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Russian Approaches to Integration on the post-Soviet space in the 2000s

1. Introduction

The issue of (re-)integration of the post-Soviet space emerged exactly when new Russia emerged itself. In the mid-2000s, integration on the post-Soviet space remains the priority and the field of constant concern for the Russian foreign policy. The approaches to the CIS integration are developing over time. There is a mix of continuity in both underlying goals and the means employed to achieve them. This paper intends to come up with the characteristics of the Russian developing integration strategy on the post-Soviet space in the 2000s.

There is a good deal of terminological confusion in the discourse on Russia's integration attempts. It demands for the clarification at the very beginning. For the sake of clarity and continuity, the term "Single Economic Space" (SES) is used consistently throughout the paper referring to the on-going process of creation of the Union of the "Big Four" on the post-Soviet space (Belarus, Kazakhstan, Russia, and Ukraine)¹. In the EU-Russian relations, the initially launched idea was that of the Common European Economic Space (CEES). The same term has been used, for example, in the title of the CEES Concept. However, in 2004 the term "Common Economic Space" (CES) asserted itself in the official discourse. Furthermore, another similar sounding term is the CIS, Commonwealth of Independent States. The latter term not only describes certain agreements and institutional structures but also often used to refer to the whole of the post-Soviet space with exception of the three Baltic states.

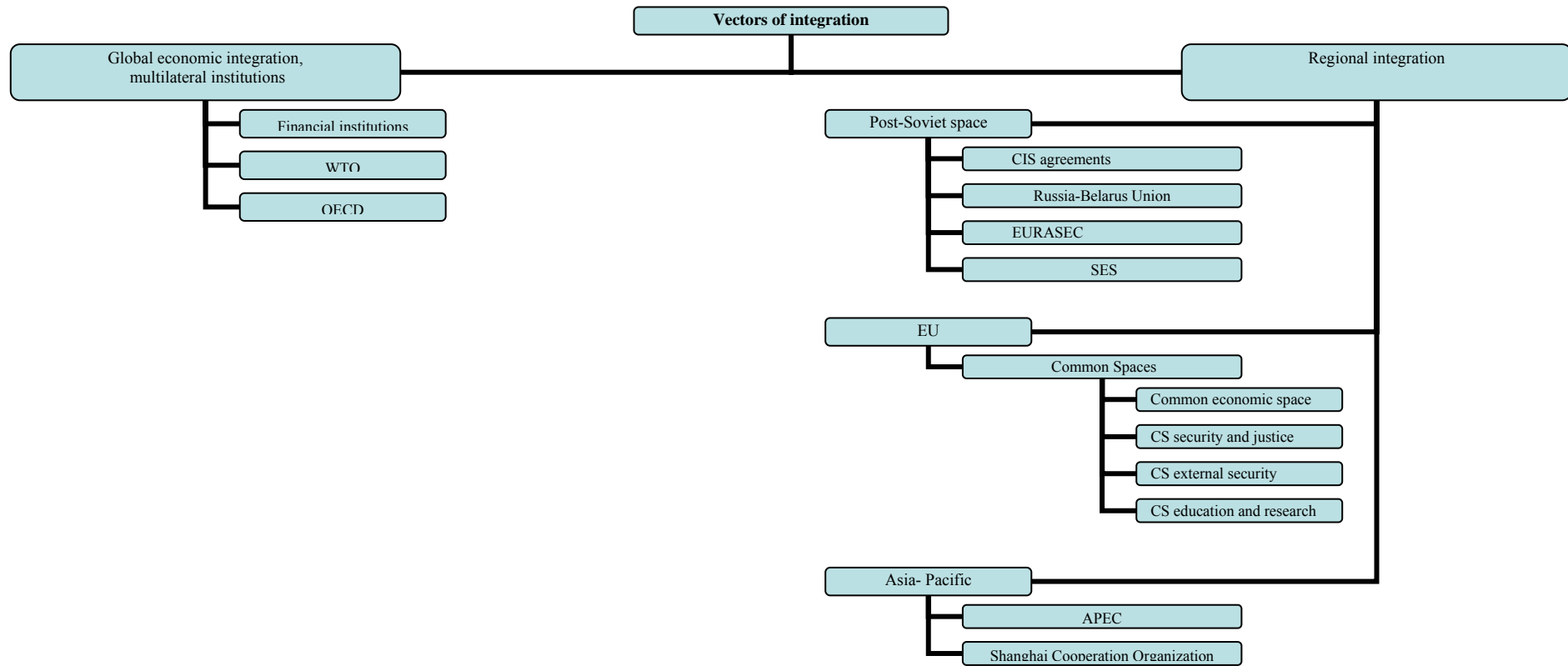
The paper has the following outline. It starts with the description of Russia's global and regional vectors of integration denoting the priority of integration on the post-Soviet space. After introduction of the CIS integration in the 1990s, the paper goes on to its main part. In section 4 and 5, it is argued that the Russian integration politics on the post-Soviet space in the 2000s can be divided into two periods that approximately coincide with the first and the beginning of the second Putin's terms in power. The first period had shown the gradual move towards greater role of economic considerations based on the desire to defend national economic interests. The beginning of the second Putin's presidency has demonstrated the re-assertion of the old paradigms. The considerations of the re-assertion of the Russian zone of influence on the post-Soviet space are gaining ground at the expense of the pragmatic spirit of the benefit/cost calculations. It is argued further in section 6 that Russia employs a wide variety of means to push the CIS states toward integration. Section 7 analyses the concept of the multi-speed and multi-level integration. It comes to conclusion that this concept underlies the CIS, EurAsEC and SES integration designs.

¹ One can meet a multitude of names used in not only in the newspaper articles but also in the official documents and speeches to describe this integration project of Russia, Ukraine, Belarus, and Kazakhstan. The terms Common Economic Space (CES), Single Economic Space (SES), Integral Economic Space (IES), and Unified Economic Space (UES) were utilized. These names correspond to *Obsheye* or *Edinoye ekonomicheskoye prostranstvo* in Russian. Gradually, the terms '*Edinoye ekonomicheskoye prostranstvo*' and 'Single Economic Space' became the standard ones.

2. Integration on the post-Soviet space among other vectors of integration in the Russian foreign policy

Various Russian legal documents and concepts delineate four vectors of global and regional integration. The first integration vector is the one of the global economy and multilateral agreements. All other three vectors are regional ones: integration with the EU, in the CIS, and on the Asia-Pacific region.

