

The Reintegration of Eurasia: Functional Theory and Interstate Policy Coordination

Gregory Gleason
University of New Mexico
gleasong@unm.edu

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Abstract

The agreement signed in October 2000 by the presidents of Belarus, Russia, Kazakhstan, Kyrgyzstan, and Tajikistan to establish a Eurasian Economic Community (EAEC) goes substantially beyond previous measures to support policy integration in Eurasia. The agreement represents the most significant regional effort to harmonize visa, customs, tax, and trade policies since the disintegration of the USSR. The EAEC signatory states share the goal of establishing a common economic space in Eurasia, yet the parties have widely differing goals and capabilities. The EAEC framework combines both functional integration and constitutional approaches. This article surveys theoretical arguments for integration and applies these to the empirical circumstances of the Eurasian region. The article argues that the EAEC combines elements of both functional and constitutional approaches to integration and concludes that prospects for successful policy integration as a result of the EAEC are good.

Heads of state of Russia, Belarus, Kazakhstan, Kyrgyzstan and Tajikistan met at a summit in Astana on October 10, 2000 to sign a broad Central Asian regional economic integration agreement. The agreement established the “Eurasian Economic Community” (EAEC). The agreement represented a realization of Kazakhstan President Nursultan Nazarbaev’s long-standing vision of improving economic integration among the Eurasian states. The agreement was modeled on other successful regional integration efforts, in particular, the European Economic Community (which has since become known as the European Union, EU), the North American Free Trade Agreement (NAFTA), the Association of South East Asian Nations, (ASEAN), and the Common Market of the Southern Cone (known as Mercosur).

The EAEC compact was designed to create a new framework for policy coordination among the Eurasian states. The EAEC compact is accompanied by a series of subsidiary agreements and implementing decrees that address disagreements among the states that have arisen out of disparities in customs, tariffs, trade policies, and security provisions. The agreement also promises to introduce a visa-free travel arrangement for citizens of the signatory countries. When the EAEC announcement was initially made, it was met with some skepticism from analysts and some Eurasian politicians given the fact that past agreements have not always lived up to their objectives. The EAEC signatory states have broadly differing approaches to key trans-border policies. These differing approaches have frequently given rise to bilateral discord between Eurasian states and have bedeviled inter-state efforts to coordinate on a regional level. What grounds then are there for concluding that the new EAEC compact will successfully address policy differences and lead to greater coordination? This article surveys the key dimensions of

policy coordination among the Eurasian states, reviews theories of integration, and applies these theoretical insights to the analysis of current integration efforts.

Disintegration of the USSR and Policy Coordination

The achievement of true national independence was the principal aim of the parties that adopted the Alma-Ata Declaration (December 21, 1991) that brought an end to the USSR and established the Commonwealth of Independent States (CIS). Although all the signers of the Alma-Ata Declaration primarily sought political independence for their individual states, they were anxious to avoid disruption of the Soviet era “unified economic space” and limit the risk of fostering economic nationalism.¹ The signatories strongly supported the idea of maintaining closely coordinated CIS-wide economic policies through common monetary, customs, employment, tax, and investment policies.²

As the first years of post-communist rule unfolded, the countries’ leaders found that the countries were adopting individual policies that made close economic cooperation difficult to achieve and sustain. Soon it was apparent that the “unified economic space” of the Soviet era was simply shattered by the disruption of the transition from a single planned economy to many national economies moving at different rates toward market based relationships. The countries’ leaders witnessed this, participated in it, and also painfully acknowledged that it was taking place. In response, the leaders over the ensuing years adopted numerous agreements that were designed to reverse the disintegration and restore an institutional foundation for economic cooperation.

Acknowledging the need to restore some central coordinating entity or influence, the CIS leaders repeatedly undertook initiatives to coordinate a broad range of trade and commercial policies under the auspices of the CIS itself. In May 1993 the CIS heads of state adopted a declaration to establish an “Economic Union” and signed a corresponding economic union treaty in September 1993. The treaty was designed to foster a free trade area, create a customs union with reduced internal tariffs and a common external tariff, and establish a system for payments and settlements. The economic union treaty was buttressed by a series of implementing agreements on free trade (April 1994), payments (October 1994), and customs (January 1995), legal harmonization (January 1996), customs classification lists (February 1996), and railway tariffs (October 1996).

