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No. 1763| March 2012

Web: www.ifw-kiel.de

Kiel Working Paper No.1763 | March 2012

External Drivers of Institutional Change in Central Asia – Regional Integration Schemes and the Role of Russia and China

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Abstract:

Russia and China are assumed to challenge democratization and to promote autocracy. In a first step, we analyze Central Asia as the most-likely case, considering both Russia and China as relevant external actors. We develop a concept for our analysis based on the different strategies of Russia (dominance) and China (doing-business) towards the region and present the results of a qualitative study of the main dimensions of autocracy promotion with respect to regional and bilateral schemes. In a second step, we extend a previous framework (*Melnykovska and Schweickert 2011)* and provide econometric evidence based on a panel of post-socialist countries. We show that bilateral schems are (still) more relevant for external influences in Central Asia and that (unintentionally) China's doing-business approach may in fact promote institutional change. Arguably, democratization should not be a precondition for cooperation as in European Neighbourhood Policy (ENP) but rather be promoted by sweeping economic cooperation incentives.

Keywords: Central Asia, China, Russia, Governance, Regional Integration, Trade, Minorities, Military Threat

JEL: F53, F59

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1.Introduction[1]

The literature on the post-communist transformation provided important insights on how external actors influenced domestic governance and institutional change towards democracy and market economy. Among the variety of external democracy promoters, the EU's "transformative power" through integration – so called Accession Europeanization or EUization – has been recognized to be the most influential (e.g., Schimmelfennig and Sedelmeier 2005). While the EU's "transformative power in its neighbourhood" (Neighbourhood Europeanization) seems to be largely ineffective (e.g., Gawrich et al. 2010, Franke et al. 2010), the empirical evidence on influences of other external democracy promoters was limited. Only recently, it has been shown that similar to the EU NATO accession has the positive influence on post-communist institutional development (Schweickert et al. 2011, Melnykovska and Schweickert 2011).

Still, the empirical literature on the determinants of institutional change at the macro level ignores the role of other, potentially "negative" players like Russia and China. Central Asia is the *most-likely case* of autocracy promotion for, at least, three reasons.

First, all five Central Asian countries have not made the transition from authoritarianism to consolidated democracies despite hopes at the time of their independence about two decades ago. Apart from some minor and quickly aborted attempts at institutional change, they have been continuously classified as "not free" or "partly free" (Freedom House 2011). The regimes in Turkmenistan, Uzbekistan, Kazakhstan and Tajikistan are relatively stable autocracies that neglect principles of democracy and free market economy and rely on personalised power, elite patronage and informal processes of political and economic decision-making. Thus, domestic governance in terms of democratic structures, quality of government policies, rule of law, and control of corruption in line with western standards is highly unlikely, as it would be extremely costly and contradict the internal logic of power maintenance in these regimes.

Second, these countries are only marginally dependent on their relationship with the EU and NATO and thus reluctant to EU and NATO leverages. Despite increased engagement by the

[1] The authors like to thank Hanno Heitmann for his great research assistance.

EU with Central Asia within the framework[2], it does not have a great impact on the domestic governance and institutional change in these countries (Hoffmann 2010, Boonstra and Denison 2011). Similar weakness is also true for NATO cooperation within the "Partnership for Peace" program (Bhatti and Bronson 2000, Deyermond 2009).

Third, at the same time, Central Asian countries are close to autocratic Russia and China, which do not only lead by example as role models of development but also actively promote autocracy in neighbouring states, in particular after so called colour revolutions in the post-Soviet area. Interestingly, both countries strengthened their ambitions to promote the role of regional organizations. The most prominent example is certainly the Shanghai Cooperation Organization (SCO), in which Central Asian countries team up with both Russia and China.

So far, only few scholars have noted the rise of counter-democratic efforts or external autocracy promotion, exercised mainly by Russia and China to support similar autocratic regimes or de-stabilize democratizing regimes in the neighbourhood (Ambrosio 2010, Jackson 2010, Burnell 2010, Gat 2007, Tolstrup 2009). In addition, the empirical evidence is based on qualitative analyses, which concentrate on the role of either Russia or China or which concentrate on specific governance aspects like voice or corruption.

We develop our analysis in three steps. In Section 2, we start by discussing the mechanisms of external influences applied by Russia and China in Central Asia by distinguishing between the role of regional organizations and bilateral policies. Our aim is to determine the mechanisms that most-likely promote autocratic regimes in Central Asia – regional organizations or bilateral policies. Section 3 broadens the perspective by looking at empirical evidence from panel data for 24 post-communist countries. Here we formulate variables, which reflect the most influential mechanisms of external influence analyzed in Section 2. Overall, we are able to show that there is indeed an impact of Russia and China on institutional development in post-communist countries, which (still) seem to stem from bilateral policies in the first place. However, a negative impact could only be confirmed for Russia's dominance strategy, while there is some evidence that China's doing-business approach could as well have (unintended) positive effects on domestic governance. Section 4 summarizes our results.

[2] The EU Strategy for Central Asia that was established in 2007 marks the engagement with Central Asia on such policy areas: security, energy, economic development, trade, transport routes, human rights, the rule of law and education.

2. Russia and China as External Actors in Central Asia – Dominance vs. Doing-Business

After a period of a rather neutral stance that allowed for the enlargement of the EU and NATO, Russia modified its foreign policy in order to re-establish the dominance in the former republics of the Soviet Union, the so called "Near Abroad" (Aslund and Kuchins 2009). The reasons for this modification are multiple. The geopolitical school stresses Russia's attempt to reassert itself as a global power (Kanet 2007; Galbreath 2008; Mankoff 2009). Indeed, Russian leaders often frame the discourse on Russian foreign policy and international cooperation in terms of real politics, in which Russia secure its national interests in the face of Western detrimental actions and insulate its own regime from the wave of colour revolutions (Aslund and Kuchins 2009). This view of "reactive to the West" foreign policy is challenged by those who doubt Russia's capacities to be a global power and being deeply integrated in the global economy to confront with the West and see the maximum goal of its foreign policy in securing recognition of the post-Soviet area as the legitimate sphere of Russia's "privileged interests" (Stent 2008).

Furthermore, there is no scientific consensus whether Russia exports authoritarianism *per se* or has a clear preference for such a regime type. Some scholars argue Russia's foreign policy consistently strengthens autocrats' coercive state capacity and destabilizes democratizing states in the post-Soviet area (Tolstrup 2009). Bader et al. 2010 underpin this argument from the political economy perspective. They demonstrate that autocratic regional powers should indeed have a preference for system convergence, because dealing with autocratic governments in satellite states eases resource exploitation from outside. Another school doubt this generalization however and provide the examples when Russia withdraws its support to authoritarian neighbors and calls for democracy (Shapovalova and Zarembo 2009). This happens when it is deemed effective for geopolitical reasons as a means of maintaining Russia's influence over a weaker authoritarian neighbor. The moderate school recognizes that Russia's goals, even in democracy promotion, seem in most cases to be incompatible with those of the West (Kramer 2008).

