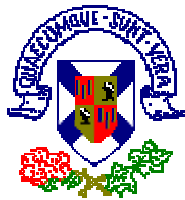


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REGIONALISM AND GLOBALIZATION IN THE POST-SOVIET SPACE

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Abstract

Since the break-up of the Soviet Union we have seen several attempts by the post-Soviet states to establish various regional free trade blocs. Now we find ourselves in the midst of a new attempt by Russia, Ukraine, Belarus and Kazakhstan to create the so-called single economic space. This could be seen as a natural development in regional political economy, a logical step toward establishment of a productive regional trade regime or customs union among the countries disadvantaged by globalization. On the other hand, current attempts at creation of a politico-economic bloc among the key members of the post-Soviet Commonwealth of Independent States proceed against the backdrop of the continuing engagement of Ukraine, Russia, and Kazakhstan with the World Trade Organization, the European Union, NATO, the Shanghai Cooperation Organization, and other organizations that can be seen as vehicles of globalization. Does Eurasian regionalism offer an antidote to the West-led globalization or does it seek to complement it? Where do the post-Soviet countries belong and what should they do to adapt to the challenges of globalization successfully? This paper looks at the evolution of regionalism in the post-Soviet space as a process that has been propelled from both inside and outside of the region. On the inside, the roles of Russia and Ukraine as leaders of their respective regional groupings are compared and evaluated. On the outside, the paper looks at the impact of globalization pressures and the European Union's expansion to the east.

Introduction

In September 2003, after six months of negotiations, Russia, Ukraine, Belarus, and Kazakhstan came up with the agreement to form a single economic space. As noted in the agreement, the parties will subscribe to common economic policies and regulations that will provide for free movements of goods and services, capital and labor. The member states will develop uniform trade and taxation policies and a common financial system. They plan to introduce uniform technical standards, including public health and environmental norms. In addition, the four post-Soviet countries seek harmonization of their macroeconomic policies and national legislation in the areas of international trade, competition and regulation of natural monopolies. Moreover, the parties emphasized that the current agreement is open to other countries wishing to join – those who share the agreement's goals and principles. Although this appeal has been addressed primarily to other ex-Soviet republics, especially the Transcaucasian and the Central Asian states, theoretically no one is barred from joining.

On the one hand, creation of the single economic space could be seen as a natural development in regional political economy, a logical step toward an ASEAN-style agreement among the countries disadvantaged by the West-led globalization. After all, the four economies are mutually complementary and face similar problems in the world defined by relentless pressures of globalization. Moreover, the four countries have already been constituent parts of a single economic complex of the former Soviet Union, and developed mutual dependencies based on the inherited structure of production and direction of supply flows.

On the other hand, current attempts at creation of a politico-economic bloc centered on Russia proceed against the backdrop of globalization tendencies that pull these

countries elsewhere. The continuing engagement of Russia, Ukraine and Kazakhstan with the World Trade Organization is but one example. All three are currently engaged in accession negotiations with World Trade Organization, and all three hope to join sooner rather than later. The idea and the realities of the single economic space may come against the grain of the already concluded bilateral agreements with other World Trade Organization members and contravene established World Trade Organization rules, thus jeopardizing accession negotiations. In addition, Ukraine hopes to be admitted to the European Union and NATO, while Russia plays a key role in the Shanghai Cooperation Organization and is a member of the APEC and other international organizations that gravitate elsewhere. Russia itself has got a special deal with NATO under the umbrella of the Permanent NATO-Russia Council. Russia's continuing engagement with China is being played out in such forums as the Shanghai Cooperation Organization, APEC, and the UN Security Council, not to mention the World Economic Forum in Davos. The Eurasian regionalism that Russia and China seek to develop is not devised as an antidote to western globalization but rather as its necessary complement.

In Russia and other post-Soviet states, voices are being raised in defense of the mutual complementarity of these countries' movement toward global openness and their integration on a regional basis. In particular, it has been argued that the single economic space agreement does not and can not represent an alternative to the European Union. A big question that underlies the debate is where the post-Soviet countries belong and what their "true" identity is, with regards to the Huntingtongesque division of the world into several civilizational "camps" defined mostly by their pro- or non-western orientations. The chairman of the Russian Federation Council's Committee on Foreign Affairs Mikhail Margelov recently stated that Russia is "committed to all-European values and is an organic part of a single

European space" (*Belorusskaya delovaya gazeta*, 20 May 2005). At the same time, there are those that couch Russia's "Euro-Asian project" as a rejection of "primitive Westernism" of the Yeltsin years (Kortunov 1998: 21).

