

Regulatory Regionalism? Russia's Common Economic Space

Written by Alvin Almendrala Camba

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ALVIN ALMENDRALA CAMBA, MAY 30 2012

The Common Economic Space (CES) is the result of an agreement between Russia, Belarus and Kazakhstan, which was launched in January 2012. It aims to increase the economic integration and outputs of these states. Four months before the agreement, the Russian newspaper, *Izvestia*, published an article introducing the CES written by Russian Prime Minister Vladimir Putin.[1] While the CES seems to represent a consensus on economic growth being the primary goal of this regional initiative, I aim to analyse Putin's article as a way of inferring the trajectory of Russian foreign policy. Thus, I argue that Russia is starting to focus on greater regional integration in the Post-Soviet space. This is largely because of the necessity to compete for economic investments in a neoliberal world, the ideational appeal of Europe, and a reaction to the emerging regional tendencies around the world. However, Russia's direction opens up questionable points in its capacity to foster regional economic integration.

Following the EU Model?

Is Russia following the EU regulatory model? While there is already a Customs Union (CU) between these states, the CES would allow for the creation of new markets under a common economic and regulatory framework for the 165 million

consumers of participating states. This economic framework does not only pertain to the free movement of labor, capital and goods, but also to the greater coordination in competition, technical regulations and macroeconomic policies. There is also a desire for greater cooperation in migration and visa policies—an expectation, no doubt, of an economic spillover from the CES. However, these processes necessitate the creation of a regulatory framework: a set of common rules, standards and governance mechanisms. As the author of this agreement, Vladimir Putin explicitly argued, appearing to emulate the EU's 'regulatory state' model (Egan 2011), that the CES states are already, and would be willing to delegate more power to the supranational structures of the CU and the CES.

I will discuss several points in relation to the recognition of economic growth as the primary visible goal for these regional initiatives. First, states and non-state actors understand the importance of supranational regulation as a means to achieve economic growth (Egan 2011; Bulmer & Radaelli 2011, Börzel & Risse 2007). Why is there a move towards a regulatory model? As it is difficult to speculate from Putin's statements, I argue that this is an outcome of homogenising economic needs and overlapping economic processes fostered by neoliberalism. Put simply, the regulatory state model increases the capacity for regions or states to acquire larger quantities of private capital through a model of governance primarily fostered by supranational institutions (Bulmer & Radaelli 2011, Börzel & Risse 2007). These institutions are *non-majoritarian* in nature, governed mainly by experts and technocrats, who are insulated from political interests, and preside fairly through technical and scientific requirements. Therefore, the attractiveness of the regulatory state to investors comes from its very nature of *technocratic governance*, ensuring free competition and fairness, regardless of nationality and political affiliation. Capital is an incessant need for states in the 21st century, and Russia is not an exception to this rule.

Second, Putin states that business and economics are not the only primary motivators for this regional initiative, but they are also a *means* to achieve political and social objectives stated in the document—a visa free regime, migration, and even the creation of a Eurasian Union. His document states and alludes to global economic

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governance issues such as the financial crisis, the WTO settlement disputes, and competition from other economic blocs. As such, Putin arguably intends to set up deeper regional cooperative initiatives in the region of science, education, culture, and economic sphere. His response is not only 'banding together' regionally due to geographic continuity; but also, as clearly stated in the academic literature, Putin pragmatically recognises the importance of the Soviet Union's legacy – infrastructural, technical, language, communicative – in developing greater regional security (Haas 2010, Light 2007, Trenin & Lo 2005). While the Mongol imperial exchange system goes back centuries, some of these former economic spaces have pragmatic use in Russia's current situation (Ketkin 2007). Hence, Russia's version of the EU's economic spillover follows the potential usefulness of using the legacies of the former Soviet space.

The Idea of Europe

Another reason behind the CES comes from Europe's appeal to Russia. While there are many facets of Russian identity, which are not immutable and which largely depend on the issues at hand (Hopf 2002), perhaps such actions could be motivated by Europe's appeal as a political and social construct. In Putin's article, there was a statement alluding to 'Greater Europe', implying that the EU is simply a current politically- and socially-constructed body, or part of the more genuine and historical form of Europe. He further states that values—such as freedom, democracy, and market laws—are shared by everyone in this supposed 'whole' and 'real' Greater Europe. Thus, consistent with Russia's self-affirmation of its European identity through the continuous criticism of the EU's migration and gender policies, reminiscing 19th century Europe (Morozov 2011), Putin's allusion to 'Greater Europe' alludes to the idea that the CES could be very much like the EU.