China's policy in the post-Soviet area is seen as driven by its economic and security interests primarily (Koldunova 2010). Central Asian countries are in the particular focus. As key energy suppliers they ensure China's accelerated economic growth. Thus, China concentrates its efforts on purchasing oil and gas concessions and financing of energy infrastructure

development in Central Asian countries, instituting reforms to encourage more efficient energy use, and developing alternative energy sources (Thomson and Horii 2009). The geographic closeness of Central Asian countries to the Xinjiang province makes them important for China's national security as well. Concerning its security considerations, China seeks to maintain security in border areas, contribute to resistance to terrorism, separatism and extremist and promote regional stability. In addition to interests of internal nature, China aims at counterbalancing the US power in the region and tries to prevent building military blocks hostile to China (Flikke and Wilhelmsen 2008).

While there are some similarities, China and Russia differ in their strategies and tools pertaining to the post-Soviet space and Central Asia in particular. Russia, on the one hand, aims at maintaining the political order inherited from the Soviet Union by keeping the Central Asian states, which it still considers a "zone of privileged interests" (Cooley 2009), both politically and economically dependent. Jackson (2010) provides evidence that Russia has not hesitated in the past to employ all possible tools in order to keep Central Asian states from developing in an unwanted direction. China, on the other hand, usually deals with foreign governments indiscriminately and is at least in practice much more neutral towards domestic political developments in Central Asia, as long as its economic interests in the region are protected and stability in its Western-most province of Xinjiang is maintained (Bader and Kästner 2010).

In analogy to the Europeanization debate, three mechanisms of external influences are to be distinguished as driving forces in autocracy promotion – unintended diffusion of ideas and norms, conditionality for compliance, and socialization (Franke et al. 2010). While the diffusion as unintended dissemination and adaptation of ideas and norms takes place deliberately through flows of goods, capital and people (Kopstein and Reilly 2001), two other mechanisms are based on active policies. Conditionality is based on the assumption that the preferences of domestic ruling elites can be changed via coercion, the so called carrots and sticks approach. This approach follows the logic of consequences and comprises the assumption that cost-benefit calculations of ruling elites (taking their preferences as given) could be changed by external actors offering incentives for fulfilment of their demands and rewarding compliance or loyalty. Sanctions can be posed in the cases of non-compliance and disloyalty. The mechanism of socialization is rooted on the logic of appropriateness. Similar to diffusion, it points to the adaptation and compliance through contacts between external and internal actors. However, in the case of socialization external actors actively establish

linkages to run argumentative persuasion. Theoretically, all three mechanisms of external influences could be found in the autocracy promotion tool-box. They can be applied in both bilateral and multilateral relationships.

While increased engagement of Russia and China is recognized, whether Russian and Chinese foreign policies are designed to actively promote autocracy is still disputable. However, most scholars agree on their strong effects in terms of diffusion mechanisms. Furthermore, the examples of Russia and China as authoritarian capitalist states represent a viable alternative path to democratization and can be taken as role models in terms of governance patterns (Gat 2007). The diffusion-effects might occur even when neither Russia nor China deliberately intends that it has autocracy promotion as a policy goal (Burnell 2010). Due to its unintended nature, the mechanisms of diffusion are difficult to detect and are often measured by geographic proximity or neighborhood.

Although no autocratic conditionality is visible so far, Russia and China may promote autocracy intentionally and actively by creating conditions favourable for autocratic regimes. In particular Russia often offers financial aid and credits, cheap energy, launches a media campaign for authoritarian rulers. Apart from promoting autocracy, Russia tries to destabilize democratizing regimes in the neighbourhood. Jackson (2010) provided evidence for Russia's autocracy promotion the post-Soviet Central Asian countries. She argued that Russia's attempt to transfer autocratic institutions is based on the diffusion of ideas and norms, by a growing use of economic and cultural soft power, by a minimal but strategic use of hard power, and by the development of regional organizations.

Hence, the tool-boxes of autocracy promotion vary and one has to analyse all relevant dimensions when comparing Russia and China as external actors in domestic institutional change. Two contributions analysing Russia's role are relevant in order to set up an appropriate framework for our investigation. In Jackson (2010), the transfer of ideas and norms takes place by a direct interference of Russia in domestic policies of neighbouring countries. We argue that this could also take place indirectly in the case of economic cooperation or regional integration schemes. In the same vein, regional integration schemes

could focus on all other instruments mentioned by Jackson.[3] Indeed, Tolstrup (2009) distinguishes three policy levers of Russia's foreign policy: economic, military, and political. Again, these policies may be pursued in either regional or bilateral schemes.

Given these considerations, we adopt a mixed approach and analyse political, economic, and military levers in regional and bilateral schemes.[4] As will be shown, political support and economic cooperation are used by both Russia and China, although differently in most cases, while direct interference in domestic policy and military threat as instruments are used by Russia exclusively. Hence, the two autocratic neighbours of Central Asia can be assumed to be rather different. As a working hypothesis, Russia's influence can be considered more direct and targeted at dominance, while China's involvement tends to be more neutral and targeted at doing business.

2.1. Regional Integration Schemes – More than Political Support?

All post-soviet Central Asian countries are members of a large number of regional organisations that vary greatly in both scope and effectiveness (see table 1). There is one case, the Shanghai Cooperation Organization (SCO), where both Russia and China compete for the driver seat. Due to the Soviet heritage, Russia is also involved in two sub-organizations of the Commonwealth of Independent States (CIS) with a clear focus on economic cooperation

[3] An organisation created with the purpose of economic cooperation, for instance, will most likely influence the economic and political linkages between member states, while the a security organisation will have an effect on a regional power's ability to employ or threaten to employ military power. Moreover, the shared membership in regional organisation can lead states to develop a common culture because of increased interaction and interconnectedness among its officials and populations and may, therefore, interfere directly into domestic political affairs.

[4] By deciding to focus our analysis on concrete instruments employed by China and Russia, we do not restrict our analysis on deliberate attempts by external actors to move the political regimes of satellite states closer to autocracy only. This is especially relevant because external actors may passively or inadvertently cause an impact on Central Asian states' political institutions, which in reality may contribute significantly to the spread and consolidation of authoritarianism (Burnell 2010). The effect of each instrument on Central Asian institutions can always be direct or indirect. Taking the economic instrument as an example, economic pressure could have a direct effect on Central Asian governments to behave in a certain way, while an indirect effect would refer to the case where the economic involvement of the regional power creates an environment that is conducive to authoritarianism or democratization.

(EurAsEc) and regional security (CSTO).[5] In addition, ECO is a regional scheme, in which Central Asian countries try to integrate with other countries in Asia excluding Russia and China.

Table 1 – Central Asian Countries‘ Membership in Selected Regional Organizations

	CIS	EurAsEC	EurAsEC Customs Union	CSTO	SCO	ECO
Russia	X	X	X	X	X	
Kazakhstan	X	X	X	X	X	X
Kyrgyzstan	X	X		X	X	X
Tajikistan	X	X		X	X	X
Uzbekistan	X			X	X	X
Turkmenistan	X					X
China					X	

Source: See Text

2.1.1. Shanghai Cooperation Organization (SCO)

Institutional cooperation between Russia, China and the Central Asian countries started in 1996 with the foundation of the Shanghai Five (Russia, China, Kazakhstan, Kyrgyzstan and Tajikistan). In 2001, the Shanghai Five extended full membership to Uzbekistan and renamed the organization into the Shanghai Cooperation Organization.