Figure 1. Vectors of Russia's integration and the most important organizational structures



The global integration vector is directed mainly towards international multilateral economic structures². Having joined EBRD and IMF, Russia strives now to accede to the WTO and to OECD in perspective. The G-8 can be named among these structures, too. Integration into the global economy and active participation in the global multilateral institutions is combined with the pursuit of a deeper economic and political integration along the regional vectors. The CIS vector is the one of principal importance. This view is supported by the general documents directing and guiding the Russian foreign policy. The Russian Foreign Policy Concept³ delineates four regional priorities: the CIS, the EU, the U.S., and Asia. The CIS regional integration takes the first place. According to the Concept, the emphasis will be made on the development of good neighborly relations and strategic partnership with all CIS member states. Practical relations with each of them should be structured with due regard for reciprocal openness to cooperation and readiness to take into account in a due manner the interests of the Russian Federation. At the same time the Concept assigns clear priority to strengthening the Union of Belarus and Russia as the highest form of integration possible between two sovereign states. A priority importance is assigned to the two fields of cooperation: first, settling conflicts in the CIS member states and the development of cooperation in the military-political area and in the sphere of security, particularly in combating international terrorism and extremism; second, the development of economic cooperation, including the joint rational use of natural resources and the creation of a free trade zone in the CIS.

The analysis of the major concepts and blueprints relevant to the Russian foreign policy shows that the phenomenon of integration is assessed from the two major viewpoints. First, there is desirability and inevitability of Russia's integration into the world economy as a prerequisite for its economic growth and prosperity. Second, it is viewed from the viewpoint of national security and national security interests.

Upholding sovereignty is the constant concern and the dogma of the foreign policy. The National Security Concept⁴ is echoed by the Foreign Policy Concept in saying that one of principal objectives is 'to ensure reliable security of the country, to preserve and strengthen its sovereignty and territorial integrity, to achieve firm and prestigious positions in the world community, most fully consistent with the interests of the Russian Federation as a great power'⁵. Connected to this, the National Security Concept denotes a growing risk of dependence of the economic system and information environment of the Russian Federation on an outside impact as a threat to Russian national interests. Thus, ensuring sovereignty and territorial integrity of the Russian Federation is seen as one of the principal tasks in order to ensure the national security of the Russian Federation. It sets limits to deep integration that can be based on the functional understanding of sovereignty and willingness to give up national sovereignty to a certain extent.

Further, according to the National Security Concept, ensuring national interests and upholding the country's economic interests is closely connected to, first, paving the

² Cf. Borko, Yu.A. (2002), *Kakaya integraciya nuzhna Rossii [What integration does Russia need?]*, *Rossia i Evropa: kurs ili dreif? [Russia and Europe: Course or Drift?]* Moscow, Komitet "Rossia v ob'edinennoy Evrope", 7-16. See also Yu.V. Shishkov's comment in the same volume, 32.

³ *Foreign Policy Concept of the Russian Federation*. Approved by the President of Russian Federation, 28.06.2000, <http://www.russiaeurope.mid.ru/RussiaEurope/concept.html>

⁴ *Russia's National Security Concept (Blueprint)*, approved by the Decree of the President of the Russian Federation, January 10th, 2000, No.24, <http://www.russiaeurope.mid.ru/RussiaEurope/russiastrat2000.html>

⁵ *Foreign Policy Concept of the Russian Federation*. Approved by the President of Russian Federation, 28.06.2000. Ch.1 General Principles. <http://www.russiaeurope.mid.ru/RussiaEurope/concept.html>

way into a global economy; second, expanding markets for Russian products; and, third, creating a single economic domain with the members of the Commonwealth of Independent States. The Russian foreign policy must be designed in order to develop integrative processes within the framework of the Commonwealth of Independent States that would meet Russia's interests and to ensure Russia's full-fledged involvement in global and regional economic and political structures.

The CIS vector is also the oldest one among the regional vectors of integration. Denoting the EU as one of the main political and economic partners, neither the Foreign Policy Concept nor the National Security Concept mentions the term “integration” concerning Russia’s relations with the Union. It provides an argument in favor of the view that an idea of integration with the EU is a very recent vector. On the contrary, the CIS vector exists since the dismantling of the Soviet Union, that is, it became an inherent part of Russia’s foreign policy agenda since its emergence. Despite the increasing relevance of the EU and (less so) of the Asia-Pacific region, the emphasis is made on the Commonwealth of Independent States even in the very recent speeches and documents of the 2000s. President Putin in his Address to the Federal Assembly in May 2004 stressed that the ‘work on deepening integration in the Commonwealth of Independent States remains our priority, especially within the framework of the Common economic space, and the Eurasian economic community. This, without exaggeration, is one of the conditions of regional and international stability’⁶. Despite growing importance of the European vector, integration on the post-Soviet space remains the priority and the field of constant concern for the Russian foreign policy.

3. Russia’s integration on the post-Soviet space in the 1990s

The agreements signed in December 1991 and January 1992 in Minsk and Moscow laid legal ground to the CIS. It was followed by the CIS Charter in January 1993 and the Agreement on Creation of the Economic Union signed by heads of states in September 1993. The Economic Union was supposed to lead in stages to a common economic space meaning the implementation of the free movement of goods, services, capital and labor. According to these agreements, integration along the four freedoms had to be accompanied by the concerted monetary, budget, tax, customs, and currency policies as well as the harmonization of economic legislation. In other words, the CIS was supposed to move in stages toward a full scale EU-type common market.

In 1994 the CIS countries took measures aimed at transition to the multilateral regime of the free trade on the basis of a corresponding Agreement on establishment of a free trade zone. The CIS countries have however failed to agree on a multilateral list of exits from the free trade regime, stipulated by the Agreement. There were further attempts to establish the free trade zone later on, which made a long and impressive list of agreements signed by the parties in 1994-2000⁷. For example, the specification of measures on establishment of a free trade zone can be found in the Plan-Schedule of implementation of proposals on establishment and functioning of the free trade zone, adopted by the CIS Council of Heads of State on 21 June 2000 and in the Plan of measures for realization of the Program of actions for development of the Commonwealth of Independent States for the period up till 2005, adopted by the CIS

⁶ *Address of the President to the Federal Assembly of the Russian Federation*, May 26, 2004. http://www.kremlin.ru/eng/text/speeches/2004/05/262021_64906.shtm

⁷ “*Osnovnye dokumenty, reglamentiruyushie funkcionirovanie zony svobodnoy trgovli*” [Main documents regulating the functioning of the Free trade zone], memo. http://www.cis.minsk.by/russian/zon_dokm.htm

Council of Heads of Government on 20 June 2000⁸. The first of the above documents specifies the priority measures for establishment of a free trade zone, which stipulate the implementation of internal state procedures regarding the entering into force of basic documents, regulating the functioning of the free trade zone; elaboration of concrete proposals, including the elaboration of additional interstate legal acts on functioning of the free trade zone; information support for establishment and functioning of the free trade zone. The second document, which is of a middle-term character, stipulates preparation and signing of a number of intergovernmental agreements and documents, which would facilitate creation of conditions for the free movement of services, capitals, and workers, as well as other supplementary activities and measures. The stipulation was made that the movement of each of the countries towards full-fledged free trade zone would not be homogeneous due to existing differences in economic potentials, degree of reformation of economies, internal and external conditions for economic development. A specific time-table of establishment of the free trade zone for each of the CIS countries was envisaged along the lines of the conceptual decision of multi-speed integration. These attempts were doomed to fail, too.

