

The Ukraine Crisis as Bargaining Failure

The Limits of post-Cold War Eurasian Integration

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The ongoing civil war in Eastern Ukraine between the Ukrainian state and Russia-supported separatist rebels since the March 2014 Russian annexation of Crimea represents a bloody chapter in a much larger story: the challenge from Russia to the post-Cold War international order its leaders have called unfair and unsustainable.¹ While the war with Ukraine via its local proxies is rooted in a serious commitment problem over the extent of the former's security and foreign economic policies,² the conflict has focused greater attention on Russia's serious and ongoing efforts at larger Eurasian integration. Those efforts have included several institutional developments that encompass security and economic cooperation such as the Eurasian Economic Union and the Collective Security Treaty Organization between Russia and its neighbors.³

Both the rhetoric and actions of Russia over the past decade have shown that Russia is serious about broader Eurasian integration, but uncertainty remains over the motivation for this integration and the possible extent of Russia's structural revisionism. In this paper, we review the record of Eurasian integration and assess the existing literature on the possible factors that are driving integration forward: economics, identity politics, and security.⁴ We find that many scholars capture some

¹ Vladimir Putin, "Speech and the Following Discussion at the Munich Conference on Security Policy", February 10, 2007, http://archive.kremlin.ru/eng/speeches/2007/02/10/0138_type82912type82914type82917type84779_118123.shtml; Dmitri Medvedev, "Vystuplenie na Konferencii po voprosam mirovoi politike" (Speech at the World Policy Conference), [Evian, October 8, 2008, <http://www.kremlin.ru/transcripts/1659>]. Nikolay Patrushev, *Rossiskaya Gazeta* interview with Ivan Yegorov, October 15, 2014. English translation available at <http://mideastshuffler.com/2014/10/22/cold-war-ii-interview-with-nikolay-patrushev-secretary-of-the-russian-security-council/>.

² Rajan Menon and Eugene B. Rumer, *Conflict in Ukraine: The Unwinding of the Post-Cold War Order*. (Cambridge: MIT Press, 2015).

³ For a recent review article of Russian-led Eurasian integration in a geopolitical perspective, see Andrej Krickovic, "Imperial Nostalgia or Prudent Geopolitics: Russia's Efforts to Promote Regional Integration in the Post-Soviet Space from a Geopolitical Perspective", *Post-Soviet Affairs*, Volume 30, Issue 6, November 2014, pages 503-528. Andrei Tsygankov, "Mastering Space in Eurasia: Russia's Geopolitical Thinking After the Soviet Break-Up", *Communist and Post-Communist Studies*, Vol. 36, 2003; Sergei Chebanov, "Strategicheski interesy Rossii na possovetском prostranstve" (Russia's Strategic Interest's in the Post-Soviet Space), *Mirovaia ekonomika i mezhdunarodnoye otnosheniia*, No. 8, August 2010, pp32-43.

⁴ Aleksandr Libman and Evgeny Vinokurov, *Eurasian Integration: Challenges of Transcontinental Regionalism* (London: Palgrave Macmillan, 2012); Jeffrey Mankoff, *Russian Foreign Policy: The Return of Great Power Politics*, (Rowmann & Littlefield: Plymouth UK, 2009); Krickovic (2014)

but not all of the dynamics at play. We instead use a bargaining framework and employ expert interviews conducted in Russia to encompass both observed Russian-led Eurasian integration and the current conflict in Ukraine. We conclude by exploring whether there is a settlement between Russia and the other great powers in the international system that could accommodate Russia to the existing international order and keep it from its current revisionist course.⁵

We argue in this paper that Russia's behavior can be explained by its view that the conflict in Ukraine is endogenous to insecurity rooted in an international order it considers unfair and dangerous. Russia is unable to strike a bargain with great power adversaries on a sustainable security relationship given, as we will show below, that its leaders reject the post-Cold War settlement, accuse its adversaries of dangerous revisionism, and anticipate future declines in bargaining power.⁶ We accordingly interpret regional integration across Eurasia as the manner by which Russia's leaders seek to forestall future declines in bargaining power in a treacherous international environment. We also argue that Russia's demands to reconstitute the entire international order alongside its increasing authoritarianism during President Vladimir Putin's time in office makes the ability of Russia to make credible promises about self-restraint in the future weak.⁷ The more the Russian

⁵ Of course, we also acknowledge and evaluate Russia's claims that the revisionism of the international order comes from the United States and its allies that have violated norms of international behavior and lost legitimacy as the provider of global order. In turn, Russia believes that its objectives are in fact to support and buttress the status quo; the United States and its allies are the true revisionists. In combination, whether revisionism comes from one side or the other what we know is that the structure of international relations is changing. For the Russian argument that it is the US that is a revisionist power see: Dmitry Suslov, "For a Good Long While", *Russia in Global Politics*, December 18, 2014.

⁶ The prediction that declining powers seek to fight has been a mainstay of realist and bargaining theories; see Jervis (1978) and Copeland (2000) on preventive war from a realist perspective and Fearon (1995) and Powell (1999 and 2002) from a bargaining perspective. See: Robert Jervis "Cooperation under the security dilemma." *World politics* 30.02 (1978): 167-214; Dale C. Copeland, *The Origins of Major War*. (Cornell: Cornell University Press, 2000); James D. Fearon, "Rationalist explanations for war." *International Organization* 49.03 (1995): 379-414; Robert Powell, *In the Shadow of Power: States and Strategies in International Politics* (Princeton University Press, 1999); Robert Powell, "Bargaining theory and international conflict." *Annual Review of Political Science* 5.1 (2002): 1-30;

⁷ Schultz (1999) argues that audience costs are at the heart of the democratic advantage; Lake (1992) argues that regime type itself could explain why democracies fight harder. See Downes and Sechser (2012) and Desch (2002) for critical rejoinders to both and Weeks (2008) for an argument that audience costs can also be paid in authoritarian settings. Lake (2003) and Desch (2003) continue the debate in the letters section of *International Security*. See: Kenneth A. Schultz, "Do democratic institutions constrain or inform? Contrasting two institutional perspectives on democracy and war." *International Organization* 53.02 (1999): 233-266; Lake, David A. "Powerful pacifists: democratic states and war." *American Political*

leadership advocates extensive Eurasian integration while eroding political pluralism at home, the greater the challenge becomes to other great powers – with nearby states bearing the brunt of this insecurity.