Much of the trade between Russia and the Central Asian states during this early period was not monetized but relied heavily on non-transparent barter arrangements. As a consequence, virtually all major commercial transactions between enterprises and firms quickly became political, involving direct intercession of government officials to guarantee the terms of the contracts and agreements. For instance, Turkmenistan gas producers sought market prices for natural gas deliveries, while Russian shippers, controlling the pipelines that delivered Turkmen gas to European markets, sought concessionary prices. The Russian and Turkmenistan governments were called up to resolve these commercial issues, quickly transforming the commercial deals into affairs of state. A similar example is the interaction between the energy sectors of Kazakhstan and Russia. For a long period of time after the Soviet collapse, the electrical grid of Kazakhstan’s northern oblasts was dependent upon electricity supplied by Russian power stations. The Kazakhstan government, anxious to maintain energy supplies to

northern municipalities, was leveraged into maintaining deliveries of metals and other primary commodities in exchange for avoiding disruption in heat during the Siberian winters. Tajikistan's major source of foreign exchange, aluminum from the massive Tursunzade aluminum smelter, had to be exported and marketed only through the Russian rail and delivery system—in competition with the large Russian aluminum trusts with extensive political influence in the Russian government.³

Many other examples from other sectors illustrate the extent to which commercial enterprises called up the governments to resolve their financial conflicts in ways that insistently transformed financial disputes into questions of inter-state diplomacy. Persistent one-upsmanship among the countries made sustained cooperation impossible. Faced with shirking and free riding, some countries sought to break out of the CIS multilateral framework to go it alone by forming bilateral and regional agreements. Kazakhstan's president Nursultan Nazarbaev was one of the first CIS leaders to openly criticize the failures of the CIS mechanisms to produce sustainable cooperative results. Nazarbaev observed as early as 1994,⁴

Since the time of the establishment of the Commonwealth of Independent States, roughly 400 agreements have been adopted. However, as yet there have been no substantive results because individual national governments continue to reject certain provisions and interpret the meaning of the agreements in their own interest.

Treaties were adopted and laws were put on the books, but the anticipated level of cooperation did not materialize. Trade within the former Soviet space continued to

decline and trade of the signatory countries with non-signatory partners continued to rise. The lack of cooperation is a long-standing and well-recognized problem that resulted from free-riding and shirking behavior of all the countries of the former USSR with respect to bearing the burdens and distributing the benefits of voluntary cooperation in the CIS structure.

The case of inter-state customs arrangements is illustrative. The former Soviet customs officials continued to function throughout the first half of 1992 on an ad hoc basis. Customs officials pledged to enforce the laws of the USSR until local statutes superseded them. In June 1992, a “single customs system” for eight republics, including Russia and Kazakhstan, went into effect.⁵ But the agreements did not coordinate, only standardize. Each of the states felt back upon self-help and began to develop independent customs capabilities. Visa requirements changed almost weekly. Russia nearly doubled its customs inspectors during 1992-1993 with personnel drawn from the military.⁶ Kazakhstan decreed the establishment of a border guard and developed legislation to establish a customs service.⁷ Construction was begun on inspection facilities on roads and rail lines on the Kazakhstan-Russian border.

In the early stages of the post-communist transition, many analysts maintained that the solution to the problems of reintegration was to be found in larger, more inclusive organizations, notably the World Trade Organization. But movement toward accession into the WTO was slow in some cases; in cases in which it was swift the expected results did not materialize. For instance, liberal minded Kyrgyzstan succeeded in modernizing its trade policies to the point that it became the first former Soviet state to join the WTO (December 1998), but still did not succeed in reintegrating into the former Soviet

economic space. Kyrgyzstan president Akaev complained that despite the fact that Kyrgyzstan was the first to join the WTO, Kyrgyzstan's trade with the CIS countries had fallen by 30 percent since the time of accession. Why? In the absence of an overarching coordinating entity, Akaev concluded, it was difficult to compel "fair play". Akaev explained that although Russia and Kyrgyzstan had agreed to common rates in charging customs fees and value-added tax, Russia insisted on charging the taxes on Kyrgyz goods at the point of origin while Kyrgyzstan applied the taxes at the destination. The policies were in principle mutually reinforcing, but in practice they were not harmonized sufficiently to work effectively.

