcsik together with other aspects highlights the personal factor and already mentioned state-society relations, which also have significant presence in S.Hoffmann’s theory.

Concerning the third level – institutional cooperation – the compatible nature of these three theories is also evident. For instance, referring to organizations, S.Hoffmann finds that organizations restrain from unilateral actions, assure further cooperation and play the role of centers of attraction for third countries. Regarding LI, the first two roles are summarized in A.Moravcsik’s explanation of institutional choice through credible commitments approach, while the last role is largely developed by the followers of LI (in particular, F.Schimmelfennig and K.Nicolaïdis). At the same time, Moravcsik’s explanation as to why states join institutions is similar to the one given by Keohane. More precisely, Moravcsik finds that establishment of regimes through creation of institutions supports their members in joint resolution of common problems, contributes to accumulation of national wealth by decreasing transaction costs of cooperation, promotes equal access to information and encourages confidence inside the integrating community. Together with that, A.Moravcsik’s considerations on why states delegate/pool their sovereignties are very close to those that Keohane emphasizes when talking about the outweighing of gains over losses, necessity to overcome uncertainty in further cooperation and considerations about political risks.

²M.GRIFFITHS, *Fifty Key Thinkers in International Relations*, London, Routledge, 2001, p. 188.

In such a way, in all three levels of the LI model of integration intergovernmentalist and institutionalist theoretical aspects converge which proves that these three theories are compatible to each other.

The complementability of these three theories also concerns the results of integration highlighted by the theorists. As chapter 9 has shown, application of them allows their explanation from three points of view – nation-state, regime and institutions. In addition to that, use of observations regarding consequences/effects/results of integration by these three authors in one work enables explanation of the issue in economic, political, social and institutional terms.

Studying the evolution process of LI theory confirms that its predecessor, Intergovernmentalism, is a “progressive” IR integration theory.

In the article published by A.Moravcsik in the monograph *Progress in International Relations Theory: Appraising the Field*, he proves that “Liberal IR is progressive in a Lakatosian sense.”³ Through investigation of development of LI it was found that the same conclusion is seen when its predecessor – intergovernmentalism – is analyzed.

In favor of the statement that Intergovernmentalism is a new theory is the fact that Stanley Hoffmann embraced achievements of different theoretical schools, but did not entirely adopt the hard core of any of them in the same way as Robert Keohane did when introducing his Institutional approach. More precisely, he eclectically adopts commitments to democracy, cooperation, freedoms and liberties, and capitalist economy from liberals; value of norms and importance of studying states’ behavior from constructivists; importance of institutions and transnational interconnectedness from institutionalists; and understanding of national interests, balance of power, will to power and anarchy in the international arena from realists.

Even if the “hard core” of intergovernmental theory has not been clearly determined by the author, it seems evident that it is the nation-state or “the fate of nation-state” in the integration process which all the theory is developed around. The same is confirmed by N.Mariscal who summarizes Hoffmann’s approach in four concepts, all of which are centered on nation-state.⁴

In this particular context, LI can be interpreted as the “protective belt” of Intergovernmentalism that introduces “novel facts” to its development leaving its hard core “irrefutable”. The “consistently progressive theoretical shift” of the approach in turn is achieved by current developments, represented in this research by Frank Schimmelfennig, Lisa L. Martin and Kalypso Nicolaïdis, who have been developing the theory “intermittently”. Therefore, Hoffmann’s understanding of the nation-

³A.MORAVCSIK, “Liberal International Relations Theory: a Scientific Assessment”, *op. cit.*, p. 177.

⁴N.MARISCAL, *Teorías Políticas de la Integración Europea*, Madrid, Editorial Tecnos, 2003, p. 208.

state provided the point of departure as key player in integration, while the trajectory of its evolution process has been largely driven by A.Moravcsik and his followers.

In this situation, the fact that LI adopts many features of institutionalist theory does not contradict this statement because Hoffmann himself considers that institutions are described best of all by regime theory, while Keohane, in turn, declares that his elaborated institutionalism does not “violate realism’s hard core”,⁵ from which Hoffmann largely borrowed for establishment of intergovernmentalism.

In such a manner, viewed altogether these observations allow the assumption that Intergovernmentalism is a “progressive” IR theory in Lakatosian terms.

The conclusion that Intergovernmentalism is a “progressive theory” is not the only one which has been found under the research process. In methodological aspects, the present thesis demonstrates that, in practical terms, investigation of evolution of an integrating community (i.e. the one created by EurAsEC, CU, SES and now EAEU) can be done through investigation of evolution of an integration theory (i.e. LI).

Another conclusion that has been found after analyzing the achievements by Western and CIS countries’ schools of IR is that theoretical elaborations made by the Anglo-Saxon school can be confirmed by practical explanations provided by academics from the post-Soviet space (more precisely, from Russia, Kazakhstan, Ukraine and Georgia) supported by analysis of official documents (including declarations, conventions, agreements, etc.), statistical and sociology data and mass media resources.

State-focused theoretical approaches explain better than others the integration processes in the post-Soviet Space due to inherent particularities of the region.

This observation relates both to the theoretical and practical part of the thesis. Analysis of Eurasian integration demonstrates that the leadership and method of political governing in the CIS countries are largely dependent on persons and groups in power. In the case of the Soviet Union, the last key decision on its dissolution was taken by elites not by ordinary people, who in many countries voted to stay in the USSR. Depending on the nature of the elites, which began to govern the newly independent states, the political course and foreign policy priorities of these countries were chosen. This observation demonstrates how important the personal factor is for states in the region. In this situation, state-focused theories are appropriate to the issue because they emphasize the importance of leaders and groups in integration.

In comparison with functionalist and neofunctionalist theories, the state-focused ones are more appropriate for Eurasian integration because primarily the economic development of the CIS states does not allow application of “spillover effect”. The industrial development in the countries under consideration is lower than in the EU. In addition to that, isolation in Soviet times from technological novelties, exclusion from the capitalist system that drives industrial progress and enclosure

⁵R.KEOHANE and L.MARTIN, “Institutional Theory as a Research Program”, *op. cit.*, p. 86.

within the internal market only made the produce of these states less competitive in world trade. In parallel with that, when the CIS members gained their independence they had to not only build “de novo” their state systems, but also transform their economies from command administrative rules to capitalist norms without any support from the center (i.e. Moscow), which during Soviet times they were dependent upon. In this situation, it is hardly possible that the spillover effect based on rapprochement in the economic sphere and later on social and political ones, which can explain the phenomena of European integration, can be applicable to the Eurasian case.

More precisely, the argumentation that state-focused approaches are better for explaining integration in the post-Soviet space can be empirical where LI and its theories, by whose followers it is criticized, are concerned.

Regarding the theories focused on transnational society and “trans-border transactions”, such as the institutionalization theory by A.Sweet and W.Sandholtz,⁶ analysis demonstrates that they are hardly applicable to the Eurasian case because it is the governments, who create conditions for transnational society to grow and strengthen, not transnational society that abolish borders. Among integrating countries only Russia has enough capital for investing abroad, but the capabilities of this capital are much lower than those of its rivals and, in parallel with that, CIS countries are not the main destination for Russian FDI. These considerations allow a conclusion that in the CIS space transnational society composed by interest groups, affiliated to a varying degree with power, do exist, but at the same time they are not strong enough to impel governments to integration, while it is governments who are interested in growing and strengthening the Eurasian transnational society. In parallel, the integrating countries are dependent on externalities in economic and financial terms, which make the governments that still play a leading role in the foreign affairs of their countries the only drivers able to launch and develop integration processes.

In addition to that, even if economic benefits are the main drivers of national preferences, as A.Moravcsik has stated, in the case of Eurasian integration, political and military considerations also played an important role especially in the period when the circle of integrating countries was being determined. These issues traditionally belong to the diplomatic-military chessboard, which is traditionally a governmental concern. This allows the conclusion that state-focused theories are more suitable when studying the EAEU case, rather than those which emphasize transnational society.

⁶W.SANDHOLTZ and A.SWEET, “Integration, Supranational Governance, and the Institutionalization of the European Polity”, *op. cit.*; W.SANDHOLTZ, “The Emergence of a Supranational Telecommunications Regime”, *op. cit.*

Regarding observations by other institutionalists, Geoffrey Garrett and George Tsebelis,⁷ who criticize LI for its superficial attention to institutional mechanism of organization, Moravcsik responds that conditions of daily operation of institutions are prescribed by preliminary intergovernmental arrangements and decisions. The same is confirmed by the bargaining concerning the range of integration spheres within the EAEU, under whose negotiation process commitments to joint foreign policy, joint defense of borders and struggle against illegal migration were eliminated, leaving only conditions of purely economic cooperation on the agenda. Hereby, within the Eurasian rapprochement, institutional management mechanism run only in those fields that have been approved by the governments, which comes in line with Moravcsik's arguments.

As for the governance approach mentioned by P.Norheim-Martinsen,⁸ M.Webber, et. al,⁹ in the case of Eurasian cooperation, it is still too soon to use it because the institutions were created recently and they are still far from managing issues autonomously. In addition to that, the high level of accountability inherent in them makes the "coordinated management", which the authors were speaking about, hardly likely to be achieved, at least nowadays.

LI can also be criticized for "selective" logic of arguments and case studies, intention to represent everything in "black and white", failing herewith to explain why governments sometimes make irrational decisions, and insufficient use of game theories – the critiques that were made by Helen Wallace, James A. Caporaso and Fritz W. Schampf.¹⁰ The study of Eurasian integration has demonstrated that these critical observations can be disputed. Thus, in the present thesis, cooperation within EAEU is explained in different aspects (economic, political, geopolitical, social, etc.), which empirically denies that LI is a "selective" approach. The theory did not have to deal with any irrational decision taken within integration, which disproves that it applies a "black and white" approach. As for game theories, even if Moravcsik does not use them a great deal, this disadvantage is reinforced by contributions by Lisa L. Martin who used *Prisoner's Dilemma* as well as *coordination*, *suasion* and *assurance* games in order to explain the nature of multilateral sanctions.