Second, although we remain skeptical about its feasibility, we outline how accommodation – or more specifically a “grand bargain” with Russia – could occur under fairly specific circumstances. Russia’s revisionism is based on a sentiment that the United States and its allies have overstepped their authority since the conclusion of the Cold War. Russia would therefore want institutional developments that clearly delineate the role of the United States in the international order and put limits on U.S. power, the former to make the hegemon more predictable in its behavior and latter to prevent it from overstepping its own authority. By committing to concessions that identify and curb its power, the United States could make Russia’s decline relatively less dangerous for all sides. Simultaneously we hold that Russia’s chief problem is drifting authoritarianism that makes its demands unclear and ability to commit credibly weaker. We argue that greater internal transparency would allow the Russian leadership the ability to limit its revisionist behavior because it would be able to make credible commitments to a more beneficial international order. That would permit Russia to become a responsible stakeholder in the international order and allow it to pursue Eurasian integration without generating fear and hostility.

RUSSIA’S PUSH FOR EURASIAN INTEGRATION

The civil war in Ukraine and its outcome is central to international security today. Unlike characterizations of the conflict that paint it as a *sui generis* fight arising out of miscalculations that were made after the ouster of Viktor Yanukovich

Science Review 86.01 (1992): 24-37; Downes, Alexander B., and Todd S. Sechser. "The illusion of democratic credibility." *International Organization* 66.03 (2012): 457-489; Desch, Michael C. "Democracy and victory: Why regime type hardly matters." *International Security* 27.2 (2002): 5-47; Weeks, Jessica L. "Autocratic audience costs: Regime type and signaling resolve." *International Organization* 62.01 (2008): 35-64; Desch, Michael C. "Democracy and Victory: Fair Fights or Food Fights?." *International Security* 28.1 (2003): 180-194; Lake, David A. "Fair fights? Evaluating theories of democracy and victory." *International Security* 28.1 (2003): 154-167; Ikenberry, G. John. *After Victory: Institutions, strategic restraint, and the rebuilding of order after major wars*. (Princeton: Princeton University Press, 2001).

in early 2014,⁸ we instead situate it as an unfortunate but not unpredictable outcome of Russia's push for Eurasian integration. We review Russia's push for Eurasian integration and the role it plays in Russia's overall foreign policy over the course of the post-Soviet period and across the European, Central Asian, and Asian security theaters. We show that a policy of Eurasian integration as such existed throughout this entire period, but has risen to the level of systemic challenge following the United States' war in Iraq and 2008 financial crisis. The Russian leadership has spent considerable effort on rearranging the institutions of regional (and potentially international) order on the heels of a significant but temporary resource revenue boom. The conflict in Ukraine just happens to be where the rubber hits the road.

Russia's push for post-Soviet Eurasian integration emerges from disillusionment with the early post-Soviet strategy under Boris Yeltsin to transform Russia into a "normal" liberal capitalist society integrated into the Western economic and institutional order without any of the imperial entanglements on Russia's backward periphery that would detract from these goals.⁹ The lack of discernible success with the country's pro-Western course and disappointment with the diminished international status accorded to it led to a dramatic change in thinking on the part of Russia's elites.¹⁰ Even many proponents of the earlier pro-Western course began to argue that Russia was making a huge mistake in allowing its influence in the region to wane.¹¹ The fall of pro-Western foreign minister Andrei Kozyrev in 1993 and his replacement by the conservative Yevgeny Primakov signaled a reorientation towards the Commonwealth of Independent States (CIS) as the main vehicle for regional integration and a key priority for Russia.¹²

Andrew Higgins and Andrew Kramer, "Leader Was Defeated Even Before He Was Ousted", New York Times, January 3, 2015.

⁹ Bobo Lo, *Russian Foreign Policy in the Post-Soviet Era: Reality, Illusion and Mythmaking* (New York: Palgrave MacMillan, 2002), pp 42-48.

¹⁰ Ann Clunn, *The Social Construction of Russia's Resurgence: Aspirations, Identity and Security Interests* (Johns Hopkins University Press, 2009).

¹¹ Sergei Stankevitch, "Derzhava v poiskakh sebja", (A Great Power in Search of Itself), *Nezavisimaya Gazeta*, March 28, 1992

¹² Russia's elites first began to perceive the Commonwealth of Independent States as less of a drain on its resources and more as a path towards reestablishing its dominance in the region that would allow it to build up global power and thus maintain its status as a great power in the international system. Towards this end

Russian leaders and experts subsequently moved to develop multiple institutions devoted to integration through the CIS framework, leading to countless declarations and meetings of government representatives at all levels. Yet integration made little progress; member countries ratified fewer than 10% of the thousands of documents and resolutions adopted by CIS bodies during this time.¹³ Moreover, the CIS did little to arrest the trend towards regional disintegration and the dissolution of economic and political bonds that had been created in the Soviet and earlier periods. Intraregional trade as a percentage of total trade of the CIS region fell by almost 40 percent between 1994 and 2008,¹⁴ not least because Russia, despite its rhetorical commitment to the process, neglected to provide the leadership and public goods needed to make regional integration work.¹⁵

The Iraq War of 2003 and U.S.-originated financial crisis of 2008 intensified Russian efforts to promote regional integration.¹⁶ The two events impressed upon the Russian leadership that it was alone on the world stage, outside of the alliances making decisions, and ultimately able to rely only upon itself and whomever it could sufficiently constrain to count as allies.¹⁷ This meant that unless it could get more (and more reliable) allies, it would face a future in which other blocs would grow in material capabilities and thus bargaining power in crisis situations. In short, Russian leaders understood that their country was facing a negative shift in future

some even advocated that Russia establish its own version of the “Monroe Doctrine” in the former-Soviet space and actively endeavor to keep other powers out of its “back yard.” Andranik Migranyan, “Rossiya i blizhnnee zarubezhe”(Russia and the Near Abroad), *Nezavisimaya Gazeta*, January 12 and 18 (published in two parts), 1992.

¹³ Lev Moskvina, *SNG: Raspad ili vozrozhdenie? Vzgljad 15 let spustya*(The CIS: Failure or Rebirth? The View 15 Years Later), (Moscow: M, 2007).