Globalization affects Russia in numerous ways, few of which have been beneficial for the country. This may explain the ambivalence expressed in these and similar statements. Yet, globalization cannot be ignored or overstepped. Turning back to the semi-isolation of the Soviet years is hardly feasible, and everyone in and around the Kremlin understands this. Hence, the transitional economies are seeking to develop the best adaptation strategy possible that would allow them to take advantage of the opportunities that globalization opens. Russia and other post-Soviet states' responses to globalization take various forms and shapes. Regional integration is currently perceived as one of the most promising avenues for such a proactive response. However, it can be accomplished in either inward-looking or outward-looking fashion, that is, via restoration and development of economic ties that bound former sister republics of the Soviet Union together, or by means of joining extant international groupings, especially those presided by more successful nations of the West, such as the European Union, or those associated with a dynamic global region, such as the APEC. Both strategies have been tried and tested, with varying degrees of success, in the post-Soviet space. Before moving further to look at these strategies, via case studies of such regional groupings as the Commonwealth of Independent States and GUUAM, such integration processes as the creation of a single economic space, and such external engagements as overtures with the European Union (of which Ukraine is a primary example), we need to address the issue of globalization's impact on post-Soviet states. Russia, the most powerful of all the successor states, may provide a good case study.

The Impact of Globalization

Globalization has had profound effects on all countries of the former Eastern bloc. The prevailing wisdom has it that the very fact of the collapse of the state socialist model worldwide must be attributed primarily to growing incompatibility of command economy and central planning with the requirements of capitalist modernization within the framework of globally integrated markets. According to this train of thought, the Soviet planned economy proved unable to adjust to the age of information technologies and international mobility of factors of production, was slow to modernize, could not compete with the West in either labor productivity or the quality of the finished goods, and collapsed under the weight of its own contradictions.

The economies that emerged from under the Soviet rubble had lost their central planning instruments, but did not succeed in fast development of the much-needed market infrastructure either. They had to adjust on the go, with frequently disastrous results. Over the first ten years of transition, the consumer price index in Russia rose by 75.2 percent a year on average. In other words, the total cost of acquiring a basket of essential goods and services almost doubled every year. Social inequality grew dramatically. Russia is now a country where the richest 10 percent of the population appropriate and consume more than 20 times the share of the poorest 10 percent. The Gini index of inequality, at 45.6, positions Russia in the company of the Philippines and Côte d'Ivoire. No other country in Europe has made it that far in terms of glaring disparity of income. Even the United States of America and Hong Kong are now more egalitarian in income distribution. With a life expectancy of 66.7 years, and per capita health expenditure as low as \$454, Russia fares worse than Uruguay, Qatar or Cuba in its composite Human Development Index (United Nations

2005). The first ten years of transition hit Russia, and most other post-Soviet states, hard and painful.

Still, most economists agree that the hardest period of adjustment that followed Russia's reentry into the world market economy is probably behind us. While the country's economy shrunk considerably, at least some industries adjusted well and managed to tap into the new sources of wealth and opportunities presented by their newly found global reach. Russia may be a "petro-state" or just a wide-open consumer market of 145 million people, but, even so, it remains a considerable force in world economic affairs. In 2003, it outperformed Saudi Arabia in oil production and came second in oil exports (Cox 2003). The country's foreign trade turnover reached \$148.5 billion in January-September 2003, and brought a surplus of \$43.9 billion (Xinhua 2003). Russia's total trade with the European Union in 2003 amounted to € 85 billion (European Union 2004). Russian trade with the United States, although currently modest, demonstrates excellent growth potential. With the world price of oil hovering above \$60 a barrel, Russia seems well poised to fulfill President Vladimir Putin's ambitious plan of doubling the country's GDP during the 2002-2012 period. These and similar facts have led some observers to regard Russia as a normal middle-income country and to argue that "the notion that the country has gone through an economic cataclysm and political relapse is wrong—more a comment on overblown expectations than on Russia's actual experience" (Shleifer and Treisman 2004).

Yet, the change from the socialist model of a comprehensive, cradle-to-grave welfare state, to the neo-liberal "night watchman" state, could not be more dramatic. The loss of production capacity in Russia over the years of post-communist reform exceeded its industrial losses during World War II. The pain of transition has been felt by the vast majority of the Russian people, who practically overnight lost their lifetime savings, job security, guaranteed health care, free education, and many other benefits they took for

granted under socialism. Living standards of a good nine-tenths of the population plummeted before recovering, rather slowly, for select professional and social groups that could successfully adjust to the political economy of the Yeltsinite absentee state.