From the very beginning the CIS and its purposes were ambiguous. The Russian left-wing opposition assumed that the CIS would be utilized as a tool for the restoration of the Soviet Union. For the liberal wing, the European Union served as the model for the CIS integration. Besides, the CIS was understood and used as a means for a “civilized divorce” or leverage in relations to other post-Soviet states⁹.

On the whole, the CIS integration activities throughout the 1990ies and the beginning of the 2000s (understood broadly, as a complex of measures not only within the formal CIS framework but also through bilateral relations and other legal frameworks) cannot be simply ruled out as a failure. The record is integration is certainly bad¹⁰. However, there are positive aspects as well. First of all, the CIS worked with success as a “civil divorce” scheme, preventing the post-Soviet space from potential violent disorder that could have effectively driven disintegration to the extent where integration becomes impossible to achieve for decades. The CIS has never lived up to its aspirations of creating an EU-type entity. However, as Olcott, Åslund and Garnett put it, “the CIS is as much a failure as, for example, Russia is a failure”¹¹. On the one hand, it is possible to argue that Russia has failed to transform its assumed technological and intellectual potential into a break-through and to become a model Western democracy. On the other hand, one might say that Russia has managed transition to a ‘normal country’¹² – a typical middle-income capitalist democracy comparable, for example, to Turkey or Brazil. Secondly, having failed so far to achieve significant successes in the field of the free trade, the CIS managed some smaller, nevertheless important tasks, for example in the field of mutual recognition of various documents and licenses. Another

⁸ ‘Free Trade Zone of the Commonwealth’s countries: main stages of establishment’, memo.

<http://www.cis.minsk.by/english/eng-zona.htm>

⁹ Batyuk, V. (1999) *Russia and the CIS. Does the CIS exist any more?* Conflict Studies Research Center of the Russian Defence Academy, Working Paper Series. <http://www.da.mod.uk/CSRC/documents/Russian/E103/E103>, chap5.

¹⁰ 44 of 70 bilateral economic agreements and none of the five principal plurilateral agreements – the Commonwealth of Independent States (1991), the Economic Union of the CIS (1994), the Central Asian Economic Union (1995), GUUAM¹⁰ (1999), and the Eurasian Economic Community (2000) have been implemented. Russia had by then only implemented about one third of economic agreements with its CIS partners. Tacis (2001) *Regional trade agreements among CIS countries and WTO accession*, available at <http://www.aris.ru>.

¹¹ Olcott, M.B., Åslund, A., Garnett, S.W. (1999) *Getting It Wrong. Regional Cooperation and the Commonwealth of Independent States*, Carnegie Endowment for International Peace, Washington D.C., P.230.

¹² Schleifer A., Treisman D. (2003) *A Normal Country*. NBER Working Paper 10057, October 2003.

example is the preservation of the visa-free regime between CIS states due to the CIS Non-Visa Travel Agreement to which the majority of the CIS states are parties.

One of the most important documents laying out the conceptual framework of Russia's official approach to the CIS affairs is the Presidential Decree on Russia's strategic course in its relations with the CIS states from 14.09.1995¹³. The development of the CIS is viewed as corresponding to the vital interests of the Russian Federation. The relations with the CIS states are regarded as an important factor of Russia's inclusion in the world's political and economic structures. The priority of the relations with the CIS states is determined by the following reasons: first, Russia's main vital interests in the fields of economy, security and defense are concentrated on the CIS territory; second, effective cooperation with the CIS states resists centrifugal tendencies in Russia itself. The main goal of Russia's CIS politics is defined as the creation of an economically and politically integrated union of states able to claim a worthy place in the world community. Further, the Decree goes on to specify the principal goal in a series of main tasks:

- providing for stability in its political, military, economic, and humanitarian, and legal dimensions;
- assisting the formation of the CIS states as politically and economically stable states employing friendly politics towards Russia;
- strengthening Russia's role as a leading force of the formation of a new system of interstate relations on the post-Soviet space;
- building integration processes in the CIS.

Important elements of the conceptual approach are embodied in Art. 5 and 7. Art. 5 of the Decree views mutually beneficial economic cooperation as the basic condition of Russia's politics towards the CIS.

The second half of the 1990s was marked by changes in the approach. Russia had increasingly tried to design an economic integration arrangement with a limited number of participants. The first such arrangement was the Eurasian Economic Agreement in 1996 signed by Belarus, Kazakhstan, Kyrgyzstan, and the Russian Federation (Tajikistan joined in 1999). The agreement was ratified by the Russian Duma in 2001 but has never been implemented. Another arrangement was the Agreement of Russia and Belarus on Creation of the Union State. The Union came into existence after signing in December 1999. The agreement specified the desire to move towards a common state with the interim customs union, common currency, and unified structural policies. While the Union has not resulted in common currency so far, the customs union has been installed. Thus, Russia-Belarus Customs Union is the only functioning economic integration arrangement in the CIS so far.

4. Slow and ambiguous move towards greater role of economic considerations during the first Putin's presidency

The analysis of the Russian approaches to the integration on the post-Soviet space in the 2000s lets differentiate two periods. The turning point between them falls at the first half of the 2004, that is closer to the end of the first presidency of Vladimir Putin and, more distinctively, in the beginning of the second term. The first period had shown the gradual move towards more pragmatic policy based on the desire to defend national economic interests. The economic component was on the rise. Then, the beginning of the second Putin's presidency has shown the re-assertion of the old

¹³ "Russia's strategic course in its relations with the States-participants of the Commonwealth of Independent States", Presidential Decree of 14.09.1995 No.940.

paradigms. The considerations of power play and the defence of the Russian traditional zone of influence on the post-Soviet space are gaining ground at the expense of the pragmatic spirit of the benefit/cost calculations.

While not pretending to give a comprehensive view, I outline several distinctive elements of Russia's approach to the CIS integration showing dualistic dynamics combining continuity and change in the transition from the politics of the 1990s to the politics of the 2000s.

Foreign policy's analysts widely consent to the fact that a new Russian foreign policy under Putin during his first term was characterized by the growing importance of underlying economic factors. Bobo Lo stresses the economization as one of the inherent elements of a new Russian foreign policy in formation¹⁴. According to Lo, it is observed particularly in Russia-EU relations and on the issue of the WTO accession. The importance of economic priorities has been much enhanced. Is this also true for Russian policy on integration in the CIS?

The Vice Minister Khristenko's in his article "Making Headway to Integration"¹⁵ connects his argument to the issue of competitiveness as the precondition for a state to be salient in the world.

'There is no doubt that a country's high competitive capacity should be a critical goal for any state. Consolidation and integration processes are an important instrument for raising competitive abilities. Under conditions of globalization, regional and sub-regional integration tends to become a prevailing trend at all levels – from the corporate to the national. The choice of a particular niche for a nation or union to assume in the global division of functions is decisive. Our goal is creating a structure that is essential for the world; a structure in which the world would be unable to function without Russia and alliances involving it'¹⁶.