¹⁴ I. Gurova and M. Efremova, “Potentsial regionalnoitorgovli SNG”, (The Potential for Regional Trade in the CIS), *Voprosy ekonomiki*, No. 7, July 2010, 108-122, pg 110.

¹⁵ Paul Kubicek, “The Commonwealth of Independent States: An Example of Failed Regionalism?”, *Review of International Studies*, Vol.35, No.1, 2009, pp. 237-256.

¹⁶ Lake (2007, 2010) argues that these actions violated the expectations of members of the U.S.-led security and economic hierarchy as well as other great powers, leading subordinates and rivals to reconsider their dependence on America’s ability to constrain itself. See: Lake, David A. *Hierarchy in International Relations*. (Cornell: Cornell University Press, 2009).

¹⁷ Fiona Hill and Clifford Gaddy, *Mr. Putin: Operative in the Kremlin* (Washington D.C.: Brookings, 2013).

bargaining power and tried to ameliorate that source of insecurity by using regional integration as a form of internal balancing.¹⁸

Russia thus moved away from the previous strategy of relying primarily on the CIS towards a more flexible approach towards integration.¹⁹ Whereas the CIS looked to bring all of the former Soviet states (minus the Baltics) under the same tight institutional umbrella, Russia began to pursue a multi-layered approach that encompassed deepened bilateral relations with post-Soviet states as well as smaller multilateral groupings like the Customs Union (CU), Collective Security Treaty Organization (CSTO) and Eurasian Economic Union (EEU). Russia concentrated on more dependent states like Belarus, Kazakhstan, Armenia and the Central Asian states with the hopes that successful integration could attract other states that have shown less enthusiasm into joining the project.²⁰ Simultaneously, recalcitrant states like Georgia, Estonia, and Azerbaijan could find themselves on the end of trade bans for suspiciously spurious reasons.²¹

Russia, Belarus, and Kazakhstan established the Customs Union in 2009, eliminating tariffs and customs controls between their countries. The CU transformed into the Eurasian Economic Union in January 2015 with measures meant to harmonize legislation and standards between the three markets including an arbitration mechanism has been created to settle disputes. The EEU has also established a \$10 billion dollar crisis fund to help its members in the event of a financial crisis, from which Belarus already drew \$3 billion from fund in 2012 to meet its international debt obligations and avert a default of its sovereign debt. Armenia, Kyrgyzstan and Tajikistan are in negotiations to join the EEU with Armenia rejecting EU offers of preferential trade and association agreements – in effect turning its back on integration with the EU.

¹⁸ Tsygankov (2011)

¹⁹ Krickovic (2014)

²⁰ Often through energy subsidies that helped forestall economic reforms . See: Nygren, Bertil. "Putin's use of natural gas to reintegrate the CIS region." *Problems of Post-Communism* 55.4 (2008): 3-15..

²¹ Jason Richards, "Denial-of-Service: The Estonian Cyberwar and Its Implications for U.S. National Security," *International Affairs Review*. <http://www.iar-gwu.org/node/65>; Denis Cénusa, et al. "Russia's Punitive Trade Policy Measures Towards Ukraine, Moldova and Georgia." *CEPS Working Documents* 400 (2014).

In the security realm Russia has moved to make the Collective Security Treaty Organization the premier security organization in the post-Soviet space. The organization brings together Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia and Tajikistan.²² The CSTO charter does not legally bind them to come to each other's aid as Article V of NATO's charter does, but it does prevent them from joining any other alliances, thus forestalling their entrance into NATO – a key Russian goal in the region. The CSTO has conducted regular large-scale military exercises since 2006, including a 6,000-strong exercise in Kazakhstan in 2009.²³ These exercises simulate responses to conventional external threats as well as incursions by “terrorists” and “militants.”²⁴ CSTO countries are organizing a 20,000-soldier rapid reaction force, including a smaller unit that would be under joint command and operate from a joint base in Osh, Kyrgyzstan. This force is specifically designed to intervene against unconventional security threats and challenges and could be used to quell internal unrest in member states.²⁵

The roots of the Ukraine crisis lie in Russia's failed efforts to entice Ukraine into joining its Eurasian integration project. Russia made considerable efforts towards attracting Ukraine by offering Kiev preferential access to Russian markets and substantial discounts on gas imports, a critical issue for Ukraine's struggling economy. However, these efforts at bringing Ukraine into the Eurasian integration process competed with efforts from the European Union to jump-start the process of Ukraine's European integration via the signing of a Deep and Comprehensive Trade Agreement (“Association Agreement”) between Ukraine and the EU. The stakes increased over the course of 2012-2013, with Russia using a mix of incentives and coercive measures in order to convince Ukraine to back away from signing an Association Agreement with the EU. Moscow made it clear to Kiev that it would cut

²² Uzbekistan, which is wary of Russian dominance and harbors its own ambitions towards regional leadership, has vacillated back and forth on CSTO membership. It is currently a member but has suspended its membership.

²³ *RIA Novosti*. “Kazakhstan hosts ‘Interaction-2009’ exercises”, August 20 2009 .

²⁴ Weitz, Richard. “Is the Collective Security Treaty Organization the Real Anti-NATO?”, *World Politics Review*, January 23, 2008, <http://www.worldpoliticsreview.com/articles/1531/is-the-collective-security-treatyorganization-the-real-anti-nato>

²⁵ Felgenhauer, Pavel. “A CSTO Rapid-Reaction Force Created as a NATO Counterweight”, *Jamestown Eurasia Daily Monitor* Vol.6:24, February 5, 2009.

Ukraine off from its markets and hike up energy prices should Kiev move forward with the Association Agreement.²⁶ The breakthrough for Russia seemed to come in November when, after Russia agreed to purchase \$15 billion in government bonds from the cash strapped Ukrainian government and offered \$5 billion in gas discounts, Ukrainian President Viktor Yanukovych announced that Ukraine would indefinitely postpone signing the Association Agreement. The move stunned many Western observers who believed that the deal was a foregone conclusion and prompted one unnamed Russian official to gloat, "It's like stealing the bride right before the wedding...this is another victory for President Putin in the international arena."²⁷ Yet this "geopolitical victory" proved to be short lived. Opposition to this decision led to massive pro-EU demonstrations in Kiev's Maidan Square that ended in Yanukovych's ouster.