In general terms, in the present thesis, consideration that state-focused approach is the most appropriate one for explaining Eurasian integration is confirmed by the fact that it allows construction of a theoretical base able to explain the process through the system-subsystem model used in the work. Intergovernmentalism de-

⁷G.GARRETT and G.TSEBELIS, "An Institutional Critique of Intergovernmentalism", *op. cit.*; G.GARRETT and G.TSEBELIS, "The Institutional Foundations of Intergovernmentalism and Supranationalism in the European Union", *op. cit.*

⁸P.NORHEIM-MARTINSEN, "Beyond Intergovernmentalism: European Security and Defense Policy and the Governance Approach", *op. cit.*

⁹M.WEBBER, S.CROFT, J.HOWORTH, T.TERRIFF and E.KRAHMANN, "The Governance of European Security", *op. cit.*

¹⁰H.WALLACE, J.CAPORASO, F.SCHAMPF and A.MORAVCSIK, "Review Section Symposium: the Choice for Europe: Social Purpose and State Power from Messina to Maastricht", *op. cit.*

scribed the system of the CIS region through analysis of policies pursued by external players and main actors, from the collapse of the Soviet Union to the signing of the Agreement on Creation the Common Customs Territory and Customs Union made by application of statements regarding international milieu and internal and external conditions of integration. Institutionalism through concepts of Nonhegemonic cooperation and demand for regimes (imposed primarily by complex interdependence) was used for explanation of system since establishment of the CU to creation of the EAEU, while Keohane's elaborations on the nature of institutions explained the structure of subsystem formed by the Eurasian community. In turn the LI approach and its current theoretical developments was applied to explain national preferences, inter-governmental bargaining and needs for credible commitments by the agents of subsystem. While through application of recent LI novelties the latest developments in Eurasian integration were described. Herewith, in the present PhD thesis, the synthesis of state-focused theories explained the issue under consideration through the system-subsystem model.

On the system level, after the dissolution of the Soviet Union, the CIS space has become the arena of great powers' struggle for influence.

Collapse of the USSR not only meant "peaceful disintegration" or "civilized divorce" of its former republics, but also made the area, which was previously considered a Russian privilege zone of interests, the object of particular concern of great and middle powers, recognized in the present PhD thesis as external actors. The internal weaknesses that Russia had been suffering in the 1990s as well as its re-orientation on cooperation with the West (not with ex-Soviet countries) were rapidly used by its rivals in order to substitute Moscow's dominance in the region, which interested the external actors because of its energy resources, transportation opportunities and market.

During last two and half decades the international milieu of the CIS area has been largely influenced by Turkey, EU, USA and China.

Turkey was the first country who recognized independence of CA republics and Azerbaijan and tried to position itself as a political and economic model of national state-building for these countries, which was widely supported by its Western and NATO allies.

Istanbul failed to gather under its leadership these states bound to it by common linguistic origins due to scarce economic capabilities, political views contradictory with Turkic-speaking nations (i.e. pro-Azerbaijan position in the Nagorno Karabakh conflict and denial of Armenian genocide), and the unwillingness of these countries to fall once more into a position of dependence on external power.

However, using the leverages in chessboards of trade, energy and pan-Turkism cooperation, it gained influence over its closest neighbors (in particular in its relations with Georgia and Azerbaijan). That became possible through participation in imple-

mentation of the Baku-Tbilisi-Ceyhan oil pipeline, Baku-Tbilisi-Erzurum natural gas pipeline and Baku-Tbilisi-Kars railway projects, constructing “one nation – two states” relations with Baku and becoming the main exporter to Georgia and second largest to Azerbaijan.

EU involvement in the region started after signing Partnership and Cooperation Agreements with each of the CIS members, within which it exerted the largest technical assistance in environment, democratization, education, food and nuclear security, energy (INOGATE), and transport (TRACEKA) fields. Playing in investments, trade, energy and above mentioned technical assistance chessboards, it gained dominance over the CIS region in the norm-making field and, for instance, by introducing international standards in place of Soviet GOST, has become the leading investor in the area and also the main exporter to Armenia, Azerbaijan, Georgia, Moldova, Russia, Ukraine and the second largest to Kazakhstan, Tajikistan and Uzbekistan.

The EU’s struggle for influence in the CIS is driven by its internal needs, which is mostly evident in the energy chessboard. The main project that the EU has been promoting is the Nabucco Natural Gas pipeline seen by Brussels as the possibility to provide Europe with a fourth gas corridor (in parallel with gas supply from Russia, North Africa and North Sea). However, currently the project cannot be implemented because it faces strong opposition of Russia, which promotes its own routes for pipelines (i.e. South Stream and Nord Stream), also the EU does not have confirmed gas suppliers because its planned ones – Turkmenistan, Azerbaijan and Iraq – have not guaranteed their participation.

Concerning the projects promoted by Russia, both of them were initially planned according to the model from “oilfield to customer”, which contradicts the European principle of “ownership unbundling” proclaimed in the EU Third Energy Package. Russia succeeded in gaining exception of the Nord Stream project from this rule and finished construction of the pipeline in 2012, which made direct natural gas supply possible from Russia to Germany via the Baltic Sea.

Regarding the destiny of South Stream, it is not as favorable for Russia as Nord Stream. Because of the opposition by Brussels and Bulgaria, who did not confirm its participation in the project as transit country, it was decided that the pipeline to provide Russian natural gas would be redirected up to the borders of Turkey and Greece, from where it will be piped to final customers by the European partners, which by this scenario comes in line with Brussels position.

In the case of the USA, apart from energy, trade and investments chessboards in the CIS region where it competes with other external actors, Washington is also present in the military-political one, which in Soviet times was purely Moscow’s prerogative. With American assistance, Ukraine, Kazakhstan and Belarus, who respectively inherited from the USSR the third, fourth and eighth largest arsenals of nuclear weapons, signed the Lisbon Protocol to the Treaty on the Reduction and Limitation of Strategic Offensive Arms between the Soviet Union and the USA, guaranteeing herewith to eliminate nuclear weapons from their territories, for which they received assurances

from the members of the Security Council who made commitments “to respect the independence and sovereignty and the existing borders” secured in the 1995 Budapest Memorandums. Apart from that, with NATO cooperation, Washington launched the Partnership for Peace program, which all CIS participate in, but none of them has yet become a member of the Alliance.

In the Central Asian part of the CIS region, after the American invasion of Afghanistan in 2001, USA not only gained presence in this country neighboring CA, but also set up military bases in Uzbekistan and Kyrgyzstan. The base in Uzbekistan was closed in 2005 after Washington accused Tashkent of violation of human rights caused by the official government’s repression of an uprising in the Andijan region. The base in Kyrgyzstan was closed in 2013, when it became clear the Bishkek would opt for the Eurasian choice.

In the European and Caucasus areas of CIS, American cooperation in the military-political chessboard is supported by the GUAM group of states (Georgia, Ukraine, Azerbaijan and Moldova), who favor possible future membership to NATO.

In the investments chessboard USA concedes to the EU, but has become an important investor for Kazakhstan and Georgia. In the energy chessboard, its main achievement is construction of the BTC pipeline, which ended Russian monopoly in the transit of oil from Azerbaijan.

China competes for influence in military-political, energy, trade and investments chessboards. In the military-political sphere, its main instrument is the Shanghai Cooperation Organization, which after America entered the region has transformed from an institution focused on border issues to a platform of struggle against terrorism. The SCO also allows Beijing to prevent support of Xinjiang separatism by CA republics, with whom the province shares common linguistic, ethnic and religious legacies.

Cooperation with Russia within the SCO does not impede Beijing from competing with Moscow in the energy sphere in its neighborhood. China succeeded in constructing the Atasu-Alashnkou oil pipeline from Kazakhstan to China and the Central Asia-China gas pipeline from Kazakhstan, Turkmenistan and Uzbekistan to China, which ended Russian monopoly on transportation of fuels from CA countries.

In economic terms, in spite of geographical proximity, Beijing is far from being leader in this chessboard, but its trade relations with the area have largely increased. In the investment chessboard, China’s strongest influence is on Turkmenistan, for which it is the main investor. For economic purposes, Beijing also promotes transport cooperation, which does not contradict Russian interests, but which facilitates Chinese access to European markets.

Apart from confirming that the CIS region has become the region of struggle for influence of great and middle powers, analysis demonstrates that in this struggle external actors use the techniques they are best in, whether it is investments, technical assistance or consulting in the case of the EU; military dominance, world energy cor-

porations, collaboration with NATO allies (such as Turkey) in the case of the USA; or giving credits as China does.

After entering the region, the strategy that external actors use in the struggle for influence in the CIS area is “locking in” the newly obtained partners in institutional commitments.

On the system level, collapse of the Soviet Union put an end to absolute Russian dominance in the CIS area, which inaugurated the new epoch of Nonhegemonic cooperation in the region. However, it is still leader of the group, but that leadership is strongly challenged by external actors. In this situation, the most negative consequence for the region in general is not only that former Soviet countries are becoming more and more isolated from Russia, but that the region is becoming internally divided under the pressure of externalities. External actors pursue policies of division among the CIS countries in accordance with their own considerations and interests. Thus, the EU divided it into three blocks – Eastern Partnership region, Russia and Central Asia, while the USA launched the Silk Road strategy in order to bind CA countries with Southern Asia and take them out of Russian influence.

More precisely, the EaP programme is based on experience the EU gained during the Eastward enlargement, but in contrast to this policy rapprochement with CIS members does not imply the possibility of future membership in the Union. EaP comes in line with principles approved in international law to establish “friendly relations and co-operation among states”, while at the same time, promotes “unilateral Europeanization” of the area. In the economic chessboard, within EaP, the EU entraps participating countries into commitments of DCFTAs, which imply a free trade zone and approximation to European standards and *acquis communautaire*. In the military chessboard, through sending EUBAM to Moldova, with whom the EU has a common border after Romania’s accession to the Union, the EU introduced its presence in the European part of CIS challenging the Russian peacekeeping mission in the region. In the energy chessboard, through entrapment of all CIS members except Russia and Belarus into the Energy Charter Treaty, the EU protects its FDI in the energy sphere from nationalization and expropriation.

The Silk Road strategy toward countries of “Greater Central Asia” area was declared by Washington in 2011 when the process of removal of ISAF troops from Afghanistan started. It is planned that by 2016, when B.Obama’s Presidential term ends, American presence in Afghanistan will be limited only to its Embassy.

In institutional terms, this strategy is being implemented through cooperation of 14 “near and extended neighbors” of Afghanistan, called in this context as “Heart of Asia” group. The main aims of this project are to promote political dialogue, economic development and create a single energy system “from Kazakhstan to India” uniting Southern and Central Asia. Political and economic aspects of cooperation are focused

largely on Afghanistan, but the energy dimension strongly challenges Russian dominance in the region.

The institution promotes establishment of a common electricity market of Central and Southern Asian countries. That can become possible through implementation of the CASA-1000 project of electricity transmission system from hydroelectric stations in Kyrgyzstan and Tajikistan to Pakistan and Afghanistan sponsored by the World Bank, Arab states, the USA and its closest allies, and the TUTAP project which aims to construct a united regional electricity infrastructure of Turkmenistan, Uzbekistan, Tajikistan, Afghanistan and Pakistan financed by ADB. Currently both these projects are under development, among the other projects only the Power Distribution system is currently completed, through which Uzbekistan supplies Afghanistan with energy.