While the most severe shocks of the postcommunist transition are probably over by now, the big question that remains is what to do next. Can Russia and other post-Soviet states successfully reintegrate into the world economy on the basis of their individual assets and endowments – or should they attempt to restore bilateral and multilateral economic ties that were broken as a result of the collapse and disintegration of the former Soviet Union? One possible answer to Russia's current predicament lies in the attempt to restore regional ties to other former Soviet republics, once all members of the same unified economic complex. Apart from the effects of the economy of scale, the proposed free trade area or a customs union can address such issues as restoration of production chains, now running across national borders; removal of counterproductive tariffs and elimination of double taxation; consolidation of research and development efforts and making the best of cooperation based on comparative advantage.

Inter-state Cooperation and Regionalism in the Post-Soviet Space

While the question of a dialectical interplay between globalization and inter-state regionalism elicits growing scholarly attention worldwide (e.g. Das 2004; Lahiri 2001; Lupel 2004; Read 2004), it has not been in the center of academic debate centering on the post-communist transitions.¹ Regionalization of the Eastern and Central European economies has been addressed via the expanding

body of studies of the European Union eastern enlargement policies, which have been generally perceived as complementary to global economic trends (Grüber 2002; Uvalic 2002). At the same time, regional integration of the post-Soviet countries is usually depicted as a parochial trend, a backward movement toward isolation or semi-isolation of the Soviet years and away from global openness and participation in the world markets; finally, as a manifestation of Russia's oft-cited "imperialism." Conversely, any attempt to create an alternative Russia-averse alliance is praised as a movement in the right direction. Security analysts often dictate the terms of this debate and easily sidetrack calmer analyses offered by international political economists. In the following sections, I will look at various regionalization efforts in the post-Soviet space and will argue that reintegration of these transitional economies must be perceived as, in fact, a progressive development on the way toward "globalization with a human face."

a) Institutionalization of a single economic space

When twelve ex-Soviet states created the Commonwealth of Independent States, its main declared purpose was to preserve economic ties within post-Soviet space. In September 1993, Commonwealth countries signed an Economic Union Treaty, which envisaged creation of a free trade area. Four years later, a multilateral Concept of Economic Integration and Development projected creation of a single economic space by 2005 (*Nezavisimaya gazeta*, 28 March 1997). In October 2000, the Eurasian Economic Community (EurAsEc) had come into being. The EurAsEc was designed as the next step toward creation of a regionally tight and efficient economic association. By 2005, the EurAsEc included Kazakhstan, Belarus, Russia, Kyrgyzstan, Tajikistan, Armenia and Moldova. Ukraine had observer status.

¹ But see Breslin 2004, and Yevstigneyeva & Yevstigneyev 2004.

An agreement by Russia, Ukraine, Belarus and Kazakhstan to form a single economic space was almost simultaneously ratified by all four countries in the spring of 2004. At the Yalta (Ukraine) summit in May 2004, presidents of the member states selected areas for prospective cooperation and prepared documents to discuss at the next meeting. The September 2004 summit in Astana (Kazakhstan) saw them signing an agreement to levy the value-added tax on a destination-country principle. A High-Level Group was vested with the task to ease border crossings for citizens of the member states. More than two dozens of documents that lay the foundation of the single economic space legal structure have been prepared for the planned July 2005 meeting. By May 2005, 93 drafts of the interstate legislation covering various aspects of institution building, governance, and policy coordination within the regional grouping framework were ready for signing.

It must be noted that the four post-Soviet states that have signed the agreement on creation of a single economic space have much in common. The three non-Russian participants – Ukraine, Belarus, and Kazakhstan – all have significant Russian minorities. They all exhibit significantly higher degrees of society's penetration by the Russian language, culture, and ethnicity than all the rest of the post-Soviet states, save Latvia and Estonia. However, the Baltic languages are not kindred to the Russian, and Baltic nationalism draws on historical traditions very much opposed to the Russian tradition. The status of Russian population in Belarus and Ukraine is different, since host nations there belong to the same East Slavic family as Russia, and by and large perceive Russians as their next of kin. Historical memories of Russians, Ukrainians and Belarusians converge on the same medieval state of Kievan Rus, ostensibly a “cradle” for all three, on shared experiences of life in the Slavic-Orthodox empire of the Romanovs, and on the same high points of Soviet socialism, including victory in the Great Patriotic war against Nazi

invaders. A high degree of social and economic compatibility that exists among the four participant states is further buttressed by generally high degree of mutual acceptance and trust they exhibit toward each other.