Russia's efforts proved for naught as the nightmare scenario of an explicitly pro-Western government determined to set Ukraine on the path of Western integration came to power. Fearing that a pro-Maidan government would ultimately move the country away from Russia and towards NATO membership, Moscow acted decisively and forcefully. Unmarked Russian soldiers engineered the annexation of Crimea to prevent the loss of Russian naval bases left over from Tsarist and Soviet times under cover of protecting the rights of the large ethnic Russian population there. Moscow then orchestrated the insurrection in Ukraine's East with the ultimate goal of forcing the Kiev government to accept a domestic constitutional settlement to preserve Russian influence in Ukraine, prevent the country from joining NATO or the EU, and keep alive the hope that Ukraine could join Russia's integration efforts at some (albeit distant) point in the future.²⁸

²⁶ Russia introduced selective bans on exports from Ukraine in the summer of 2013, just as Ukraine and the EU were in the middle of negotiations for a Deep and Comprehensive Trade Agreement. Moscow justified the ban by citing health and safety concerns, but most experts agreed that the move was designed to demonstrate Russia's resolve and to show Kiev just how painful a cut in trade with its largest single trading partner could be. See: Tim Gosling, "Russia steps up trade war with Ukraine," *Business New Europe*, August 15, 2013.

²⁷ "Ukraina ostanovila podgotovkuk podpisanyu soglasheniya s ES" (Ukraine halts preparations for agreement with the EU), *Vedemosti*, October 22, 2013.

²⁸ Interview with Dmitri Suslov, February 2, 2015.

The outcome of the Ukrainian conflict remains unknown at the current time. The next section reviews existing literature on Eurasian integration, but the focus of most scholars misses what we believe is the underlying commitment problem: the “loss” of Ukraine to opposing blocs would violate a core strategic interest of maintaining allied or neutral states around its own borders. Moreover the potential success of a Europeanized Ukraine would be a danger to Russia’s own system of authoritarian governance.

EXTANT EXPLANATIONS ON RUSSIAN INTEGRATION

The ouster of a reliable ally and the entry of genuinely anti-Russian political voices alerted the Russian leadership that its ability to dictate outcomes in Ukraine would decline, perhaps even precipitously, in the future. Faced with that prospect of a serious shift in future power, Russia catalyzed a preventive or preemptive conflict that continues to challenge the European security order.²⁹ In this context, we introduce the existing literature on whether or to what extent Russia has pushed for regional integration and its potentially systemic effects. This issue might have remained a second-order topic of debate or understood within the context of other great power machinations³⁰ until the war in Ukraine revealed the greater extent of Russian dissatisfaction with the existing international order and its concomitant, system-level bargaining demands.

We find that the bulk of reporting and scholarship on the subject emerges from three paradigmatic traditions, finding the source of regional integration driven by economic, identity, and structural power concerns. We note that while many contributions provide insight, they are individually over-determining and collectively do not provide a full understanding of the observable phenomenon. In the following section we consider Eurasian integration in a larger bargaining

²⁹ The difference between prevention and preemption is one of immediacy. The specter of mass killings by Ukrainians upon Russians was a serious talking point in the Russian media at this time, which, like the 2003 rationale for the invasion of Iraq, sought to convince outside observers that actions taken were preemptive and not preventive.

³⁰ Alexander Cooley, *Great Games, Local Rules: The New Great Power Contest in Central Asia* (London: Oxford University Press, 2012)

framework that addresses these limitations and places Ukraine within the larger bargaining context: the challenge by Russia to the post-Cold War international order of which Ukraine happens to be an important venue for revisionism.

The most straightforward and benign explanation for Eurasian integration, and the one most often put forward by Russian government officials, is motivation by economic benefits in terms of increased trade and economic growth for Russia and other participant states. According to President Putin, “We are creating a huge market that will encompass over 165 million consumers, with unified legislation and the free flow of capital, services and labor.”³¹ According to its proponents, economic integration between Russia, Ukraine, Belarus and Kazakhstan will increase GDP by up to 3% by 2030, adding \$1.1 trillion to the region’s GDP.³² Even some noted liberals who were formerly the most ardent advocates of Russia’s Western integration and might not be expected to support post-Soviet reintegration, such as Anatoly Chubais, have embraced the idea of Eurasian integration. Chubais’ vision of integration is one of “liberal empire” where Russia uses its economic influence to promote economic liberalism and democracy throughout the region, thereby becoming a catalyst for the region’s economic and political modernization.³³

Whereas supporters of Eurasian integration see the benefits of spreading Russian economic influence and institutions, critics of post-Soviet economic integration see it as a suboptimal alternative to the region’s economic integration with the larger outside world. According to critics such as Anders Aslund, a protected Eurasian market will divert trade away from the larger and wealthier Western and Asian markets and prevent member economies from developing industries that are competitive in world markets.³⁴ A 2011 World Bank study

³¹ Vladimir Putin, “Novyi integratsionii proekt dlya Evrazii – budushee kotoroe razvivaetsya segodnya” (The new integration project for Eurasia – the future which is happening now), *Izvestia*, October 3, 2011

³² Viktor Ivanter, Valery Geets, Vladimir Yasinskiy, Alexander Shirov, and Andrey Anisimov. “The Economic Effects of the Creation of the Single Economic Space and Potential Accession of Ukraine”, *Eurasian Integration Yearbook 2012*, (Eurasian Development Bank: St Petersburg, 2012) pp 19-41.

³³ Anatoli Chubais, “Missiya Rossiya v XX veke [Russia’s mission in the 20th century],” *Nezavisimaya Gazeta*, October 1, 2003. For a description of then-President Medvedev’s positive view of the potential for liberal empire, see Chapters 1-2 in Simons (2008). Thomas W. Simons, *Eurasia’s New Frontiers: Young States, Old Societies, Open Futures*. (Cornell: Cornell University Press, 2008).