In the chessboard of natural gas, the USA and ADB negotiate the possibility of constructing a pipeline from Turkmenistan to Afghanistan, Pakistan and India. In the transport sphere, it implemented a rail project from Uzbekistan to Afghanistan and promotes Kazakhstan-Turkmenistan-Afghanistan, Afghanistan-Iran and Turkmenistan-Afghanistan-Tajikistan railways.

Within the New Silk Road strategy, the USA, unlike the EU, does not use its own resources, but involves Heart of Asia countries in its implementation, promoting herewith a Nonhegemonic regime in the Greater Central Asia region. All these countries are involved in this project in a different manner: Uzbekistan is seen as Washington's most probable ally, with whom it has already implemented one electricity and one transport project; Turkmenistan is important because of its abundant natural gas reserves; Kyrgyzstan and Tajikistan are important due to their hydropower generating capacities; Kazakhstan participates in education and humanitarian programs; India – in investment ones, while Pakistan is Afghanistan's main trade partner. Russia demonstrates interest, but does not participate in any of the projects led or sponsored by the USA.

The regime that the USA promotes in the Greater Central Asian region aims to bring peace in Afghanistan through the economic cooperation of these countries and political dialogue of organizations concerned in the question (i.e. UN, SCO, OIC, the South Asian Association for Regional Cooperation, CSTO, CICA, EAEU, etc.), but at the same time it competes with the regime that Russia promotes in electricity, transport, trade, oil and gas in CA, considered as its traditional zone of influence.

Regarding two other external actors in the region – China and Turkey – they do not directly oppose Russian leadership in the region, but their relations with Moscow can be characterized by the term “strategic parallelism”. Therefore, nowadays apart from the already completed BTC and BTU pipelines, Istanbul together with Baku is constructing the Trans Anatolian Natural Gas Pipeline to Europe. Even though all these projects decrease Russia's role in transporting Azerbaijan oil and gas, they do not directly contradict its interests because Russia is concerned with the Central Euro-

pean natural gas market, while Istanbul and Baku struggle for the Southern European one.

Apart from pursuing different but not contradictory policies, since 2007-2008 Moscow's and Istanbul's mutual interest in strategic rapprochement is clearly seen, which coincides in time with their declaration to once again become "strong and self-confident Russia", which forms a "global agenda" and Turkey as an independent power in international affairs. Therefore, the "new South Stream", i.e. the "Turkish Stream", allows Russia to implement its energy project contradictory to European Nabucco, even if not in accordance with the initial plan in which it was elaborated. At the same time, it secures the Russian share in the Turkish market that might otherwise be reduced due to the enlargement of natural gas supply from Iran and Azerbaijan. For Turkey, in turn, implementation of the Turkish Stream creates the possibility to gain more influence in continental energy cooperation.

In addition to an energy strategic partnership, Moscow and Istanbul extend nuclear links (Russia constructs the "Akkuyu" Atomic Power station in the Russia-elaborated schema "build-own-operate"); increase trade, in which Turkic-speaking Russian regions are widely represented; and develop investment cooperation.

In the case of China, "strategic parallelism" features even more evidently, especially in energy and transport areas. Therefore, in the oil and gas supply field, both the Atasu-Alashankou oil pipeline and CA-China oil and gas pipeline brought an end to Russian monopoly on transit of oil from Kazakhstan and challenged Russia's re-selling policy on natural gas from Central Asia. However, these two projects, contradictory to Moscow's interests, have been accompanied by Russian-Chinese cooperation in the field, whose main achievements are construction of the Eastern Siberia-Pacific Ocean oil pipeline and already negotiated implementation of the Sila Sibiri natural gas pipeline project. In addition to that it is necessary to note that even though the CA-China pipeline has challenged Russian dominance in the region, it is still beneficial for Moscow because in this way it re-orientates Turkmenistan's gas to Asia (not to Europe) eliminating Ashgabat's participation in the Nabucco project.

In the transport sphere, China, in the CA area, uses Kyrgyzstan as its "terminal base" of goods to the Middle East markets, and supports Bishkek in construction of the Osh Sary-Tash Irkeshtam and Bishkek-Torygart highways that will benefit Beijing. In parallel, it cooperates extensively with Russia in this field. Therefore, the Western Europe-Western China project, which is almost realized within Eurasian integration, is favorable and even designed for China in order to diversify transportation routes of its goods to Europe.

Thus, the EU "locks in" the newly obtained partners in its self-defined EaP regions through commitments of AAs, the USA – through entrapping them into energy and transport infrastructure projects realized within Heart of Asia states cooperation. Beijing and Istanbul use few institutional links in order to compete with Moscow in the region, because nowadays Turkey uses much less institutional cooperation leverage in relations with Turkic-speaking nations, while China does not promote organi-

zations that imply Russia's isolation and prefers bilateral collaboration with neighboring countries over a multilateral one. In this perspective the most binding institutional links which external actors promote are Association Agreements by the EU, which after signing means that integration of the affiliated countries into Eurasian institutions will be highly unlikely.

Need to preserve territorial integrity and political stability are the decisive points in making Eurasian choice by newly independent states.

On the system level, the international milieu of the CIS region is influenced by external actors, but formed by main ones who have prerogative on the formation of contractual environment for integration. In the present PhD thesis, these conditions are divided into two blocks: related to nation-states and regimes.

On nation-state level, CIS members' attitude toward Eurasian integration were determined by policies pursued by the elites who came to power after dissolution of the USSR and cleavages that they had endured during their nation-building.¹¹ As analysis demonstrates, states make the Eurasian choice because of the need to preserve territorial integrity and political stability.

There is a consistency that demonstrative expression of anti-Russian positions by the groups in power in some of the newly independent states caused a threat to the territorial integrity of these countries. Especially concerning Georgia and its separatist Abkhazia and South Ossetia, Azerbaijan and the Nagorno Karabakh problem, Moldova and its conflict in the Dniester Republic and Ukraine, which nowadays suffers conflicts in Lugansk and Donetsk regions and the loss of Crimea. The historical roots of these cleavages lie in reforms made in the Stalin epoch, which after dissolution of the single state (i.e. USSR) came onto the agenda. In all these conflicts the separatist regions favored close relations with Russia in difference to the position of the central governments, consequently this has been weakening those states and disturbing their political stability.

At the same time, close cooperation with Russia allowed other CIS members to achieve political stability in internal affairs. This happened with Tajikistan which succeeded in stabilizing its domestic situation in the late 1990s when the country was weakened by civil war, and nowadays when it continuously appears under the threat of terrorism caused by conflict in neighboring Afghanistan. Currently the same is happening with Kyrgyzstan, where one of the causes of entrapment is the difficult political situation in the country caused by the two revolutions it suffered in the last decade. The same concerns Armenia, which during all its independent history has been involved in the Nagorno Karabakh conflict with Azerbaijan and which is the only Caucasus country that has security guarantees from Russia necessary for maintaining its political stability.

¹¹In the present PhD thesis, domestic political situations in all CIS countries were analyzed until 2007 only.

In total, among the twelve CIS members, during the years of independence only five countries – loyal to Russia – Armenia, Kazakhstan and Belarus, and Turkmenistan and Uzbekistan close to neutrality, avoided cleavages in the form of conflicts and revolutions that disrupted political stability in their partner-countries.

In such a manner, currently, there are two clear examples of post-Soviet nation-building: GUAM countries, which after leaving Russia's security umbrella faced separatist conflicts in their countries, and the group of EAEU states (together with Armenia, Kyrgyzstan and Tajikistan), who in spite of difficult domestic situations have achieved, or remain on the route to achieving, political stability in their internal affairs. These examples assist understanding of the rationality of the states that make the Eurasian choice, which demonstrates that the more a country is involved in Eurasian institutions, the more stable its domestic political situation is.

Apart from considerations regarding domestic integration, internal struggle for power greatly influenced CIS countries' attitude to Eurasian integration. Thus, among the European members of the Commonwealth, Belarus pursues a pro-Eurasian (more precisely, pro-Russian) course of foreign policy since A.Lukashenka replaced S.Shushkevich in the post of the Head of State. Ukraine, in spite of consistent internal dilemma inherent in regional division of the state, since obtaining independence was always pro-European rather than pro-Eurasian. The same is typical for Moldova, whose political course is balancing between pro-Romanian and pro-Russian groups, however, pro-Romanian (i.e. pro-European because Romania is a EU member) influence has always dominated Chisinau foreign policy even during the rule of Communists led by V.Voronin. Concerning Russia, at the beginning of Yeltsin's rule when liberal political elites (represented by E.Gaidar, A.Chubais, G.Burbulis, A.Kozyrev, etc.) were in power, foreign policy preferences toward post-Soviet rapprochement were negative, but they were changed after the realist-statist group formed by E.Primakov (who occupied the posts of the Prime-Minister and Minister for Foreign Affairs) came to power at the end of the 1990s.

In the CA region, power was retained by the former Communist party's nomenclature that formed the political elites in the region after the Soviet disintegration. Largely influenced by externalities of CIS international milieu, CA republics had to adapt their foreign policies to the challenges of the system, which led them to establish balancing or neutral policies toward external actors formed as multi-vector concepts in the case of Kazakhstan, Tajikistan and Kyrgyzstan (for the latter, it is known as Silk Road diplomacy), "perpetual neutrality" as in the case of Turkmenistan, and non-alignment policy as in the case of Uzbekistan. Among these five republics, for Astana, Bishkek and Dushanbe, who pursue multi-vector policies, interdependence with Russia and the need for its support for preserving political stability have implied their Eurasian choice. It is also worth noting that commitment to post-Soviet rapprochement was present in the foreign concepts of these countries even when internal cleavages (such as revolution in Kyrgyzstan, which led to change of political elites) disturbed their domestic integration. As for Ashkhabad and Tashkent, their commit-

ment to neutrality dominates the foreign policies they pursue, which is clearly seen in Turkmenistan's avoidance of all institutional links in the post-Soviet area (in the CIS, similar to Kiev, Ashkhabad is an associate member) and Uzbekistan's practice of changing allies frequently.

In the Caucasus region, cleavages affected domestic integration and greatly influenced foreign policy preferences of political elites who came to power after USSR dissolution. In the case of Tbilisi, its political course in domestic affairs has always been pro-European in spite of different policies pursued by its groups in power led by anti-communist politician Z.Gamsakhurdia, then former USSR foreign affairs minister E.Shevardnadze (who succeeded in uniting fragmented groups under his rule and create a stable party based order) and M.Saakashvili (who after the Revolution of Roses in 2003 entirely replaced Georgian political elites).