Khristenko states goals of the dual nature: first, raising the country's global competitiveness; second, the geopolitical goal of creating a structure that would assert the country's salient place in the world; in fact, to make Russia necessary for the world's functioning. The means to reach this goal are of economic and political nature, i.e. economic growth and regional integration. Khristenko proceeds with arguments in favor of economic integration both within the CIS and with the EU on the economic grounds. It is crucial for Russia to enable not only internal but also external sources of growth. While Russia's current growth is highly dependant on the extraction of energy carriers, oil and gas cannot be viewed as a basis for a long and sustainable growth. At the same time, processed goods produced in Russia have not yet reached a sufficiently high level of competitiveness on the international markets. Against this background, three possible approaches to the foreign economic policy are outlined in the article. The first one presupposes protectionism and saturation of the internal market by production that can eventually be exported. The second approach suggests a speedy liberalization and must be weighted against the risk of negative social consequences. The third approach is the widening of the accessible market. For Russia, it means the creation of the 'homogeneous space for Russian companies beyond the boundaries of the Russian Federation'¹⁷. If this scenario is to be accomplished, a greater internal market would stimulate investments, the economies of scale will be reached, and administrative costs will be lowered.

¹⁴ Lo, B. (2004) *Principles and Contradictions. The Foreign Policy of Vladimir Putin*, de Wilde d'Estmael T., Spetschinsky L. (eds.) (2004) *La politique étrangère de la Russie et l'Europe*. Peter Lang, Brussels, 67.

¹⁵ Khristenko V.B. (2004) *Making Headway to Integration*, Russia in global politics, No.2, March-April.

<http://eng.globalaffairs.ru/numbers/6/508.html>

¹⁶ Ibidem.

¹⁷ Ibidem.

The latest integration attempt undertaken by Russia on the post-Soviet space is the Single Economic Space (SES) with Belarus, Kazakhstan, and Ukraine. The process is on-going. It is expected that a number of documents establishing the SES will be prepared for the signature in 2005. As a preliminary step, the Concept of the SES was prepared and agreed to by the participating states in 2003.

Box 1. The Concept of the Single Economic Space of the “Big Four”

The SES Concept¹⁸ was agreed upon by the sides in 2003. By the SES the State-participants understand the economic space, which unites custom territories of the State-participants, within which mechanisms of regulating the economic function, based on common principles, which secure free movement of commodities, services, capital and work force and where common foreign trade policies and concerted custom, monetary-credit and currency policies are pursued, at those degrees and in those volumes, which are necessary for ensuring parity competition and for maintaining macroeconomic stability.

The SES is to be formed stage-by-stage, taking into account the possibility of different-speed and different-level integration (Art. II). The different-speed integration means that every state decides on its own the moment of joining this or that international agreement, which entails different-level integration when the State-participants are at different levels of integration interactions.

It is envisaged that the single economic space will be created in three stages. At the initial stage, the four countries will ensure free trade regime. Simplification of customs procedures and unification of legislation on cross-border transfer of goods would round up the first stage. At the second stage, a customs union will be created with single tariffs; exceptions regarding agricultural imports will be canceled and protective and antidumping measures will be eliminated. A common competition policy will be pursued, and a single regulating organ will be set up. During the third stage, which is considered to be the final one, customs controls will be abolished within the borders of the single economic space, and a complete freedom of movement will be ensured for services, capital and workforce. The single regulating organ will be further empowered to control natural monopolies.

In fact, despite the ratification of the Agreement by all participating states, there is still no consensus on what the SES should become and how it will develop. During the May 2004 Summit in Yalta the leaders focused precisely on these topics showing considerable deviation of views. Putin proposed that the first package of agreements include documents on foreign trade, customs tariffs, and the business environment. While the Kazakh president Nazarbaev recommended moving directly to the customs union, the Ukraine was ardently persistent in restricting the initial stage to the formation of a free-trade zone. Russian government expects Russia, Belarus, and Kazakhstan to become the core of the SES. As regards Ukraine, it will continue to move towards integration in its own pace. The SES is based on the formula of different-speed construction. The primary reason for this embedded flexibility, besides the learned lessons of the CIS, is the specific position of Ukraine.

The SES story shows, on the one hand, changes in Russia’s official approaches to integration on the post-Soviet space during the first Putin’s presidency, with the integration policy becoming more pragmatic and more flexible. On the other hand, there was a good deal of continuity. The approach has become more pragmatic and more

¹⁸ The Concept itself utilized the term “Integral Economic Space”. The English translation is available under http://www.kmu.gov.ua/control/en/publish/printable_article?art_id=2831293.

flexible in two main respects: first, the policy concentrates less on the institution building and more on preparing legal base for trade liberalization and economic expansion; second, it concentrates on creation of a union with fewer participants and with in-built concept of multi-speed and multi-level integration.

Cutler, in his analysis of the fallacies often made in studying the CIS affairs, mentions an assumption that integration is assumed necessarily to take place from above and to occur by definition through official supranational directives as one of the principal mistakes¹⁹. In fact, Russian government was probably the one to make this mistake before as it concentrated much of its efforts on the institution building within the CIS. In the course of the last decade, this approach gradually changed. The underlying motivations of economic expansion in the CIS became more salient, while institution building took a position of secondary importance in the integration agenda. It becomes apparent in the SES Concept. Opposite to the previous integration attempts, the SES focuses on substance rather than on the institutional arrangements. No institutional body is envisaged on the first stage except the Council of Heads of States with “One state, one vote” and decisions taken on the consensus basis. It is an omission hardly possible in the 1990s. A single regulatory body (or Commission, as it is named conditionally) would be created on the second stage only when the CES would allegedly move to customs union stage. The Commission’s decisions are to be made through weighted voting based on the economic potential of the participating states (Art.V). This modus operandi will automatically lead to the dominance of Russia.

The second, and probably more important, trend can be traced back to the end of the 1990s when Russia started redirecting its efforts from all-CIS integration to the creation of a union with a smaller number of participating states, however representing the bulk of the CIS population and economic capacity. This approach is also underpinned by the hope that the rest of the CIS states would join a successful union later on. EURASEC has become the first such agreement. This trend has been strengthened in the 2000s. Since 2003 Russia redirected its main efforts to the integration of the “Big Four”. The main part of Russia’s trade flows with the CIS falls on Belarus, Ukraine, and Kazakhstan. The “Big Four” account for 94 per cent of the GDP and 88 per cent of the total trade flows of the Commonwealth’s states. Thus, the SES can be viewed as the locomotive of integration processes for the whole of the post-Soviet space.