³⁴ Anders Aslund, “Putin’s Eurasian Illusion Will Lead to Isolation”, *Moscow Times*, June 21, 2012.

relying on economic equilibrium models predicts that the establishment of a common economic space between Russia, Kazakhstan and Belarus will actually reduce the GDP of all three countries.³⁵ Proponents of Eurasian integration counter these critiques by arguing that the point of economic integration is not simply to boost trade but also to improve the quality of their domestic economies.³⁶ Towards this end regional integration will allow the post-Soviet states to adopt import substitution strategies that will modernize their economies and break free of their current dependency on natural resource exports.³⁷

Nevertheless, the record sheds doubts on those explanations that see economics benefits as the main drivers of integration. After a period of initial growth, trade between Eurasian Economic Union countries has declined over the last few years. Trade between EEU member states fell by nearly 13 percent in 2013 alone.³⁸ Though Russia has benefited from increased exports to EEU member states since the common CU market went into effect in 2012, this has done little to boost GDP growth, which was beginning to stagnate even before the Ukraine crisis, or to reduce its economies dependence on energy and natural resource exports. Unlike other free trade agreements, which focus on reducing tariffs and liberalizing local economies and making them more compatible, there is no overriding economic rationale that is guiding the project forward. According to Ekaterina Koldunova, an expert on Eurasian regionalism at the Moscow State University of International Affairs, "It is still unclear to me what the economic rationale of integration really is. In the end it is politics that is really driving this project forward."³⁹

The economic motivation for Eurasian integration remains contested by observers and scholars, not least because the terms of the debate has been set by

³⁵ Lúcio Vinhas de Souza, "An Initial Estimation of the Economic Effects of the Creation of the EurAsEC Customs Union on Its Members", *The World Bank: Poverty Reduction and Economic Management (PREM)* No 47, January 2011.

³⁶ M. V. Bratersky, "Regionalnye ekonomicheskie obedineniya skvoz prizmu mirovoi politicheskoi ekonomii" (Regional Economic Integration through the Prism of World Political Economy), *SShA - Kanada. E'konomika, politika, kul'tura*, No. 8, August 2010, pg 32.

³⁷ Sergei Glazev, "O vybore strategii budushego razvitiya" (On the choice of future development strategy), *Svobodnaia Mysl*, Vol. 21, No. 2, 2011

³⁸ Robert Coalson, "Despite Ukraine Crisis, Russia Pursues Eurasian Integration Dream, *Radio Free Europe/Radio Liberty*, May 28, 2014.

³⁹ Interview with Authors, January 27, 2015.

the authorities themselves. By contrast, perhaps the most common approach to explaining Russia's revived post-Soviet integration effort from non-official sources has been to see it as a product of "imperial hangover" and "Soviet nostalgia" on the part of Russia's elites and public. Some critics see the push for Eurasian integration and Russia's confrontational behavior as nothing but a cynical public relations ploy by Russia's political elites.⁴⁰ They contend that the Russian government pursues Eurasian integration because President Vladimir Putin's regime has failed in the broader goal of economic and political modernization and thus cynically uses great power ideology and symbolism to rally the support of Russian nationalists and voters who are nostalgic for Russia's former imperial glory.⁴¹

In this vein, Ann Clunna adopts an explicitly constructivist approach to explaining Russia's quest for great power status in the post-Soviet period.⁴² She argues that other options also existed; namely, that Russia could have pursued integration in the West and given up a *realpolitik* foreign policy in favor of a postmodern one based on liberal and democratic principles, norms, and values, much the same way that Germany or Japan did after World War II. Russian authorities instead rejected this option early on in the post-Soviet period because it clashed with the historic identity and self-perception of Russia's elites, who continued to see their country as a "great power" and demanded this status be recognized by other powers. She contends that great power identity is firmly rooted in Russia's historical experience and thus enjoys widespread legitimacy among Russia's elites. The drive for Eurasian integration and the challenge to American primacy (including the view that NATO is a threat to Russia) has thus been accepted by Russia's elites because it is consistent with their historical aspirations – even though it may not reflect their country's current material capabilities. Jeffrey Mankoff makes a similar argument to Clunna's, though his analysis combines realist and ideational explanations. Mankoff argues that Russia's elites continued to cling to

⁴⁰ Anton Barbashin, "The Eurasian Illusion: The Myth of Russia's Economic Union", *Foreign Affairs*, January 15, 2015

⁴¹ Vladislav Inozemtsev, "Xolostoivystrel": (Firing blanks), *Profil*, No 27 (367), October 10, 2011, <http://www.profil.ru/politics/item/60637-kholostoi-vystrel-60637>.

⁴² Clunna (2009).

a great power identity – even in the 1990s when their country’s power and global influence seemed to be in a free fall. What has changed is that now it finally has the power to realize these ambitions.⁴³

Like Clunna and Mankoff, Dmitri Trenin also sees Russia’s drive for Eurasian integration as reflecting the identity and self-perceptions of Russia’s elites. He argues that Russia’s push for Eurasian integration reflects a deep psychological need on the part of Russia’s elites to come to grips with the country’s loss of empire and its degraded international status.⁴⁴ However, Trenin contends that regional integration and a push for sphere of influence in the post-Soviet space make little sense in today’s globalized and modern world where Russia has more to gain from forming modernizing partnerships with the more economically and technologically advanced states of the West and Asia than from seeking out a sphere of influence over states that are even more economically and technologically backward than itself. Trenin laments that regional projects may move forward, but they will lack real substance and will essentially serve to placate Russia’s bruised imperial ego and soften the blow of loss of empire.⁴⁵

Some theorists argue that this emphasis on elite preferences for Russia’s unique “Great Power” identity in explaining Russia’s foreign policy behavior is overstated.⁴⁶ Identity is certainly an important factor in any country’s foreign policy and a worthy object of study, but focusing on the uniqueness of Russia’s identity may also obscure other, more objective, reasons for why it chooses the policies and national objectives that it does. The Russian elite’s geopolitical ambitions have been shaped by their country’s historical identity as a “great power”. However, choosing to pursue “great power status” -- and indeed the very choice to adopt “great power identity and great power aspirations” does not just reflect Russian elites’ bruised egos over the loss of their country’s former status. It also reflects the potential power resources that it has at its disposal as well as the external and internal

⁴³Mankoff (2009), pg 51-53, 258

⁴⁴Dmitri Trenin, *Post-Imperium: A Eurasian Story* (Carnegie: New York, 2011).

⁴⁵ Ibid, pg 36.

