After some period of neglect, the literature on Russia’s role in regional integration processes in Central Eurasia is burgeoning. The establishment of the Eurasian Economic Union (EAEU) in 2015 became an important landmark on the road from legacy organizations, such as the essentially post-Soviet Commonwealth of Independent States, to the emergence of a new type of regional integration entities throughout the continent. The nature of these new organizations and their potential and actual impact on the international order remain subject to an intense debate in academic and policy circles worldwide. The essence of this debate with respect to such great powers as Russia or China can be summarized as follows: is new regionalism in Eurasia an instrument of traditional power politics or a welfare-maximizing mechanism designed to benefit all of the participant states? Is it primarily about power or cooperation, geopolitics or regional development?

Existing approaches

Opinions on both sides have been offered. On the one hand, supporters of the realpolitik interpretation of Russia-EAEU relations described Russia’s behavior as a manifestation of neoinperialist, hegemonic ambitions. According to this view, the EAEU emergence and development are best explained by Russia’s bullying of smaller states into submission via a new form of alliance. On the other hand, students of international cooperation focused on mutually beneficial exchanges, regional trade in particular, and emphasized multilateralism and diplomacy in the EAEU inner workings.

While the first position is typically associated with various varieties of the realist school in international relations (IR) theory, the second appears influenced by the liberal institutionalist approach. The first interpretation was much helped by then U.S. Secretary of State Hillary Clinton’s infamous presentation of Russia’s efforts at creation of the EAEU as “a move to re-Sovietize the region” — an allegation that was staunchly denied by the Kremlin (UPI, 2012). A more benign reading of the Eurasian integration as a mutually beneficial endeavor animated by economics, rather than hegemonist reasoning has been advanced by the Russian, Belarusian and Kazakh scholars. Recently, it has made forays into western academic literature, particularly in Europe (Vinokurov and Libman, 2012; Dutkiewicz and Sakwa, 2015; Lane and Samokhvalov, 2015; Czerewacz-Filipowicz and Konopelko, 2017).
The idea that any coming together of the former Soviet republics jeopardizes the interests of the United States and potentially endangers the world order dominated by western powers has been around since the early 1990s. Writing soon after the promulgation of Russia’s first democratic Constitution, Zbigniew Brzezinski (1994: 76) decried as “proto-imperial” any plans for economic integration of the once-Soviet states for the sole reason that any “confederal arrangement” with Russia as its core “would prompt the reemergence of Russia as a mighty supranational state and a truly global power.” For the whole generation of western analysts and policy makers coming to prominence in the last decades of the Cold War the only recipe for a “normal Russia” has always been a small, insignificant, inconsequential country. Thus, the only viable long-term strategy toward Russia and the region, from the western realist perspective, could be “the consolidation of geopolitical pluralism within the former Soviet Union” (Brzezinski, 1994: 79, emphasis in the original).

In practical political terms, that would mean thwarting attempts at formal multilateral institutionalization of economic and/or political ties between Russia and its neighbors and preventing the emergence of any supranational bodies with a real capacity to manage economic integration processes in the region. As Hillary Clinton opined, the concrete shape and form of the proposed regional integration organization (RIO) in Central Eurasia did not matter:

> It’s going to be called a Customs Union, it will be called Eurasian Union and all of that. But let’s make no mistake about it. We know what the goal is and we are trying to figure out effective ways to slow down or prevent it. (UPI 2012)

In the years leading to the establishment of the EAEU, Russia’s regional integration attempts were often presented as a sneaky empire-building ploy aimed at restoration of “a position of strength vis-à-vis the West . . . by exercising power over dependent neocolonies, primarily the former Soviet states” (Wallander, 2007: 113). As both the Russia-led Collective Security Treaty Organization (CSTO) and the Shanghai Cooperation Organization, where Russia rubs shoulders with China and the Central Asians, were labelled “NATO of the East,” alarms were raised about the start of the “new cold war” (Lucas, 2009). Presentations of Russia’s foreign policy toward its neighbours as “neo-imperial” (Åslund, 2008; Ismayilov, 2011; Herpen, 2014) became a cliché.