Constitutionalism versus Functionalism in European Regional Integration

The circumstances of the Soviet collapse may be historically unique, but the difficulties of achieving mutually beneficial cooperative outcomes in such circumstances are not. These circumstances are quite common to states and constellations of state-like actors seeking to create a framework for collective action. The process of European integration provides a particularly important parallel for Eurasian integration. Today the European Union (EU) coordinates policy among the countries of Europe. The EU grew out of the experience of the Economic Commission for Europe (ECE) established in March 1947 with the aim of promoting economic development. A successor organization, the European Economic Community was created in May 1956 by European Foreign Ministers in order to facilitate region wide economic development. The European Community (EC) was established in April 1965 with the goal of integrating the European

Atomic Energy Community (Euratom), the European Coal and Steel Community (ESC), and the European Economic Community (EAEC or Common Market) to establish a completely integrated common market and an eventual federation of Europe. In November 1993 the EC became the European Union.

The predecessors of the EU viewed the gradual integration of the European economies as a means for coordinating local and world markets and reducing inter-state tensions. This goal was to be implemented through the gradual elimination of tax barriers and tariffs within and between the member nations. The member states would be brought closer together through a customs union, with free trade between themselves and a uniform trade with the rest of the world. The separate economies would function as one economy as regards the outside world, thereby reducing transaction costs. There was also a goal of achieve a certain amount of social equality among the states so that any citizen could enjoy the same rights and protections as others. The concept of establishing a free and level market also excluded discriminatory or preferential policies such as governments adopting policies that benefited their citizens at the expense of others and thereby distorted markets. The concept of a free market also required the adoption of freely convertible currencies and, eventually, the adoption of a common currency. In January 1999 eleven European countries formed the European Monetary Union (EMU) and introduce a single currency—the Euro.

What theoretical and conceptual foundations guided the “Uniting of Europe?” The two most important historical approaches to overcoming problems of collective action in the process of European integration are *constitutionalism* and *functionalism*. These two approaches led to significantly different conceptions for the uniting of Europe.

Functionalism assumes that the actors are reticent to compromise their sovereignty by allowing any outside, overarching entity to exercise authority over them. Functionalism assumes that incremental steps toward carefully defined mutually beneficial policies are more likely to lead to enduring forms of cooperation. In other words, functionalism allows the structures to emerge as a consequence of carrying out necessary functions. Functionalism is a decentralized approach. Functionalism asserts that trust and confidence is more likely to emerge out of successful process than out of successful “heroic” attempts to resolve all conflict through establishing coordination through hierarchy. What insights can these two approaches offer to the situation among the states of Eurasia?

According to a functionalist approach, regional integration proceeds as a result of the work of elites in the governmental and private sectors who support integration for pragmatic rather than altruistic reasons.⁸ Having expectations of gain from activity within a supranational organizational framework, elites tend to seek out similarly minded elites across national frontiers. In this way, integration, that is, the process "whereby political actors in several distinct national settings are persuaded to shift their loyalties, expectations, and political activities toward a new center," would attenuate the national identification of the individuals in favor of the supranational organization. As states collaborate and surrender some measure of sovereignty to supranational organizations, their governments learn habits of cooperation that induce further collaboration.⁹

Functionalist theory asserted a positive relationship between functional need and structural adaptation. If needs (or functions) were satisfied, the creation of complementary structures would follow.¹⁰ Because structures patterned behavior, states

would tend to cooperate more. The "expansive logic of sector integration," that is, the "spill over" effect of cooperation from one sector to another would gradually produce "automatic politicization." That is, economic integration of a group of nations would trigger a parallel political unity. As states collaborate and surrender some measure of sovereignty to supranational organizations, their governments learn habits of cooperation that induce further collaboration.¹¹ Consequently, functionalists prescribed deliberately inducing functions to encourage the conformance of structures. Some functionalists, notably Jean Monnet of France, asserted that the supranational organizations should find specific activities that were politically important.