Contemporary Russian foreign policy shows a clear understanding of Ukraine’s vital role in the SES. Ukraine is the key state for the Russian efforts to build up any structure of economic integration on the post-Soviet space not only due to its economic weight but also due to its strategic location between the EU and Russia. For Ukraine as well as for Belarus and Kazakhstan there is a good deal of economic justification of the formation of the SES. While increasing exports and manufactured goods and agricultural products to the Russian market might be the principal justification, there is a number of other concerns of economic nature. Both Ukraine and Belarus are interested in securing the cheap oil and gas supplies from Russia. Ukraine is concerned with Moscow’s collection of value-added on Russian oil and gas exports according to the country-of-origin principle. The introduction of an FTA would, according to the rules of the WTO, make Russia and Ukraine switch to the country-of destination principle, a move that could give Ukraine’s budget some \$800 million annually. In fact, Russia has already taken a decision to repudiate VAT for oil and gas exports to the SES member states, the

¹⁹ Cutler R.M. (1997) *Integration Within and Without the CIS*. Association for the Study of Nationalities Monthly. Analysis of Current Events 9, no. 3 (March).

move that would cost Russia an estimate of 34 billion rubles in 2005 alone²⁰. As Ukraine is committed to move forward the EU membership, an FTA is all that Kyiv wants from the CIS whereas a mere creation of an FTA is not justified economically for Russia. It seems however that an FTA is the maximum that can be achieved in relations with Ukraine as the latter officially strives for the EU membership which is unthinkable if Ukraine forms a customs union with Russia. Answering the question on EurAsEC during the press-conference on the 23. December 2004, the Russian President said that Russia built up its relations with its nearest neighbours above all in the economic sphere. EurAsEC and CES are seen as organizations that provide a good basis for integration processes on the post-Soviet space. It became clear from the answers that the developments in Ukraine are perceived as threatening the future of the CES.

While the SES might greatly benefit other member states, what would that mean for Russia? Economic justification seems to be substantially less strong on the Russian side. The official position is optimistic stating that the SES will greatly benefit Russian economy by expanding internal markets, and by creating favorable conditions for investments. A closer look supports a more moderate view. If successful, the SES would lead to a common market with approximately 225 million consumers – a rise of 50% compared to the internal Russian market. However, there are many limitations to this figure. First of all, while analyzing the CES, one must take into consideration the fact that Russia and Belarus already have the functioning customs union. Thus, they have already reached the second stage of envisaged CES integration. With Ukraine unwilling to move further than an FTA (and even this might depend on the internal Ukrainian politics), the basis of integration is limited. Moreover, the common market will grow even less in terms of buying power since Russia's GDP per capita is the highest among the states participating in the CIS. To sum up, it is straightforward that the economic integration within the framework of the SES (or under any other umbrella) will not enlarge internal market for Russian producers and investors substantially. To justify consistent and costly efforts, with the repudiation of the VAT costing more than a billion dollars a years as a vivid example, the Russian arithmetic of the CIS integration must include other, non-economic, variables.

These variables belong to the geopolitical and security spheres. Russia strives to preserve and even to enhance its leading role of the post-Soviet space. In the 2000s Russia slowly comes to accept the need for self-restriction and concentration on vital interests. Trenin argues that the major objective in the near future will come down to rearranging post-Soviet territory and establishing a center of power under Russia's aegis²¹. Khristenko justifies integration stating that Russia is not able to compete with the principal players of world politics and economics alone. As a part of the SES, it will be able to defend its interest with more confidence based on the common resources²². Creating a union on the post-Soviet space is meaningless for Moscow in this sense unless Russia asserts its leading role in it. Indeed, analysis on policies in the 2000s shows that this goal remains one of the guiding lines. The ideas put into both EurAsEC and SES aim at securing Russia's leading role in them. For example, according to the SES Concept, the voting power in the SES (although not on the first stage) is to be allocated according on the weighted basis. The number of votes for every state-participant is to be determined, taking into account the State-participants' economic

²⁰ 'Za geopolitiku Rossiya otdest 34 milliarda rubley' [Russia will give up 34 billion rubles for geopolitics], Rosbalt 28/07/2004.

²¹ Trenin D. (2004) *New Priorities in Russian Foreign Policy: "Project CIS"*. Available at www.carnegie.ru.

²² Khristenko V.B. (2004) *Making Headway to Integration, in: Rossiya v globalnoy politike* [Russia in global politics], No.2, March-April. <http://eng.globalaffairs.ru/numbers/6/508.html>

potential (Art. V of the SES Concept). These mechanisms ought to provide leadership for Russia in the organizations of regional integration. Among other steps targeted towards strengthening leading role on the post-Soviet space are preservation of military bases and usage of energy supplies as a means of pressure.

5. Partial return to the old paradigms in the beginning of the second Putin's presidency

The beginning of the second presidential term of Vladimir Putin provides a preliminary answer at the question whether the trend toward the economization of Russia's foreign policy would be sustainable. It can be seen that the pragmatic spirit of raising the country's competitiveness and defending its economic interests both on the post-Soviet space and on the global arena is restrained by the geopolitical objective to reassert Russia's "traditional zone of influence", that is, to place the CIS states under Russia's indirect rule. It is stressed that the states in the near abroad shall be placed under Russia's leadership and by all means not given away to the West. Thus, the current Russian foreign policy on the post-Soviet space is governed by the old, however softened, paradigm of the confrontation with the West. One single year beginning in March 2004 was marked with a multitude of cases where Russia's foreign policy was guided by the old paradigm of control over the post-Soviet space: these are, above all, Ukraine, but also Abkhazia and Georgia.

Russia intervened in the Ukrainian presidential elections of 2004 actively backing Victor Yanukovich. A variety of means were utilized to achieve the goal of installing the power in Ukraine that would be obliged to Moscow and responsive to its requests. First, the switch to the country-of destination principle was realized shortly before the elections. The connection between this "present" and the election campaign is hard to ignore. Second, Yanukovich was backed up by all imaginable means of personal support at the highest level. Putin flew twice to Ukraine to express his support for the candidature of Yanukovich. Higher-standing Russian politicians and official repeatedly pronounced anathema against Yushenko. Third, other financial resources were put into play, in particular to mobilize the Ukrainians on the territory of Russia. Moscow was covered with bill-boards calling Ukrainians to vote for Yanukovich. Fourth, Ukrainian citizens were allowed to spend 90 days in Russia without registration, up from the mere three days before). The decisions allowing double citizenship and 90 registration-free days were speedily rushed through the Russian Duma to be in time for the presidential elections in Ukraine. Having made Russians inferior to foreigners in their own country, this decision caused a wave of protest. The government felt obliged to introduce the same measure for the Russian citizens as well – something completely unimaginable before taking into consideration the officially declared war on terror and the general screw-tightening in Russia. Fifth, Putin together with the Turkmenian and Belorussian presidents were the ones that congratulated Yanukovich on victory after the second round of the elections, thus trying to supply him with an international recognition.

