



## INTEGRATION: THE ZEITGEIST OF OUR TIME

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If globalization has defined the contours of the economic, political and even the geostrategic features of the 21<sup>st</sup> century, then integration is surely the modern stage of globalization. It may be said that integration is the *Zeitgeist* of our time. But the way integration influences countries is by no means generic and uniform. Countries are influenced in very different ways by the processes of integration. Similarly, countries pursue integration in very different ways and arrive at very different outcomes. This implies that countries have choices of both paths and mechanisms in addressing the opportunities and challenges which integration presents. These choices have consequences. Kazakhstan is widely regarded as a model of emerging countries in the era of globalization. Kazakhstan's future policy choices in the processes of integration will be followed with great interest in the international community.

One principal imperative of the age of globalization is to find ways to cooperate internationally in both trade and policy. The advances in science and technology all around us are plainly transforming the ways that we do business in the modern world. Globalization is the transition to a new and broader information and economic space on a world-wide level. Globalization is driven by technology and changes in information that are transforming the way that people and organizations deal with one another around the globe. Local markets for capital, goods, services, and information are being integrated into international markets. If we describe how mail, phone communication, transportation, banking, business and government was conducted a generation ago and compare it with how those processes function today, a simple reality of our modern world is inescapable-globalization is a reality.

Globalization is certainly characterized by connectedness, but that does not mean it implies the emergence of a truly "borderless" world. Globalization surely does imply mutual interdependence, but it does not herald the end of the nation-state system. Nation-states, it may be argued, are empowered rather than eliminated by globalization. A sure sign of this is that countries that learn to adapt well to the transformational processes of globalization have much to gain. At the same time, those countries which cannot or will not adapt to the challenges and opportunities of globalization are often harmed in fundamental ways. Because globalization is so plainly a reality of our contemporary world, the question foremost in the minds

of members of the business and political community is a very simple question: Cooperation is necessary – but cooperation on what terms?

When speaking of integration we are often referring to the set of policies that link states across borders. Without ports, rail, road, electric grids, telecommunications, and other structures which have public utility functions, regional development is thwarted or delayed, regional disparities tend to grow, and intra-regional conflict is often exacerbated. Countries interested in following the path of development, either internally or regionally, find that government investment in infrastructure projects is a necessity. But how do governments respond to this necessity?

Over the past decade a large number of proposals emerged in Europe, in Eurasia, in Asia and elsewhere suggesting new terms of cooperation regarding all aspects of adaptation to the new global economy. These proposals for a new economic and security “architecture” propose reforms with respect to virtually all aspects of policy and practice – prominently including currency arrangements, customs, taxation, copyright protection, transportation, and banking. Many of the most important core issues are contained in one package frequently referred to as a “customs union.” The simple definition of the customs union is a mutual agreement among two or more countries which basically does two things. First, the members of the customs union adopt policies and practices making it possible for trade freely to take place within a specified territory without being restricted by barriers or obstacles in the form of tariffs, quotas, or other limits on trade. Second, the members of the customs union adopt a common external tariff such that all member countries impose the same or symmetrical tariffs on countries outside the customs union.

There are two leading philosophical approaches to integration. One form is a state-directed campaign of deliberate and rational, goal-oriented development of infrastructures. This is a top-down approach. This approach tends to move from design to practice. The statist-led orientation is illustrative of the “Eurasian Union” approach. A different approach to integration puts more emphasis on market-driven relations, bringing international organizations, states, banks, commercial enterprises, NGOs and other actors into the process as parties in the formation of interests driving the direction of development. This is a bottom-up approach. The market-driven orientation is exemplified by what may be called the “Old Silk Road” approach. Both approaches have relative strengths and weaknesses. (Gleason and Tanrisever 10-15)<sup>1</sup>.