The SCO is designed as an intergovernmental network led by annual summits and by regular meetings of the heads of governments, foreign ministers and other high officials of the member states (Bailes and Dunay 2007). Bailes and Dunay (2007) point out that the guiding principles of the SCO deviate from almost all other regional organizations. The SCO Charter, adopted in June 2002, stresses the sovereign equality of states and the rejection of hegemony and coercion in international affairs. However, elements dealing with the respect of human rights and the self determination of people are missing in this text.

[5] The Commonwealth of Independent States (CIS), which was founded after the fall of the Soviet Union in order to maintain the close economic and political ties that had existed under the Soviet Union, encompasses all former Soviet Union states with the exception of the Baltic states. Since its foundation the CIS has at least on paper developed into a multi-purpose organisation that is supposed to grapple with a variety of issues ranging from regional security to economic development and environmental problems. Because of its broad thematic scope and geographical spread the CIS has long been central to Russia’s strategy of maintaining control over the region. In practice, however, the CIS has achieved little failing to implement the majority of its policies.

Early meetings from 1996 to 1998 focused on solving remaining border conflicts between China and the member states which appeared after the dissolution of the Soviet Union. A first push for greater economic cooperation was made at the 1999 meeting in Bishkek. The dominating issue in the following years was closer military cooperation. Various treaties[6] were signed which laid the foundations for tangible action such as the establishment of a anti-terror headquarter in Tashkent and joint military exercises (Dwivedi 2006). Closer economic cooperation was put back on the agenda only in recent years. It led to the creation of the SCO Inter-Bank Association in October 2005 and the SCO Business Council. This shift in has been pushed by China (Bailes and Dunay 2007; Kassenova, 2009).

Membership in SCO might have impacts on the institutions of Central Asian states via different channels (Bailes and Dunay 2007):

- SCO has increased stability in the region as various border conflicts could be settled peacefully
- Regular high level meetings at eye level and joint military exercises increased assurance among the state leaders led to further stability in the region.
- Joint exercises against drug trafficking mostly from Afghanistan might have helped Kyrgyzstan and Tajikistan to better deal with this problem
- Loans and technical aid has direct impact on an improvement of the infrastructure

In a regional organization with such diverse member states in terms of population, as well as military and economic power raises the question on how much influence each member has on the organization's decisions. Not surprisingly, Bailes and Dunay (2007) see the Central Asian members mostly in the position of *demandeurs*. They find that the "power between China and Russia is well balanced, although over the long term the advantage is tipping towards China." Guang (2007) finds China to play the key role in the SCO and being the major driving force.

Undisputedly, however, the SCO is the most important general purpose organization, which benefited in recent years from China's growing interest and involvement in Central Asia. It shows all aspects of the Sino-Russian relationship, because its development as well as its success in implementation is directly affected by China and Russia's conflicts and commonalities.

[6] Among them the "Shanghai Convention on fighting Terrorism, Separatism and Religious Extremism" in 2001 and the "Agreement on Regional Anti-Terrorism Structure (RATS)".

Even after the border conflicts that gave rise to the foundation of the SCO have been resolved, the main focus of the SCO remains security first, while other areas of cooperation (such as trade and infrastructure) come second. In addition China and Russia have always seen the SCO as a way to successfully the Western presence in Central Asia, which they consider threatening both in a military and in a political context. Thus, the security aspect features also most strongly in the SCO's founding documents (the 2001 Declaration on the Establishment of the SCO and the SCO Charter) providing outside observers with an opportunity to understand what the SCO members mean by security and how they intend to promote it. According to the documents and statements by SCO officials, security expresses itself in continuing national and regional stability, i.e. the maintenance of the political status quo, and the safeguarding of national sovereignty.

Furthermore, extremism, terrorism and separatism have been identified as the three main threats to stability and sovereignty. While the SCO refers at this point of course also to genuine external threats such as terrorism originating in Afghanistan and has undertaken several efforts to address such threats, the expressions "extremism", "terrorism" and "separatism" have been used more and more as a way to delegitimise political opposition groups and dissenters and to excuse repressive measures against them. This development of a common autocratic rhetoric, which according to Ambrosio (2008) is central to the SCO's autocracy promotion strategy, has increased especially since the 2005 uprisings in Uzbekistan (unsuccessful) and Kyrgyzstan (successful) that may have alerted the authoritarian regimes of the SCO members to their own potential invisible fragility. In this way it becomes clear again that the first objective of the SCO is the preservation of the authoritarian regimes that constitute the governments of its member states. The two main principles that guide the member states' interaction are "diversity" and "non-interference". Diversity is used here as a tool for the de facto legitimization of authoritarianism, where countries follow diverse paths of political and economic development, each being just as good and legitimate as the others (i.e. democracy). Similarly the 2001 SCO Declaration and Charter also make no mention of the promotion of democracy, human rights or good governance and thus the continuing existence of the SCO will certainly impede efforts of the West to promote these values in the Central Asian states as well as China and Russia (Bailes 2007, Bailes and Dunay 2007).[7]

[7] Apart from its activities in the SCO, Russia has also lent legitimacy to the authoritarian regimes in Central Asia with the help of CIS election observers, who have been active since 2002, have often complicated the work of independent Western election observers, by declaring elections in CIS member states (including in Uzbekistan, Tajikistan and Kyrgyzstan 2005) free and fair, even when they have been clearly fixed in favour of the incumbent autocratic and anti-Western elites (Tolstrup 2009).

The potential impact of SCO on the consolidation of autocratic regimes in Central Asia is, of course difficult to assess. Different to Western counterparts like EU or NATO, there is no clear conditionality for membership or well defined levels of cooperation. In addition, SCO has become only recently and China's involvement also implies that there is no clear core of the regional scheme able to define the terms of operation. Nevertheless, the discussion shows how both Russia and China have provided diplomatic support and legitimacy to smaller autocratic states within the context of regional organisations. Thus, we can expect that SCO promotes autocracy mainly through linkage-mechanisms.

2.1.2. Eurasian Economic Community (EurAsEc)

Russia's central goal of remaining the most important economic power in Central Asia has clearly shaped its interaction with Central Asian states since their independence two decades ago. The early development of the Eurasian Economic Community (EurAsEC) has been closely connected with various efforts of members of the Commonwealth of Independent States (CIS) to maintain the close economic cooperation that had existed in the Soviet Union (Pomfret 2008).

In 1994, all CIS member states signed an agreement to establish a free trade area that was supposed to be the first step in reaching the ultimate goal of creating a common economic space.[8] However, the implementation of the multilateral CIS free trade agreement failed, so that numerous bilateral free trade agreements among CIS countries were signed instead. Considering that this collection of bilateral and multilateral free trade agreements did little to promote intra-regional trade especially from a Central Asian perspective, the most developed CIS countries (Russia, Kazakhstan and Belarus) agreed to go ahead on the formation of a customs union with the option of other CIS countries to join at a later date (Shadikhodjaev 2008, Nurmasheva 2008). The customs union formally came into effect in 1995 and was joined by Kyrgyzstan and Tajikistan in 1996 and 1999 respectively. Starting from the year 2000 this group of five countries has appeared under the name of EurAsEC. When Uzbekistan became the sixth member state in 2006, the EurAsEC also incorporated the entire

[8] The details of the common economic space were specified in the Article 4 Economic Union Treaty, signed by all CIS members in 1993, and included the formation of multilateral free trade association, acustoms union, a common market, and a currency union.