However, alarms have been raised of Russia using the reintegration drive in the post-Soviet space to pursue its own, narrowly defined unilateralist agenda. Ukraine in particular was worried about implications of the single economic space agreements for its national sovereignty and prospects for European integration and World Trade Organization membership. As if responding to this, Andrei Kokoshin, the chair of the Committee on the Commonwealth of Independent States in the Russian Parliament, has noted: “Participation in the SES [single economic space] by four countries in no way prevents them from integration in the world and European economies. However, if we want to participate in this process decently, we first need to make our economies competitive. In order to do this, we need strong rules and code of behavior” (*RIA Novosti*, 24 May 2004).

A concern over the heretofore soft rules and lax normative discipline within the Commonwealth of Independent States is not overrated. In the Commonwealth's first year of existence, more than 200 documents were signed, yet few of those were controlled, let alone implemented (Voitovich 1993). Five years later, the number of signed agreements jumped to 600, but monitoring them remained a “difficult challenge” (*OMRI Daily Digest*, 3 May 1996). Ukrainian President Leonid Kuchma went on record complaining “that a shapeless organization like the CIS [Commonwealth] has no future” (*OMRI Daily Digest*, 13 February 1995). By 1999, even the pro-Russian President of Belarus Alyaksandr Lukashenka became convinced that the Commonwealth of Independent States was “deprived of any prospects for development” and played “no part even as a political club” (*Jamestown Foundation Monitor*, 7 October 1999). The 2001 summit was snubbed by leaders of Georgia and Turkmenistan. This time, it was Putin's turn to raise the

issue of the organization's effectiveness. In 2004, Lukashenka chose to ignore the Moscow summit. By that time, the Commonwealth had 1,417 documents under its belt, yet none of those had been either enforced or implemented in full. Only 803 of these documents had been formally enacted by the end of 2003. (Kreml.org, 26 August 2004).

The move from the Commonwealth of Independent States to the idea of a single economic space reflected both mutual disappointment and mutual desire on the part of the "big four" to get it, finally, right (cf. Olcott, Aslund, and Garnett 1999). It must be noted that reintegration efforts in post-Soviet space, typically represented as little more than Russia's bid to reassert hegemony over its former borderlands, have been driven from more than one quarter and by more than one engine. Kazakhstan in particular is another motor of integration, as witnessed by President Nazarbayev's repeated declarations of a unique "Eurasian Union," "Eurasian economic cooperation" and so on.

Kazakhstan's President Nursultan Nazarbayev started pushing reintegration even before the formal dissolution of the Soviet Union. When it, nonetheless, happened, and the formerly unified economic complex burst apart, Nazarbayev sought to justify his ideas with references to not only inherited economic ties and trade flows, but also to values and identities presumably shared by Kazakhs and Russians alike. Kazakh diplomacy was instrumental in the establishment and successful functioning of the Eurasian Economic Community (EurAsEc), where Russia and Belarus join Central Asian states of Kazakhstan, Kyrgyzstan and Tajikistan. Kazakh mediation has also facilitated creation of the Shanghai Cooperation Organization, where both Russia and China participate, and the launch of the Conference on Security and Confidence-Building Measures in Asia with 15 other countries. Seeing the 21st century as "the century of Eurasia's blooming development," Nazarbayev has based his hopes for peaceful coexistence of Islam and Christianity on

what he reads as "centuries of mutual enrichment of Slav and Turkic peoples" (2002). In this vision, Eurasian regionalism is recognized as a way to "construct new bridges of mutual understanding and cooperation between states and nations" (ibid.).