Which of these two approaches is best? That depends upon the effects and how the effects are valued and measured. From a theoretical view, the basic measure was clearly articulated by Jacob Viner some 65 years ago. Viner argued a customs union is regarded as economically rational if it leads to the promotion of trade and

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<sup>1</sup>Gregory Gleason and Oktay F. Tanrisever, “A Bridge to Central Asia,” per *Concordiam*, Vol. 4, No. 3 (2013): 10-15 is also available in the Russian language. Грегори Глисон и Октай Танрицевер, Мост в Центральную Азию per *Concordiam* Vol. 4, No 3 (2013): 10-15. <http://www.marshallcenter.org/mcpublicweb/ru/component/content/article/1210-per-concordiam-volume-4-number-3-ru.html?directory=116>

the creation of wealth within the union rather than simply leading to a relocation of production sites from one area to another area. (Viner )

Russian political leaders have emerged as the chief promoters of the idea of establishing a state-led “Eurasian Union” to organize and manage integration in a way that capitalizes on the leading role of the states in expressing the will, creating the legislative cooperation necessary for harmonization of laws, rules, and practices, and positioning capital to spur the banking sector investment in infrastructure upgrades and development. This form of integration established the structure and then guides para-statal and commercial enterprises to take advantage of the opportunities in building and maintaining roads, bridges, ports, electric grids, telecommunication systems and other physical structures so necessary to trans-border trade and interactions.

There are many benefits of economic integration. Economic integration lowers barriers to trade. Economic integration makes it difficult for local jurisdictions to close or manipulate their markets for political purposes. Economic integration weakens the ability of monopolies or oligopolies to distort markets through favoritism or corruption. Successful economic integration is based upon non-discriminatory and transparent laws, practices, norms, standards and measures, and uniform and fair currency arrangements.

Customs union arrangements are mainly concerned with two sets of actors—consumers and producers. Customs unions have the effect of reshaping trade relationships in such a way that producers have greater access to a larger market and consumers have greater access to a larger range of producers. For consumers as a group, great benefits can be gained by a customs union. The same is not always true for the producers. Typically some producers will be better off, but some other producers are apt to find themselves under the constraints of greater competition from more efficient competing producers. In other words, some producers will benefit while some producers will not benefit from a customs union. In fact, the uncompetitive producers may be forced to alter their business model, or they may be forced to pursue other market opportunities, or they may be entirely forced out of business.

The extremes of business cycles have long been a major concern of economists. Karl Marx, for instance, described the tendency of capitalist countries in terms of the “destruction of productive forces” and political crises. (Marx and Engels ) Neo-classical economists such as Joseph Schumpeter viewed roughly the same processes as a mechanism of systemic adjustment rather than systemic change. (Schumpeter and Fels ). Schumpeter’s idea of “creative destruction” (*schöpferische Zerstörung, творческое разрушение*) – of uncompetitive firms or sectors being pushed aside in the currents of market exchange – contrasts with the neo-Marxist view of “ruinous destruction” (*Vernichtung, разрушение*) – the elimination of wealth and the damage to the social fabric of a loss of livelihood. Customs unions may be designed to have the objective of averting any effects of “ruinous destruction”, but in so doing they may also have the effects of avoiding “creative destruction” and the market adjustments which, sooner or later, technological change itself mandates.

Customs unions are generally organized with respect to commercial transactions. Trade is business. As many businessmen will readily attest, business and politics are two different things and should not be mixed. Often businessmen prefer to keep politics out of business entirely. But it is also a reality that customs unions often have effects on politics and political decisions can often have an effect on the shape and functioning of customs unions. Large scale customs unions are involved in large scale politics. Customs union arrangements on a transcontinental scale invariably at some point involve geostrategic questions of international relations. With stakes so high, it is natural to ask questions about the form and direction of integration. What is the political importance of broad scale integration? What is the architecture of integration processes and how is this influenced by politics?

### ***Frameworks and architectures***

According to neo-classical market theory, economic Integration is the set of practices that link states across borders in mutually advantageous and cooperative ways to achieve common objectives. Integration is regarded as an attractive way to coordinate state actions, to spur trade and development having trans-national aspects, and to foster science, technology and industry in ways that advance sectoral diversification and stimulate technological innovation. But if one sets aside the economic textbook and looks to the reality of integration in practice, a somewhat different process emerges. Integration in practice is the set of specific practices affecting the both the "soft" and "hard" infrastructure of transnational commercial relations. The soft infrastructure refers to the laws, policies, knowledge-based processes, and regulatory structures shared among the states involved in integration. The hard infrastructure refers to the physical objects such as ports, rail, road, electric grids, telecommunications, and other structures which are necessary for sustaining the processes of trans-national integration.