Organization of Central Asian Cooperation (OCAC). This led to the formal dissolution of the OCAC, despite the fact that Uzbekistan suspended its EurAsEC membership afterwards in 2008. (Pomfret 2008)

The EurAsEC's organizational structure is formally modeled on the European Union. The highest decision making body is the Interstate Council, which convenes at least annually at the level of the heads of states and semi-annually at the level of the heads of government. Decisions in the Interstate Council are usually require consensus. The permanent executive body is the Integration Committee, formed by the deputy heads of government. This body supervises and coordinates the work of the Secretariat of the Integration Committee, which has a staff of about 100 people and is based in Moscow and Almaty. Since the number of votes of each member corresponds to its contribution to the EurAsEC budget and decisions normally require a two-thirds majority, Russia can dominate the decision making process in the Integration Committee with 40 out of 95 votes. The Inter-Parliamentary Assembly, based in St. Petersburg, is composed of delegated members of national parliaments. 42 out of 106 delegates are from Russia. The Community Court is based in Minsk (Shadikhodjaev 2008, Nurmasheva 2008).

As specified in the 1999 Treaty on Customs Union and Single Economic Space, EurAsEC's main objectives are the formation of a customs union followed by the implementation of a common economic space. Despite these ambitious aims the EurAsEC customs union largely remained a construct on paper and little was achieved in the way of tariff harmonization until recently. Difficulties also arose from the fact that tariff levels were very different among the EurAsEC members. For instance, tariff levels were much lower in Kyrgyzstan and Kazakhstan than in Russia and Belarus.

Nevertheless, Russia, Belarus and Kazakhstan again charged ahead with the formation of customs union, which officially came into force in January 2010 and became functional with the introduction of the Customs Code in July 2010. Whether this customs union will prove to be beneficial for its three members remains to be seen. From the perspective of Kazakhstan, the important question is whether an increase in trade inside the customs union will be able to compensate for a decrease in trade with third countries, resulting from the fact that tariff harmonization forced Kazakhstan to increase its tariffs towards third countries. The official customs union tariff levels are essentially equal to Russian tariffs. Otherwise, trade diversion

might even lead to a loss in welfare for Kazakhstan because cheaper imports from the rest of the world are substituted with imports from partner countries (meaning mostly Russia) in the customs union that may only have a price advantage on account of high external tariffs (Pomfret 2008, Nurmasheva 2008). Furthermore, Russia's interest in further cooperation may wane on account of continuing disputes with Belarus over petroleum exports by Russia into Belarus and because of Russia's imminent accession to the WTO.

Regardless of the doubtful benefits of further integration especially for the two smaller partner countries, Belarus, Russia and Kazakhstan signed an agreement in December 2010 to form a single economic space by 2012. The other two EurAsEC members Kyrgyzstan and Tajikistan have the option to join both the customs union and the single economic space at a later date. Although Kyrgyzstan has often stated its interest in joining the customs union or the single economic space, this seems now infeasible. Since Kyrgyzstan is the only CIS country to have liberalized early and joined the WTO in 1998, it would now have to renege on its WTO accession agreement with low bound tariffs in order to harmonize with Russia's higher tariff levels. Thus, the adaptation costs of further integration might be higher for Kyrgyzstan than the potential benefits (Pomfret 2010). Last but not least, as more Central Asian states and Russia accede to the WTO, Kyrgyzstan will be more and more able to capitalize on its own WTO membership and its desire for further regional integration could wane.

Overall, EurAsEC's impact on regional integration or cooperation might be rather limited. Thus it is doubtful whether the EurAsEC will be a success in other areas of cooperation, even though it officially concerns itself also with the following topics in councils attached to the Integration Committee: energy policy, border issues, transport policy and others. All EurAsEC members are also members of the SCO and deeper economic ties with China can become an alternative to economic dependence on Russia or Russian-dominated regional organizations. Therefore, an impact on institutional development will most likely also be limited, as a Russian attempt at increasing dominance via regional economic integration schemes mostly failed. However, as in SCO, the main principle of interaction in political issues is the non-interference in another state's domestic issues. This may create some additional diplomatic support by overcoming the political isolation of autocratic regimes.

2.1.3. Collective Security Treaty Organization (CSTO)

The military ties between Russia and Central Asia within the framework of the CSTO provide the Kremlin with a strong and direct leverage over the Central Asian governments. The Collective Security Treaty Organization (CSTO) grew out of the Commonwealth of Independent States (CIS), starting with the CIS Collective Security Treaty (Tashkent Treaty), which was signed by Armenia, Kazakhstan, Kyrgyzstan, Russian Federation, Tajikistan and Uzbekistan in 1992 (Azerbaijan, Geaorgia and Belarus joined in 1994). Even though the treaty's official main purpose at that time was to guarantee the security of the newly independent former Soviet states, while their own national militaries were still in a state of (re-)construction, Russia has always considered this regional security organisation as a powerful mechanism for Russia to maintain some control over the former Soviet states. The fact that Tashkent Treaty did not prove to be a guarantor of regional peace, but rather a tool for the Russian government to lend support to favoured regimes or population groups, also caused Azerbaijan, Georgia and Uzbekistan to withdraw from the treaty in 1999 after conflicts in Nagorny-Karabakh and Abkhazia (Saat 2005).

Had the new millennium not brought new challenges in the form international terrorism and drug trafficking, especially following the 9/11 attacks and the beginning of the war in Afghanistan, the Tashkent Treaty most likely would have become one of many failed attempts at deeper Central Asian regional cooperation with ambitious aims on paper and little practical impact. The growing activity of non-state actors required the Central Asian states and their neighbours to return their focus on regional security cooperation (Gleason and Shaihutdinov 2005). For this reason plans were made to reform the obsolete Tashkent Treaty and the so-called Collective Rapid Deployment Forces were created. From Russia's perspective, there was also the added incentive of countering increased American activity in the region, because US forces had been stationed in several Central Asian countries on account of the Afghanistan war (Saat 2005). Thus, in 2002 a proper regional organization was formed operating under the name of Collective Security Treaty Organization (CSTO).

Since the 2002 reform, Russia has continuously undertaken efforts to make the CSTO more effective by expanding the forces under joint command and adding military bases on the territory of the Central Asian states. The most notable reform since 2002 occurred in 2009 with the creation of a joint combined arms task force, the Collective Rapid (or Operational)

Response Force CRRF, where the ten existing battalions (consisting of approximately 7,000 soldiers) are supposed to be expanded to a total of 20,000 soldiers with additional equipment and capabilities (Socor 2009c). The Central Asian governments also benefit directly, because Russia supplies them with arms and equipment on preferential terms within the framework of the CSTO, leading to a strengthening of their domestic military capacities (Ria Novosti 2009, Socor 2009a, Bailes et al. 2007).