Given the reality of the U.S. hegemonic decline, it comes at little surprise that such explanations were gaining strength since before Donald Trump’s election as U.S. President, and even more so – after his victory. However, Eurasian economic regionalism is not about Russia’s power projection abroad. It is noteworthy that the Foreign Policy Concept of the Russian Federation (2016) expresses skepticism about the ability of military alliances to answer global challenges of today. The EAEU is presented as an essential vehicle for the country’s “steady development, comprehensive technological modernization and cooperation.” Eurasian regionalism is called for to “enhance the competitiveness of the EAEU member States and improve living standards of their populations,” as well as to help “establish a common economic and humanitarian space from the Atlantic to the Pacific by harmonizing and aligning interests of European and Eurasian integration processes.” There is no indication that the EAEU’s main purpose is military-security in nature.

Neither is there any evidence of Russia’s alleged securitization of its economic cooperation policies. On the contrary, there is some evidence that regional integration in Central Eurasia has worked just as it was hoped – expanding trade-related benefits for its participants. In the first two years since the formation of the EAEU predecessor, the Customs
Union of Russia, Belarus, and Kazakhstan, internal trade turnover grew 10 percent, while the external trade increased by less than half that number (RIA Novosti, 2012). The early results of cooperation seemed encouraging. More benefits to trade could have been forthcoming had Russia not been sidelined by Ukraine’s crisis, the Crimea conundrum, and the western sanctions that followed.

**New regionalism**

I have argued that the EAEU is an example of the so-called new regionalism in the developing world and is best understood through the prism of new regionalism approach (NRA) in international political economy (Molchanov, 2016). New regionalism emerged in response to neoliberal globalization and represents an adaptive reaction to it. It started as a new wave of regional cooperation agreements – neither fully closed nor fully open to outsiders; steering a third way between import substitution strategies and non-discriminatory trade liberalization. It is post-hegemonic in a sense of being, perhaps, the clearest manifestation of the world order moving beyond the U.S.-imposed unipolarity and toward a genuinely multipolar “world of regions” (Katzenstein, 2005; Telò, 2014).

New regionalism has been propelled to life by both difficulties and successes of globalization. On the one hand, it was a reaction to the WTO difficulties in resolving long-standing trade disputes, and on the other, to the success of the Single European Market and the U.S. conversion to regionalism. Be it as it may, new regionalism is regionalism of the global era, the feature of the “second great transformation” of the capitalist world economy.

According to the NRA founder Björn Hettne, new regionalism appears in a Polanyi-like “double movement” to check the excesses of market globalization. From this perspective, institutionalization of various RIOs throughout the world is nothing less than a political response to the threat that anarchic capitalism presents to the established structures of society. As an attempt to “manage the social turbulence” that the unfettered global expansion of the market forces brings in its wake, new regionalism becomes one of the forms of resistance to the destructive forces of global capitalism and neoliberalism. Restoration of regulative powers of the nation-state on a regional level not only signifies a much-needed “return of the political,” but also promises “return of the social” and even “return of the moral” (Hettne, 2003: 32–33).

In practical-political terms, it means that new regionalist movements world-wide are as concerned about preservation of societies, identities, and cultures as they are about trade and development. Moreover, these newly emerging regions are not just arenas of action but actors themselves. “Through the lenses of IPE, as opposed to those of either economics or international relations, regions are not viewed simply as geospatial cartographic entities, but rather as socio-politically and economically constructed spaces” (Higgott, 2016). Of course, economic development is a primary goal that creation of preferential trade agreements and common economic spaces is supposed to achieve. New regionalism is where a modern developmental state meets globalization on the terms negotiated with other like-minded countries.