The Ukrainian election campaign is not the only case showing the prevalence of the desire to re-gain influence on the post-Soviet space and the perception of the post-Soviet politics in terms of confrontation with the West. Russia's backing up of Abkhazia in the Georgian-Abkhazian conflict indicates the same perception of the power play in terms of indirect confrontation with the West. As the new Georgian leadership is perceived as a medium of the West, it meets hostile attitude on the side of Russia after the change of power in Tbilisi. The tensions do not decrease with the time. During the press-conference at the end of 2004, Putin directly accused the Georgian leadership of

‘getting salary from Soros’²³. During the same conference, talking about his perception of the post-Soviet space, Putin focused on severely criticizing Western “double standards” on the issues of human rights and elections. He mentioned Afganistan, Kosovo, Iraq and Macedonia as examples. The President expressed himself against the ‘permanent revolutions’ in the post-Soviet republics which are ‘determined in some other place for this or that nation’²⁴.

In the 1990s, Russia was often the one to bury integration agreements on the CIS spaces. Hale elaborates on the ‘logic of economic anti-imperialism’ as an explanation of this phenomenon²⁵. The desire to preserve fiscal discipline and to avoid heavy expenditures needed to implement the agreements led Russian government into sabotaging them on financial grounds. Thus, the Russian government officials have come to play a crucial behind-the-scenes role in stifling efforts to reunify the “near abroads”. It happened, for example, with the introduction of the Ruble Zone in 1997 and with the Russia-Belarus Union in the same year²⁶. It appears to be changing under Putin. Now, Russia expresses more decisively its readiness to pay for integration, as it happened in August 2004 with the decision not to levy VAT on oil and gas exported to the SES member states. The same can be observed on the example of the military bases abroad. While a number of overseas bases were closed (Cuba, Vietnam etc.), the bases in the CIS (Armenia, Tajikistan) were preserved and taken care of. Although the role of economic factors in the Russian foreign policy on the CIS integration is increasing, it does not imply that Russia is guided solely by them. On the contrary, Russia is now ready to pay the price for reasserting the sphere of influence on the post-Soviet space. The state is ready to invest money to push for integration waiting for return in geopolitical, security, and economic terms. Hence, Russia’s approach towards integration on the post-Soviet space in the beginning of Putin’s second term is guided by the mix of motives. While the economic factor and the defense of the national economic interests shall not be taken off the board completely, the geopolitical objective of reasserting the zone of influence in the near abroad comes to the foreground. The strength of this objective proves to be strong enough for Russia to be willing to accept high economic costs in order to push other CIS states towards integration under the umbrella of Moscow-written agreements.

6. Usage of the wide variety of means to push CIS states towards integration

The only integration vehicle put forward in the beginning of the 1990s was the CIS. Russia advocated this arrangement strongly. Russian leaders pushed immediately for the organization to increase its formal powers²⁷. Thus, the CIS as an institution framework was used as a principal means for greater control and power on the post-Soviet space. Putin’s era in Russian foreign policy is so far marked by moving to a variety of means to push the CIS states towards integration. President Putin has acknowledged that the CIS has not always been effective, pragmatic, and consistent. Currently it finds itself on the threshold: either it will reach significant advances or it

²³ Press-conference of the President of the Russian Federation V.V. Putin. Moscow, Kremlin, 23.12.2004. http://www.kremlin.ru/eng/speeches/2004/12/23/1806_81700.shtml

²⁴ Ibidem.

²⁵ Hale H. (1997) *Russian Fiscal Veto on CIS Integration*, PONARS Policy Memo 15. http://www.csis.org/ruseura/ponars/policymemos/pm_0015.pdf

²⁶ Ibidem.

²⁷ Olcott, M.B., Åslund, A., Garnett, S.W. (1999) *Getting It Wrong. Regional Cooperation and the Commonwealth of Independent States*. Carnegie Endowment for International Peace, Washington D.C. P.11.

will be washed out completely. The president noted also that a number of local interstate agreements of lesser scale, whether concentrating on economy and security matters, worked more effectively than the CIS as a whole. Real advances were made in cases when it was possible to find mutual benefits and interests with the partners²⁸. Russia gradually becomes more sophisticated employing both sticks and carrots in order to push for integration. Instruments used to pressure the CIS states or to give them various incentives to consent to proposals from Moscow are drawn from three principal broadly defined areas: first, conclusion of integration agreements intended to create the legal and institutional framework for regional integration; second, oil, gas, and energy supplies; third, support and cooperation in military and security areas.

1. A legal, organizational, and institutional framework is expected to be created in the course of concluding plurilateral integration agreements. Moscow pushes its neighbors to conclude such agreements as EURASEC or SES while not encouraging creation of such union of which Russia is not a member. At the same time, Russia strives by all means to assert its dominant role in the CIS. In the 2004, Russia has entered the Central Asian Cooperation (CAC) forum. CAC was created in 2002 and originally included four Central Asian states of Kazakhstan, Kyrgyzstan, Uzbekistan and Tajikistan, having been the only multilateral post-Soviet body in Central Asia which excluded Russia. According to its Charter, this organization pursues regional political, economic and security cooperation. In May 2004, the heads of the member states declared their intention to build a common Central Asian market as well as international energy and transport consortia²⁹. Before the Russian accession, Kazakhstan was the leading force of the CAC. It can change after Russia joined the organization.

2. Second, the most salient areas where Moscow draws powerful instruments to guide neighboring states are perhaps oil and gas supplies as well as energy supplies. As the neighboring states are dependant to greater or lesser degree on Russian supplies of oil, gas and/or electricity from Russia, the latter can use a variety of sticks and carrots in this field. Rather unusual in the 1990s, it becomes a normal practice under Putin. The most vivid example is the decision not to levy VAT on oil and gas exports to Ukraine, Belarus, and Kazakhstan (i.e., the SES member states) taken in August 2004. The transition from the country of origin principle to the country of destination principle for VAT payments on oil and gas exports is the one of the most costly concessions that Russia is ready to realize for the sake of the SES. While before the exports of oil and gas to Russia's neighbors were subjects to levying VAT in Russia, it will not be levied on hydrocarbons exported specifically to the SES member states. According to the Vice Prime Minister Alexandr Zhukov, the transition to the country of destination principle in relation with the SES member states will cost Russian budget approximately 34 billion rubles (\$1.17 bln.) in 2005 alone. Zhukov argues that this measure would be compensated by the positive effects of the establishment of the SES³⁰. As Ukraine will profit the most from this measure, it should be viewed as the payment to Ukraine for its consent to join the SES.

Gas prices are used as a powerful instrument in Russia-Belarus relations. For example, the gas price for Belarus in 2004 was settled at less than \$47/TCM which is well below the world prices, although it is higher than the domestic prices in Russia

²⁸ 'Putin konstatiroval skoruyu smert SNG' [*Putin ascertained a near death of the CIS*], Kommersant, №130(2969), 20.07.04.

²⁹ Salimov, S. (2004) 'Moskva usilit svoye vliyaniye v Centralnoy Azii' *Nezavisimaya gazeta* 30 August.