However, in spite of the recent 2009 reforms the CSTO has so far not become as effective as Russia wishes it to be, because Belarus and Uzbekistan refused to cooperate fully from the beginning. Belarus was at that time involved in a conflict with Russia over petroleum exports by Russia into Belarus and Belarus even boycotted the June 2009 meeting, when the final decisions regarding the creation of the CRRF were taken (Socor 2009b). Until now Belarus also does not contribute to the CRRF. Uzbekistan has also never been entirely enthusiastic about the CSTO and in fact all Russian initiatives in the Central Asian region and it only rejoined the CSTO in 2006, when its relationship with the West soured due to international criticism and sanctions after Uzbekistan's military killed hundreds of civilians during unrests in Andijon in 2005 (RFE/RL 2010a). However, Uzbekistan is still wary of Russia's influence in Central Asia (maybe more so than the other Central Asian states) and wants to safeguard Uzbekistan against the unwanted entry of Russian-led CRRF in Uzbekistan, especially since forces have been stationed in neighbouring Kyrgyzstan. Thus, at the June 2009 meeting Uzbekistan voiced multiple objections – for instance, it reserves itself the right to decide on participation in CRRF military actions on an ad-hoc basis – and to this day does not contribute permanent forces to the CRRF. Furthermore, Uzbekistan wishes joint military actions of the CSTO to be limited entirely to outside threats, precluding any interference in internal conflicts (Socor 2009c).

In light of the CSTO member states differing opinions on the specific circumstances that allow the CSTO to interfere in domestic conflicts of member states – some (including Uzbekistan) say that this should not be allowed at all – it is unsurprising that the CSTO was unable to prevent bloodshed during the 2010 Kyrgyzstan uprisings. When the interim government asked for Russian or CSTO help during the ethnic conflicts in order to guarantee order as well as establish its monopoly of violence and what Tolstrup (2009) calls its "effective power to rule", the Council of Collective Security could not agree on deploying forces on a peacekeeping mission. However, the Council might still have been able to find a

consensus, if its dominant member Russia had not hesitated to intervene, because it considered the interim government's proposal for a new constitution "too democratic" (Bond and Koch 2010, RFE/RL 2010b). This shows that Russia can undermine the democratic efforts of Central Asian countries not only through concrete military threats and intervention but also through the absence of action in crucial moments.

2.1.4. Economic Cooperation Organization

The Economic Cooperation Organization (ECO) is the successor organization of the Regional Cooperation for Development, which was founded in 1964 by Turkey, Iran and Pakistan. Since 1985, the organization has operated under the name of ECO and in 1992 it expanded to its current size, when Afghanistan, Azerbaijan and the five Central Asian countries became member states.

The Treaty of Izmir, first signed by Iran, Turkey and Pakistan in 1977 and last revised in 1996, is the fundamental charter of the ECO. Within its framework the main areas of cooperation between the ECO member states are specified as the following: the promotion of foreign and intra-regional trade through trade integration, transport and communications infrastructures, energy policy, industry and agriculture, economic liberalization and privatization, human resource development, ecological and environmental protection and the eradication drug trafficking (Afrasiabi and Jalali 2001). The revised Treaty of Izmir also provides the ECO with its organizational structure. The organization's most important decision making organ is the Council of Ministers, which meets at least once per year and consists of the foreign ministers of the ECO member states. ECO's main executive body, the Secretariat, is based in Tehran and is charged with the initiation, coordination and monitoring of the implementation of ECO activities. Other important ECO bodies are the Council of Permanent Representatives, the Regional Planning Council and Specialized Agencies in specific fields of cooperation. Last but not least, the general strategic direction and development of the ECO is determined at the level of the heads of state or government in at least biannual meetings (Afrasiabi and Jalali 2001).

Overall, the potential benefits from cooperation between the Central Asian countries and their neighbors to the South and West are immense. There are a number of issues of transnational importance that can be solved only if the ECO member states cooperate and coordinate their

actions. A continuing lack of transnational transportation and communication routes, slow development of energy trade prospects, vast environmental degradation on account of resource exploitation (one example is the shrinking of the Aral Sea) as well as political instability in Afghanistan, facilitating international drug trafficking and terrorism, are the first problems that come to mind (Byrd and Raiser 2005, Özkan 2007). From the perspective of the Central Asian states, ECO could therefore also be a way to increase export diversification for their main products (energy and/or agricultural products).

While some progress in tackling these issues can be observed on paper, the practical implications of the ECO have so far been rather limited. The promotion of trade integration - one of ECO's central aims - has been slow in practice, even though the ECO preferential trade agreement (ECOTA) came into force in 2008, after the required fifth ratification was deposited by Iran. Despite the fact that the implementation of ECOTA is still at the very beginning, this has given rise to even more ambitious plans such as the creation of a free trade area. While there have been small successes in other areas of cooperation (e.g. finalization of the Baku-Tbilisi-Ceyhan pipeline), overall most ECO projects fail either during implementation or already during the ratification process.

A number of economic, organizational, political and other factors explain ECO's weak record in ratifying and/or implementing its own regulations and action plans. First of all, ECO member states find themselves at very different stages of economic development on account of geographical, historical and political reasons. This makes it not only difficult to align all member states' economic interests, but also to implement plans that have been agreed upon simply because the challenges are daunting. However, even more crippling for the organization might be the inherent weaknesses in its organizational structure. The implementation record has also been so poor, because ECO has not established mechanisms for monitoring the status of implementation and for punishing member states that fail to comply with deadlines (Naribaev 2008). Moreover, relations within ECO have always been characterized by geopolitical rivalry between some of its member states (especially between Turkey and Iran) and the member states' differing attitudes towards external actors - such as Russia, China and the West – have also influenced how well the ECO members cooperate. So could Russia's influence in Kazakhstan (exerted through the customs union and Kazakhstan's large ethnic Russian minority) keep it from paying more attention to ECO. Furthermore, ECO projects often need the support of both Iran and Turkey in order to be successful and

cooperation between the two states is fragile, because Iran resents Turkey's affinity for the Western powers and especially Israel (Pomfret 2010).

In the same vein, Central Asian countries lend support to each other in the Economic Cooperation Organisation (ECO), which does not include the regional powers China and Russia. Its members apart from the five Central Asian countries are Turkey, Iran, Pakistan, Afghanistan and Azerbaijan, so that the organisation potentially enables the Central Asian states to diversify their foreign policy towards the South and West and benefit from cooperation with states that culturally similar (common religious and lingual roots). The potential benefits of cooperation within the context of the ECO have failed to materialise due again to a lack of commitment and effective implementation. However, ECO provides some additional diplomatic support for the autocratic regimes by overcoming international isolation.

2.1.5. Resumee – diplomatic support for autocratic regimes rather than direct impact

All in all, regional organizations involving or excluding Russia and China have recently gained in importance. However, there is no case of clear conditionality or at least informal requirements for accession. Chinese attempt to occupy the driver seat in SCO and to provide more substantial incentives to integrate are, so far, limited by the Russian membership. Other regional schemes suffer from the heterogeneity of interests and either the absence or the resistance against a potential driver of integration. Given this situation, the predominant role of the organizations is, so far, to organize diplomatic support for the autocratic regimes by overcoming international isolation and by transferring (autocratic) ideas and norms though linkage-mechanisms. This could provide some complementary element to bilateral schemes on economic cooperation, interference in domestic policies, and military threat, where Russian and Chinese foreign policies differ strongly. For the empirical analysis in Section 3, this implies that it would be rather surprising to detect an impact on domestic governance comparable to the impact of Western organizations.

