

Is There a Chance for Constructive Cooperation in the CIS?

PONARS Eurasia Policy Memo No. 68

Irina Kobrinskaya

Institute of World Economy and International Relations

September 2009

Developments after the August 2008 Russia-Georgia war have signaled increasing dynamism and complexity in the post-Soviet space. On August 7-8, the short period of relative calm that existed after the color revolutions ended overnight, and the region again emerged at the forefront of world politics. Meanwhile, both the disposition of actors in the post-Soviet space and Western approaches to the region began to change, influencing relations within the Russia-Europe-United States triangle and beyond.

Optimistic forecasts for trilateral cooperation in the post-Soviet space appear naïve, given the situation on the ground. Without cooperation or agreement in this area, however, it is clear that none of the relevant states will be able to effectively fulfill their diverse global and national agendas.

Russian Policy in the CIS: Going Nowhere

Russia defined its strategy in the Commonwealth of Independent States (CIS) just after the August 2008 war with Georgia and Moscow's subsequent recognition of Abkhazian and South Ossetian independence. At the end of the month, President Dmitri Medvedev asserted that Russia would seek to "pay particular attention" to regions where Russia has "privileged interests." In these regions, it would "build friendly ties" with countries "with which we share special historical relations and are bound together as friends and good neighbors." Although this outspoken geopolitical rhetoric was sharply criticized in the West, it was the logical conclusion to the assertive political course established by former Russian president (and current prime minister) Vladimir

Putin in 2007.

Russia's claim to an intensified relationship with its post-Soviet neighbors, however, remains just that. A year after the Georgia war and the Russian declaration of an "enhanced" CIS strategy, most foreign and domestic specialists and politicians perceive a stalemate, and even failure, of Russian activity in the post-Soviet space.

First, despite the expectations of many observers, Russia did not take advantage of the unique opportunities that the global financial crisis presented to promote financial integration within the CIS. In February 2009, the states of the Eurasian Economic Community (Eurasec) resolved to establish a \$10 billion anti-crisis fund, with Russia contributing three-quarters of this sum; however, the procedures for its establishment had yet to be finalized by the end of the summer. Meanwhile, instead of undertaking a comprehensive strategic "reset" of the financial and economic foundations of the CIS, Russia pursued a traditional policy of lavish, and seemingly unconditional, bilateral aid to Kyrgyzstan (\$2 billion), Belarus (\$1.5 billion), Armenia (\$500 million), and, even in spite of tensions, Ukraine.

This largesse has produced limited results. Kyrgyzstan, which in February announced the termination of the U.S. military presence at its Manas airbase, subsequently reversed course after successfully raising U.S. rent for usage of the base. Even Belarus dramatically enhanced its Western orientation, eagerly joining the EU's Eastern Partnership, a mechanism that provides relatively modest and strictly conditional support to its participants. Belarus is also one of six post-Soviet states (together with Moldova, Ukraine, Armenia, Azerbaijan, and Georgia) that openly pursue independent multivector foreign policies and that consider their European orientation to be no less valuable than their CIS one.

Even less consequential was Moscow's gambit regarding membership in the World Trade Organization. WTO membership has been a key priority of the Kremlin for the last eight years, and it remains a condition for concluding a desired agreement on free trade with the EU. The announcement that Russia would now pursue membership not on its own, but as part of a customs union made up of itself, Belarus, and Kazakhstan prompted various concerns. Putin made the declaration during a trade war with Belarus and amid tensions caused by Belarus' active participation in the Eastern Partnership. Not only is there no precedent in the WTO for such a situation, the decision aggravated negotiations over a strategic partnership agreement with the EU.

The announcement about the WTO clearly signaled Russia's intent to grant higher priority to regional integration in the CIS than to global economic integration or strategic partnership with the EU. Some observers interpreted this as a sign of tension within the ruling Russian tandem; others saw it as an attempt to pressure Western partners with whom Russia had yet to conclude negotiations. The latter interpretation appears to be closest to reality; a few weeks later, coinciding with preparations for U.S. President Barack Obama's July 2009 visit to Moscow, officials acknowledged that Russia might continue to pursue independent negotiations on its WTO membership.