⁴⁶ Tsygankov (2011), Krickovic (2014)

opportunities and constraints it faces.⁴⁷ According to these arguments, integration with the West, which seemed like the logical choice at the beginning of the post-Soviet period, proved to be unrealistic. The internal transformations necessary to make it happen proved to be too painful. Moreover, from the point of view of its elites, Russia was never offered more than junior or second-class status within the Western order. This kind of status was neither commensurate with Russia's still formidable potential nor did it adequately address the security challenges that the country faced – i.e. a rising China, NATO enlargement, and ensuring stability in the post-Soviet space.⁴⁸

Moreover, the attraction of integration with the West also began to wane over time as the international system itself began to change. Krickovic analyzes Russia's push for regional integration from a geopolitical perspective and compares Eurasian regionalism with other emerging non-Western power's regional integration projects (Brazil and Mercosur/Unasur and China and ASEAN+1).⁴⁹ He finds that most Russian experts hold that the international system is entering a period of increasing flux and uncertainty as new centers of power challenge established global hierarchies and the very state-based order is being eroded by the forces of globalization and technological change. Under these circumstances the United States and other traditional Western powers' abilities to provide the global collective goods needed to guarantee peace and economic stability are increasingly questioned. Russia and other rising powers thus respond by using regional integration to prepare themselves for what they believe will be a future "post-Western" world order.

These approaches in the Realist tradition avoid the pitfalls of Russian exceptionalism often adopted by many area studies scholars who treat Russia as an anomalous case whose behavior must be explained with reference to its unique historical experience or cultural identity. Security-oriented scholars treat Russia as a more or less "normal" country with legitimate security and economic interests and

⁴⁷Tsygankov (2011)

⁴⁸ Ibid

⁴⁹ Krickovic (2014)

concerns and consider these within the larger context of developments in the international system. But like the ideational theories described above, which see Russia's foreign policy behavior as the product of the historically rooted world views of its elites, these theories also suffer from a rigid determinism in that they trace Russia's behavior to structural factors (geography and the political and economic balance of power in the international system), leaving little room for human agency. Nor do they consider the way that strategic interactions between actors and bargaining dynamics can affect their behavior and influence the foreign policy strategies they choose. To remedy these shortcomings, we turn to a more general bargaining framework to assess why Russia seeks Eurasian integration and what Ukraine has to do with it.

UKRAINE AND BARGAINING OVER INTERNATIONAL ORDER

Much of the popular focus regarding the conflict in Ukraine has been over the territorial status of Crimea and the potential imposition of a frozen conflict in the eastern part of the country. In this section we argue that this attention is too limited. From Russia's point of view what is really at stake is not merely a territorial or policy outcome but the future of the international order itself. A classic bargaining problem is at the root of the current crisis: Russia is deeply dissatisfied with the current international order but it is unable to strike a bargain with its great power adversaries that would address its concerns and establish a stable and sustainable new world order. We employ expert interviews and policymaker statements to redefine the war as endogenous to Russian dissatisfaction with the international order. We then identify the institutional "grand bargain" that Russia seeks in order to end its challenge to the international order, namely an international collective security treaty, the end to NATO dominance in Europe, and great power acceptance of spheres of influence.

We turn to bargaining theory to overcome the incomplete contributions identified above and connect the minor issue, resolution over Ukraine's borders and foreign policies, to the major issue, the conduct of international relations under conditions of future shifts in bargaining power. Fearon (1995) and later Powell

(1999, 2002) identified commitment problems (alongside informational problems and issues of indivisibility) at the heart of why otherwise rational leaders would choose costly war over coming to agreements *ex ante* that they would otherwise achieve *ex post*.⁵⁰ In their treatment, we can ascertain why Russia chose to take a stand over Ukraine: given that the West writ large offered a more attractive future to those who chased Yanukovych from power, Putin and his advisors could anticipate that not only would the West as a general bloc grow even more powerful, they also anticipated that the geopolitical significance of the growth of the ECU/EEU would be much lower without Ukraine. Russia as a declining power and completely untrusting of its adversaries (of which more below) was thus rationally placed to fight (and to exploit the first strike advantage) to redistribute the gains of Ukrainian territory and policy choice away from the new government in Kiev and towards itself. We flesh out below the connection between the West's behavior from the Russian perspective from the end of the Cold War to that time to make explicit the link between Russian elite perceptions of Western behavior and their aims and concerns about future bargaining weakness.

Observers of Russian foreign policy have noted that specific efforts at regional integration over the previous decade have been allied to a more assertive foreign policy. Russia has repeatedly voiced its displeasure with the current international order and called for many changes to that order.⁵¹ According to Evgeny Lukyanov, the Deputy Secretary of Russia's Security Council, "We need to sit down [with the United States] and renegotiate the entire post-cold War settlement."⁵² The source of this displeasure with the current international order is, according to foreign policy experts interviewed for this project, the elite belief that

⁵⁰ Fearon (1995) and Powell (1999, 2002) remain keystone works in International Relations introducing rational choice theory to the study conflict.

⁵¹ These include, but are not limited to, the transition to a multipolar international system where the US would no longer dominate, promotion of alternative organizations such as the BRICS and SCO that exclude the US and other prominent Western countries, and advocacy of moving away from the US dollar as the international reserve currency. Russia was also a vehement opponent of the US war in Iraq and opposes US effort to sanction Iran and Syria and has called for the US to scale back its military engagement in Central Asia.

⁵² "V Sobveze Uvvyereni chto gegomonii Ssha prishel konec" (The Security Council is convinced that US Hegemony is reaching an end), *Mir-24*, July 2, 2014, <http://mir24.tv/news/politics/10792390>.

the United States and its allies are themselves the revisionist powers that have failed to maintain the strategic balance in Europe and elsewhere by violating implicit promises not to expand their power at Russia's expense, thereby exploiting Russia's weakness. Paradoxically, these US policies have only served to make the world a more dangerous place.⁵³

The dissatisfaction that Russian foreign policy experts and policymakers express is what they define as the revisionism of the United States and its allies following the conclusion of the Cold War. According to this perspective, the bipolar conflict ended when the Russian people took the decisive step of ending Communist rule in Russia itself. In return for peaceful democratization and completing its withdrawal from erstwhile Eastern European allies, Russia expected the West to reward it with economic assistance and the path towards European integration. It also expected to retain its status as one of the most influential international players – on par with the US and Europe. Instead, Russia not only saw such hopes dashed, but watched NATO expand to include all of its former Warsaw Pact allies and three Soviet Successor states, thereby moving the Western military alliance all the way to the Russia's borders.