The origins of the modern “world of regions” can be traced back to the early post-war era. It was no one else but Karl Polanyi (1945: 87, 89) who observed that “the new permanent pattern of world affairs is one of regional systems co-existing side by side” and that regionalism offered “the alternative to the reactionary Utopia of the Wall Street.” With regards to Russia’s relations with its neighbours, he observed that “it is from the regionalism to which she is committed that Russia draws her greatest strength,” and it is that regionalism that represents the “cure” for Eastern Europe’s “three endemic political diseases – intolerant nationalism, petty sovereignties and economic non-cooperation” (Polanyi, 1945: 87–88).
The world financial crisis of 2008–2009 and the slow-moving collapse of the eurozone ignited a new search for the alternative models of economic integration world-wide. It had also boosted new regionalism in Eurasia, described by Russia’s Foreign Minister Sergey Lavrov (2012) as an effective instrument of countering the negative effects of the global financial crisis. In keeping with the tradition of open regionalism, integration efforts in the post-Soviet space have not been aimed against integration processes elsewhere. The most recent proof of that is Russia’s willingness to coordinate activities within the EAEU with China’s One Belt, One Road initiative. Russian leaders have emphasized on numerous occasions that Moscow is keen on developing transregional relations and harmonizing integration processes between Europe, Eurasia, and Asia Pacific (Lavrov, 2016).

New regionalism has been characterized as distinct from regional integration à la European Union: it is “no longer conceived of as an instrument that is primarily intended to support national development strategies and policies, but as a developmental option in itself, promoting competitiveness and the effective insertion of economies into the international economy” (Abugattas, 2004: 3). This is definitely what Russia, Belarus, and the Central Asian economies, led by the EAEU member Kazakhstan, are seeking to achieve. However, economic development of Central Eurasia is not an end in itself, but just a stage in the evolutionary progression of its “regionness” from pre-existing regional space to the level of an international society, a regional community in the making and a regionally institutionalized polity (Hettne, 2005).

Since new regionalism is as much about societal cohesion, culture, and identity as it is about economic integration, the debate between international relations realists and IR liberals may simply miss the point. The question about the nature of the EAEU does not fit the Procrustean bed of economics vs. geopolitics (Podadera Rivera and Garashchuk, 2016). While the driving forces behind Eurasian regionalism very clearly cannot be reduced to “imperial nostalgia” (Krickovic, 2014), subsuming them under the rubric of a geopolitically “prudent” strategy for building power and capabilities is hardly an improvement if social dimensions of the problem are to be addressed in full. At the same time, a new regionalism approach, focusing attention on political and social aspects of region-building in addition to economic exchanges per se, seems best suited to addressing the complex experience of the post-communist states treading the uncharted waters of the deglobalizing postliberal capitalism.

**EAEU: hopes and challenges**

The idea of building a stronger Russia on the basis of political and economic integration with the former Soviet republics became one of the centerpieces of Russia’s foreign policy with the start of Vladimir Putin’s third presidential term. Putin (2011) made promotion of regional cooperation in Eurasia the cornerstone of his electoral campaign, promising the creation of a Eurasian Union as “a focal point for further integration processes” in his article “A new integration project for Eurasia: The future in the making.” From the beginning, the Eurasian Union concept combined developmental and geopolitical aspects. The latter aspect linked to the idea of multipolarity and was evident in the description of the proposed Union as a “powerful supranational association capable of becoming one of the poles in the modern world” (Putin, 2011).

Soon thereafter, the outgoing president Dmitry Medvedev announced that an agreement to finalize preparations for a fully fledged economic union by 2015 had been made with the presidents of the other EurAsEC member states – Belarus, Kazakhstan, Kyrgyzstan, and Tajikistan. While snubbing the May 2012 G8 summit in Camp David, Putin conducted his first foreign visit upon re-election to Belarus, the country formally united with Russia by the Treaty on the Formation of a Union State since 1999. As a result of the visit, Lukashenko’s struggling regime...
Mikhail A. Molchanov

was promised the third instalment of a $3 billion loan from the EurAsEC anti-crisis fund, three-quarters of which was formed through Russia’s federal budget allocations.