This inconsistency, whatever its source, evinced a lack of strategic vision by Russia's ruling elite regarding "the zone of its privileged interests." Russia's post-Soviet

neighbors have perceived this ambiguity and feel that Moscow is using them as bargaining chips in its relations with the West, giving these states all the more reason to develop multivector foreign policies.

Even more harmful for Russia's image in its "near abroad" was the decision to limit the number of migrant workers from CIS states, due to the financial crisis and the ensuing growth in Russian unemployment. This was accompanied by the spectacle of Russia's prosecutor-general blaming immigrants for the country's worsening criminal situation. While reducing labor migration has done nothing to improve Russia's socioeconomic situation, it has caused a rise in xenophobia and anti-migrant crime. It has also deprived hundreds of thousands of families, citizens of Russia's neighboring allies, of their only source of income.

Moscow's policy in energy, a sphere of critical importance, has not only been controversial but without gain. Russia has tried to monopolize the largest sources of oil and gas in the CIS in order to prevent its hydrocarbon-rich members from participating in projects designed to bypass Russia. Currently, the most hotly contested pipeline is the southern Nabucco pipeline, which competes directly with the Russian South Stream pipeline to be constructed across the Black Sea. Kazakhstan and Uzbekistan have refrained from supporting the Nabucco pipeline out of loyalty to Russia, while Turkmenistan has promised to provide Nabucco with gas, but without making any formal commitment.

The most recent gas competition between Europe and Russia has been over Azerbaijan. In July 2009, Moscow signed an agreement with Baku to buy 500 million cubic meters of gas at \$350 dollars per thousand cubic meters (by way of comparison, Russia resold Central Asian gas to Ukraine in the second quarter of 2009 for roughly \$260/tcm). Although this contract is not profitable for Russia, it is seeking to increase imports from Azerbaijan in order to reduce the attractiveness to Baku of the Nabucco option; Moscow believes it can make up its initial losses after gas prices rebound. This is not a guarantee, however, as European consumption of Russian gas fell more than 50 percent in the first quarter of 2009, even as Europe's total gas demand declined by only 4-5 percent. While Gazprom's share of European gas imports increased again by the summertime, the EU still seems serious about diversifying its energy supplies.

In addition to pursuing a potentially profitless strategy in Azerbaijan, Russia has continued to pursue contradictory policies to ensure secure transit routes for its gas to Europe. On the one hand, it has tried to get the EU and Ukraine to consent to a kind of trilateral transit consortium, in which Russia would share responsibilities and costs, maintain as much control as possible over transit pipelines, and be assured a stable market in the EU. On the other hand, Russia has continued to try to bypass both Ukraine and Belarus with alternative pipeline projects. At the peak of the Russian-Belarusian dispute earlier this year, Moscow began construction on the Baltic Pipeline System-2 (BTS-2) to the Gulf of Finland, a project announced several years ago to bypass Belarus.

Since the Georgia war, Russia's greatest blow in the CIS has been in the security sphere. Russia's demonstration of its readiness to use force did not prove to be a sufficiently strong lever to convince CIS states to recognize Abkhazia and South

Ossetia. Although the Collective Security Treaty Organization (CSTO) was not specifically designed to counterbalance enlargement of the North Atlantic Treaty Organization, but rather to serve as a guarantee of security in Central Asia, its non-Russian members have shown little enthusiasm for strengthening the alliance. Uzbekistan refused to sign an agreement on CSTO rapid reaction forces, while Belarusian president Aleksandr Lukashenko boycotted a CSTO summit to protest Moscow's economic sanctions. In reality, Belarus' security interests have little in common with the CSTO agenda of promoting stability in Central Asia. Indeed, for most CSTO members, the organization is more a way to demonstrate loyalty to Russia than a real mechanism for collective security.