In both theory and practice, the degree of integration that characterizes a state's policies has direct importance for the core national interests of integrating countries, varying with respect to a country's geostrategic relationships. The platforms chosen as the framework for integration processes are important. Integration frameworks such as the "single economic space" (SES), the Eurasian Customs Union (CU), the World Trade Organization (WTO), and the proposed Eurasian Union project hold profound significance for Kazakhstan's pivotal role in the transitions of the "Asian Century."

Looking backwards over the past two decades, it is clear that the establishment of a single economic space throughout Eurasia is long overdue. Integration is a not a new goal. It was an agreed upon purpose by virtually all the political and business leaders in the post-Soviet space from the beginning of the modern era. The goal of establishing a "single economic space" throughout Eurasia was a fundamental pillar of the Alma-Ata Declaration of December 1991 that brought an end to the

USSR, established national sovereignty for the Soviet republics, and created the Commonwealth of Independent States (CIS). The framers of the CIS arrangements assumed that national sovereignty and close inter-state commercial and trade coordination were fully compatible goals. (Kasenov )

For nearly a decade following the Soviet collapse, industrious efforts of the post-Soviet countries to coordinate currency, customs, trade, and investment policies produced far more cooperation on paper than in practice; an enduring diversity and incompatibility of standards, policies and practices harmed trade within the Eurasian region. With the collapse of the USSR, the excessive uniformity of the Soviet period was replaced by unbridled mal-coordination of trade and investment policies throughout the new states of Eurasia. The initiative sponsored by Kazakhstan in the mid-1990s by Kazakhstan's "integration committee" to spur regional economic integration was one of the most important single policy efforts to reorient Eurasian policies on the establishment of a single economic space. (Nazarbayev ) A key mechanism in this rapprochement was Russian leadership in the Eurasian Economic Community – the "*Evrazes*". The *Evrazes* represented the most significant integrative initiative in the post-communist period. At some point the *Evrazes* may have been designed for the role of an instrument for economic policy coordination, but over time it has acquired a broad foreign policy role. Without Kazakhstan's continual support, the *Evrazes* would never have been successful.

When heads of state of the countries of the Central Asian Cooperation Organization gathered for a news announcement in Astana after their May 2004 summit, there were not four seats at the table but five. The presidents of Kazakhstan, Kyrgyzstan, Tajikistan and Turkmenistan were joined at the table by Igor Ivanov, sent as the personal emissary of the president of the Russian Federation. The admission of Russia to membership in the organization constituted a renewed path of cooperation between Russia and the Central Asian states.<sup>2</sup> In the early years of cooperation, Russia's resurgent influence over energy resources as an instrument of foreign policy actually brought Russia closer to Central Asia rather than creating competitive conflicts of interest. But in the last five years the Russian agenda has grown much more broad and aggressive with respect to establishing organizations

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<sup>2</sup>In January 1994 heads of state of Kazakhstan and Uzbekistan agreed to the goal of establishing a common economic space. At the Cholpan Ata summit on April 30, 1994 the heads of state of Kazakhstan, Kyrgyzstan and Uzbekistan signed a treaty to establish a single economic space for goods, services, capital, labor and financial transactions in Central Asia. The heads of state of all five Central Asian countries met on July 8, 1994 in Almaty to sign a package of cooperation agreements. The package included: a Memorandum on Cooperation in Migration; an Agreement and on Military and Technical Co-operation; an Agreement on Informational Support for International Agreements; a Charter for the Interstate Council of the Republics of Kazakhstan, Kyrgyzstan and Uzbekistan; an agreement to establish the Central Asian Bank for Cooperation and Development; and agreements to establish a Central Asian Council of Prime Ministers and a Central Asian Council of Ministers of Defense. At the meeting of the heads of state of the Central Asian Economic Union in Almaty on January 5, 2001, the group was renamed the Central Asian Economic Forum. On February 5, 2002 at the Ministerial meeting in Astana the group was renamed the Central Asian Economic Cooperation Organization.