Putin’s next visits, after a one-day stint in Germany and France, were to Uzbekistan and Kazakhstan. Uzbekistan, a principled long-time outsider, was brought on board via an agreement to join the free trade zone of the post-Soviet Commonwealth of Independent States (CIS) by the end of 2012. In Kazakhstan, the parties renewed the 20-year-old Treaty of Friendship, Cooperation and Mutual Assistance for the next ten years, making necessary provisions for the deepening of economic, political-military, and social integration, including new measures to promote free movement of citizens across their common border. The Kazakh-Russian nexus has re-emerged as the key for the success of the Eurasian integration, which Kazakhstan’s Nazarbayev (2012) described as “the most promising process of the XXI century.”

In September 2012, the Eurasian Economic Commission (EEC) approved an action plan on Kyrgyzstan’s entry to the Customs Union and appointed a taskforce to prepare a “road map” for accession. Parallel to that, the EEC prepared a master document on the creation of the Eurasian Economic Union and presented it to the governments of Russia, Kazakhstan, and Belarus for adoption in 2013. The plan’s purpose was to ensure that all necessary measures were being implemented for the formal launch of the EAEU on 1 January 2015. The treaty on creation of the EAEU, based on the EEC plan’s recommendations, was signed by the leaders of Russia, Belarus, and Kazakhstan in the Kazakh capital Astana on 29 May 2014.

When the EAEU officially came into existence on 1 January 2015, it consisted of three member states: Russia, Belarus, and Kazakhstan. The earlier established Customs Union and the Single Economic Space were then expanded with the addition of Armenia and Kyrgyzstan. Armenia had joined the EAEU with a one-day’s delay, and Kyrgyzstan in August 2015. The combined GDP of the member states, at $2.2 trillion, exceeded 3 percent of the world’s total GDP in 2014, while the share of the industrial production ($1.3 trillion) was 3.7 percent of the global industrial production before the western sanctions struck. In May 2015, Vietnam and the EAEU signed a free trade agreement, which entered into force a year and a half later. In October 2015, the EAEU heads of state decided to coordinate activities aimed at aligning the development of the Eurasian Union with China’s Silk Road Economic Belt initiative.

However, the rosy predictions of trade growth did not materialize, with intraregional trade, according to the EEC data, actually contracting by 6.5 percent in 2013 and by a further 10 percent in 2014. The years 2015 and 2016 proved equally disappointing. The share of the CIS trade in Russia’s total foreign trade went down from 12.5 percent in 2015 to 12.1 percent in 2016. Although the share of the EAEU had slightly increased over the same period (from 8.0 percent to 8.3 percent), the actual volume of the Russia-EAEU trade shrank from $42.4 billion in 2015 to $39 billion in 2016 (Rosstat, 2017). In the year-on-year comparisons, the volumes of the mutual trade between EAEU member states in the first half of 2016 were 17 percent lower than the year before. Kazakhstan’s trade with Belarus dropped twofold, and with Kyrgyzstan by nearly 60 percent. The Russia-Kazakhstan and Russia-Kyrgyzstan trade decreased by nearly 30 percent and 28 percent respectively. The volumes of the Armenia-Kazakhstan, as well as Belarus-Kyrgyzstan trade did not exceed 83 percent of their levels from a year before.

The sanctions that Russia incurred over the conflict in Ukraine cost its EAEU partners dearly. Their combined share of the world GDP dropped down to 2.2 percent. Intraregional trade, which stood at $65 billion in 2012 and 2013, shrank by more than 30 percent to $45 billion in 2015, and declined by 5.6 percent more, to $42.5 billion for 2016. The devaluation of the Russian ruble in 2014 made it cheaper by one-third in relation to the Kazakhstani tenge and Belarus’s ruble, which, in turn, put a strain on these countries’ exports. The tenge was devalued by 19 percent in February, and by 26 percent more in August 2015. The currency of Belarus
The Eurasian Economic Union

lost 33 percent of its value over the same period, becoming the worst performer among more than 155 currencies tracked by Bloomberg (Kudrytski, 2015). Putin’s idea of a Eurasian currency union was unequivocally rejected by Kazakhstan and found a conspicuously lukewarm reception in Belarus.