By the end of 2005, Kazakhstan emerged as the strongest supporter of the single economic space project, perhaps, overdoing Russia itself in its own game of regional integration centered on restoration of the post-Soviet ties. Russia's rapprochement with the United States in the wake of September 11 did not change the strategic calculus that moves Eurasian integration. Speaking at a recent international conference at Lev Gumilev University in Kazakhstan, Putin has once again claimed Russia's Eurasian inheritance, noting that "Russia is the very center of Eurasia" (*RFE/RL Newslines*, 18 June 2004). At the third Eurasia Media Forum, Nazarbayev (2004) drew attention to the "contradiction between globalization and national statehood," decried "structural imbalance of the world," and insisted that the "ratio between liberalization and security" must be regionally determined. The ties between the two countries grew stronger in response to intensification of the Anglo-American oil and gas interests in and around the Caspian, as well as growing United States military presence in Uzbekistan, Kyrgyzstan and Georgia.

b) Ukraine and the GUUAM

A completely different movement in the post-Soviet regional integration is represented by the Baltic states' joining the European Union in 2004. However, the Baltic states were never members of the Commonwealth of Independent States. Ukraine, on the other hand, has been associated with the Commonwealth from its inception. At the same time, Ukraine has always been suspicious of the Commonwealth as a presumed vehicle of Russian potential

hegemony. This attitude has impacted on the organization's effectiveness and the quality of regional integration within its framework. From the Ukrainian point of view, the Commonwealth proved stillborn in no small part because of its over-reliance on the "Eurasian" ideology, which some countries saw as an "imperial version of Russian nationalism" (Laruelle 2004). In the mid-to-late nineties, the Ukraine-led GUUAM (Georgia-Ukraine-Uzbekistan-Azerbaijan-Moldova) gained momentum as a chief opponent of the so-called "Russian Four" (Russia-Belarus-Kazakhstan-Kyrgyzstan), the countries that formed the core of the Commonwealth of Independent States customs union and its various collective defense agreements.

Ukraine's decision to break up the Commonwealth of Independent States came in the wake of the apparent failure of its 1997 Chisinau summit. With the blessing of the West, Kiev moved on to conclude bilateral agreements with the countries of the southwestern post-Soviet periphery, each with its own grudges against Moscow. Georgia and Moldova were less than happy with the Commonwealth of Independent States peacekeeping operations, Azerbaijan saw Russia favoring the Armenian side in the Nagorno-Karabakh conflict, while Ukraine sought to break its energy dependence on the Russian monopolists with Azerbaijan's assistance.

To a varying degree, all four laid claims to a "European" identity, in contradistinction to its alleged opposite, the Eurasian identity championed by Nazarbayev and such Russian politicians as Vladimir Zhirinovskiy or Evgenii Primakov. These states regarded themselves well positioned to eventually enter the European structures of economic cooperation and security by moving as far away from Russia as possible. All four saw Russia's reintegration efforts as a threat, thus seeking to counterbalance with regime building premised on the "European" idea.

The 1997 Ukrainian-Georgian "Declaration of Two" stated a need of a "counterbalance to unions and alliances

within the CIS" (*Izvestiia*, 29 October 1997). The idea of the Commonwealth of Independent States (in effect, Russian) peacekeeping in such zones of conflict as Abkhazia or Transdnister was countered with Ukraine's proposal to send its own peacekeepers on the conditions agreed upon with Georgian and Moldovan governments respectively. The April 1999 summit of the Commonwealth saw Georgia, Azerbaijan and Uzbekistan withdrawing from the Collective Security Treaty, with Uzbekistan formally joining the GUUAM soon thereafter.

The GUUAM's coming into being was symbolically announced in Washington during the NATO summit that has historically redefined the mandate of North Atlantic Alliance. Responding to these developments, Vladimir Putin, then acting as a Secretary of the Russian National Security Council, urged Russian-Belarusian unification as "a strategic task" that must be pursued further.

However, the "escape to the West" strategy that Kiev and Tbilisi adapted from the Washington drawing board remained an exercise in futile rhetoric. During the January 2000 meeting of the Commonwealth of Independent States all of the GUUAM members endorsed Putin as the Chairman of the Commonwealth of Independent States Heads of State Council. The meeting adopted a Russia-sought resolution, following which the GUUAM defense ministers' meeting was cancelled. All events at the summit indicated that would-be defectors continued placing "bilateral concerns with Russia above all else" (Miller 2000). Ukraine's behavior at the summit was in line with more conciliatory toward Moscow attitude, which had been earlier revealed in Kiev's decision to join, in March 1999, the Inter-Parliamentary Assembly of the Commonwealth.

The March 2001 meeting of the GUUAM members, which was supposed to move forward the process of its institutionalization, had been postponed on requests from Azerbaijan and Moldova. Well before the summit, Moldova's President Petru Lucinschi noted his disinclination

to proceed with the creation of formal organization. His successor Vladimir Voronin was even less willing to alienate Russia. Georgia was fast to dissuade Moscow's concerns over the rumors that the GUUAM might develop a separate military agenda. After Russia's refusal to attend the June 2001 Yalta summit of the GUUAM as an observer, Ukraine's president Kuchma turned down other international observers, too.