³⁰ 'Za geopolitiku Rossiya otlast 34 milliarda rubley' [*Russia will give 34 billion rubles for geopolitics*], Rosbalt 28/07/2004.

itself³¹. In the second half of 2004, both states lead negotiations going even further. The economic expansion of Russian business in Belarus and direct dominance of Gazprom over Beltransgas are at stake. According to the preliminary decision already reached, some advances were made on the issue of Russian participation in the Belarussian gas industry in exchange for the promise to supply gas at Russian domestic prices. Thus, in order to acquire control over Beltransgas, Russia is willing not only to pay by means of cash and loans but also to start selling gas to Belarus at the Russian domestic prices³². Besides, grand projects connected with massive investments can come forward not only as the goals but also as the means of foreign policy in cases when the recipient countries might be interested in their completion (as in the case of Gazprom's intention to invest in the gas pipeline Iran-Armenia).

Furthermore, the control over electricity supplies was used several times by Russia, most prominently in cases of switching off Moldova and Georgia power circuits for short periods of time in 2003 and 2004.

3. Third, the instruments and means of foreign policy are not constrained to economy and life support. Attempts to find an acceptable balance between geopolitical objectives and economic costs can be traced also on the security issues in Russia's CIS policies. While several military bases abroad have been closed down during the first Putin's presidency (Cuba, Vietnam etc.), the beginning of the second presidency was marked by the attempts to consolidate Russia's remaining military influence on the post-Soviet space. The issue of the military base in Armenia (102nd division) has been settled on favorable terms, as Armenia agreed to share costs and to hand over the property rights on land and building of the base to Russia. A preliminary decision was reached with Tajikistan on the transformation of the 201st division into a military base – the question debated for at least five years³³

Within the Collective Security Treaty Organization (CSTO) Russia began to supply the member states with armaments at domestic prices. A common communication system is to be established³⁴. Such steps indicate the willingness to pay in order to preserve and increase Russia's influence on the post-Soviet space by means of indirect subsidizing in the military and security spheres.

To sum up, in the course of the 2000s Russia started to employ a wider variety of available means to support integration agreements where it plays a leading role. In fact, all kinds of agreements are supported, from the bilateral one with Belarus to the plurilateral Single Economic Space to CSTO, an organization with purely security purposes. Moreover, Russian foreign policy in the CIS can be now based on the readiness to use costly carrots in relations with its neighbors what was not the case in the 1990s. The sophistication of the contemporary Russian foreign policy on the issue of the CIS integration should not be however overestimated, as it still shows an inclination to flex the muscles, whether military or economic, and "show power" as it was the case with electricity cut-offs.

7. The concept of multi-level and multi-speed integration and the impact of the EU experience

³¹ The gas price for Belarus in 2004 was settled at \$46.68/TCM (thousand cubic meter) . This is to compare with the Russian domestic price of \$27-30/TCM and about \$100/TCM for exports to Germany net of transportation costs.

³² Kommersant, №155(2994), 24.08.2004.

³³ Martirosyan, S. (2004) '*Moskva perechodit v kontrnastuplenie*' [*Moscow launches a counter-offensive*], Rosbalt, August 10.

³⁴ Ibidem.

The Foreign Policy Concept of the Russian Federation³⁵, approved in June 2000, refers to the concept of different-speed and different-level integration within the CIS framework. According to this idea, the integration within the CIS can proceed on a flexible basis, with different states having the right to choose the “integration packages” and to join different agreements and institutions at different times. The concept of the multi-speed integration in the CIS has clear roots in the EU experience. It was developed in the 1990s and defined in the crucial Presidential Decree of 14.09.1995. Art. 7 of the Decree shows strong support to the model of different-speed integration. While mentioning its non-obligatory character, the Decree stipulates that the position of the CIS states towards this model is viewed as an important factor conditioning the scope of economic, political, and military assistance that Russia would be willing to render to its CIS neighbors. The concept of the multi-speed and multi-level integration underlies the integration designs of the 2000s as well.

According to early agreements on the CIS (including the CIS Charter and the Agreement of Creation of the Economic Union signed in 1993), the Economic Union was supposed to lead in stages to the common economic space meaning the implementation of all four freedoms. Integration along the four freedoms had to be accompanied by the concerted monetary, budget, tax, customs, and currency policies as well as the harmonization of economic legislation. In other words, the CIS was supposed to move in stages toward a full scale EU-type common market. First, a free trade zone should have been created, second, a customs union, and, finally, economic and currency unions. This image resembled the history of creation of the EU. However, the whole process was planned to have been completed much faster – not in fifty but rather in ten-fifteen years. Later, this vision was corroded by the real world events. It became clear that neither the scale nor the scope of the envisaged integration would be reached so quickly. On the scope side, even attempts to reach the first stage (an FTA) did not work out in practice. The second stage has been reached only by Russia-Belarus Union. On the scale side, the grand CIS designs comprising all twelve states were put aside in favor of agreements comprising a smaller number of participants. A reservation has however always been made that these smaller unions were free to be joined by other states at a later date.

At the beginning of the 2000s, the EU ideal still plays an important role in integration designs on the post-Soviet space. It is mirrored both in the strategies and in the designs of regional integration constructed by Moscow. The Russian Middle Term Strategy towards the EU, meant for 2000-2010, makes provision for the utilization of the EU successful experience in the development of integration processes in the CIS area³⁶. Both EurAsEC and SES agreement foresee a three-stage incremental development. The EurAsEC was planned to develop in three stages heading toward an economic union, although rather less comprehensive than the early CIS designs (e.g., no currency union was planned from the beginning on). The most recent integration design, the Single Economic Space, is build on the same idea. It stipulates that the SES is to be formed stage-by-stage, taking into account the possibility of different-speed and different-level integration (Art. II). The different-speed integration means that every state decides on its own the moment of joining this or that international agreement, which entails different-level integration when the State-participants are at different levels of integration interactions. It is envisaged that the single economic space will be created in three stages. At the initial stage, the four countries will ensure free trade regime.

³⁵ *Foreign Policy Concept of the Russian Federation*. Approved by the President of Russian Federation, 28.06.2000. <http://www.russiaeurope.mid.ru/RussiaEurope/concept.html>

³⁶ *The Russian Federation Middle Term Strategy Towards the European Union (2000-2010)*. http://www.eur.ru/en/p_245.htm

Simplification of customs procedures and unification of legislation on cross-border transfer of goods would round up the first stage. At the second stage, a customs union will be created with single tariffs; exceptions regarding agricultural imports will be canceled and protective and antidumping measures will be eliminated. A common competition policy will be pursued, and a single regulating organ will be set up. During the third stage, which is considered to be the final one, customs controls will be abolished within the borders of the single economic space, and a complete freedom of movement will be ensured for services, capital and workforce. The single regulating organ will be further empowered to control natural monopolies. Thus, at least technically both EurAsEC and SES agreements stipulate a three-stage design, that is, going from an initial free trade area through a customs union to a comprehensive economic union.