Constitutionalism, in contrast to functionalism, assumes that actors agree to adopt rules that contribute to trust and confidence building and tend to limit free-riding, shirking, and other negative behaviors. This is usually accomplished by creating an overarching coordinating institution of some sort. Constitutionalism usually assumes that the organization develops sanctions and enforcement mechanisms to carry out its mandate. Constitutionalism provides that if the structure is established, the cooperative functions can be expected to emerge as a result.

Nation building--the process of amalgamation of local communities into the "nation" of the modern nation-state--was accomplished through the incorporation of peripheral communities into a larger, more powerful assimilating nation. Traditional realists speak of "lateral pressure" as the expansionist influences exerted by the nation-state. The process of state building has not always followed the same general lines. In the case of England, for instance, the state preceded the nation. In the cases of both Germany and Italy, the nation preceded the state. In the case of the United States,

the nation (the "American people") is the repository of strong political loyalty but not cultural identity. When centripetal forces generated by strong ethnofidelity were sufficient to legitimate a government that spoke for "the nation," territorial and sectoral differences were overcome and a nation-state was formed. But, when centrifugal forces were controlling, a different formula for maintaining the purpose and integrity of the state, that is, for maintaining "unity in diversity," had to be found. Diversity might be sectoral; the state might be divided between agrarian and commercial societies for instance. Or the diversity might be national; the state might be divided by strong and competing varieties of local nationalism.

The most important historical instrument in forging a modern nation-state actor when there was not a close fit between sectoral and state boundaries was the federal system. The federal approach called for defining the rights and specifying the responsibilities of the various parties to the political contract. The first federal system—the United States—endeavored to do this within a loose configuration of states. The Articles of Confederation were the unsatisfactory result. The U.S. Constitution put more centralization into the formula. Today we tend to think of a federal government as a kind of national government, but it was originally conceived of as a kind of supra-territorial if not supranational organization.¹²

The idea of establishing a federal system is premised upon the assumption that if the architecture of federalism is put into place, the processes will follow. The best way to get from a situation of fragmentation and ill-coordination, the proponents of a federal system argue, is to create a federal structure drawing constituents into a binding and mutually advantageous union. The political contract is pre-established by stipulation and

does not rely on incremental processes. Incrementalism is an invitation to obstacles: "The worst way to cross a chasm," say proponents of federalism, "is in little steps."¹³

The success of federalism as an instrument of conflict management in domestic situations encouraged many thinkers to embrace it as a solution to the problem of international war. John Stuart Mill, for instance, held that federal governments would promote world peace "because federal governments would be unable to wage any but defensive wars."¹⁴ Peace efforts in the aftermath of World War I resulted in the League of Nations, a type of loose federation. These efforts intensified after the onset of World War II as many people sought a solution to the endemic problems of the anarchic international system. Supporters of the "federal solution" saw the options starkly. As one put it, "the alternatives are war once in every generation or federalism."¹⁵ Another argued that the absence of federalism in Europe was the "main reason for the European wars, misery, and anarchy."¹⁶ Even Churchill was moved to observe that a European federal scheme might be the "surest of all guarantees against the renewal of great wars."¹⁷

The federal solution was carried into practical affairs with a variety of plans to unify Europe on a contractual basis. In 1950, Rene Pleven, then French Prime Minister, proposed the creation of a federated European Defense Community calling for the creation of an all-European army. Pleven's proposed collective security regime would limit the sovereignty of the individual European states in favor of a supranational European political organization. In an ironic replay of Woodrow Wilson's experience with the League of Nations, five of six states involved in the Pleven plan approved it; France rejected it and, in so doing, defeated it.¹⁸

The federal approach to European integration competed with the functionalist

approach. The functionalist vision of a gradually integrating Europe was first articulated in David Mitrany's celebrated essay *A Working Peace System*.¹⁹ Mitrany's idea was to promote the formation of economic, cultural, and intellectual communities that would bridge the cultural barriers of the nation-state and, eventually, transcend the European nation-states.²⁰ As Joseph Nye put it in his empirical test of the implications for international security of the functionalist theory, European functionalist integration would be an international order that built "Peace in Parts."²¹