Since declaring its "privileged interests" in the CIS, Russia has neither concentrated on the region nor elaborated a comprehensive strategy for it. In practice, the CIS remains a lever for Moscow to strengthen its position in its relationship with the West, or, more accurately, within the Euro-Atlantic framework in which Russia seeks to assert itself as an equal partner. Thus, despite protesting against Ukrainian and Georgian cooperation with NATO, Russia itself has fully restored cooperation with the alliance, particularly in Afghanistan. Suspicious of the enthusiasm of western CIS states about the Eastern Partnership, Moscow also continues to view full-fledged strategic partnership with the EU as a top priority and the only pathway for Russia's modernization. In practice, such ambivalence leads to negative outcomes from both directions: CIS states strengthen their non-Russian, non-CIS orientations, while Western partners continue to abstain from closer relations with Russia, which is not always convincing in its claims of sharing a common "Euro-Atlantic" identity.

The EU's Eastern Fatigue

Due to institutional challenges, difficulties with earlier rounds of enlargement, and fallout from the global financial crisis, the EU has recently become much more reserved in its approach to the post-Soviet space, including Russia. Unending political instability in Ukraine and Georgia, coupled with the January Russian-Ukrainian gas conflict, seems to have further narrowed the EU's agenda in the post-Soviet space. Brussels now concentrates on two issues: energy security and stability. On energy security, it has reinvigorated its efforts to bring the Nabucco project to fruition, intensifying its negotiations and bargaining with potential suppliers and transit states. Simultaneously, the EU continues to pursue the more familiar and less expensive option of modernizing the Ukrainian pipeline system. With regard to regional security, the EU aims to "civilize" its eastern neighborhood without having to promise EU integration through the cost-effective Eastern Partnership. The EU also continues to be a key player in post-conflict regulation in the Caucasus, a role Russia itself encouraged as an alternative to the involvement of the United States, NATO, or even the already established Organization for Security and Cooperation in Europe (OSCE).

Nonetheless, Brussels seems to be suffering from Eurasia fatigue; long-standing attempts to raise the post-Soviet space to European standards have met with many barriers. Brussels still proclaims its interest in strategic partnership with Russia and openness for cooperation, but Europeans generally consider the ball to now be in Russia's court. The EU wants to strengthen its energy security and is even willing to

amend those principles of the Energy Charter that do not suit Moscow; Brussels is waiting for clarification of Russia's position and new proposals for negotiations. Finally, the EU welcomes Russia's initiative for a new European security architecture, but in this matter, too, it awaits details of Moscow's vision for European and global security.

A New Opportunity for the United States?

The new U.S. administration, more than either the previous administration or the EU, is both enthusiastic and proactive about Russia and post-Soviet Eurasia. This is a paradox: Obama's foreign policy and security priorities lie mostly beyond the post-Soviet space; however, issues like Afghanistan and nuclear nonproliferation cannot be productively tackled without Russia's full-fledged cooperation.

For the sake of these agenda items, Washington has withheld sharp criticism of Russian domestic politics and has exhibited a willingness to compromise with Russia on the question of military bases in Central Asia. It avoids irritating Russia by making far-reaching promises of NATO membership to Ukraine and Georgia. Washington might also take the initiative to elaborate a new format for engaging Russia on missile defense. The "D-Day" for the present stage of renewed U.S.-Russian cooperation is December 6, 2009, the deadline for renegotiating a new strategic arms control treaty. Success in this sphere will enable Russia and the United States to contemplate going further, to elaborate a new comprehensive security treaty for Europe, for example, or devise effective new measures to prevent nuclear proliferation.

If asked whether they consider themselves to be European or Asian, most Russians will affirm their and their country's European identity. Russia's ruling elite recognizes there is no alternative to cooperation with Europe and the United States, if Russia is to continue on the road of modernization. Still, for a number of reasons, Russia is still undecided on the matter of its civilizational identity.

Now is a good time to gently push Russia in the direction it has asserted many times: toward a Euro-Atlantic community of which the CIS is a natural part. In a time of global transition, it is worth considering how to create an Entente of the twenty-first century, as it is practically impossible to confront either current or imminent global challenges without a cooperative Russia.

PONARS Eurasia publications are funded through the International Program of Carnegie Corporation of New York.