In the case of Azerbaijan, Baku's favoring of close cooperation with the EU and the USA was determined by its need to realize energy projects such as signing the "Contract of the Century" and BTC construction, which allowed the state, governed by Heirad Aliyev (who replaced Abulfaz Elchibey in the light of the conflict in Nagorno Karabakh) and then Ilham Aliyev (the son of Heirad Aliyev), to overcome economic difficulties caused by cleavages that the country had faced. The need for Western political and economic support in order to balance the Armenian-Russian partnership and close alliance with Turkey has been prevailing in Baku's foreign policy which implied its disinterest in Eurasian integration.

In the case of Yerevan, the question of Nagorno Karabakh largely influenced the policies of political elites in the epoch of Levon Ter-Petrosyan and Robert Kocharyan. Armenia is traditionally regarded as Russia's main ally in South Caucasus, which implies its favoring the Eurasian choice. Apart from the need to preserve political stability, its commitment toward close cooperation with Russia is determined by the necessity to deal with the political and trade isolation it suffers due to closed borders with Turkey and Azerbaijan. However, Yerevan only joined the EAEU on the 2nd of January 2015, which means that it is not the founding member of the Union. Until the EAEU was established, Yerevan tried to pursue "complementarity policy" of parallel integration into European and Eurasian structures, and only after the Vilnius Summit in 2013 did it make the "U-turn in policy" toward Eurasian integration.

In such a manner, among twelve CIS members only six made the Eurasian choice, which is determined purely by self-interest considerations and needs. These countries are Belarus, Kazakhstan, Russia, Kyrgyzstan, Tajikistan and Armenia, where the first three did not have obstacles to the realization of their decision by 2007, which allowed them to form the "core group" of integration, while the rest could not join the Eurasian community by the time integration started due to the internal difficulties that they were facing. For Kyrgyzstan and Tajikistan, the main obstacles were slow economic development, lack of technology, pressure of externalities caused by the USA's policy in the region and domestic cleavages (two changes of elites caused by revolutions in 2005 and 2010 in Kyrgyzstan and the 1992-1997 civil war in Tajikistan),

while for Armenia the obstacle lay in the policy of complementarity of European and Eurasian choice.

Moscow's policy to preserve its zone of influence in the CIS region is strongly backed up by its power in military and energy chessboards.

Another dimension that characterizes the system of the CIS region is conditions for integration at regime level, among which complex interdependence (here, with Russia, as leader of the group) is the main demand factor for Eurasian institutions.

In the present thesis, analysis of transgovernmental relations as one of dimension of multiple channels of cooperation demonstrates that the highest level of interdependence is common for Russia, Belarus and Kazakhstan. In institutional matters, these countries are bound with each other by membership in CIS, CSTO, SCO, EurAsEC, CU, SES and EAEU. Among these organizations, the only institution in which Moscow and Astana participate without Minsk is the SCO, because its initial aim was for border cooperation with China, from which Belarus is geographically removed. Armenia, Kyrgyzstan and Tajikistan are bound with the core integrating group by collective defense commitments (CSTO) and free trade zone (EurAsEC, where Bishkek and Dushanbe are members, and Yerevan is an observer). On interstate level of cooperation, all states are interdependent except Moldova and Georgia. It is also worth noting that on a presidential level Kazakhstan has the most visits from Russia (second is Germany), Russia is the most visited country by Kazakhstan's leader, and Russia and Kazakhstan are the most visited countries for the Belarussian president.

Regarding international transactions, on the subject of transactions of goods, i.e. trade, CIS countries account for only 16% of Russian imports and 14% of its exports, while Russia is the main exporter to Kazakhstan, Belarus, Kyrgyzstan and Turkmenistan, while slightly less important for Ukraine compared with exports from the EU. Apart from that, Russia is an important trade partner for the other CIS members (mostly, the second most important trade partner), but its positions are strongly challenged by the EU.

Where investment interdependence as transactions of capital is concerned, the most interdependent states with Russia are Belarus, Ukraine, Kazakhstan and Kyrgyzstan. However, in spite of significant Russian investments in the CIS, this region is not the main destination of the RF's FDI, which means this statement is relevant only within the area of the CIS.

Regarding migration interdependence that refers to flows of people, in social aspects it is relevant to all CIS members, while in economic terms, it is important for Armenia, Kyrgyzstan, Moldova and Tajikistan, for whom 18% to 36% of GDP is accounted for by workers remittances from Russia (and partially Kazakhstan).

Concerning transactions in messages across borders, studied in the example of transport connections of Russian Trans-Siberian railway, interdependence is high for Russia, Kazakhstan, Belarus, Ukraine, and Uzbekistan.

Regarding interdependence in military issues, Russia is represented militarily in all CIS countries except Turkmenistan, Uzbekistan (and until recently Azerbaijan, where the last base was closed in 2013). In South Caucasus, it has one military base in Armenia which is its main outpost in the region. In addition to this, recognition of independence of Abkhazia and South Ossetia after the conflict in 2008 (not recognized by any other CIS member) made Moscow officially responsible for protection of their borders and accordingly legalized its military bases in these two republics. In the European area of the CIS, Russia has two military facilities in Belarus; in Moldova its military presence is justified by a peacekeeping mission; while in Ukraine, it had been renting its location for the Black Sea Fleet since 1997, which came under Russian jurisdiction after Crimea joined the RF. In Central Asia, Russia has seven military entities in Kazakhstan, four in Kyrgyzstan and two in Tajikistan. The RF's presence in these former Soviet republics is justified by collective security considerations within CSTO or by its peacekeeping activity.

Interdependence in energy issues is another decisive reason why CIS members make the Eurasian choice. Countries that participate in Eurasian integration are dependent on Russia as the main, or only, fuel exporter such as Armenia, Belarus and Kyrgyzstan or as a transit country for exporting oil such as Kazakhstan (two of the most important pipelines for Astana, the Caspian Pipeline and Uzen-Atyrau-Samara go to Russia). In the case of Russia, on transportation of oil and natural gas, it is dependent on Belarus and Ukraine (Druzhba oil pipeline and Yamal natural gas pipeline).

Interdependence in energy and military terms (i.e. via pipelines and Russian military facilities abroad) was mostly inherited by CIS members from the Soviet epoch. The only new base opened recently is the one in Kant (Kyrgyzstan), which was installed in 2003 in the light of a political standoff with Washington after the American invasion of Afghanistan. The same can be said about energy interdependence, where Druzhba and Yamal pipelines were constructed during the Soviet epoch.

In this regard, it is necessary to note that Moscow uses these energy resources in order to keep CIS members in its sphere of influence. At the same time, those countries which intend to reduce dependence on Russia promote alternative transit methods (such as Azerbaijan and Turkmenistan) or find alternative suppliers (in the case of Georgia). As for the countries, such as Ukraine and Moldova that in spite of high energy dependence do not participate in Eurasian integration, analysis demonstrates that the increase of gas prices Moscow instigates, in response to anti-Russian policies, negatively affects the economies of these countries. Thus, nowadays, apart from the economic stagnation that Ukraine suffers due to current political crisis, Glaziev finds that an increase of Russian gas and oil prices will have negative effects on its high energy-consumption fields such as metallurgical, chemical, machine engineering and

metal-working industries because it will make their production more expensive and thus, less competitive with the EU.

In parallel, those states that are more loyal to Russia receive large concessions from its part in energy terms, i.e. Belarus and Armenia. This observation justifies the statement that even though large scale integration benefits Russia it implies additional expenses on Moscow, which traditionally are met by its state companies lying mostly in the energy sphere. In other words, it reflects the situation A.Moravcsik was speaking about when he considered that those countries who pay more for integration benefit more from it.

Apart from dominance in military and energy chessboards Russia uses its leverages in the spheres of economy (transnational companies and credits), finance (investments), social relations (spread of Russian language, Russian diaspora and “Russian World”), labor market (remittances of CIS citizens working in Russia), etc. in order to preserve its zone of influence and entrap former Soviet partners into Eurasian commitments.

Eurasian integration is based on “learning” from the previous unsuccessful experience of rapprochement; currently the chosen model is “the CU plus SES of goods, services, capital and labor...plus common development strategy”

On the subsystem level, the structure of Eurasian integration was not created “de novo”, but was transformed from the previous regime – EurAsEC – which established the free trade zone of the community.

Intentions to launch integration in the post-Soviet space were already envisaged in the mid 1990s when the disastrous consequences of breaking inter-state links of former brotherhood republics became obvious. However, by this time none of the CIS states was strong enough to drive initiatives further and all were more concerned with internal affairs, looking for appropriate conditions of unilateral integration into the world capitalist system, rather than commitments of mutual rapprochement.

The unsuccessful experience of the first Customs Union launched by Kazakhstan, Russia and Belarus and later joined by Kyrgyzstan and Tajikistan showed that fast integration cannot be achieved, in addition to that, states were not well prepared for the consequences of the Asian Financial Crisis which took place at the end of the 1990s, which made them shelve the rapprochement processes. However, this experience was used as the possibility of “learning”, which Keohane was talking about, and allowed states to work out how to behave in scarce economic and financial conditions. In this situation, it is worth noting that Eurasian integration was not only a response to political and economic challenges that the region faces nowadays, but also an answer to the present world economic crisis.

The model that integrating countries chose now is similar to one that EU members implemented, from free trade zone to customs union, to single economic space, to common market with freedom of movement of goods, services, labor and capital.

Nowadays, integration is limited to economic issues only, all political questions such as defense of borders or joint foreign policy are still off the agenda.

The CU protected the internal market by imposing CET with third countries, eliminating quantity, technical and other barriers, creating a transparent information environment, and delegating the authority related to external trade policy to the Commission of the Customs Union. The CU did not change the nature of resource-exporting economies of Russia and Kazakhstan, but it increased mutual trade within the CU by 50%, where the most evident beneficiary is Belarus, due to its higher industrial development. Therefore, Belarus increased its export by 2.5 times in spite of the fact that its economy is three times smaller than Kazakhstan's. In the case of Russia, both RK and RB are still far from being its main trade partners, but for Moscow the CU allowed it to economically bind Belarus, where almost 50% of its exports are directed toward EAEU members, and to protect Kazakhstan's market achieving a decrease of RK's trade with the EU. Kazakhstan benefited less from liberalization of regime than its partners and nowadays it accounts for only 9% of the internal market (Belarus for 27%, Russia for 63%).

The SES made it possible for the common market of goods to come into full operation by harmonizing the legislature in all relevant spheres, such as the equality before competition law, anti-monopoly regulations, common technical requirements, access to municipal purchases and transport networks, governmental subsidies, intellectual property rights, which altogether imply equal competitive conditions for integrated states.