Most GUUAM decisions remained on paper. In June 2002 Uzbekistan announced that it was "suspending" its participation in the organization "because of the lack of progress in its activity" (Pravda.RU 2002). Tashkent's interest in the GUUAM declined in parallel to the intensification of its economic relations with Russia and China and its military ties to the United States, which brought in about \$100 million in aid annually since 2001. GUUAM reverted to GUAM, and no one else but the Office of the United States Secretary of Defense tried to revive the moribund organization by various measures designed to assist its member states "in designing and implementing new cooperative agreements" (Marshall 2002). Finally, the 2004 revision of Ukraine's military doctrine "lost" its previous reference to the country's aspiration to join NATO and the European Union, which some analysts saw as "a further nail in the coffin of the GUUAM alignment" (*RFE/RL Newslines*, 29 July 2004). With Moldova equally adrift, GUUAM's summit, planned for June 2004, was postponed until further notice.

The December 2004 orange revolution in Ukraine revived its drive toward the West and away from Russia. With the nudging of the United States, GUUAM was resuscitated and, once again, pointed against Russia. The four countries' leaders met on 22 April 2005 in Moldova, still dizzy with the success of "velvet" revolutions that brought pro-western regimes to power in Ukraine and Georgia. While Uzbekistan was not represented, an equally authoritarian Azerbaijan was welcome at the summit in the

person of its president Ilham Aliyev, who urged extended regional cooperation. President Yushchenko of Ukraine took the lead in the discussion. "Our goal of creating a zone of stability, security, and prosperity is tightly linked with the European Union, and it should be [achieved by following] European rules and standards," he said (Saidazimova 2005). However, the very next phrase betrayed the sorry state of the grouping: "I think in order to achieve it, we should enhance our cooperation, we should create a new international regional organization based on GUUAM that should have its own office, its own secretariat, and its own plan of actions." GUUAM's institutionalization remains the task for the future, and were it not for the western prodding and driving, the summit itself might not have happened.

Hence, GUUAM, just as the Commonwealth of Independent States, had never really taken off. GUUAM's degeneration into a state close to oblivion can in no small part be attributed to its failure to create a solid regional economic foundation for the grouping in the form of a customs union or an economically viable free trade area. This shallow effort of mostly rhetorical opposition to Russia's regional integration drive has not brought about dividends that were hoped for, as none of the participants got any promise of the eventual affiliation with the European Union. While Uzbekistan could satisfy its ambitions of a privileged relationship with the West via direct United States patronage, the European members of the GUUAM have found themselves symbolically excluded from Europe, even though the May 2004 entrants included most of the Eastern and Central European nations.

The Role of the European Union

Post-Soviet states' regional politics could not but be influenced by the West. Russia's well-known vacillation between Atlanticism and Eurasianism and the trajectory it

foreign policy took on the way from the cold war to strategic partnership with the United States to a new round of “cold peace” over Ukraine’s election 2004 demonstrate this influence well. Other states of the region are even more vulnerable to outside pressures. For all these countries, Russia remains the main energy supplier, military superpower, and most reliable export market. On the other hand, association with the European Union promises stability, prosperity, and prestige that are due to the elite club of developed nations. Adopting a European, a Eurasian, or an Eastern Slavic orientation carries respective rewards and penalties. For Ukraine, a typical “torn” country in Samuel Huntington’s (1996) sense, the choice of foreign policy orientations is further complicated by the identity preferences of the people, half of which speak Russian language at home and a quarter of which define their ethnicity as, to a varying degree, both Ukrainian and Russian (Arel and Khmelko 1996; Khmelko et al. 1997). The choice of regional association for such countries as Ukraine or Georgia becomes uniquely important as an adaptation strategy in the ongoing quest to find a proper niche in the global society and economy.