2.2. Bilateral Schemes of External Influence – economic cooperation, interference, and threat

2.2.1. Economic cooperation

Convergence and dominance are of strategic importance in trade relations with Central Asia. With increasing bilateral trade activities, increasing interpersonal and intergovernmental contacts may lead to an unintended diffusion of norms and ideas. This can be positive or negative depending on the dominant trade partner as well as on the nature of trade (formal and large-scale vs. informal and small-scale). With increasing trade deficits, the economic dependence of the satellite states facilitates the use of (formal or informal) conditionality or a foreign buy-out of domestic assets.[9] Strategic importance of access to energy and mineral resources for both Russia and China led to a "dual cooperative-competitive" relationship between the two dominant regional powers (Bosbotinis, 2010).

Historically, the Central Asian states have been strongly dependent on Russia in matters pertaining to economic development and trade, because most major trade routes lead from the Central Asian states to Russia. Trade between the Central Asian states, which would increase their bargaining power against Russia and China, has always been severely hindered by a lack of functioning transport and communication infrastructure and because their export portfolios have remained too limited to cover domestic demand through inter-Central Asian trade. Against the backdrop of China's growing involvement in Central Asia, Russia seeks to maintain the economic control over Central Asia it has inherited from the Soviet Union. Here Russia's focus is mostly directed at maintaining its monopoly over Central Asian energy resources, because its control over the majority of petroleum and natural gas pipelines leading from Central Asia to Europe is both an important source of revenues and an essential part of its bargaining power in Europe and Central Asia.

Russia's central goal of keeping the Central Asian states economically dependent and isolated from potential trading partners has clearly shaped its interaction with Central Asian states

[9] Generally, bilateral trade deficits do not necessarily lead to bilateral capital account deficits. It is, however, likely for the case of countries with limited access to the international capital market or the strategic use of complementary financial arragements.

since their independence two decades ago. Generally, the Russian government in close cooperation with the large conglomerates governed by the Russian oligarchs, buys infrastructure assets or offer benefits like financial aid, credits, and, especially relevant for resource poor countries, cheap energy in order to finance trade deficits (see Tolstrup, 2009 for details). Hence, direct economic cooperation schemes seem to have a considerably larger impact on institutional change in Central Asia compared to regional integration schemes like EurAsEC.

Because geographic remoteness tends to keep Central Asian countries from integrating into the world market, they may stay economically dependent on Russia (Pomfret, 2010). To counter this dependence, China has become more and more important as a viable alternative trading partner for the Central Asian states in recent years (Ibraimov, 2009). While Central Asian countries' trade with China was almost negligible in 1995, it increased to about half of total trade with Russia in 2008.[10] Different to Russia, China is also interested in increasing the market for its cheap consumer goods and China deals both formally, where deals are closed at the level of the respective governing elites, and informally, where trade is driven mostly by ethnic minorities in the border regions.

China's economic involvement in Central Asia at the state or elite level differs for the resource-rich states Kazakhstan, Uzbekistan and Turkmenistan on the one side and the for the poorer Central Asian states Kyrgyzstan and Tajikistan on the other side. The three resource-rich states have, so far, cooperated with China on a number of large-scale and high-profile energy and infrastructure projects (Ibrahimov, 2009). In addition, China has indirectly bolstered Turkmenistan's regime through its formal economic involvement (Anceschi, 2010; Blank, 2010), while Weitz (2011) has observed that Uzbekistan has likewise become more assertive in its dealings with both Russia and the West. In the resource poor countries, China has stepped in as the main investor in a variety of domestic transport and communication projects (Ibraimov, 2009). In addition, China has provided preferential credit to Tajikistan and Kyrgyzstan (Kassenova, 2009) under the conditions of an SCO fund. As an indication for a growing dependence and against the will of the population, Tajikistan ceded disputed territory – rich in gold, other rare mineral deposits, and fresh water reserves - to China in order to conclude a trade deal (Sodiqov, 2011).

[10] 9.8 compared to 18.2 percent of GDP (unweighted figures for 2008). Neglecting the case of Kyrgyzstan total trade with Russia would have stagnated at about 15 percent of GDP.

Hence, much like Russia, China benefits from and encourage the ruling elites' reliance on widespread corruption as a means to stabilize an autocratic rule. After all, the elites are first and foremost interested in using the business relations with China to enrich themselves – something that China does not actively promote but also does not hesitate to exploit. This confirms Bader et al.'s (2010) hypothesis that, through official trade deals, which cover large energy and infrastructure projects, China transmits mostly negative institutional norms that facilitate resource exploitation from outside.

However, as explained before, China also has an interest in breaking into Central Asian household demand for cheap consumer goods that it can produce at a comparative advantage. Thus, the small-scale cross-border trade of such goods has always been an important tool for China and has in fact flourished at the border between Xinjiang and Central Asia long before China ever engaged in the high-profile, elite-level cooperation we see today (Sadovskaya, 2007, 2008). Laruelle and Peyrouse (2009) underline that cross-border minorities play a role in the development of Sino-Central Asian economic relations and in the cultural mediation.

Due to common borders, such cross-border trade (legal and illegal) is most common in Kazakhstan, Kyrgyzstan and Tajikistan, who serve as gateways for Chinese exports into Central Asia. Kaminiski and Raballand (2009) have discovered that the majority of goods that enter the three countries in this way is subsequently sold at bazaars and re-exported into the rest of Central Asia and Russia. In the case of Kyrgyzstan the value of the re-exports makes up a large share of the country's GDP equal 20.5 percent in 2007 and up from 5.2 percent in 2004 (see table 2).

Apart from being economically beneficial in terms of a more diversified domestic production, the small-scale trade between China and Central Asia may provide impulses for bottom-up institutional improvements. Chinese traders are plagued by rampant corruption and choose to transport their goods through the country with the most favourable trade regime as well as the lowest corruption, which, at the moment, is clearly Kyrgyzstan (Ibraimov, 2009). Although rents from corruption fall to loyal elites, corruption has to be kept below a certain threshold in order to attract Chinese transit goods in the first place. Thus, there is a chance that increasing trade with China leads to institutional improvements driven by bottom-up activities of

individual traders, eroding the power basis of autocratic regimes. This also constitutes a trade-off for the Chinese government because the country benefits from the corruptibility of the Central Asian elites in the context of official high-profile deals while overall trade dynamics depend on less corruption.

Table 2 – Kyrgyz Trade with Russia and China, 2004-08 (percent of GDP)

	2004	2005	2006	2007	2008
Total trade with Russia	19.5	20.9	28.4	31.9	35.1
Total trade with China	5.4	5.3	10.0	11.0	15.0
Net imports from Russia	10.5	12.0	20.7	23.2	26.6
Net imports from China	1.8	3.1	7.3	7.7	13.3
Domestic consumption of bazaar imports	3.9	5.0	6.3	8.3	n.a.
Revenue from re-exports	5.2	9.1	15.4	20.5	n.a.