Within SES, its members largely liberalized their national legislature; mostly that concerns Belarus, which allowed it to increase FDI (primarily from Russia), but decreased governmental control in advanced and strategic spheres of economy. Thus, nowadays, 40% of Belarussian enterprises with foreign capital participation are established in cooperation with Russia, where more than half have a 100% Russian share. Among the most important RF acquisitions in RB, are Gazprom's complete control over the "Yamal-Europe" pipeline that transports Russian natural gas to Europe, "Beltransgas" national gas pipeline system of Belarus, and participation in operation of Mozyr (through Gazprom) and Naftan (through Lukoil) oil refineries.

The EAEU came into operation on 1st January 2015. The regime it implies is determined by the Treaty on Eurasian Economic Union, which reconfirms the achievements made within the CU (i.e. CET and single external trade policy) and developed the regimes of common market of goods and freedom of services, capital and labor, whose foundation was established by the SES. The entire common market of services cannot be achieved rapidly because there are many spheres of governmental priority (such as health or education). In order to deal with these barriers on a national level, states gradually integrate the areas of services where they can establish the common market, among the most important ones are construction, architecture, cargo handling and hotel industry.

Regarding the issues related to finances and capital, EAEU members are still far from achieving monetary union, this question is not even on the agenda. Instead, they gradually approximate their banking systems recognizing bank and insurance entities' licenses, giving mutual access to each other's financial markets and establishing similar domestic bank structures based on three or more system-determining banks.

States largely promote mutual investments, where the largest projects (around 1 billion USD) are carried out by Russian companies, which invest in energy (Gazprom, Lukoil, Rosatom, RUSAL), metallurgy (Rosatom, RUSAL, Mechel) and telecommunications (MTS, Vimpelcom). Kazakhstan projects are focused on the spheres of agriculture, construction and hotel business, while regarding Belarus, Russia is the main destination of its FDI, but Minsk does not realize large investment projects. However, integration did not change the structure of its main investors, which for the RF and RK are the major energy investor countries and offshore zones.

The EAEU created the common labor market with equal rights for all workers from the Union (except the sphere of governmental service) which has become one of the decisive points for entrapment of states dependent on emigrants' remittances (such as Kyrgyzstan).

Apart from freedom of movement of goods, services, capital and labor, the EAEU promotes a common development strategy, which should help states to overcome their lack of technological development and increase their industrial links.

Integration became possible after core integrating countries had passed the process of domestic consolidation of power and merger of governmental and interest groups preferences.

The political roots of Eurasian choice in the EAEU core members lies not only in the fact that there were no threats to domestic integration in these countries (such as in Kazakhstan and Belarus) or the political stability had been achieved when integration started (as in the case of Russia, whose domestic integration was threaten by conflict in Chechenia in the 1990s), likewise all these countries had passed the process of consolidation of power in domestic political systems.

Thus, in the 2000s Astana and Moscow succeeded in establishing stable party-based regimes dominated by Nur Otan (in RK) and United Russia (in the RF), both of which were formed due to considerable political support of their leaders (Heads of State in both cases), by interest groups who had already come to power by that time. Consolidation of power in Kazakhstan was completed in 2006 (the year before Eurasian integration started) after merging two parties, Asar and CPK, with President-ruled Otan. In parallel, with consolidation of power in the domestic political arena, a similar process took place in the economic field. Thus, nowadays, all significant domestic groups are bound with the government through shared business deals, i.e. even though their capital is accumulated in a private sector, government participates to a certain extent in their business. Among the most important domestic groups are

the Eurasian Group of A.Machkevitch, P.Chodiev and A.Ibragimov (metallurgy, electricity generation from coal, investments, banking); ALMEX group of Dinara and Timur Kulibaev (oil and gas, construction, metalwork, gold mining, banking), the group of E.Amirkhanov, A.Klebanov and S.Kan who govern "Central Asian Power Energy Company" (electricity generation and distribution, banking, chemical industry), the group of B.Ytemuratov, the richest person in RK (construction, hotel business, gold mining, telecommunications, banking), Kazakmys group (metallurgy) and Kazkommerzbank group (banking).

Similar to Kazakhstan's case, by the time the decision to establish the CU was taken, Russia had passed the process of consolidation of power through uniting under the Kremlin's management of political elites highly fragmented in the Yeltsin epoch. The process started during the Putin's first presidential term with the merger of three parties, "Fatherland – All Russia", "People's Deputy" and "Regions of Russia" with the dominant one "United Russia". As for other parties represented in State Duma, Just Russia, LDPR and the Communist Party, all of them, even being considered as opposition, remain pro-Kremlin or loyal to Kremlin positions.

Centralization of power not only structured the system of domestic elites but also increased the level of governmental participation in economy, which is largely seen in the oil sector, where the government, represented by the oil branch of Gazprom (already under government control by that time) and Rosneft acquired three of the five largest private companies.

Concerning Russian domestic groups involved in the integration process, it is seen that the majority of them are state corporations (or companies with large governmental participation) such as Rosatom, Gasprom, Inter RAO UES JSC, Transneft and TNK-BP related to the energy sphere and private ones such as LUKoil (oil), RUSAL (metallurgy), AutoVaz (machinery).

In the case of Belarus, the domestic system that it has created is more "personalist" than the party-based ones in Kazakhstan and Russia and therefore less stable. The parliamentary system is different to its partners, for whose candidates it is not necessary to belong to any party, accordingly there are no parties or groups able to greatly influence governmental decisions.

Within the EAEU, states decided to implement integration gradually without hastening the process, which is seen in the deadlines they propose for achieving common markets in the fields of electricity, gas, oil and oil products. Implementation of these plans, whose direct costs will be met by governments and state companies, will allow the creation of a favorable environment for development of Eurasian transnational society.

Commitment to the EAEU is not the only way for integrating countries to improve their economic positions in the world arena, it also provides the possibility for them to preserve their position in power. Thus, for Astana, Eurasian rapprochement offers the chance to achieve sustainable integration and herewith a peaceful transition period caused by the arrival of new ruling elites, which the country could

face in the near future when the Presidential term of Nursultan Nazarbayev comes to an end. In the case of Minsk, Alexander Lukashenka's accession to power and continuation for the last two decades has been largely supported by Moscow, which apart from political support gives the ruling elites in Belarus access to credits, access to substantial markets and access to reduced fuel prices, the combination of which allows them to stay in power.

The ultimate goal of Eurasian integration is internal mutually beneficial cooperation and proposal of the EAEU as an independent pole of the new multipolar world equal in rights and responsibilities with other global centers.

The current economic and financial crisis is a challenge for all countries, but it is also an opportunity for those of them who intend to increase their status in the world arena, such as BRICS members. For these states the idea of a multipolar world order that should replace the present unipolar system governed by the USA seems appropriate because it balances their forces with existing great powers. Russia together with China proposed the idea of multipolar global order in 1997 stating herewith the ultimate objective of its foreign policy for the forthcoming decades.

In this situation, Eurasian integration is an instrument of that aim. This is demonstrated by Russia's cooperation with Kazakhstan and Belarus, where Moscow pays particular attention to energy aspects of integration affirming in different ways its access and assuring further collaboration in its four dimensions – oil, gas, coal and uranium. These actions come in line with Moscow's objective to become an energy power in the international arena, while the projects that the EAEU realizes such as the Western Europe-Western China roadway or the North-South railway demonstrate that they compete with similar projects that external actors promote in the region.

For Russia, the EAEU is not a leverage for "recollection of territories", but rather a way of preserving its territorial integrity, where Kazakhstan and Belarus play the role of buffer-states. For the government of multi-ethnic Kazakhstan, commitment to the Eurasian idea is a way to gain votes of the non-Kazakh electorate, which is 35% of population, and the possibility to prevent potential separatist movements in Russian-populated regions. The same is typical for Belarus, where division between eastern and western parts reflects the situation that neighboring Ukraine suffers nowadays.

In this situation, it is clear that through Eurasian integration states pursue their private interests aimed at ultimately improving their domestic situations and positions in the world system. There is no threat to the sovereignty of integrating countries. Moreover, each has a formed group of elites and affiliated business communities who plan to stay in power, for which independence of their countries is an indispensable condition.

Commitment to respect sovereignty and equal representation are seen in all aspects of integration whether in the bargaining process or number of votes in decision-

making procedures. However, it does not refrain states from rational integration, which is seen in delegation of part of their sovereign authority to the Eurasian Economic Commission – the first supranational institution in the CIS established after the collapse of the Soviet Union.

At its base, the Eurasian ideas promote peaceful “demoicratic” co-existence of all nations living in the CIS space. Even though Eurasianism can be differently interpreted, for example by Russian imperialists and Kazakhstani pragmatics, its core concepts do not contradict any of them. Moreover, its implementation will benefit ordinary people of integrating countries because it promotes equality and respect of all ethnics including minorities.

In addition, Eurasian ideology advocates prevention of inter-ethnic conflicts and civil discord that have provoked cleavages in countries who do not share these ideals. In overall terms, its binding capacity will allow the EAEU states to jointly respond to the challenges they face and integrate into the global community as a single, unified center of the multipolar world.

ANNEX

ANNEX N° 1:

Resumen de la tesis

La Integración euroasiática como respuesta a los retos internacionales

Esta tesis se dedica al estudio del proceso de Integración euroasiática, entendiéndose que éste constituye un ámbito de investigación relevante para las Relaciones Internacionales de nuestros días. El abordaje de esta cuestión se realiza a través de la aplicación de teorías de la integración centradas en el concepto del Estado e introducidas por académicos estadounidenses y europeos. El ámbito temporal que abarca este estudio sobre la cooperación en el espacio postsoviético se extiende desde el colapso de URSS en 1991 al establecimiento de la Unión Económica Euroasiática (UEE) el 1 de enero de 2015.

En términos académicos el objetivo fundamental que esta tesis persigue resulta, a nuestro entender, especialmente relevante. Se trataría de ofrecer una visión integral y sistémica del proceso de integración euroasiática. Esta se centraría en explicar los diferentes aspectos, no sólo geopolíticos o económicos sino también los sociales o militares. Este enfoque supone un avance respecto a las investigaciones previamente realizadas en el área que resultan fragmentadas ya que están focalizadas en aspectos particulares de la cooperación¹.