that direct trade, communications, energy and banking activities from a single origin. In June 2008 then Russian President Dmitri Medvedev announced a “Berlin Proposal” (June 2008) to recreate a new economic and political community throughout Europe and Eurasia. He later circulated a draft charter (November 2009) for the establishment of a new European security architecture. The goal of the Russian initiatives was to create a new trans-Eurasian community with Moscow at the center. The European response was not enthusiastic. In his third round as Russian President, Vladimir Putin has refocused the idea of a new architecture on the post-Soviet space. Russian President Vladimir Putin has referred to “multi-dimensional integration” as the means of bringing security, political and economic concerns together in the format of the Eurasian Union. Putin proposed the date of January 2015 as the date of introduction of a new “Eurasian Union” which would form a political community with both economic, political and security dimensions. The former Soviet countries have been invited and cajoled to join the new political community.

The memory of the Soviet period is fresh enough that politicians of the former Soviet states have reasons to endorse closer political collaboration and some have reasons to oppose it. But the terms of collaboration are quite different than they were only a few years ago. For instance, Armenian President Serge Sarkisian’s surprise announcement that Armenia would join the Belarus, Kazakhstan, Russia Customs Union was a reversal in policy that came as a surprise to EU negotiators who had expected that Armenia would join other members of the EU’s Eastern Partnership by signing an Association Agreement in November 2013 in Vilnius. EU Negotiator Stefan Füle objected to “undue pressures” from Russia which he said were designed to force Armenia to choose between East and West, when no such choice was necessary except for the conditions that the Customs Union imposed. (EU Statement)

A choice between East and West also appeared to be imposed upon Ukraine. Ukraine’s position was more complex given the divided attitudes of the population, with a substantial portion seeing the country’s future tied to the western world and a substantial portion seeing the country’s destiny tied to the Slavic, eastern world. The Eastern-leaning president Viktor Yanukovich’s narrow electoral victory in early 2010 illustrated the importance of the economic ties to the Russian Federation. Yet the idea of some gradual west-leaning economic integration was held out as a serious policy commitment until shortly before the November 2013 meeting of the European Union’s summit to institutionalize the “deep and comprehensive free trade area” agreements known as the EU Eastern Partnership. Yanukovich’s announcement to forgo the western vector was met with substantial concessions from Russia in the form of natural gas subsidies and other market access advantages.

However, “architectural questions” of relations among countries are rarely resolved at the negotiating table. They are usually resolved by the dynamic processes of life, involving economics and politics. States may not decide their fate, but they do decide their course of action. The format of economics and trade plays a major role.

### *Macroeconomics writ large*

The Eurasian countries have rebounded from the economic depression following the collapse of the USSR, but not all the states have rebounded equivalently. Globalization has connected all the post-Soviet states to world markets of commodities, goods, and of services. World market conditions, connecting Eurasia with Europe and Asia and the world banking system were particularly affected by the 2008 economic crisis. The immediacy of the impact of the world crisis stimulated concern in Eurasia regarding the most prominent policies and practices of the world's economic institutions. Much of that concern focused on the leadership role of the US.

In the midst of the 2008 financial crisis in the US, the role of the dollar became a focal point for criticism of the US role in international affairs. The US dollar has been sometimes referred to in the words of Ivan Martchev in the *Wall Street Journal* as "the most hated monetary instrument on the face of this planet." (Martchev) Eurasian political leaders appealed to public resentment over the role of the dollar as the global reference currency as an illustration of "colonial manipulation", arguing in favor of the adoption a new global currency managed by international institutions rather than by a single state. (Carbaugh and Hedrick) The European Euro was for a brief period championed as the example of a broader context and more stable currency. (Mahanta 282-288) The Russian language media in 2008 and 2009 saw a strident discussion of the necessity to establish a new international currency supported by the consensus view of the BRIC states and their partners and based in fixed value such as the gold standard rather than based simply in the full faith and credit provisions of a single state. A number of new currency proposals were discussed in conferences and study committees.

By 2011 the image of the Euro as a stable currency and model for a new Eurasian currency evaporated with the emergence of a fiscal payments crisis within the Euro zone. It became recognized that while the Euro zone functioned apparently well for a period of time, it functioned basically a currency union without a fiscal union. Currency decisions were made centrally, but individual countries made their own decisions with respect to balancing national budgets. Individual countries in this context could proceed – which is what many did – to mismanage their own fiscal affairs expecting the other members of the currency union to come to their aid with subsidies or bailouts. The growth of sovereign indebtedness in Greece, Spain, and Portugal rose to such an unsustainable level that it nearly destroyed the Euro zone in 2011. Eurasian political leaders relented from offering the Euro as a model for a new "Evra" currency which they believed could easily replace the dollar as a reference currency throughout at least the post-Soviet economic regions of Eurasia.