While discussing dilemmas of regional integration in the post-Soviet space, we should not forget that a number of the ex-Soviet member states “have chosen a European identity, but in no country is that identity finally fixed” (Light, White and Löwenhardt 2000: 87). Torn between globalization and regionalism, GUUAM members in particular have acquired a habit of turning a pro-western face to the West and a pro-Russian, Eurasia-oriented profile to the Russia-led groupings. Steadfast westernizers in Ukraine, such as Foreign Minister Borys Tarasyuk, have claimed that “we do not consider ourselves as belonging to Eurasia. We believe ourselves to belong to Central and Eastern Europe” (Burke 1999). Other ministers had other opinions, and the president seemed to oscillate on the issue. Kuchma’s presidency started with a statement that “historically,

Ukraine is a part of the Eurasian economic and cultural space” (*Uriadovyi Kurier*, 21 July 1994) and ended with a pledge of a “continued partnership with the American people” and a desire “to join the Atlantic community” (*Washington Post*, 8 December 1999). However, Ukraine’s problem was the attitude of the West, as the European Union in particular was in no hurry to embrace Ukraine as a prospective candidate for membership.

Some post-Soviet countries attempted to emulate the strategy pioneered by the East Central Europeans and to secure a ticket to the affluent western club by merely distancing themselves from Russia, the Europe’s perennial “Other” (Neumann 1999). This strategy of “geopolitical bluff” (Arel 2001) seemed to work well with the United States, but less well with the European Union, dependent as it is on the continuing supplies of Russian energy. Be it for this or for some other reasons, Europe’s embrace of Ukraine and its GUUAM partners has been less than enthusiastic. While the European Union has become Ukraine’s largest donor, contributing €1.072 billion total from the Community funds in 1992-2002 alone, it kept discriminating against Ukraine in trade, market access, and foreign direct investment. Other GUUAM countries felt even less welcome, especially in comparison to their Eastern and Central European neighbors.

Europe looked at the post-Soviet region, with the sole exception of the three Baltic states, with a good measure of disdain and apprehension. The Partnership and Cooperation Agreements, extended to Ukraine and some other post-Soviet states, did not address the issue of future membership, carried no formal obligations and were largely advisory in nature. Meanwhile, agreements leading toward prospective membership were offered to Eastern and Central European countries with the similar state-socialist background.

The decision resulted in Europe’s factual division into three groups of states: the European Union members, candidates for membership, and non-candidate “partners,” or

the acknowledged “neighbors,” in current parlance. Kiev was left with a feeling that European leaders consigned Ukraine to a limbo of unrequited dreams. This was a hard blow for those who, together with Tarasyuk (2000), believed that they were no different from “Eastern Germans and other former Warsaw Pact countries...separated from the European mainstream for decades.”

Meanwhile, relations with the European Union were dominated by concerns over alleged post-Soviet “dumping” of textiles, coal and steel products on the European market. Two thirds of Ukraine’s exports to Europe belong to the so-called sensitive group, which includes metals, textiles, agricultural produce and chemicals (Olcott, Åslund and Garnett 1999: 198). It took some time before the European Union had finally granted Ukraine the status of a transitional economy. Antidumping measures were in full swing until October 2000, and had cost Ukraine millions of dollars. Even then, Ukraine was not granted a full market economy status, and negotiations to that end continued at the beginning of 2005.

At the turn of the century, the focus of European concerns had shifted from mostly economic and environmental issues to mostly political and legal agenda. Post-Soviet states clearly lag behind Eastern and Central Europe in this regard. Corruption is rampant, market reforms – sluggish, and democracy – uncertain. The idea of these countries’ “natural place” in the European family of nations cannot but provoke healthy skepticism.

Associated membership in the European Union is now officially proclaimed as “the main foreign policy priority of Ukraine in the middle-term perspective” (Strategy 2000: 75-76). All government departments are offered “guidelines to the integration process,” which cover such areas as approximation of legislation to the European Union standards, liberalization of trade and limitation of protectionist measures, cooperation in foreign policy and security, democratic consolidation, reform of social policy,

regional and sectoral cooperation, and protection of the environment. European integration is assertively articulated as a mainstream strategy for the country’s political, social, and economic development. “Our place is in the European Union,” proclaims Viktor Yushchenko (2005). “My goal is, Ukraine in a United Europe.”

It is this strategy that guides Ukraine’s perceptions of reintegration drives with other post-Soviet countries, and the single economic space agreement in particular. It was not by accident that the Verkhovna Rada (parliament) of Ukraine reacted to the creation of the single economic space with a qualifying statement. The statement, dated 17 September 2003, insisted that any institutional and policy developments within the single economic space framework must be conceived and implemented in such a way that would not jeopardize Ukraine’s progress toward its avowed goal of the European and Euro-Atlantic integration. In addition, parliamentarians in Kiev were quick to point out that all activities within the realm of the institutionalized single economic space should be guided by Ukraine’s overarching goal of speedy accession to the World Trade Organization.