While the Russian Ambassador to the EU has been upbeat about the EAEU’s future, seeing it as a vital instrument for the creation of a common economic space from “Lisbon to Vladivostok” (RT, 2016), Belarus’s President Aleksandr Lukashenko decried the slow rate of progress toward creation of a common market with genuinely free movement of goods, services, capital, and labor. At the May 2016 meeting of the Supreme Eurasian Economic Council, Lukashenko noted unequal market access rights for EAEU members, the persistence of various barriers to trade, exemptions, and restrictions; the lack of support for national producers; the slow pace of integration in energy trade and in the creation of a common market of pharmaceuticals (Kozlik, 2016). The December 2016 EAEU summit in St. Petersburg proceeded without Belarus because of bilateral disagreements over the price of Russia’s gas imports and Belarus cashing in on re-exportation of the EU goods sanctioned in Russia. Belarus refused to sign the EAEU Customs Code and withdrew its staff from the EAEU customs organs. In March 2017 Lukashenko threatened to retaliate if Belarus was forced to pay “European prices” for Russia’s gas imports.

Pessimism about the Eurasian Union’s chances of success goes up in inverse proportion to the intraregional trade going down. The western media notes “everyone’s dissatisfaction.” The EAEU second anniversary was met with the announcement that “2 years on, Eurasian Economic Union falls flat” (Michel, 2017). It seems that only Moscow still keeps the faith, even when some Russian economists have lambasted the Eurasian integration as a “nonsensical and disadvantageous (at least for Russia) endeavor” (Inozemtsev, 2016).

Pessimism was voiced even before the EAEU came into existence. Evgeny Vinokurov reported the “birth of Eurasianskepticism” back in 2014, and attributed it to the uneven distribution of integration benefits and Russia’s partner countries’ unhappiness with non-tariff barriers that protect the Russian market (Vinokurov, 2014). Vasilyeva and Lagutina (2016: 118) distinguish between two kinds of the “Eurasian-skeptic” argument: one having to do with fears of Russia’s “new imperialism” (Bugajski, 2004; Herpen, 2014) and another with the denial of objective endogenous factors and preconditions that could make Eurasian integration work. Inozemtsev (2016) raises concerns about the discrepancy in economic potentials of the member states, notes that more attractive partners are readily available, and decries the paucity of infrastructure or any other tangible foundations for the proposed regional integration project.

Researchers compared pre-integration conditions of the EAEU with early stages in the evolution of the European Economic Community and pointed out that difficulties arising from the larger distances, lower initial export levels, and more pronounced discrepancies in population and GDP did not work in the EAEU’s favour (Blockmans et al., 2012). Success in implementation of common policies and the relative power of supranational institutions have also been found wanting. More criticism concerns decision making, which in the case of the EAEU is still dominated by the intergovernmental mode of governance.

The start-up conditions of the Eurasian integration process are indeed less favourable than those at the dawn of the European integration. To begin with, there is no external force even remotely comparable to the U.S. Army Europe that would ensure compliance with redistributional decisions and smooth over some of the inevitably arising tensions. It is a well-known fact that the U.S. military command in Europe facilitated a number of integrationist offers that the German government and business leaders could not afford to refuse. Russia’s air defence installations notwithstanding, neither Minsk nor Astana feel in any way obliged to kowtow to
Moscow because of its scant military deployments abroad. While comparing to the EU’s early history, one can hardly miss the fact that the Eurasian Union will have to do without an external arbiter or hegemon of a stature similar to that of the United States in post-war Europe.

The comparative sizes and distances are of essence, yet do not spell Eurasian integration’s doom. Taking Mercosur as a comparison, the distance between Caracas and Buenos Aires is 1.7 times greater than the distance between Minsk and Astana. The Naypyidaw-Jakarta trek in ASEAN is 1.35 times more than the Moscow-Astana route. Brazil is 58 times larger than Uruguay in population size, and 53 times larger in the size of its GDP. The German economy is 15 times bigger than that of Portugal. France’s economy is 125 times larger than Estonia’s. A typical ratio of population sizes between Europe’s smaller and bigger countries varies from 1:55 (Cyprus-Italy) to 1:95 (Malta-Poland). In population, Germany beats Denmark by roughly the same factor as Russia does Belarus. In GDP, Slovakia yields to Germany by a substantially larger margin than Belarus to Russia, and Kazakhstan comes closer to Russia than Portugal to France.