When China entered the world economy in the early 1980s, the Yuan exchange rate was a fixed exchange rate rather than a floating and adjustable exchange rate. The exchange rate was and continues to be stipulated by the Chinese central bank.

The Yuan exchange rate has been overvalued internally and undervalued externally for more than two decades. (Mallaby and Wethington 135) The artificial

exchange rate of the Yuan with the US dollar has permitted Chinese monetary officials to amass vast sums of money in the Chinese reserve fund that would be designed to adjust the economy on the basis of an adjustment of exchange rate. But rather than use these sums for internal adjustment, the Chinese monetary authorities have decided to use them to invest in American treasury bonds.

By the mid-1990s it was clear that inexpensive production of consumer goods for export to the US eventually would have the effect of crowding American producers out of the market. American officials began calling for an adjustment in currency values although this would inevitably run against the interests of American consumers who were purchasing at a level much below competitive producers in the US could offer. The large corporate firms involved in the US/China trade also lobbied against changes in the currency exchange rate. Chinese currency official continued to oppose changes in the value of the Yuan with respect to the dollar, arguing that the rate was stipulated by the central bank rather than the market but nonetheless fair.

The inclusion of Chinese producers in Eurasian economic integration would be an overall benefit if China recognized and observed fair international economic practices. Unfortunately, this is not the case. Chinese trade policies are built on practices that are specifically designed to take advantage of trade partners. The Chinese currency, the Yuan renminbi is overvalued internally and undervalued externally. If the Chinese currency were accurately valued, most Chinese goods would cost twice their current price. China's manipulated, heavily subsidized, state-controlled industries take advantage of foreign trade partners. Unless China's policies change substantially, China will make producers of goods and services in Eurasia uncompetitive. Central Asian states in particular will fall further and further behind, relying on the export of primary commodities, finding modernization, technological innovation and diversification increasingly difficult.

Because of the turbulent experience of the Euro and the questionable stability of the Yuan the debate of the "new currency" for Eurasia has grown quiet. One aspect that continues to provoke grimaces and result in scratched heads is the possibility of a new non-sovereign, non-multilateral currency emerging such as a virtual currency. A virtual crypto currency such as the "bitcoin" is a case in point. Bitcoin-type crypto currencies are essentially financial transmission schemes and are not currencies at all in the conventional sense. (Martins and Yang 349-350) They do not rely upon the commitment of any particular government or party to ensure their stability. The qualities that make Bitcoin-type instruments attractive as an unregulated payment system obviously could also allow users to evade taxes, launder money, trade illicit goods, and commit fraud or other forms of financial malfeasance such as operating a pyramid scheme.

The movement from a customs union to a new Eurasian architecture is profoundly influenced by the macroeconomics of the region. The basic features of the architecture are still not resolved in their own right. This raises a question: If the architectural features of the Eurasian region are not easily resolved through economics, is a political – meaning territorial – solution to be expected?



### *Territorial Influence*

Soon after the disintegration of the USSR, the first foreign minister of the Russian Federation, Anatoly Kozyrev, spoke of the sphere of influence of the Russian Federation as being defined by the borders of the USSR. (Litera 45-52) At the time and until this day the meaning of the Russian “sphere of influence” remains open to interpretation. For Kremlin leaders today the concept implies at least two things – an area of special obligations and an area of special opportunities. In terms of opportunities, Russia’s central and predominant geographical position and economic weight had direct implications for the idea that Russia would emerge as a locomotive of economic development for the post-Soviet countries of Eurasia, relying on infrastructure, and banking but also relying on personal and political contacts. The cultural contiguity, promoters of a Russian-predominant Eurasian space argued, could also be of benefit in and countering western European and American cultural influence. The cultural contiguity could also have the effect of fostering business aided by the more relaxed banking standards and accounting standards and by and politically unconditioned financial subsidies such as government-guaranteed loan packages.