Source: Kaminski and Raballand (2009); DOT (2011); own calculations

All in all, Russia's influence is overwhelmingly negative using its monopoly over export routes and its economic dominance in order to exercise control over the Central Asian states. The jury seems to be still out on China's growing involvement in the region. The growing independence of the Central Asian governments thanks to a diversification of trading partners and the preferences of individual Chinese traders for less corruption and more liberal economic institutions may promote institutional improvements in a bottom-up manner. However, we cannot be entirely confident that these benefits will cause long-term improvements, because the Chinese government profits from the corruptibility of the governing elites that enables it to close profitable deals in the energy sector.

2.2.2. Direct Interference and Threat – the Soviet heritage

In spite of China's growing involvement especially in the economic sphere, Russia remains the most important external actor in Central Asia. On account of the region's Soviet heritage Russia can capitalise on unique cultural and military links, such as the diffusion of the Russian language and the CSTO respectively, in order to influence both the Central Asian states' governments and populations.

In recent years the Russian government has developed a strategy to spread Russian cultural ideas and norms in Central Asia as well as to maintain the Russian language's status as the region's lingua franca (Jackson 2010). A central element of this strategy is the creation of the "Department of Interregional and Cultural Relations with Foreign Countries and the CIS" that coordinates the concrete efforts undertaken in the framework of this strategy. In addition, the "Centre for Support, Development and Dissemination of the Russian language in Russia, the FSU and other European Countries" actively promotes the use of Russian in business, higher education and media across the region. Finally Jackson (2010) explains how the Russian government ensures that what little civil society exists in Central Asia remains under the control and favourable to Russia and the domestic authoritarian regimes by promoting a number of Kremlin-financed NGOs, think tanks and research centres.

Overall, it is unlikely that Russia's culture and language diffusion strategy serves the specific goal of autocracy promotion, since it is aimed at the people, rather than at Central Asia's governing elites. More likely, it is mainly supposed to counter the efforts of the Central Asian countries aimed at creating a national identity that marginalised the Russian ethnic population caused a large fraction to emigrate (see table 3, Peyrouse 2008). The influence of the Russian minority remains strongest in Kazakhstan, which in 1997 even moved its capital city from Almaty to Astana in the Russian-dominated North of the country – a move that was at least partly motivated by the wish to appease Kazakhstan's Russian minority. Even though autocracy promotion is not the strategy's main focus, it nevertheless helps to create public acceptance of Russia and its involvement in Central Asia may certainly prove to be an advantage in the long run, given the growing popular prejudices against Han Chinese and their alleged territorial ambitions. The reason is that if the governing elites do not have to fear angering their people and inciting instability, they will be more willing to allow Russian firms access to high-profile energy and construction deals.

Table 3 – Russian Minorities in Central Asia (percent of population)

	1989	1999/2000	2009
Kazakhstan	37.0	29.9	23.7
Kyrgyzstan	21.5	12.5	7.8
Tajikistan	7.6	1.1	0.9*
Uzbekistan	8.3	3.0*	2.7*
Turkmenistan	9.5	2.0*	1.8*

Source: Peyrouse 2008; official national statistics; own calculations

*estimate

Apart from the strategic manipulation of cultural links, the military potential of Russia provides a strong indirect leverage over the Central Asian governments. While CSTO has been shown to be largely ineffective, peace research has clearly revealed the importance of external threat for undermining democratization efforts. In Central Asia as well as in other regions of the CIS, Russia maintains the option of using military power. Russia's willingness to use that option has not been tested in the region but past experiences in the Caucasus suggest that Russia would not hesitate to use its superior military power if necessary. The most important aspect, however, is the regional monopoly for military intervention. As witnessed by the 2010 uprisings in Kyrgyzstan, Russia can undermine democratic efforts also through non-intervention. When Kyrgyzstan's interim government asked for Russian or CSTO help, Russia hesitated to intervene, because it considered the interim government's proposal for a new constitution "too democratic", and thus, bloodshed could not be prevented (Bond and Koch, 2010).

Overall, Russia has at least the potential to exercise some leverage on Central Asian countries because Russian minorities can be instrumental as stakeholders for the diffusion of Russian ideas and norms and because Russian military capabilities at least provide a potential threat for any sweeping democratic reforms, in case that such an development tends to act against Russian interests in the region.

In the case of Kyrgyzstan, non-intervention may be explained by a complex situation. It is yet not clear whether the second revolution since independence will succeed and whether the position of Russia and the Russian minority will be actually weakened. In addition, trade integration with China may have not only helped to increase demand for better governance

but weakened external threat as long as Russia (under SCO) does not want to interfere with strong Chinese interest. Hence, with diplomatic support from SCO trade integration with China may help to balance Russian interference and threat and, thereby, help to improve governance in Central Asia.

3. Empirical Evidence from Panel Data

In order to provide an empirical test for the validity of the arguments on autocracy promotion, we extend the empirical model of Melnykovska and Schweickert (2011). They have shown that institution building in transition countries measured by an indicator of broadly defined institutional quality – the World Bank Governance Indicators (*WGI*) - is positively affected by basic cooperation with the EU (*EU_BASIC*) or inclusion into NATO Membership Action Plan (*NATO_MAP*). In addition, institution building benefits from foregoing economic liberalization (*EC_LIB*) and cultural heritage of Western Christianity (*WESTERN*), whereas the availability of funds from resource exports (*RESOURCE*) or aid inflows (AID) and tensions at the time of independence (*TENSIONS*) negatively affect the quality of institutions.[11] We compare the impact on the aggregate WGI (*WGI_all*) with the impact on single WGI indicators, i.e. voice and accountability (*VOICE*), political stability (*STAB*), government effectiveness (*GOV*), quality of regulations (*REG*), rule of law (*RoL*), and control of corruption (*CONTR*).

As argued above, regional integration schemes may at least provide some complementary diplomatic support for bilateral attempts of Russian and Chinese external policies. Central Asian countries belong to regional organizations which include either Russia and China (*SCO*) or Russia only (*CSTO, EURASEC*). In addition, we have to consider that the attempt to establish an own regional organization (*ECO*) may be relevant in supporting each other's autocratic regimes. In addition, we test for general neighbourhood effects by the inclusion of NBR_GOV, a variable which reflects the average quality of overall governance in all bordering countries.

[11] Variable names are in paratheses written in capital, italic letters. *EU_BASIC* implies Partnership and Cooperation Agreements (PCA) and Stability and Association Agreements (SAAs) for the Balkan countries respectively. For the complete list of variables and definitions, see Appendix Table 1.

Table 4 shows the impact of regional organizations measured by time-varying dummies for the four schemes discussed in Section 2. The empirical model has been estimated for 24 post-communist countries excluding Russia and China.[12] The regressions shown for WGI as endogenous variable (upper cells of Table 4) reveal that the basic model is fairly robust to the inclusion of variables measuring regional integration. As can be seen, overall governance is unaffected by neighbouring countries' quality of governance, membership in CSTO and ECO, while there seems to be a negative impact of being member in either EURASEC and SCO. We also tested the ECO variable in addition to the other regional dummies because ECO, containing only Central Asian countries within our sample, can also be interpreted as a regional dummy for Central Asia independent of the ECO scheme. However, with respect to WGI as dependent variable, ECO has not impact on the significance of other regional schemes.