Russia's insecurity regarding the United States and its allies is not limited to NATO expansion in Europe. Interview subjects not only mentioned the war in Iraq and the subprime financial crisis as evidence that the United States and its allies were unable to restrain themselves politically and financially, but also pointed to several additional episodes: withdrawing from the Anti-Ballistic Missile treaty in 2001; providing military and diplomatic support for Kosovo to split off from Serbia (but decrying the same for Abkhazia and South Ossetia in regards to Georgia in 2008); providing military assistance to the Libyan opposition in support of its efforts to topple Muammar Gaddafi; and, supporting “color revolutions” in the post-Soviet region and interfering unacceptably in Russian domestic politics (such as sanctions regarding the death of Sergei Magnitsky).⁵⁴

⁵³ Interviews with Karaganov (2015); Suslov (2015); Bordachev (2015)

⁵⁴ Karaganov (2015), Suslov (2015)

These developments and the perception they collectively generate create a sentiment that opposing the United States and its allies is not a churlish reaction, but the only strategic course that will slow down the violations of international order by the United States and its allies. The extension of what Moscow sees as America's "irresponsible" and "revisionist" policies to Ukraine was finally the last straw. As Nikolai Patrushev, Secretary of the Russian Security Council, put it:

The Ukraine crisis was an entirely expected outcome of systematic activity by the United States and its closest allies. For the past quarter of a century this activity has been directed towards completely separating Ukraine and the other republics of the former USSR from Russia and totally reformatting the post-Soviet space to suit American interests. The conditions and pretexts were created for colour revolutions, supported by generous state funding. ⁵⁵

Patrushev continued on to state:

The coup d'état in Kiev, accomplished with clear US support, followed the classical pattern tried and tested in Latin America, Africa, and the Middle East. But never before has such a scheme affected Russian interests so profoundly... The US Administration's activity in the Ukrainian sphere is taking place within the framework of an updated White House foreign policy course aimed at holding on to American leadership in the world by means of the strategic containment of the growing influence of the Russian Federation and other centres of power. In this context Washington is actively making use, on its own terms, of NATO's potential, seeking to use political and economic pressure to prevent any vacillations on the part of its allies and partners."⁵⁶

These expert interviews and policymaker statements paint a picture in which it is difficult for Russia to constrain the United States and its allies, even as they encroach on what is perceived to be Russia's core strategic interests.⁵⁷ As the United

⁵⁵ Yegorov (2015).

⁵⁶ Ibid.

⁵⁷ The notion of encirclement as an outcome of containment having a long history within Soviet military and diplomatic thought. See: Gaddis, John Lewis. *Strategies of Containment: A Critical Appraisal of American National Security Policy during the Cold War*. Oxford University Press, 2005.

States builds its objective strength, Russia needs to counter not only directly as in Ukraine but also indirectly by building up its regional alliances, i.e. by advancing the process of Eurasian integration identified above. This will allow Russia to forestall ongoing and future shifts in bargaining power that are detrimental to its interests.

In these terms, the “grand bargain” sought by Russia is one that explicitly identifies the role of the United States in the international order and puts limits on U.S. behavior, the former to make the hegemon more predictable in its behavior and latter to prevent it from overstepping its own authority. To satisfy Russia’s insecurity over Western intentions, Sergei Karaganov noted that Russia is seeking a collective security treaty binding Russia, the United States, and the leading European states. Dimitri Suslov has added that the European security order could no longer be dominated by U.S. hegemony and that NATO should be supplanted by supranational decision-making body that could be a Security Council of Europe of NATO, the EU, and CSTO, as previously proposed by Dmitry Medvedev. Both experts agreed that Russia also requires a “Monroe Doctrine” for the post-Soviet space, i.e. that the US and other major powers recognize Russia’s sphere of influence in the region. These ideas follow along Vladimir Putin’s “collective leadership” offer at the latest Valdai meeting: a new world order based on competing hierarchies of states, mutual non-interference in spheres of interest, and coordinated responses to transnational problems of mutual interest such as Islamist terrorism. Eventually, all these institutional developments would lead to an “integration of integrations” so that a bigger EEU could associate with the EU and other Western institutions as a full-fledged partner enjoying the same status as these powerful institutions.

By committing to concessions that identifies and curbs its own power, the United States could make Russia’s decline relatively less dangerous for all sides. Yet states rarely commit to self-restraint unless there is a greater goal in mind, such as construction of a post-war order, and that it can handle the costs of defection.⁵⁸ Thus, a proposed “new” post-Cold War order merits its own doubts about whether a Russia that just gained a new security order through challenging the West would

⁵⁸ Ikenberry (2001).

then restrain itself from doing so again. How can Russia convince the U.S. that it will hold to the bargain and not use the new arrangements to push for wider changes at the expense of the U.S. and West at some point in the future? We argue that Russia's chief problem and the source of doubt from the U.S. side about Russia's commitment to a new security order is the drifting authoritarianism that makes its demands unclear and ability to commit credibly weaker.⁵⁹ Greater internal transparency would allow the Russian leadership the ability to assuage fears about its revisionist behavior by improving its ability to make credible commitments through more explicitly specifying the audience costs to be paid in case of defection.⁶⁰ A democratic Russia would permit the country to become a responsible stakeholder in the international order, allowing it to pursue Eurasian integration without the fear and hostility that it generates. This democratic outcome seems quite distant, to be sure, at any point in the foreseeable future.

In this section we identified the underlying bargaining problem at the heart of the conflict in Ukraine: whereas the West considers the ongoing civil war to be limited to territorial and policy resolution in Eastern Europe, the Russian foreign policy elite instead revealed the far greater issues Russia wishes to address. Russia is deeply dissatisfied with the current international order yet its preferred institutional "grand bargain" (an international collective security treaty, the end to

⁵⁹ The literature on declining democracy during the Putin era is vast. In rough terms, President Putin exploited the insecurity and uncertainty of the political and economic elite and the exasperation and frustrations of the public during his first term, not by creating any new political structures or democratizing but instead generated his own legitimacy to fulfill the capacity of a superpresidential system. He was aided by post-1998 economic recovery as well as a dramatic rise in energy revenues. Freedom House rankings through Putin's tenure demonstrate the movement away from democracy and transparency towards the consolidation of authoritarianism. On Political Rights and Civil Liberties, the Freedom House Freedom in the World Country Ratings for Russia over Yeltsin's and Putin's eras have declined to levels unseen since Gorbachev's nascent attempts to undo the totalitarian Soviet system.