As Russia’s resurgent economic status has grown over recent years so has its ability to influence political relationships throughout the former Soviet space. Russian leaders have sought to institutionalize the relationships in the form of treaties, programs, and initiatives. The basic policy guidelines and strategy statements illustrated this. The Russian Foreign Policy Concept (2008), the Russian National Security Strategy (2009) and the Russian Military Policy (2009) form the conceptual basis for Russian foreign policy in a time of increasing influence, with a particular focus on contiguous lands.

The Russian Foreign Policy Concept (2008) states that fundamental and dynamic changes taking place in the international system imply that “Differences between domestic and external means of ensuring national interests and security are gradually disappearing.” The document announces that a “balanced and multi-vector character of Russia’s foreign policy is its distinguishing feature.” The document identifies the restoration of the Soviet-era space, noting Russia will act to continue to create “favorable conditions for effective establishment of the Union State.” The document notes that Russia will promote “in every possible way the Collective Security Treaty Organization (CSTO) as a key instrument to maintain stability and ensure security in the CIS area focusing on adapting the CSTO as a multi-functional integration body to the changing environment.... and on transforming the CSTO into a central institution ensuring security in its area of responsibility.”

Relying on these principles, Russia has shifted in the past few years from a balanced approach to integration to one basically dominated by a political agenda. The political agenda is now driving all the economic development, in banking, in transport, in energy, in telecommunications, and in trade. The CSTO has shifted from its original CST origins in self-defense to a new agenda based on external competition. The CSTO is viewed in the Kremlin as the means to compel others

to follow single direction forward. Threats are driving the agenda and so threats are magnified and distorted. Russia's invasion and occupation of South Ossetia and Abkhazia in 2008 was ignited by long-standing territorial feuds. But it was also intended by Kremlin leaders as a signal to the former Soviet countries that Russia now was capable and willing to use its military might to enforce its political goals. The Kremlin did attempt to forge a circle of supporters among the CSTO member states. However, no former Soviet country other than Russia agreed to extending diplomatic recognition to independent South Ossetia and Abkhazia. Also, Russian efforts to expand the Collective Security Treaty Organization (CSTO) attracted no new members. No other country made pledges to increase the scope of the CSTO. Uzbekistan even began to distance itself from Russia's dominant position in the Eurasian space by announcing in October 2008 its withdrawal from the Eurasian Economic Community and announcing its withdrawal from the CSTO in July 2012 which it carried out in December 2012.

Although a few years ago it was commonplace for leaders to say as Nikolai Borduzha has said, NATO and CSTO are not competitors, the Kremlin posture has more recently shifted to a strident call for building the CSTO to confront and counter NATO and the influence of the US. The Russian government began identifying the CSTO as a counter weight on par with NATO – A competitor with NATO. Particularly after the Russian-Georgian 2008 war, Medvedev began telling NATO countries to see themselves responsible for Russia's resuscitation of the Cold War bloc mentality. Russia's former envoy to NATO and now Deputy Prime Minister of Russia in charge of the defense industry, Dmitry Rogozin, regularly talks of the threat of external influences fomenting revolution in the form of Georgia's «Rose Revolution» of November 2003, Ukraine's «Orange Revolution» of December 2004 and the so-called Kyrgyz Revolution of March 2005. The view represented in the Kremlin is that these "color revolutions" are the products of external manipulation and interference. Rogozin speaks of "heroin aggression" to describe the western and specifically the US inability to stop drug use in Russia from reaching tragic and devastating levels. Rogozin and others in the Kremlin circle talk of the Tunisian Revolution, the Libyan Revolution, the Egyptian Revolution, the Yemen Revolt, the Syrian Opposition as being politically engineered in western capitals and most important of the Central Asian countries as being on the list targets for attempts to destabilize and overthrow.

In May 2009 the US President Barak Obama announced that the US would begin the withdrawal of combat troops from Afghanistan in 2012. ISAF officials soon afterwards announced parallel troop reduction plans. The expectation associated with these announcements was that complete conventional combat troop withdrawal would be completed during 2014. The continuity of a foreign troop presence in the form of trainers or special operators is still under discussion. But conventional combat troop reductions are currently underway.