En cuanto a los aspectos geopolíticos, es relevante estudiar los procesos que tienen lugar en la región de la Comunidad de Estados Independientes (CEI) porque, tal y como se señalará, se ha convertido en un área disputada por las grandes potencias y también por las potencias regionales. Esta circunstancia en conjunción con los avances

¹Ver, por ejemplo, E.SVYATETS, *Power, Profits, and Politics: Energy Security and Cooperation in Eurasia*, op. cit.; R.MANESS, *Coercive Energy Policy: Russia and the Near Abroad*, op. cit.; L. TCHANTOURIDZE, *Awakening of Spirits: Eurasianism and Geopolitics in the Foreign Policy of Russia*, op. cit.; А.БЕЛЬЯНОВ, *Интеграционная Политика России на Евразийской Пространстве: Потенциал и Перспективы Развития*, op. cit., (A.BELYANOV, *La Política de Rusia de la Integración en el Espacio Euroasiático: los Prospectos y las Perspectivas del Desarrollo*, op. cit.).

de la UEE, tendrá un impacto en la futura posición de Rusia en la esfera internacional y en la de aquellos de sus aliados que hayan optado por la integración euroasiática.

El estudio abarca un periodo de dos décadas y media de historia de los miembros de la CEI y presta especial atención a aquellos que se han mostrado más favorables a la integración euroasiática. El análisis se ha realizado desde un enfoque sistémico y subsistémico. En este sentido, el sistema estaría constituido por el espacio postsoviético (influido por actores externos e internos), mientras que el subsistema estaría conformado por la comunidad euroasiática. Precisamente, la tesis explica tanto los retos externos que afrontan los países ex-soviéticos como sus necesidades internas en cuanto al desarrollo doméstico y mantenimiento de la estabilidad política. Estas variables de manera conjunta explican por qué, cómo y para qué ha sido establecida la UEE.

1. El objeto de estudio y los objetivos de la investigación

El tema principal del que se ocupa esta tesis es el proceso que conduce al establecimiento de la UEE. En este sentido, el trabajo se centra en el estudio del entorno internacional y las condiciones en las que dicha organización se ha formado, las instituciones predecesoras relacionadas con su creación, las situaciones nacionales y los intereses de los países que integra, la influencia que ejerce en cada uno de ellos y las características de su desarrollo en el futuro próximo.

Desde el punto de vista de la autora, la esta manera descrita de abordar el objeto de estudio así como los interrogantes planteados, surgen del título de la tesis. Ésta establece una relación causa-efecto entre los procesos de integración euroasiática y los retos globales que afronta la región en general y cada uno de los países miembros en particular. Ello implica atender no sólo a consideraciones políticas y militares sino también a problemas económicos y sociales.

Para explicar el marco sistémico en que tiene lugar el establecimiento de la UEE, la obra analiza los doce miembros de la CEI así como el papel que juegan los actores externos con influencia en la región. En el nivel subsistémico - conformado por la Comunidad Euroasiática - la UEE-, se aborda el estudio de los regímenes predecesores y de las organizaciones relacionadas con los mismos. En este nivel, el entorno de cooperación establecido por la UEE se entiende como la "estructura" y sus estados-miembros como los "agentes".² En esta situación, los países fundadores de la UEE - Kazajistán, Bielorrusia y Rusia³ - se consideran el grupo nuclear de la Unión y reciben mayor atención, incluyendo, pero no limitándose a: sus circunstancias domésticas, grupos de interés, prioridades, posiciones negociadoras, etc. El análisis de las conse-

²E.BARBÉ, "La Unión Europea en las Relaciones Internacionales. Debates para el Análisis", *op. cit.*, p. 19.

³*Vid.* Преамбула. ЕАЭС, Договор о Евразийском Экономическом Союзе, *op. cit.*, (*Vid.* Preámbulo. UEE, "Tratado de la Unión Económica Euroasiática", *op. cit.*).

cuencias de la integración se ha realizado también para el mismo grupo de Estados, mientras que en caso del estudio de las tendencias actuales del desarrollo de la UEE, han sido incluidos en la investigación los miembros de la CEI, Armenia, Kirguistán, Ucrania y Tayikistán.

En términos del marco temporal que abarca la tesis, el análisis comienza con la creación de la CEI en 1991 que oficialmente declara que la Unión Soviética como “sujeto de derecho internacional y realidad geopolítica ha dejado de existir”.⁴ El año del establecimiento de la CEI se ha elegido como punto del inicio de la investigación porque inaugura una nueva época tanto para el espacio postsoviético como para cada uno de los Estados en particular. A través de la creación de la CEI los Estados, que durante siglos estaban unidos por el Imperio Ruso y después por la URSS, se reconocieron mutuamente como Estados independientes y soberanos⁵ e introdujeron políticas autónomas en la escena mundial. En materia geopolítica, el colapso de la Unión Soviética cambió el estatus de sus antiguos miembros, considerados hasta ese momento como un bloque unido bajo el liderazgo de Rusia, por un escenario de lucha por ganar influencia donde Moscú juega un papel de actor destacado.

En los aspectos económicos, la desintegración de la Unión Soviética implicó el colapso del sistema industrial que unía a sus antiguos miembros y la transición de un sistema de economía planificada a un sistema capitalista⁶. En este nuevo contexto, cada uno de los miembros de la recién constituida CEI tuvo que encontrar su lugar de manera autónoma y sin contar con ningún apoyo del centro (i.e. Rusia).

Además, tras lograr su independencia cada país se enfrentó al problema de la búsqueda de un modelo adecuado de construcción del Estado, cuya elección tuvo gran influencia en sus actitudes hacia el acercamiento postsoviético.

Otra fecha destacada en la tesis es 2007. En este momento, Kazajistán, Bielorrusia y Rusia firmaron el Acuerdo de Establecimiento del territorio de la Unión Aduanera y la Unión Aduanera (UA)⁷. Dicho acuerdo propició el inicio de la cooperación institucionalizada entre los citados Estados así como la posterior creación de la UEE. En otras palabras, mediante la formación de la UA los países fundadores entraron en una nueva fase de la integración euroasiática que tendría una importancia histórica para la Unión.

La tercera fecha destacada es el 1 de enero de 2015, el día en que el Tratado de Unión Económica Euroasiática entró en vigor. El análisis del proceso de integración, las particularidades y resultados de la misma, está limitado a esta fecha. El seguimien-

⁴Vid. Статья 1. СНГ, “Соглашение о Создании Содружества Независимых Государств”, *op. cit.*, (Vid. Artículo 1. CEI, “Acuerdo de la Creación de la Comunidad de Los Estados Independientes”, *op. cit.*).

⁵Vid. Преамбула. СНГ, “Алма-Атинская Декларация”, *op. cit.*, (Vid. Preámbulo. CEI, “Declaración de Almá-Aty”, *op. cit.*).

⁶С.ГЛАЗЬЕВ, “Зачем Нужен Таможенный Союз”, *op. cit.*, (S.GLAZIEV, “¿Para qué Necesitamos la Unión Aduanera?”, *op. cit.*).

⁷ТАМОЖЕННЫЙ СОЮЗ, “Договор о создании Единой Таможенной Территории и Формировании Таможенного Союза”, *op. cit.*, (UNIÓN, “Acuerdo de Establecimiento del Territorio de la Unión Aduanera y la Unión Aduanera”, *op. cit.*).

to de las tendencias actuales en la Unión, -como su extensión y las consecuencias de la crisis de Ucrania-, se realiza hasta mediados de febrero de 2015.

Con respecto a los objetivos de la tesis, como ya se ha mencionado, el objetivo general es mostrar la evolución de la integración euroasiática en sus diferentes manifestaciones políticas, económicas, militares, sociales, ideológicas, etc.

De acuerdo con el objetivo general los objetivos específicos pueden ser divididos en dos grupos. Por una parte aquellos relacionados con la elección y el desarrollo del marco teórico de la tesis y, por otra, aquellos que guardan una relación más directa con la parte aplicada de la misma.

Desde el punto de vista teórico, el primer objetivo consistió en encontrar un marco teórico sobre integración que se ajustara a las particularidades de la región y que permitiera explicar el proceso de integración euroasiática de manera integral. En este sentido, se procedió a revisar las distintas propuestas teóricas que podrían agruparse en torno a un mismo núcleo duro. La complementariedad de dichas teorías facilitarían la construcción de un marco de análisis con gran capacidad explicativa.

Desde el punto de vista aplicado, los objetivos pueden dividirse en dos bloques: los relacionados con nivel sistémico y los aquellos que guardan relación con el nivel subsistémico.

En lo referente al nivel sistémico, el primer objetivo consistió en determinar y explicar las políticas llevadas a cabo por los actores externos con mayor influencia en el desarrollo de la región. El segundo objetivo consistió en dar cuenta de la naturaleza de la cooperación interestatal en el espacio postsoviético, prestando especial atención a las actitudes de los Estados hacia la integración euroasiática y al nivel de interdependencia compleja logrado entre los mismos.

En lo que respecta al nivel subsistémico, el primer objetivo consistió en describir las instituciones euroasiáticas (i.e. UEE y sus predecesores, la Unión Aduanera y el Espacio Económico Común) y la estructura de la integración regional, prestando especial atención a las etapas de su desarrollo y transformación. El segundo, consistió en determinar los intereses particulares y las posiciones de los agentes subsistémicos, es decir, los Estados fundadores de la UEE. El tercer objetivo se propuso analizar la correlación entre los intereses y posiciones de los agentes subsistémicos y su evolución hacia unos intereses y posiciones comunes. El cuarto objetivo pretendía subrayar los resultados más evidentes del proceso de integración dentro del marco temporal de la tesis. Finalmente, el quinto objetivo consistía en explicar los procesos que hoy en día tienen lugar en la región y que están ejerciendo una influencia destacada en el desarrollo de la integración euroasiática y que, previsiblemente, seguirán ejerciéndola en el futuro próximo.

2. Las hipótesis

La investigación plantea las siguientes hipótesis:

1. La aplicación de enfoques teóricos estatocéntricos al estudio de los procesos relacionados con la integración en el espacio postsoviético (excluyendo los países Bálticos) y el establecimiento de las instituciones euroasiáticas permite conocer en profundidad las distintas variables que intervienen en el fenómeno objeto de estudio.
2. La integración euroasiática ha sido desarrollada bajo la influencia directa de las políticas practicadas por actores externos como la UE, EEUU, Turquía y China, y, por tanto, existe una correlación entre los desarrollos de la misma y los retos que han planteado y plantean dichas potencias en la región.
3. Las actitudes favorables a la integración euroasiática de los países postsoviéticos participantes, están determinadas por los intereses nacionales, las particularidades domésticas y las condiciones internas de cada país.
4. Los miembros de la UEE utilizan la integración como un instrumento para mejorar las situaciones domésticas y las posiciones en el ámbito internacional y no la consideran como una pérdida de la soberanía.
5. La meta principal de la UEE es la integración conjunta de los Estadosmiembros en la comunidad global en las condiciones más favorables, respetando los valores democráticos y de acuerdo a las normas del sistema económico capitalista.