⁶⁰ Although Weeks (2008) argued that authoritarian leaders are just as liable to audience costs if there are individuals around them who can remove them, democracy as a regime type provides for greater opportunities for restraint. See Schultz (1998) and (1999) on audience costs and signaling democratic resolve. Moreover, the current round of economic sanctions that has specifically targeted the highest levels of the elite personally and at the corporate level has harmed the Russian economy, but failed to induce the types and levels of defection that would force changes in Russian demands (Drezner 2015). See: Daniel Drezner, "Does the Obama administration really understand how economic sanctions work?," *Washington Post*, February 9, 2015, <http://www.washingtonpost.com/posteverything/wp/2015/02/09/does-the-obama-administration-really-understand-how-economic-sanctions-work/>.

NATO dominance in Europe, and great power acceptance of spheres of influence) seems destined to be rejected given its domestic inability to commit to enforcement.

Finally, we noted that Russia is a declining state in the sense that its Eurasian integration bloc has reached its rough limit (with its resource-dominated economy likely to limp along for a number of years). While this provides a Russian incentive to challenge the international order in the face of a negative shift in future bargaining power, it also reveals to the West itself the unfortunate foreign policy response required: without credible Russian self-restraint that could permit accommodation, there is little to do but maintain the status quo and let Russian decline erode the country's ability to affect international relations.⁶¹

Conclusion

Russia's behavior during the Ukraine crisis can best be explained with reference to bargaining theory. For Moscow, the conflict in Ukraine is part of a larger struggle to redraw the rules of the post-cold War international order, which it considers unfair and threatens its vital national interests. Due to its declining power Russia has been unable to strike a bargain with the powers of the West that would correct these wrongs and establish an international order that is more commensurate with its interests. By pushing for Eurasian integration Russia's leaders are looking to reverse its decline and restore its bargaining power to the point where it can negotiate the transition to a new world order that better reflects its interests.

The conflict in Ukraine threatened Russia's plan for internal balancing through Eurasian integration and hardened its resolve to confront the West and force a revision of the post-Cold War bargain. Yet commitment problems continue to make it difficult for both sides to strike a new "grand bargain" that would

⁶¹ There are also arguments based on Jervis (1978) that claim that the current situation does not require deterrence model remedies, but instead spiral model remedies. Such arguments hold that Russia should be accommodated because its actions are motivated by fear and not greed. This comports with the basic sentiments expressed by the Russian foreign policy experts interviewed for this project. We acknowledge the logic, but remain unconvinced that accommodating a declining power would solve the underlying commitment problems posed here. Without credible commitments on its part to uphold its end of the bargain, accommodation for its own sake encourages the challenging power to make further demands.

accommodate Russia's interest and assuage its fears. Russian leaders have resorted to brinksmanship and escalation to demonstrate its resolve that ignoring its interests has painful consequences, while their Western counterparts struggle to find ways to demonstrate that they will not renege on their promises if Russia's decline continues. This has led to an intensification of conflict and the poisoning of relations to the point where both sides now see themselves involved in a new Cold War.

Beyond the current Russia-US standoff, a better understanding of these bargaining dynamics can help develop more complex theories of Power Transition (PT).⁶² Existing theories conceive of power transitions as involving one (or a group) of rising states that challenge a declining hegemon. Under these circumstances declining hegemons must show that they still have the ability to defend their core interests and make any forceful attempt by challengers to overturn the existing order prohibitively costly. Rising challengers must show that they will commit to the establish bargain and not overturn it in the future when the distribution of power is more favorable to them.

However, transitions will often include great powers that are in decline and who are also dissatisfied with the international order. This situation is almost a mirror image of the bargaining problems that exists between a rising challenger and democratic hegemon. It is the declining challenger that must demonstrate to the status quo state that it has the ability to inflict enough damage in order to make a bargain worthwhile. The challenger may be tempted to follow a strategy of brinksmanship and will be willing to adopt risky and destabilizing policies in order to signal their resolve. The status-quo hegemon must show that it will abide by the agreement even as its power relative to the declining challenger rises. Even if it is willing to make concessions, the hegemon will find it difficult to make its offer credible to the challenger. Under circumstances where one (or both) parties are

⁶² A. F. K. Organski, *World Politics* (New York: Alfred A. Knopf, 1958); Robert Gilpin, *War and Change in World Politics* (New York: Cambridge University Press, 1981); Ronald Tammen, *Power Transitions: Strategies for the 21st Century* (Chatham House: London, 2001); Jack Levy, "Power Transition Theory and the Rise of China." In Robert S. Ross and Zhu Feng, eds., *China's Ascent: Power, Security, and the Future of International Politics* (Ithaca: Cornell University Press, 2008).

authoritarian regimes the absence of audience costs and lack of transparency in the political process makes it more difficult for regimes to make credible commitments.

The scant attention that PT theories give to declining challengers is surprising. Historically we have seen great powers that were in decline (or perceived themselves to be in decline) look to challenge the established order. The most readily available example is Austria-Hungary in the period leading up to World War II, which pursued an expansionist policy in the Balkans to increase its influence and shore up the domestic political order.⁶³ But Imperial Germany also perceived itself to be in decline relative to its most dangerous adversary, Imperial Russia. Its decision to go to war in 1914 were also influenced by a strategic calculus that it was better for Germany to go to war now rather than at a later date when the distribution of military power would no longer be at its advantage.⁶⁴ As the current situation in Ukraine illustrates, declining challengers will continue to play a pivotal (and often destabilizing) role in the power transitions that will shape the future of the international system and world politics. We therefore need to develop theories that take their motivations and interests, as well as the bargaining problems they face, into account.

⁶³ Samuel Williamson, *Austria-Hungary and the Origins of the First World War* (Macmillan: New York, 1991).

⁶⁴ Jack S. Levy, "Declining power and the preventative motivation for war," *World Politics* 40 (October 1987): 82-107.