The reduction of the ISAF combat presence in Afghanistan has given rise to considerable discussion in Afghanistan as well as among Afghanistan's northern

neighbors concerning adjustments to prevent the emergence of what is often referred to as a “power vacuum” in Central Asia. Among security planners in the Central Asian states and in Eurasia in general there are anxieties that as NATO forces withdrawal, Afghanistan’s unstable domestic political situation could lead to an implosion of the country’s fragile governing structure amid violent and conflicting domestic and foreign forces. Concerns focus on the governance capacity of the national Afghani government and the danger of competition over control of the state reminiscent of the tragic events leading to the fall of the Najibullah government in 1992. Concerns stress the danger of the disparate opposition figures uniting under the banner of the Taliban, reminiscent of the events during the period 1994-1996. Concerns stress the potential threats to neighbor states of the effects of continuing instability in the region, the dangers presented by Afghan opium trade and the export of extremist and insurgent forces. Concerns also emphasize that foreign countries or guerilla groups may seek to take advantage of Afghanistan’s period of post-withdrawal vulnerability. There are concerns that lawless bands of extortionists could infiltrate local government or could rally around religious, regional or ethnic slogans to obstruct political and economic development in order to intimidate local officials by the use of stratagems such as explosive devices or hostage-taking campaigns.

The Russian Ministry of Foreign Affairs and other security-related agencies have taken the position of placing a great deal of emphasis on the view that the repositioning of U.S. forces presents Russia and the Central Asian countries with exceptional challenges and threats. The conventional view from this perspective asserts that the tasks that were set in the UN Security Council resolution have not been accomplished, drug trafficking in the region is on the rise, and the danger of insurgency and terrorism is growing. The Russian Ministry of Foreign Affairs has appealed for regional collective efforts focusing on cordoning the exterior perimeter of the Afghan border. The Russian Ministry of Foreign Affairs has asserted that the Collective Security Treaty Organization (CSTO) acting in collaboration with the Shanghai Cooperation Organization (SCO) represent the only organizations capable of achieving these goals. The Russian Ministry of Foreign Affairs has also called for an enhanced CSTO presence in Central Asian states, but has not expressed any interest whatsoever in CSTO military presence within Afghanistan territory. Countering threats from Afghanistan has now become the principal rationale for extending Russia’s influence throughout the former Soviet space. The prevailing view is that “Extremists are already attempting to spread their activity into neighboring countries, including the Central Asian countries that are CSTO members.” This view asserts that Afghanistan situation will grow more precarious as ISAF forces drawdown and Afghanistan’s internal situation will get much worse before it gets better.

Among the Central Asian political elites there is a genuine concern for instability associated with Afghanistan. But there is also a competing interpretation of the trends which suggests that the next stage in Afghanistan’s evolution will be marked by a transition fueled by the pull of commercial and political forces toward closer

relations with its eastern neighbors, particularly China and India. Some Central Asian analysts agree with Afghanistan analysts who argue that trends toward a normalized Afghanistan are building even as forces are beginning to withdraw.

Trend is not destiny of course. But if these trends continue to build and are supported by greater regional cooperation, Afghanistan may return to the path that it was denied by the descending spiral of political extremism. The underlying forces are essentially economic. The continuation of current economic trends in Asia could lead, in the view of some analysts, to an additional 1 billion people in Asia being out of poverty and within the next generation. This would in turn lead to a situation in which Asia would account for over half of the global economic output, fundamentally reversing the historical divide between “developed” and “developing” worlds in a way which permanently redefined the relations between “East” and “West”. In the background of such enormous economic tectonic shifts, Afghanistan’s stabilization may be driven more by these external influences than by its own localized, internal contradictions.