However, Ukraine’s desire to take advantage of globalization by jumping on the European Union’s bandwagon was scoffed upon by the EU Commission. Romano Prodi’s dictum that “Ukraine has as much chance of joining the European Union as New Zealand” (*Christian Science Monitor*, 26 January 2005) reflected a feeling of detachment, which deepened with the “big bang” enlargement of 2004. Ukraine was left behind, as Europe pressed its newest entrants to keep their eastern borders shut. In 1999-2004, Europe protested Ukraine’s parody of elections and suppression of free media. The March 2003 Joint Report, although proclaiming an “intention to consider a new proximity policy” toward Ukraine, raised Europe’s concerns over judicial reform and implementation of legislation, media freedom, and the rights of journalists (European Commission 2003, pp. 3-5). Finally, the “orange

revolution” notwithstanding, European Union External Relations Commissioner Benita Ferrero-Waldner dismissed Viktor Yushchenko’s requests for an associate membership, offering a wider “neighborhood policy” instead (*Kyiv Post*, 21 January 2005).

As Ukraine’s example shows, a Commonwealth state’s road to Europe looks longer than that of Turkey, which applied 18 years ago. These facts perpetuate the feeling of exclusion. They also add momentum to the regional integration projects, such as the Russia-led single economic space. It is instructive to see that, despite initial declarations to the contrary, the pro-western president of Ukraine confirms intentions to pursue a course of closer cooperation with Russia within the framework of the single economic space. Eurasian regionalization is in many respects a logical and the only viable course of adjustment that can benefit a post-Soviet country finding its way in the global market economy. Transnational regionalism is not intrinsically opposed to the spread of global markets. In fact, it must be perceived as a stepping stone in the ongoing process of global market integration. Transnational regionalism based on restoration of the lapsed economic ties among ex-Soviet states may well be preferred to the European integration run and overseen from Brussels. While the European Union shapes the applicant countries in its own image, thus imposing significant costs of accession and initial adjustment, regional integration within the boundaries of the Commonwealth of Independent States does not require these states to incur similar costs. On the contrary, it may revive the industrial potential that these countries inherited from the former Soviet Union, but could not maintain and wasted in the agony of their post-communist transitions.

Conclusion

An ex-Soviet state, such as Ukraine, Uzbekistan, Moldova, or even Georgia can not but oscillate between moving closer – pulling away from Russia, which remains the center of gravity for the whole region. These periodic comebacks to Russia are often seen as being deliberately orchestrated from Moscow. However, they can be also read as the nation’s attempts to find its proper place in the regional niche that provides some shelter from the harsh winds of neo-liberal globalization that sways the world.

A well-known neo-liberal argument represents regional trade blocs as antipodes of globalization. Hence, the requirement that every state joined the World Trade Organization and eliminated remaining tariffs and non-tariff barriers to trade that impede free flow of economic transactions across the national boundaries. Significantly, such demands are presented in a vigorous and inflexible way to the developing and transitional economies across the globe. At the same time, developed economies of the West seem to be happy with both continuation of the numerous barriers to trade they erected on their borders to prevent less fortunate countries from getting in, and the creation of regional trade blocs that effectively exclude or marginalize outsiders. Under these circumstances, appeals to “join with the West” made by the adepts of neo-liberal globalization and addressed to the post-Soviet countries sound not only shallow, but increasingly hypocritical. Such appeals may have but one real goal: to stop regional integration in Eurasia in its tracks, thus making these countries more vulnerable economically and perpetuating their exposure to the whims of global market economy.

In fact, regional integration of the post-Soviet states is not a movement opposite or contradictory to globalization. Protectionist policies of the European Union, trade

restrictions and domestic subsidies practiced by the NAFTA members and a number of similar measures observable across the world ostensibly do not undermine the principle of free trade. Regional integration across the world from the ASEAN to the MERCOSUR has been perceived as a natural, if not entirely neoclassic, development in these markets' progressive evolution. By a similar token, creation of a single economic space on the basis of most capable and willing Commonwealth of Independent States members should be applauded, not decried, by international observers. Regional integration in the post-Soviet space will allow these countries to develop their economic potential together and to prepare better for their synchronized entry into the World Trade Organization. Regionalism will therefore pave the way to globalization of these countries' economies on the basis of their full-fledged participation in the international division of labor. If the single economic space project works, post-Soviet states may enter global economy as respected players, and not as supplicants, resource appendages, retail markets, or sources of cheap labor.

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