3. La metodología

La investigación comienza con el análisis de las principales teorías de integración y la elección del Intergubernamentalismo Liberal (IL) de Andrew Moravcsik como el enfoque central de la tesis. El IL ha sido elegido como la teoría central -“core theory”- por su orientación estatocéntrica y por ser un modelo relevante cuya aplicación permite explicar el caso de la cooperación/integración euroasiática desde diferentes dimensiones.

El análisis inicial mostró que el IL no es una teoría elaborada “ex novo” si no una síntesis teórica donde los conceptos del Estado-Nación y de régimen internacional es fundamental. Constituye, en suma, un marco teórico que integra el Intergubernamentalismo de Stanley Hoffmann y el Institucionalismo de Robert O. Keohane. Esta observación es confirmada por Stephen George al considerar que Moravcsik empleó el Institucionalismo de Keohane para explicar el proceso de negociación entre países y el establecimiento de los regímenes interestatales, mientras mantenía los elementos bási-

cos del IL introducidos por la teoría del “campeón del intergubernamentalismo” Stanley Hoffmann.⁸

Por tanto, el marco teórico de la tesis incorpora inicialmente las teorías de Stanley Hoffmann, Robert Keohane y Andrew Moravcsik. No obstante, los márgenes del mismo se extienden a las contribuciones teóricas más recientes del IL. Concretamente, las novedades teóricas a las que hacemos referencia guardan relación con las aportaciones de Frank Schimmelfennig, Lisa L. Martin y Kalypso Nicolaïdis.

Con respecto a la parte práctica, la aplicación del marco teórico resultante permite aportar una explicación desde una dimensión sistémica y también subsistémica, incluyendo el análisis de la estructura y los agentes participantes en la integración en esta la segunda dimensión.

En el nivel del sistema, las políticas de los actores externos se han analizado a través de la aplicación de los conceptos teóricos de Hoffmann y Keohane relativos al entorno internacional y la cooperación no-hegemónica. Tanto las situaciones domésticas como las políticas de los actores internos explican las circunstancias en las que se ha ido desarrollando el proceso de la UEE. Para el análisis de estos conceptos se ha utilizado la aplicación de los autores citados anteriormente sobre las condiciones internas y externas de la integración y la interdependencia compleja.

En lo referente al subsistema, la estructura de las instituciones euroasiáticas se ha estudiado a través de las observaciones teóricas de Keohane sobre las funciones y las causas de la transformación de los regímenes. La aplicación de la teoría de Andrew Moravcsik se ha utilizado para el análisis de la cooperación en el ámbito supranacional, los agentes y, en concreto, sus preferencias nacionales y sus posiciones negociadoras. Los resultados de la integración en los niveles del Estados-Nación, regímenes e instituciones se explican a través de los conceptos fundamentales elaborados por Hoffmann, Keohane y Moravcsik. Asimismo, las contribuciones teóricas de Schimmelfennig, Martin y Nicolaïdis han sido los instrumentos de análisis para los procesos actuales como la ampliación, los efectos de la crisis de Ucrania incluyendo las sanciones recíprocas entre la UE y Rusia y las vías de desarrollo en un futuro próximo.

Por otra parte, habría que señalar que el fenómeno de la integración euroasiática puede abordarse en el marco de las diversas disciplinas de las Ciencias Sociales, por ejemplo, la Economía, la Ciencia Política y/o Sociología, etc... En la presente tesis, se propone una visión desde la perspectiva de las Relaciones Internacionales. En este sentido las referencias bibliográficas empleadas en ella provienen mayoritariamente, aunque no de manera exclusiva, de este último área de conocimiento.

En términos generales, la bibliografía se divide en dos bloques: el primero relacionado con el marco teórico y el segundo con el marco práctico. La mayoría de los recursos del marco teórico provienen de fuentes anglosajonas y europeas⁹. Por su par-

⁸S.GEORGE, *Politics and Policy in the European Union*, *op. cit.*, p. 51.

⁹Ver, por ejemplo, S.HOFFMANN, “Obstinate or Obsolete? The Fate of the Nation-State and the Case of Western Europe”, *op. cit.*; R.KEOHANE, *After Hegemony: Cooperation and Discord in the World Political Economy*, *op. cit.*; R.KEOHANE and J.NYE, *Power and Interdependence: World Politics in Transition*, *op. cit.*;

te, para la elaboración y estudio de la parte práctica se han utilizado los principales avances realizados en investigaciones en EEUU, Europa y los países de la CEI (Rusia, Kazajistán, Georgia, y Ucrania).

Consecuentemente, la bibliografía contiene recursos en cuatro idiomas (ruso, inglés, castellano y kazajo). Además, la parte cuantitativa de la investigación se centra en los recursos obtenidos de bases de datos como COMTRADE, SIPRI, WITS, ILOSTAT, UNCTAD, el Banco Mundial, OMC, entre otras. Adicionalmente, durante la investigación se analizaron acuerdos intergubernamentales, tratados, convenciones y declaraciones de acceso libre en las páginas web de la Comisión Económica Eurasiática y otras instituciones y organizaciones que se han estudiado en la presente tesis.

En la investigación, también se incluye el análisis de datos de orden más sociológico o demoscópico, obtenidos de encuestas de opinión y censos de población así como de diferentes recursos digitales de los medios de comunicación (BBC, DW, REUTERS, IA REGNUM, TASS, etc.).

4. La estructura de la tesis

La presente tesis está dividida en cuatro partes. La primera parte – la introducción – representa una breve explicación del trabajo, la racionalidad de la composición del marco teórico, los márgenes del marco práctico, los objetivos, las hipótesis, la metodología y el plan de la tesis.

La segunda parte – el marco teórico – está compuesta por cuatro capítulos. Los conceptos de cada una de las teorías se han estudiado a través de la división en cuatro bloques. El contenido de los primeros tres bloques de cada capítulo es diferente mientras que la cuarta sección de cada uno de ellos está dedicada a los resultados de la integración. La parte teórica empieza con el capítulo 2 donde la teoría del Intergubernamentalismo explica determinados aspectos del proceso de la integración desde una perspectiva estatocéntrica. La primera sección del capítulo trata de la institución del estado-nación como actor más importante a nivel internacional y se centra en la naturaleza de sus intereses, el carácter nacional y la indivisibilidad de la soberanía. El segundo bloque está dedicado al entorno internacional que Hoffmann considera como un complejo de “chessboards” de las diferentes esferas de cooperación. La tercera sección explica las condiciones internas y externas de la integración. Las primeras incluyen “la integración doméstica” y el apoyo social entendido como apoyo público y apoyo de los grupos políticos que están en el poder. Las segundas, guardan relación con la semejanza de las situaciones domésticas de los países objeto de integración.

R.KEOHANE, “The Demand for International Regimes”, *op. cit.*; R.KEOHANE and J.NYE, “Power and Interdependence Revisited”, *op. cit.*; M.SUHR, “Robert O.Keohane: a Contemporary Classics”, *op. cit.*; A.MORAVCSIK and F.SHIMMELFENNIG, “Liberal Intergovernmentalism” in A.WIENER and T.DIEZ (Eds.), *op. cit.*; A.MORAVCSIK, *The Choice for Europe. Social Purpose and State Power from Messina to Maastricht*, *op. cit.*; E.BARBÉ, “La Unión Europea en las Relaciones Internacionales. Debates para el Análisis”, *op. cit.*

El capítulo 3 representa una visión institucionalista para cuyo estudio el concepto de los regímenes internacionales es esencial. El primer bloque está dedicado a la cooperación no-hegemónica que, según Keohane, sustituyó al sistema de estabilidad hegemónica dirigido por EEUU y que caracterizó las relaciones internacionales desde la Segunda Guerra Mundial hasta la década de los setenta. En ese momento, Estados Unidos perdió parte de su poder en ámbitos como el comercio, la energía y las cuestiones monetarias, manteniendo su posición de liderazgo pero perdiendo su condición de hegemón global. El segundo bloque trata de las instituciones internacionales. Aquí el factor más importante es la interdependencia compleja y los factores secundarios son el entorno contractual, las similitudes de las formas de gobernanza, un fuerte liderazgo y la voluntad política hacia la integración. El tercer bloque está dedicado a las funciones de los regímenes interestatales y las razones de su transformación.

El capítulo 4 trata la teoría del Intergubernamentalismo Liberal de Andrew Moravcsik. En el primer bloque se analizan las preferencias nacionales de distintos grupos domésticos integradas por sus gobiernos, en los que son prioritarias las preferencias económicas y las geopolíticas e ideológicas son secundarias. La segunda sección habla sobre el proceso de negociación acompañado por el "two-level game" y el tercer bloque está dedicado a la cooperación a nivel supra-nacional que Moravcsik considera como una necesidad en los "credible commitments".

El capítulo 5 está dedicado a las últimas contribuciones teóricas elaboradas por Schimmelfennig, Martin y Nicolaïdis. La primera sección del capítulo trata las observaciones de Schimmelfennig sobre la ampliación de la unión, en los cuales existen los países "drivers" y los países "brakemen" y donde el uso de "acciones retóricas" por parte de los países que favorecen la ampliación de la Unión y los "legacies" de los países candidatos con el grupo de integración tienen más importancia. El segundo bloque está dedicado a la contribución de Lisa Martin que trata sobre la influencia del proceso de integración en referencia a la actuación de los países participantes y las sanciones impuestas por los países miembros. La tercera sección contiene el análisis de las observaciones teóricas de Kalypso Nicolaïdis. Este autor introduce los conceptos de "integración sostenible", "demoocracia" y "descentralización" en la teoría de integración. El último bloque del capítulo 5 está dedicado a las críticas dirigidas al IL.

La tercera parte de la tesis – el marco práctico – comienza con el capítulo 6, dedicado a la aplicación de la teoría de Hoffmann. Los primeros tres capítulos del marco práctico están divididos en tres secciones. El capítulo 6 trata sobre el análisis del sistema de cooperación interestatal en el espacio post-soviético y explica la razón por la que entre los doce miembros de la CEI sólo tres decidieron integrarse bajo la influencia de las situaciones domésticas y la presión de los factores externos.

El capítulo 7 trata sobre la aplicación práctica de las ideas de Keohane en lo referente a la explicación institucional de la integración y al nivel de los regímenes inter-estatales. El capítulo continúa la explicación del análisis del sistema de la CEI confirmando al mismo tiempo que actualmente en el espacio postsoviético no existe un actor hegemónico y que, por tanto, su sistema se asemeja al modelo de cooperación

no-hegemonica. En la segunda sección del capítulo se muestra el nivel de interdependencia compleja entre los países de la CEI que podrían, potencialmente, participar en la integración euroasiática. El tercer bloque está dedicado a la estructura de la comunidad euroasiática y analiza el proceso de evolución de sus instituciones.