While the Eurasian Economic Commission may be weaker in its decision-making powers than the European Commission (EC) in its early days, the EC’s own predecessor, the ECSC High Authority, was routinely ignored by the national governments. Moreover, the EU Commission itself was originally designed “as a European ‘think-tank’, whose role was precisely to propose legislation to the bodies with true legislative power” (Alesina and Perotti, 2004: 30). The fact that decision making in the EAEU is dominated by the intergovernmental mode of governance comes as little surprise. Intergovernmentalism prevails across the majority of South-South and North-South trade blocs. Decision making in most regional integration organizations is by consensus, and enforcement mechanisms are weak or non-existent. Some trade blocs are more successful in integrating regional markets and some are less so. In most cases, the future of these organizations is found to be promising nonetheless. The existence of regional “hubs,” such as Brazil in Mercosur or South Africa in SADC, is rarely seen as detrimental to regional cooperation efforts. Even if a dominant state may occasionally behave as an uncooperative “Rambo” seeking to maximize its own utility at the expense of its partners (Krapohl, 2017), expectations of long-term rewards of regional leadership typically return it to the course of cooperation.

EAEU and other regional and global organizations

According to Russia’s strategic foreign policy pronouncements, strengthening and expanding integration within the EAEU is a key objective, a number one on the list of regional foreign policy priorities. In turn, the EAEU is seen as a key to further strengthening and promoting cooperation within the larger bounds of the CIS, with a view to “establish[ing] the Commonwealth as an influential regional organization” (Foreign Policy Concept of the Russian Federation, 2016).

Given all the criticism that the CIS has received over the years, including from Russia’s own top leadership, such a view seems either atavistic or indicative of wishful thinking, or perhaps both. The CIS role, under the best of circumstances, was that of a caretaker, and could hardly be more than that (Molchanov, 2016: 24–31). Bureaucratization, incoherence, and the lack of meaningful cooperation between the CIS bodies and the national institutions of member states contribute to the widespread perception of institutional ineffectiveness. Decision making is often stalled by mutual disagreements. Implementation of the agreed-upon decisions has been lacking. Intra regional trade – the best indicator of the robustness of regional integration – has steadily declined. The annual summits became increasingly shallow, and at times, unfriendly. Georgia had cancelled its membership in 2008, and Ukraine limited its participation to a bare minimum after the “Maidan revolution” in 2014.
At the CIS October 2015 summit, Aleksandr Lukashenko lamented the organization’s inability to facilitate a solution of frozen conflicts in Nagorno-Karabakh, Transnistria, and Ukraine. A year later, he added that the EAEU, which was conceived as a deeper form of integration, faced similar issues and expressed concern about both organizations’ prospects (Sputnik, 2016). Vladimir Putin himself had second thoughts about CIS usefulness on more than one occasion and noted that its main purpose was to assist in a “civilized divorce” of the former Soviet states (Erkanyan and Strokan, 2005). Kazakhstan’s Nazarbayev lamented the loss of his hopes on “a common defence space, free trade, free movement of people” and the readiness “to defend common values” (Informburo, 2016). It was indicative when, in September 2016, only seven of the eleven CIS member states sent their top leaders to the CIS’s 25th anniversary summit in Bishkek.

Among several interstate organizations in Eurasia, the EAEU belongs to the developmental group, while the Collective Security Treaty Organization (CSTO) is a security-oriented alliance. The Kremlin views CSTO as one of the key elements of the current security framework in the post-Soviet space. The members of the CSTO are Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia, and Tajikistan. While international observers occasionally present the CSTO as “a kind of Eurasian counterpart to NATO” (Mankoff, 2012: 163), the organization protests such characterization.

Although the CSTO has been equipped with a 17,000 troops-strong Collective Rapid Reaction Force (CRRF), the organization is still trying to prove its usefulness. Joint military exercises happen periodically and, as of recent times, have been more commonly staged in the East European collective security region, that is, close to the borders of NATO countries. Yet critics charge that substantive military cooperation within the CSTO falls behind the demand, and the organization is more talk than action (Kucera, 2015).