The idea of the American “pivot” to Asia is based on the recognition that the Asia-Pacific has become a key driver of global changes rather than responder to global shifts. Stretching from the Indian subcontinent to the western shores of the Americas, the Asia-Pacific region spans two oceans -- the Pacific and the Indian -- that are increasingly linked by shipping and strategy. The region is home to nearly half the world’s population. The region includes many of the key engines of the global economy. The region is home to several of America’s key allies and important emerging powers such as China, India, and Indonesia. It is home to many countries that have benefited greatly from America’s stalwart promotion of free-market economics and responsible principles of self-governance. America over the past several decades has encouraged regional economic integration in the context of multilateral financial institutions and private sector dynamism. China, India, and more recently Vietnam stand as examples of countries that surged forward in commercially-driven growth that may never have taken place without consistent incentives for open and free commercial interaction and counsel against state-dominated, neo-mercantilist projects.<sup>3</sup>

This approach permitted these countries to emerge as full and equal partners in industry and commerce, even to the extent of becoming so competitive that they far exceeded competitors in advanced countries in North America and European. The idea of America’s pivot is predicated on the idea that at a time when the Asia –Pacific

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<sup>3</sup>In articulating the idea of turning greater attention to the Asia-Pacific region, then Secretary of State Hillary Clinton raised the concern that “Beyond our borders, people are... wondering about America’s intentions -- our willingness to remain engaged and to lead. In Asia, they ask whether we are really there to stay, whether we are likely to be distracted again by events elsewhere, whether we can make -- and keep -- credible economic and strategic commitments, and whether we can back those commitments with action.” Clinton’s answer to the question was simple and unequivocal: “The answer is: We can, and we will.” Hillary Rodham Clinton, “America’s Pacific Century.” *Foreign Policy Magazine* (October 11, 2011). <http://www.state.gov/secretary/rm/2011/10/175215.htm>

region is building a more mature security and economic architecture to promote enduring stability and prosperity, U.S. commitment there is essential. The goal of the pivot is not to arrest further economic and political development in the region but to do just the opposite – to benefit from the investment America has made in past centuries of investment in public goods throughout the region.

### ***Geostrategic direction and the shape of things to come***

Integration in the European region, as integration in any other region of the world, will be judged in the long-term not upon symbolism but upon results. The architecture of the world trade system today is heavily influenced by regional trade agreements. These agreements tend to take the form of preferential reciprocal treaties which create bilateral or multilateral free trade agreements and, in some cases, customs unions. Because they accord preferential access to agreement members, the agreements essentially constitute discrimination against nonmembers. These arrangements have a strong appeal because they constitute extended protectionism. But because these arrangements lead to trade diversion or to narrow channeling for political as opposed to market reasons, they can impose costs on both member countries and excluded countries.

Regional trade agreements are instrumentally valuable in those cases in which they stimulate trade in countries that for various reasons have been unsuccessful in globalization. But, because the agreements are inherently discriminatory, their justification is tied to an incremental process of promoting greater integration as opposed to leading to regional autarky. Maintaining a regional trade preferential “space” (prostranstvo) is beneficial only to the extent that the temporary benefits of regional trade integration serve as a step toward a broader integration. “Open regionalism” is promoted by agreements which lean towards policy harmonization by emphasizing low barriers to trade and cross-border transactions. If the Eurasian Economic space succeeds in this goal, it will be welcomed by the entire international community. If, in contrast, it results in the opposite, namely in the isolation of a larger but more insular trade bloc, then it will discourage efficiency, thwart innovation, and create mutual dependence throughout Eurasia rather than sustainable development.

Integration in general is a process not an event or an end state---it is the search for greater efficiencies and greater effectiveness. Part of it is government and part is the natural tendencies in relations among private partners, either as firms or simply as individuals. During the period of the USSR, relations within the Soviet space were out of phase. In the 1980s just as European countries were doing all they could to integrate among themselves, the Soviet republics did just the opposite and isolating themselves from one another. Now the drive for integration throughout the Eurasian region has returned. That can be welcomed. But there are risks when the economic motives entirely drive the political agenda. There are different risks when the political agenda drives the economic integration agenda.

There is a great deal of speculation about whether the Customs Union and the Kremlin's broader political project to establish a "Eurasian Union" is merely a disguised effort to reconstruct and reestablish a modern version of the USSR. Speculation is only that – speculation. There is no space in the modern globalized world for an entity like the USSR. Eurasian economic integration is not a plan for the revival of the USSR. In fact, Eurasian economic integration is a plan for creating everything that the USSR could never be. The more clearly the Kremlin sees that a new Russian foreign policy that merely follows a revived Soviet format will undermine true economic integration throughout Eurasia, the more successful real integration throughout the Eurasian region will be.

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