Mediante el análisis de la aplicación de la teoría de Moravcsik, el capítulo 8 continúa con el análisis de la explicación del proceso de integración euroasiática pero se centra solamente en los miembros fundadores de la UEE. En comparación con los capítulos anteriores, el análisis es más detallado y centrado en las preferencias, las posiciones de negociación y los grupos nacionales de cada uno de los estados estudiados en la primera y segunda sección y en la cooperación a nivel supranacional analizada en la tercera sección.

El capítulo 9 está dedicado a los últimos resultados de la integración y los actuales desarrollos. Respecto a los otros capítulos, cabe señalar que su estructura es diferente porque hay más datos que tiene que ser analizados; se compone de seis secciones dentro de las cuales los tres primeros apartados están dedicados a los resultados de la integración a nivel del Estado-Nación, régimen y las instituciones. En las tres últimas secciones se estudian la evolución reciente de la integración, que en términos prácticos abarca temas de la ampliación de la UEE (por ejemplo, el caso de Armenia, Kirguistán, Ucrania y Tayikistán), los retos a los que la Unión se enfrenta hoy en día, tales como la crisis en Ucrania y las sanciones contra Rusia, y las vías de desarrollo en un futuro próximo como la búsqueda de la integración sostenible. Estas cuestiones se explican a través de la aplicación de las observaciones teóricas de F.Schimmelfennig, L.Martin y K.Nicolaïdis.

5. Conclusiones

Las conclusiones de la presente tesis doctoral, guardan relación con las hipótesis y los objetivos presentados en la introducción y están resumidas en diez bloques temáticos.

- El Intergubernamentalismo, el Institucionalismo y el Intergubernamentalismo Liberal no se contradicen sino que se complementan entre sí. Aparte de los aspectos evidentes donde las posiciones de las teorías convergen, como el enfoque estatocéntrico, la centralidad de la soberanía, la prioridad a la cooperación, etc., es importante destacar que estas tres teorías en gran medida, se complementan entre sí. Su complementariedad es posible gracias a que todas ellas comparten un “nucleo duro” teórico común. Además todas ellas se orientan a explicar problemas similares tales como la relación entre Estado y sociedad, la interdependencia asimétrica, la delegación de soberanía, etc.

- El análisis del proceso de evolución del Intergubernamentalismo Liberal confirmó que su teoría precedente, el intergubernamentalismo, es una teoría de las RRII “progresiva”. En el artículo publicado por A. Moravcsik en *Progress in International Relations Theory: Appraising the Field*,¹⁰ se muestra que el Liberalismo es una teoría progresiva en el sentido lakatosiano. La investigación sobre el desarrollo del IL en términos idénticos arrojó la misma conclusión. Aunque el “núcleo duro” de la teoría intergubernamental no se ha determinado con mucha precisión por el autor, es evidente que se desarrolla basándose en el concepto del estado-nación o del “destino del Estado-Nación”. En este contexto particular, el IL se puede interpretar como el cinturón protector del intergubernamentalismo que junto a las contribuciones de Schimmelfennig, Martin y Nicolaïdis, logra explicar “hechos nuevos”, dejando “irrefutable” su núcleo duro.
- Las teorías con un enfoque estatocéntrico explican con más exactitud que otras los procesos de integración en el espacio post-soviético, debido a las particularidades inherentes a la región. El análisis demostró que tanto la teoría funcionalista de integración mencionada en la tesis como las teorías de la institucionalización y de la gobernanza, cuyos seguidores critican al IL, no son adecuadas para la explicación de la integración euroasiática porque sus conceptos básicos no tienen en cuenta las particularidades de los sistemas políticos de los países de la región. Las teorías estatocéntricas son más adecuadas porque reflejan la importancia de la diversidad de los grupos domésticos, del liderazgo político, de los retos externos, de las consideraciones sobre la seguridad, etc. –, además de los factores relacionados con los meros beneficios económicos, que juegan un papel importante en la integración euroasiática.
- A nivel del sistema, después de la disolución de la Unión Soviética, el espacio de la CEI se ha convertido en el campo de la batalla de la lucha por la influencia dirigida por las grandes potencias y las potencias regionales. El colapso de la URSS no sólo significó la “desintegración pacífica” o “divorcio civilizado” de sus repúblicas, sino que también convirtió la zona, que antes se consideraba como un espacio privilegiado de los intereses de Rusia, en el centro de la lucha por la influencia por parte de las potencias grandes y medias, examinadas en la presente tesis doctoral como actores externos.
- Las potencias externas como la UE, EEUU, China y Turquía se aprovecharon de las debilidades internas que Rusia sufrió en la década de 1990, así como de su reorientación hacia la cooperación con los países occidentales, con el objetivo de

¹⁰A.MORAVCSIK, “Liberal International Relations Theory: a Scientific Assessment”, *op. cit.*, p. 177.

sustituir el dominio de Moscú en el espacio postsoviético debido a los intereses de estos actores en ámbitos como los recursos energéticos, de mercado y rutas de transporte de la región.

- Tras entrar en la región, la estrategia empleada por los actores externos para ganar influencia en el espacio postsoviético es forzar la adhesión de sus nuevos colaboradores a compromisos instituciones estables. En este sentido, en el nivel del sistema, el colapso de la Unión Soviética puso fin a la dominación absoluta de Rusia en la región e inauguró una nueva época de cooperación no-hegemónica. En esta situación, la consecuencia más negativa para el espacio en general, no radica simplemente en que los países postsoviéticos estén cada vez más aislados de Rusia, sino que igualmente la región se está dividiendo internamente bajo la presión de actores externos que persiguen sus propios intereses. Así, la UE divide el espacio en tres bloques - región de Asociación Europea Oriental, Asia Central y Rusia- mientras que la puesta en marcha de la estrategia de la Ruta de la Seda por parte de EEUU, tiene como objetivo principal unir Afganistán en el centro, Asia Central con Asia del Sur, consiguiendo así que estos países se alejen de la influencia rusa. Las trabas que ponen Beijing y Estambul al liderazgo de Moscú son menos evidentes pero de gran importancia especialmente en los ámbitos de la energía y el comercio.
- Es necesario preservar la integridad territorial y la estabilidad política de la región para que los países miembros de la CEI se impliquen en la integración euroasiática. Aunque a nivel del sistema, son los actores externos los que influyen en el entorno internacional de la región, los actores internos han jugado un papel determinante en su formación. Su actitud hacia la integración euroasiática fue determinada por la política de las élites que llegaron al poder en cada uno de los países miembros de la CEI después de la disolución de la URSS. Por ejemplo, el hecho de que los grupos de poder en algunos de los nuevos Estados independientes mostrasen sus posiciones anti-rusas supuso un amenaza a la integridad territorial de estos países, especialmente en el caso de Georgia y sus regiones separatistas de Abjasia y Osetia del Sur, Azerbaiyán y el problema de Nagorno Karabaj, Moldavia y el conflicto en la República Dniester , Ucrania y los conflictos actuales en las regiones de Donetsk y Lugansk y la pérdida de Crimea. En este contexto, actualmente se ven dos modelos en las situaciones internas en los países de la CEI: los países GUAM, que después de dejar el paraguas de seguridad de Rusia se enfrentaron a conflictos separatistas, y el grupo de países de la UEE (junto con Armenia, Kirguistán y Tayikistán), que a pesar de las difíciles situaciones internas han logrado, o están logrando la estabilidad política en sus asuntos internos. Estos ejemplos ayudan entender la racionalidad de los Estados que favorecen la elección de la integración Eurasiática y de-

muestran que cuanto más se involucra un país en las instituciones euroasiáticas más estable es su situación política interna.

- La política de Moscú para preservar su zona de influencia en la región está respaldada principalmente por su poder en los “chessboards” militares y energéticos. El análisis muestra que los países que eligieron participar en la UEE son los más interdependientes con Rusia en asuntos económicos, militares y energéticos. Para Armenia y Bielorrusia, Rusia es el mayor o el único importador de petróleo y de gas natural, mientras que para otros países como Kazajistán es el país de tránsito más importante. Además, Rusia tiene sus bases militares o las fuerzas de mantenimiento de la paz en todos los países de la CEI excepto en Uzbekistán, Turkmenistán y Azerbaiyán (desde 2013).
- La Integración Euroasiática se basa en el “aprendizaje” de la experiencia previa del acercamiento; actualmente el modelo elegido es la Unión Aduanera más el Espacio Económico Común de mercancías, servicios, capital, mano de obra, y la estrategia de desarrollo común. En el nivel subsistémico, la estructura de integración euroasiática no se creó “ex novo”. Se estableció en base a instituciones anteriores como la Comunidad Económica Euroasiática y teniendo en cuenta la experiencia de los proyectos de integración que no tuvieron éxito. Actualmente, el modelo que estos países han elegido se asemeja al de la UE y presenta una evolución de la zona de libre comercio a la unión aduanera, al espacio económico único, al mercado común con libre circulación de mercancías, servicios, mano de obra y capital. Hoy en día, la integración está limitada a los temas económicos y las cuestiones políticas, como la defensa de las fronteras o la política exterior común, están fuera de la agenda.
- La integración se inició después de que los países fundadores pasaran por un proceso de consolidación interna de poder y las preferencias de sus gobiernos y sus grupos domésticos de presión convergiesen. Kazajistán y Rusia pasaron el proceso de consolidación del poder a través de la construcción de regímenes basados en partidos dominantes; mientras que en Bielorrusia, el sistema político es más personalista. El análisis muestra que a nivel nacional los grupos domésticos que se beneficiaron más de la integración pertenecían al ámbito de la industria mientras que los grupos que se enfocaron en la energía, son los que asumieron los costes de la integración.

El objetivo final de la integración euroasiática es la cooperación en beneficio mutuo y la mejora de la posición de la UEE como polo independiente en un mundo multipolar con derechos y responsabilidades similares a otros centros de poder en la arena mundial. La idea de orden mundial multipolar la expresaron Rusia y China en 1997. En este contexto, la integración euroasiática es un instrumento capital que puede

ayudar a Moscú a adquirir una posición más favorable en el ámbito internacional. Además, la integración promueve una “ética demoicrática”¹¹ de las naciones eurasiáticas que puede ser útil a la hora de prevenir posibles conflictos inter-étnicos en la región. En términos generales, el éxito de la integración permitirá a los Estados-miembros de UEE responder conjuntamente a los desafíos a los que se enfrentan e integrarse en la comunidad global en unas condiciones más favorables, posicionando a la Unión como uno de los centros del mundo multipolar.

¹¹ K.NICOLAÏDIS, “European Democracy and Its Crisis”, *op. cit.*, p. 362.

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