Thus, the recent integration designs are marked by the same approach. The development is divided in three ascending stages. The sequence of stages on the way to the single economic space is influenced by the successful experiences of the EU. Discussing Russia's integration strategies in particular on the post-Soviet space, Khristenko makes an analogy with the 'multi-speed Europe' emphasizing the success of this concept in the EU developments of the last two decades. He assumes also that centripetal forces of the integration agreements in the CIS would rise with time, as long as positive effects will become visible³⁷. However, the scope is substantially less grandiose than in the 1990s. It became clear that the depth of the EU integration is unlikely to be reached on the post-Soviet space even in the long run. Consequently, first, some advanced features of economic integration, such as the common currency, are put aside (with the exception of Russia-Belarus). Second, the attention is concentrated more on the mid-terms goals of the first stage, such as free trade and facilitation of trade between participating states.

Now, the claim that the EU represents a technical model for the Russian designs of the economic integration on the post-Soviet space does not as far as saying the Russia wants to create a new 'EU in Eurasia'. The model role of the EU for the SES and EurAsEC is more technical than substantial. There is a principal difference between the early European Communities, on the one hand, and the current Russian aspirations for the economic integration on the post-Soviet space. All these projects would naturally lead to the institutionalization of the leading role of Russia making Russia the dominant decision-maker in the to-be-created organizations. Such consequence is rather natural taking into account Russia's heavy weight in politics and economics of the post-Soviet space. This situation is qualitatively different from the integration in the European Communities in 1950s, 1960s and until our days. So, the impact of the EU is restricted to the technical modeling of both institutional designs and planned processes of the economic integration both within the EurAsEC and the SES.

8. Official approach to the problem of compatibility of integration processes within the CIS and with the EU

Two vectors dominate the integration agenda of the Russian foreign policy, the EU and the CIS ones. As soon as the discussion on the Common Economic Space with the European Union started in 2001-2002, the problem of the compatibility of these two integration projects has speedily become a serious issue to be dealt with. The problem is multi-faceted and by no means trivial. It included such issues as the rules of origin and

³⁷ Khristenko, V.B. (2004) *Making Headway to Integration, in: Rossiya v globalnoy politike* [Russia in global politics], No.2, March-April. <http://eng.globalaffairs.ru/numbers/6/508.html>

the compatibility of standards. Concerns are raised both in the EU and in Russia. In fact, the SES has often been mentioned in the CES negotiations between the EU and Russia³⁸.

Official Russian position on the issue of the compatibility of Russia's EU and CIS integration vectors is that these processes are compatible and should proceed concurrently. V.A. Chizhov, Deputy Minister of Foreign Affairs, summarized the official position by saying that 'we believe that the various integration projects do not obstruct the progress of one another'³⁹. This view is constantly supported in speeches of the highest state officials. President Putin, giving a speech on the prospects of the Russia-EU economic cooperation, stressed that "the formation of a common economic space in Europe should not restrict the abilities of parties to take part in different regional integration processes"⁴⁰. Analyzing Russia's official approaches to the problem, Emerson comes to conclusion that, in the Russian view, the system should consist of two hub and spoke systems, in which the EU should agree not to interfere with the development of CIS integration. Russia prefers a free hand to deepen the CIS integration⁴¹. Furthermore, Putin characterized these processes in terms of 'harmonizing relations with Greater Europe':

'You know that Russia is building together with the European Union four so-called common spaces. And the first and most important of them is an economic space. But we are planning to do the same within the CES (Common Economic Space) between Russia, Ukraine, Belarus and Kazakhstan. What does it mean? It means that we are harmonising relations within Greater Europe. This has nothing to do with any Russian aspiration to subjugate or absorb somebody. That is rubbish'⁴².

Khristenko goes more into details outlining the general recipe of how SES and CES are to be pursued concurrently. Starting with the question whether a successful development of the SES could impede creation of the EU-Russian CES, the Vice Minister concluded that such a danger exists only if the union of the "Big Four" will be built not taking into account to Russia's obligations regarding the European partners (or vice versa). If a certain balance of interests and obligations in respect to both the EU and the CES member states will be observed, then parallel development of the two spaces will be feasible. The Minister supports his argument with the examples of Mexico (being the member of NAFTA, Mexico concluded a free trade agreement with the EU) and the EU itself, which has dozens of free trade agreements with countries around the world⁴³.

9. Conclusion

The analysis of the Russian foreign policy towards the CIS in the beginning of 2000s lets differentiate two periods. The years 2000-2003 had demonstrated a gradual

³⁸ Interview with Alexey Slizkov, Mission of Russian Federation to the European Communities, 19.03.2004, conducted by the author.

³⁹ Chizhov, V.A. (2003) Deputy Minister of Foreign Affairs of the Russian Federation, *Statement at the International Conference "Wider Europe: enlarging trans-border cooperation in Central and Eastern Europe"*, 11.11.2003, Press Release No. 32/03. www.russiaeu.org

⁴⁰ Putin, V.V., (2003) *Speech at a meeting with representatives of the European Round Table of Industrialists and the Round Table of Industrialists of Russia and the EU Mission of the Russian Federation to the European communities*, Press-release № 38/03, December 2, 2003, www.russiaeu.org.

⁴¹ Emerson, M. (2004) *The Wider Europe Matrix*. CEPS Paperback, 2004. P.29.

⁴² Press-conference of the President of the Russian Federation V.V. Putin. Moscow, Kremlin, 23.12.2004. http://www.kremlin.ru/eng/speeches/2004/12/23/1806_81700.shtml

⁴³ Khristenko V.B. (2004) *Making Headway to Integration, in: Rossiya v globalnoy politike* [Russia in global politics], No.2, March-April. <http://eng.globalaffairs.ru/numbers/6/508.html>

more towards more pragmatic and balanced foreign policies. These policies recognized the importance of the defense of the national economic interests by political means. Any direct confrontation was avoided both on globally and in the relations with the post-Soviet states. The emphasis was put on employing the economic mechanisms of integration with the neighboring states. The early designs of all-CIS integration agreements were dumped, and the designs envisaging economic integration between a restricted number of the key states (Ukraine, Kazakhstan, Belarus) were high on the daily agenda. Both EurAsEC and SES agreements stipulate a three-stage design, i.e. going from an initial free trade area through a customs union to a comprehensive economic union. The functionalist understanding of the process of economic integration and the experience of the European Union underlie the desire to start modestly and to move gradually towards deeper economic integration. The first year of the second term indicates a partial refusal to continue the same policies. Meeting now serious opposition and critique at home, the Russian foreign policies more imbalanced and puts a much greater weight on the attaining an indisputable leadership on the post-Soviet space. This space is understood as the traditional zone of influence to be restored.

Russia has not yet worked out a coherent and comprehensive approach towards its regional integration and towards the integration with the CIS states in particular. The latest developments show that Russia is now ready to pay the price for reasserting the sphere of influence on the post-Soviet space. The state is willing to accept high costs in order to push other CIS states towards integration under the umbrella of Moscow-written agreements. Russia pushes the CIS states toward integration consistently. To achieve this goal, Moscow employs a wide variety of available means. Both sticks and carrots are used. Russia is ready to pay a high price while hoping that integration will pay off trifold: economically, in terms of security, and geopolitically, by asserting Russia's leading role on the post-Soviet space and increasing its weight on the global arena.