Leading proponents of functionalism championed the idea of integrating the coal and steel markets as a first step in European economic liberalization.²² In 1951, the Treaty of Paris launched the European Coal and Steel Community.²³ Six years later, the Treaty of Rome created two new organizations, the European Economic Community (EAEC) and the European Atomic Energy Community (Euroatom). The European economic recovery, the German Economic Miracle, and the generally increasing economic momentum throughout the 1970s and 1980s have resulted today in European functional integration that is more successful than many early federal proponents would have thought possible. As Albert Bressand noted of the steps toward 1992, the Single Act, although once seen as a "modest document" has been the "catalyser of a change going beyond federalism and yet unaccompanied by the creation of the institutional framework that federalists see as the fundamental goal."²⁴

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European Foreign Ministers in order to facilitate region wide economic development. The European Community (EC) was established in April 1965 with the goal of integrating the European Atomic Energy Community (Euratom), the European Coal and Steel Community (ESC), and the European Economic Community (EAEC or Common Market) to establish a completely integrated common market and an eventual federation of Europe. In November 1993 the EC became the European Union.

The predecessors of the EU viewed the gradual integration of the European economies as a means for coordinating local and world markets and reducing inter-state tensions. This goal was to be implemented through the gradual elimination of tax barriers and tariffs within and between the member nations. The member states would be brought closer together through a customs union, with free trade between themselves and a uniform trade with the rest of the world. The separate economies would function as one economy as regards the outside world, thereby reducing transaction costs. There was also a goal of achieve a certain amount of social equality among the states so that any citizen could enjoy the same rights and protections as others. The concept of establishing a free and level market also excluded discriminatory or preferential policies such as governments adopting policies that benefited their citizens at the expense of others and thereby distorted markets. The concept of a free market also required the adoption of freely convertible currencies and, eventually, the adoption of a common currency. In January 1999 eleven European countries formed the European Monetary Union (EMU) and introduce a single currency—the Euro.

Nursultan Nazarbaev and the Concept of Eurasianism

Indigenous efforts to promote regional cooperation within Eurasia are a relatively new phenomenon. During the Soviet period, local officials in the Soviet national republics were discouraged from engaging in public efforts to promote regional development. Regional cooperation was effected only through Moscow-based planning mechanisms. Indigenous effort to promote cooperation at the local level was regarded as “regionalism” and contrary to principle of socialist integration. From the early 1930s until the late 1980s, there was not one publicly announced intra-regional cooperative meeting among high level Central Asian political officials that took place outside Moscow and outside the auspices of the communist party. During the Soviet period relations between the Soviet republics and the Xinjiang Autonomous Peoples Province of the China were subject to political constraints that discouraged cooperation to the extent of even excluding communication. In the 1980s change in economic priorities in China and decentralization in the USSR brought recognition of the potential for locally motivated and locally organized efforts to promote regional cooperation.

Given historical and cultural ties among Central Asian states as well as the great potential for intra-regional trade, political leaders are conscious of the importance of acting collectively to promote mutual interests and to circumvent potential conflict. The first public meeting of Soviet Central Asian political leaders in more than 50 years took place in Almaty in June 1990. The communiqué issued at this meeting stressed the importance of coordinated development strategies. Following the disintegration of the USSR in late 1991, cooperation among the Central Asian states was institutionalized

with meetings at the presidential and diplomatic levels, with adoption of interstate treaties regarding trade, customs, and security, and with the establishment of formal regional international organizations (RIOs). The most of important of these has been the Inter-State Council.²⁵

President Nazarbaev announced his plan for a “Eurasian Union” in 1994. Umirserik Kasenov, one of Kazakhstan’s leading foreign policy analysts before his death in 1998 was one of the principal theoretical architects of Nazarbaev’s vision of pan-Eurasian economic and policy integration. Kasenov’s view was that intra-regional policy integration would have the effect of reinforcing the sovereignty of the individual states. Kasenov argued²⁶ that,

The strengthening of poorly developed state sovereignty in Central Asia is possible only if national development of the former Soviet Asian republics proceeds in parallel with the deepening of interstate cooperation and integration. The effective functioning of the institutions of Central Asian integration and policy coordination will make possible the acceleration of economic development of each of the individual governments of Central Asia and at the same time will solve the existing and emerging contradictions among them.