A U.S. view is that the CSTO “most closely resembles a project to spread and deepen Russian influence, continue building upon preexisting dependencies on Russia, and prevent the entrance of other powers” (Keaney, 2017). The largely overlapping membership between the EAEU and the CSTO is not accidental. If the former serves to project Russia’s economic interests, the latter amplifies Russia’s military reach. The problem is, the CSTO lacks a clear operational mandate, is excessively dependent on Russia’s contributions, and has failed to intervene in local conflicts in its direct sphere of responsibility. Unless it proves itself capable of forestalling such conflicts’ emergence and escalation, its relevance will remain in doubt.

If Russian strategists can model the CSTO-EAEU relationship along the lines of NATO’s interaction with the EU, the EAEU positioning vis-à-vis the Shanghai Cooperation Organization (SCO) is fraught with challenges. The SCO has existed since June 2001. The first document it adopted was called Shanghai Convention on Combating Terrorism, Separatism and Extremism. This happened three months before 9/11 and at the time reflected realities of the region more than anything else. The SCO Charter focused primarily on international and regional security, consensus building, and coordination of foreign policies of the member states; economic cooperation and cooperation in the use of natural resources appeared almost as an afterthought.

The evolution of the SCO serves as a textbook case of mission creep. While China used the organization as a vehicle for its entry into Central Eurasia, Russia had hopes it could contain and manipulate China’s growing influence in the region. It has been an uphill battle for Moscow.

In 2003, with the adoption of the first programme of multilateral trade and economic cooperation, the SCO started moving beyond its original security mandate. During the 2004 summit Beijing left more than $1 billion on the table to promote its trade with Central Asia. In the following year, the SCO Business Council and Interbank Consortium were created and the Agreement on Inter-Bank Cooperation signed. At the Yekaterinburg summit in June 2009, China offered the SCO nations a credit of $10 billion, later increased to $13 billion, to help
withstand the global economic crisis. Yet another $10 billion loan was pledged in 2012. By early 2016, the total sum of China’s credit to the SCO member states was approaching $30 billion. Beijing was pressing hard for the establishment of an SCO development bank and the opening of a free trade zone.

Russia attempted to stall both proposals, but had little to offer in their place. The SCO Energy Club, long advocated by Moscow, was finally created in 2013, but did not grow into anything more than a platform for interstate dialogue. For some time, Russia promoted the Eurasian Development Bank and the Eurasian Business Council as an alternative to the SCO development bank, yet eventually gave up and signed up to the Chinese idea. The 2015 Ufa summit in Russia formally adopted the SCO Development Strategy Towards 2025. It proclaimed that the member states had no plans to establish a military alliance or a formal regional integration organization with supranational organs of governance. The SCO’s main goals are to create a zone of peace and stability in the region and to facilitate economic collaboration on the basis of China’s “Silk Road Economic Belt” proposal.

The question of the EAEU relevance inevitably emerges in this context. Chinese experts had argued that it is important to avoid the impression that the SCO means China, while the Eurasian Union is nothing more than Russia (Xin, 2013). Beijing is interested in boosting trade and investment with all countries of the Eurasian Union on a bilateral basis, while improving multilateral channels of interaction open to the SCO and championing its own “One Belt, One Road” (OBOR) project. The end objective is linking the Eurasia space fully to China’s sphere of economic influence, which will also affect regional geopolitics.

Russia will have to acquiesce. The initiative on regional integration has already slipped away from Moscow, and the only thing remaining is, essentially, to play into China’s hands with what may appear to be Russia’s original proposals. Vladimir Putin’s recent idea to integrate the OBOR, the EAEU, the SCO, and ASEAN into a “Big Eurasian Partnership” de facto advances China’s agenda even if its primary impetus is to delay the creation of a China-dominated free trade zone in Central Asia (Romanova and Devonshire-Ellis, 2016).

References


The Eurasian Economic Union