This concept of a Greater Europe is consistent with the academic literature's research on the increasingly important impact of memory politics on Russian foreign policy. In Russia, memory politics have become more salient due to the politicisation of history and historical research through state initiatives in 2008 and 2009 (Kurilla, Morosov 2009). Since academic debates on historical issues are still muddled and are open to a myriad of different interpretations, there was an opening for the state to promote certain specific interpretations. An 'emerging' mainstream view sponsored by Russian state institutions is also being promoted as the only legitimate interpretation—one emphasising Stalin's developmental impact, the European credentials of Russia by defeating the Nazis, and the recent political and economic hardships of Russia. Conversely, opposing interpretations, no matter how grounded in archival data and meticulous academic research, could be banned under these new laws. These 'history wars' need to be situated in the current political situation to resist outside encroachment, as history becomes a battlefield for controversial and current foreign policy issues (Kurilla, Morosov 2009).

Linking memory politics back to the idea of integration, Putin suggests that future integration dynamics would potentially take place between the Eurasian Union and the European Union. Broadly speaking, he argues that the Eurasian Union is not an opposing force or a challenge to the European Union. Rather, it is a politically *equal* organisation and complements those who wish to join the EU. As Putin announced in the document, the CES members and the European Free Trade Agreement are currently negotiating future free trade agreements, competitive tariff rates, and compatible regulatory standards. Furthermore, he believes that the EU and CES' potential economic integration could be 'bricks that can be used to build a more sustainable global economy.' The idea of Europe's appeal, then, could be gleaned in the very prospect of *partnership* in the dissemination of these market and 'European' values to the rest of the world. Therefore, the idea of Europe's attractiveness, not as a simplistic notion of EU membership but as possessing shared values to Europe, can be seen in the integration goals of Putin's Eurasian Union.

Reinforcing Multipolarity through Interpolarity

There are many interpretations of today's world order. For instance, Fareed Zakaria's *Nonpolarity* argues that there would not be any new superpower in the coming decades (see Toje 2010 and Haass 2008), as the United States would continue to endure as the world's only hegemon. Alternatively, as Robert Kagan believes, we are living in an era similar to the 19th century 'Great Games' amongst powers (Toje 2010). These views are both valid and perhaps better applied when studying processes from other parts of the world. However, from the perspective of Russia's

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foreign policy, a particularly attractive piece is Giovanni Grevi's *Interpolar World*. Generally speaking, he argues that today's world would contain several different poles (Grevi 2009). In the 'borders' of these poles, they would not *usually* clash in a zero sum game; rather, they will cooperate, deal with agreements through institutions, and allow market mechanisms to flourish. Nonetheless, *within* these poles, the powers have greater capacity to determine processes and outcomes (Grevi 2009).

Returning to the aforementioned idea that economic integration is a paramount response to economic issues, his article resonates to a world that is increasingly being divided into regional blocs. This is not to say that these blocs are immutable, politically permanent bodies or that member-states within these blocs do not play a role. It means that there is an increasing recognition that regional organisations have a greater role to play in the coming years. Whether or not competing regionalisms or regionalisations emerge is not the question. A more interesting question is whether governance that normally occurs at the state level have started to shift to the regional level. At that juncture, Russia has a role to play as the regional leader of the Eurasian Union, and perhaps of the former Soviet space.

I am not arguing that there will be a regional shift in all economic issues, as some will not ineluctably remain in state hands, such as energy; nor am I arguing that the CES would be genuinely supranational, since the role of a regional hegemon should and could not be ignored. Instead, I am arguing that, due to issues of competition, investment, and interdependency, there is a growing imperative from policy makers and academics working on regionalism that it is necessary to push economic issues from the state level to the regional level (Egan 2011; Grevi 2009). Although some have written about Russia's use of the international law to protect their borders and their own 'near abroad' (Kurilla 2009), my interpretation is that interpolarity articulates itself through economic regionalism, which strengthens the external sovereignty of these regions through economic outputs. Therefore, such an economic regionalism does not necessarily mean a hollowing of state functions at the economic sphere, but simply that compromise, competition and contestation will happen within, between and amongst different regional blocs.

Conclusion

Mostly because of structural imperatives to compete for economic investments in a neoliberalising world, an embedded historical appeal of Europe, and the ongoing regional shifts around the world, Russia's foreign policy is beginning to focus on greater regional integration through the CES. However, this appears to be a paradox, as the CES appears to be a largely symbolic move. Putin seems to underestimate the hurdles that the EU encounters in supranational regulatory governance. The CES underlies a shift from differentiated integration to regulatory governance, somewhat emulating the EU. At the moment, the EU is still going through extremely difficult regulatory battles, ranging from telecommunications to energy (Egan 2011). Some scholars have already echoed Russia's paradoxical position in the international scene (Morozov 2009), but this essay extends this idea to Russia's desire for regulatory regional integration.

However, Russia and the Commonwealth of Independent States' experiences with economic integration have more or less been intergovernmental or somewhat conflictual (Light 2009). Whether Putin's Eurasian Union can move towards greater economic integration, via a common economic framework and regulatory governance, is a consequential question. Given Russia's political culture of risk-aversion to change (Keenan 1986), I doubt that this desire for innovative regionalism could move beyond the level of symbolic practices aimed at diverting attention from institutional withering.

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