In January 1994, Kazakhstan and Uzbekistan announced that they would abolish tariffs on trade between the two countries and to create a common market by the year 2000. The agreement was supposed to provide for free movement of goods, services, capital and labor between Uzbekistan and Kazakhstan and coordination of fiscal and customs policies. Kazakhstan President Nazarbaev described the agreement as “abolishing

borders between the two countries.” In February 1994 Kyrgyzstan President Akayev announced that Kyrgyzstan also intended to join the Central Asian Union. The local press announced that as of February 1, 1994 customs regulation was suspended on common borders among Kazakhstan, Kyrgyzstan and Uzbekistan. The establishment of a “Central Asian Union” was announced at the summit of Central Asian leaders in July 1994 in Almaty. In December 1994, Belarus, Kazakhstan, and Russia announced the creation of a “customs union”. Actually this was no more than the CIS agreements restated. The agreement came into effect on 15 July 1995. Kyrgyzstan joined the group in December 1995. Thereafter, the “union” became widely referred to as the “Big Four Agreement”. Tajikistan was formally admitted in February 1999, making it the “Big Five” agreement.

The idea of a “Central Asian Union” was announced at the summit of Central Asian leaders in July 1994 in Almaty. A package of trade and security arrangements was signed at that meeting. However, the framework provided by these documents has not regulated actual commerce and customs relations among the Central Asian countries. In 1991 the Central Asian republics discussed the possibility of a Central Asian political union or economic organization. However, the countries retreated from the idea of Central Asian regional uniqueness and joined the CIS in 1991. Afterwards, the intention to develop national capacities pushed them increasingly toward conflictual economic and security relations with their neighbors. The countries took steps to overcome these tendencies in 1993 through negotiating frameworks for mutually advantageous cooperation. This process resulted in the announcement in January 1994 of a customs union between Kazakhstan and Uzbekistan. Both countries agreed to abolish tariffs on

trade between the two countries and to create a common market by the year 2000. The agreement provided for free movement of goods, services, capital and labor between Uzbekistan and Kazakhstan and coordination of fiscal and customs policies. Kazakhstan President Nazarbaev described the agreement as “abolishing borders between the two countries.” Kyrgyzstan President Akayev announced that Kyrgyzstan also intended to join the Central Asian Union. The local press announced that as of February 1, 1994 customs regulation was suspended on common borders among Kazakhstan, Kyrgyzstan and Uzbekistan.

The agreement reached in Astana in October 2000 represents a realization of Kazakhstan President Nursultan Nazarbaev’s long-standing vision of close economic integration among the Eurasian states. The agreement created a new Eurasian Union Customs Organization that will be empowered to represent the interests of member states in discussions with other countries and international organizations on issues relating to international trade and customs policy. The agreement is also supposed to introduce a visa-free travel arrangement. It will also address disagreements among the states that have arisen out of disparities in customs tariffs, procedures and tensions brought on by cross-border smuggling.

Is the Eurasian Economic Community Different?

Why should we expect the EAEC to succeed where the other attempts at forming cooperative agreements have failed? The EAEC is substantially different from its predecessors. First of all, The EAEC arrangements include a weighted voting and

financing scheme. Russia will exercise forty percent of the voting rights and will be responsible for meeting forty percent of the organization's operating expenses. Belarus and Kazakhstan each have twenty percent of the shares. Kyrgyzstan and Tajikistan each have ten percent. The EAEC Charter specifies that a vote on major policy issues will require two-thirds agreement. The voting formula would thus imply that, on any given major policy issue, Russia would have to have at least two other states supporting it to win a vote. On the other hand, it also implies that Russia will exercise veto power on major policy issues.

Second, the signatory states are at a new stage in their relationship. For a considerable period Russia was attempting to gerrymander all relationships to recreate its Central Asian sphere of influence. The Central Asian countries were striving to achieve as much distance from Russia as they could politically without losing the market advantages of staying closely connected. Second, the security situation has changed dramatically. Russia's imbroglio in Chechnya and the guerilla war of terrorism that is being carried out against civilian populations in Russia is a major factor in Russia's efforts to defuse the *jihad* movements that are intellectually and financially supported from Afghanistan. The passage of UN Security Council Resolution 1333 in November 2000 constituted a new stage in international cooperation to pull the countries of Eurasia together. The U.S. and Russia, former rivals in the confrontation over Afghanistan, now stand united in countering the threat of terrorism and lawlessness that is the legacy of that war. Third and finally, the newly established EAEC will have substantially stronger coordinating powers than its predecessors. According to the EAEC charter, the

organization will be empowered to represent the interests of the signatory states in international organizations.²⁷

Notes

¹ Economic nationalism refers to a country's competitive search for unilateral trading advantage. It usually involves policies or mechanisms that are adopted to improve the trade balance of a country vis-à-vis that of its neighbors. Trade management mechanisms may include import deterrence and export promotion. Tariffs, quotas, and other forms of trade barriers are established to discourage imports. Subsidies or the creation of parastatals (government financed firms which appear private but are actually state-owned enterprises) may be used to increase exports. Central banks may be used to manipulate the value of the national currency for policy aims other than the legitimate goal of currency stabilization. A good example of the wages of economic nationalism is the experience of inter-war Europe. Between 1919 and 1939, each of the countries of Western Europe was faced with a series of domestic problems that each assumed could only be solved by adopting foreign policies that improved their positions relative to that of their neighbors'. The ensuing proliferation of tariffs, trade barriers, currency exchange controls, and competitive currency devaluations led to a spiral of action and reaction, to "beggar-thy-neighbor" policies and, eventually, to economic disaster. See Joan Edelman Spero, *The Politics of International Economic Relations* 4th ed. (New York: St. Martin's Press, 1990).

² See Gregory Gleason, "The Federal Formula and the Collapse of the USSR." *Publius: The Journal of Federalism* Vol. 22 (Summer 1992): 141-163.

³ Forty percent of Tajikistan's documented foreign exchange comes from one factory—the Tursunzode aluminum plant. This level of trade concentration and dependence is remarkable; it may be unique in the entire world. See “Tajikistan: Recent Economic Developments,” International Monetary Fund Staff Country Report No. 00/27 (March 2000), pp. 92-92.

⁴ Нурсултан Назарбаев, *Пять лет независимости*, (Алматы: Казакстан, 1996), стр. 234. [Nursultan Nazarbaev, *Five Years of Independence* (Almaty: Kazakstan, 1996), p. 234.]

⁵ *Radio Rossii* (16 June 1992).

⁶ *Novosti* (6 August 1992).

⁷ "O gosudarstvennoi granitse respubliki Kazakhstan" and "O pogranychnykh voiskakh respubliki Kazakhstan." KAZTAG (18 August 1992). In early December 1993 the Kazakstan parliament, shortly before it was dissolved by the president, gave the president “expanded powers.” These included the authority to establish customs rules and procedures. In July 1995 a presidential decree with the force of a federal law established what has functioned at the Customs Code. See *Qazaqstan Respublikasyndagy Keden isi Turaly* (Decree on Customs of the Republic of Kazakstan) (Almaty: Zhetizhargy, 1995).

⁸ The 1950s and 1960s was a rich period of theorizing on regional integration. A summary of the first decade and a half of efforts in integration theory was provided by the special issue of *International Organization* Vol. 24, No. (Autumn 1970). But by the mid 1970s, many theorists grew disappointed with the explanatory power of functional theory. The use of functionalist approaches was eclipsed by the growth of interest in interdependence theory. See Henry Nau's post-mortem review essay of integration

theory. Henry R. Nau, "From Integration to Interdependence: Gains, Losses, and Continuing Gaps," *International Organization* Vol. 31, No. 1 (Winter 1979), pp. 119-147.

Also see Robert Keohane and Joseph Nye, "International Integration and Interdependence," in Fred Greenstein and Nelson Polsby, eds., *Handbook of Political Science* Vol. 8 (Reading: Addison-Wesley, 1975).

⁹ Ernst Haas, *The Uniting of Europe: Political, Social, and Economic Forces 1950-1957* Stanford: Stanford University Press, 1958, p. 16.

¹⁰ The most trenchant statement of the theory may be found in Philippe C. Schmitter, "A Revised Theory of Regional Integration," *International Organization* Vol. 24, No. 4 (Autumn 1970), pp. 836-868.

¹¹ One important criticism of the functionalist thesis is that the nature of the international communities it has fostered tends to be bifurcated. Political organizations have been mainly concerned with collective security, leaving great authority with the nation-state. For instance, the League of Nations, the Kellogg-Briand Treaty, the Washington Naval Treaties, the United Nations, SALT I and SALT II, START agreements, and so on, have both assumed and reinforced the primacy of the nation-states, not the international regime. On the other hand, the economic institutions have been mainly concerned with barriers, convertibility, investment, monitoring and the like. This has left transnational actors, in particular firms, in a position of primacy. For instance, examples of the Lend-lease Program, the European Customs Union, the International Bank for Reconstruction and Development, the World Bank all tend to emphasize transnational actors.

¹² Hence the original thirteen political units were called "states" rather than provinces.

¹³ James Lee Ray, *Global Politics* 4th ed., (Boston: Houghton Mifflin Company, 1990), p. 416.

¹⁴ John Stuart Mill, *Considerations on Representative Government* (Oxford: Blackwell, 1948), p. 305.

¹⁵ Richard N. Caudenhove-Kalergi, *Crusade for Pan-Europe* (New York: G.P. Putnam's Sons, 1943), p. 251.

¹⁶ Winston S. Churchill, "Foreword," in R.N. Coudenhove-Kalergi, *An Idea Conquers the World* (London: Macmillan, 1953), p. x. Churchill's insistence that Marshall Plan direct assistance through national governments rather than through a supranational European organization, has been viewed by some federalists as the nemesis of the European federal movement. As Altiero Spinelli averred, "It is to be regretted that the Americans...were duped by Great Britain in one of the greatest deceptions in modern European history, and so instead of a political union we have witnessed the maintenance and the strengthening of the national particularisms [in Europe]." Altiero Spinelli, "The Growth of the European Movement since World War II," in C. Grove Haines, ed., *European Integration* (Baltimore: The Johns Hopkins Press, 1957), pp. 37-63 at p. 5.

¹⁸ Daniel Lerner and Raymond Aron, *France Defeats the EDC* (New York: Praeger, 1957).

¹⁹ David Mitrany, *A Working Peace System* (London: Royal Institute of International Affairs, 1943).

²⁰ Mitrany's reasoning is more explicit in the collection of articles and addresses collected in David Mitrany, *The Functional Theory of Politics* (London: St. Martins Press, 1975).

²¹ Joseph S. Nye, *Peace in Parts: Integration and Conflict in Regional Integration* (Boston: Little, Brown and Company, 1971).

²² See Haas, *The Uniting of Europe*, op cit.

²³ The signatories were: France, the FRG, Italy, Belgium, the Netherlands, and Luxemburg.

²⁴ Albert Bressand, "Beyond Interdependence: 1992 as a Global Challenge," *International Affairs* Vol. 66, No. 1 (January 1990), pp. 47-65 at 63.

²⁵ The Interstate Council of the RK, KR, and RU is a multipurpose regional international organization. It is directed by the Interstate Council Executive Committee (ICEX). The Executive Committee has a Chairman-Minister and a Chairman in each of the three countries. The post of Chairman-Minister rotates from country to country. In 1995 it was in Uzbekistan, in 1996 in Kazakhstan, in 1997 Kyrgyzstan, in 1998 Uzbekistan. The ICEX is apparently subordinated to the Prime Minister Council of the prime ministers of the three corresponding countries. The prime ministers sign directives to the ICEX as a rule.

²⁶ У.Т Касенов, *Безопасность Центральной Азии* (Алматы: Кайнар, 1998), стр. 199. [U. T. Kasenov, *Bezopasnost Tsentralnoi Azii: natsionalnye, regionalnye, i globalnye problemy*. (Almaty: Kainar, 1998)].

²⁷ See Galina Islamova, "Eurasian Economic Community: Purposes, Challenges And Prospects." *Central Asia and the Caucasus*, Vol. 7, 1 (2001).