This is different if we look at the regression for VOICE, i.e. the variable reflecting the quality of democratic governance structures (coefficients for the relevant variables in lower cells in Table 4). All regional dummies reveal significantly negative effects on VOICE independent of the interpretation of ECO as a dummy for the regional organization or as an addition regional dummy. This supports the conclusion of Section 2.1 that the regional schemes involving Central Asian countries do, so far, only provide diplomatic support for autocratic regimes, while a direct impact on specific governance aspects are not likely.

Therefore, we considered the bilateral impact of China and Russia in the next step. All CIS countries are engaged in general trade relations with the world and special relations with China and Russia. We assume that two trade related variables are adequate in order to measure the trade effect on governance:

[12] The time period for the estimation is restricted by data availability (WGI is available since 1996) and the fact that, unrelated to governance issues, trade data is distorted by the emergency of the world wide crisis starting already in 2008. Hence, the estimation period spans the time period between the initial transition crisis and the recent world wide crisis. Additional exogenous variables are three-year averages. For the instrumentation of potentially endogenous variables, see Melnykovska and Schweickert (2011).

- Table 4 – Governance and Regional Integration Schemes, 1996 - 2007

	(1)		(2)		(3)		(4)		(5)		(6)		(7)		(8)		(9)	
WGI																		
EU_BASIC	0.230	***	0.218	***	0.230	***	0.240	***	0.224	***	0.230	***	0.232	***	0.233	***	0.240	***
	(4.49)		(4.53)		(4.43)		(4.52)		(4.22)		(4.24)		(5.06)		(4.99)		(4.62)	
NATO_MAP	0.327	***	0.312	***	0.323	***	0.328	***	0.293	***	0.298	***	0.281	***	0.282	***	0.330	***
	(5.71)		(5.65)		(5.79)		(6.16)		(5.04)		(5.52)		(5.17)		(5.67)		(6.05)	
EC_LIB	0.179	***	0.191	***	0.171	***	0.166	***	0.152	***	0.150	***	0.188	***	0.186	***	0.169	***
	(4.91)		(6.02)		(3.59)		(3.56)		(3.89)		(3.80)		(4.77)		(5.07)		(4.41)	
AID	-0.020	***	-0.027	***	-0.018	***	-0.014		-0.017	**	-0.015		-0.0160		-0.0155		-0.0140	
	(-3.42)		(-3.64)		(-2.59)		(-1.34)		(-2.31)		(-1.42)		(-1.63)		(-1.39)		(-1.36)	
WESTERN	0.775	***	0.806	***	0.780	***	0.798	***	0.793	***	0.801	***	0.822	***	0.824	***	0.797	***
	(10.88)		(9.72)		(10.44)		(10.05)		(10.37)		(9.88)		(10.25)		(9.82)		(10.19)	
TENSIONS	-0.264	***	-0.283	***	-0.271	***	-0.279	***	-0.294	***	-0.297	***	-0.329	***	-0.328	***	-0.277	***
	(-5.03)		(-4.92)		(-5.50)		(-6.08)		(-6.57)		(-7.00)		(-6.15)		(-6.16)		(-5.94)	
RESOURCES	-0.012	***	-0.013	***	-0.012	***	-0.0083	**	-0.012	***	-0.0099	***	-0.0099	***	-0.0095	**	-0.0083	**
	(-7.26)		(-5.93)		(-7.16)		(-2.31)		(-9.09)		(-2.70)		(-6.65)		(-2.57)		(-2.31)	
NBR_GOV			-0.0587															
			(-0.77)															
CSTO					-0.0290		-0.0102											
					(-0.42)		(-0.16)											
EURASEC									-0.178	***	-0.156	**						
									(-2.61)		(-2.41)							
SCO													-0.198	***	-0.188	***		
													(-2.68)		(-2.90)			
ECO							-0.130				-0.0684				-0.0185		-0.133	
							(-1.03)				(-0.54)				(-0.14)		(-1.14)	
CONSTANT	-1.019	***	-1.020	***	-0.976	***	-1.007	***	-0.842	***	-0.865	***	-1.006	***	-1.007	***	-1.022	***
	(-9.34)		(-8.56)		(-5.73)		(-5.46)		(-6.21)		(-5.85)		(-6.85)		(-6.68)		(-8.42)	
N	168		149		168		168		168		168		149		149		168	
r2	0.936		0.948		0.937		0.938		0.940		0.940		0.951		0.951		0.938	
r2_a	0.931		0.943		0.930		0.931		0.934		0.933		0.946		0.946		0.932	
VOICE																		
…..	…..		…..…		…….		…….		…….		…….		…….		…….		…….	
CSTO					*-0.276*	***	*-0.225*	***										
					(-3.62)		*(-4.30)*											
ERASEC									*-0.373*	***	*-0.275*	***						
									(-6.46)		*(-3.12)*							
SCO													*-0.356*	***	*-0.242*	***		
													(-6.49)		*(-3.35)*			
ECO							*-0.352*	***			*-0.310*	**			*-0.210*	**	*-0.424*	***
							(-4.22)				*(-2.51)*				*(-1.96)*		*(-4.08)*	
CONSTANT	*-2.130*	***	*-2.281*	***	*-1.723*	***	*-1.808*	***	*-1.760*	***	*-1.865*	***	*-2.191*	***	*-2.209*	***	*-2.141*	***
	(-10.33)		*(-12.22)*		*(-8.32)*		*(-12.07)*		*(-11.73)*		*(-12.85)*		*(-15.50)*		*(-13.96)*		*(-9.51)*	
N	*168*		*149*		*168*		*168*		*168*		*168*		*149*		*149*		*168*	
r2	*0.928*		*0.944*		*0.936*		*0.943*		*0.937*		*0.942*		*0.952*		*0.953*		*0.937*	
r2_a	*0.921*		*0.938*		*0.930*		*0.936*		*0.931*		*0.935*		*0.947*		*0.948*		*0.931*	

t statistics in parentheses
* p<0.10, ** p<0.05, *** p<0.01

-

- The share of total trade with Russia/China in GDP (*TRADE_*.....) measures the potential convergence effect towards institutional quality in these countries. In analogy to the literature on learning-by-exporting, countries may adopt the institutional standards of major trading partners;
- The share of net imports in GDP (*IMPORT_*.....) from Russia/China measures a potential dominance effect via complementary capital flows, i.e. concessional credits or foreign investment. This, in turn, implies a growing dependence on these capital flows.

In addition, with respect to Russian foreign policy, we also have to consider that Russia has a strategic interest in post-Soviet countries leading to direct interference in domestic affairs and to the threat of Russian intervention. We use two variables in order to measure the diffusion effect in neighbouring countries – direct neighbourhood to Russia (*RUS_NBR*) and the Russian diaspora (*RUS_DIAS*), i.e. the share of Russian population in total population.

Table 5 shows the results for complementing our basic model with variables measuring the impact of trade and potential Russian interference and threat. The grey area shows regressions for WGI for cases of significance of one of the variables measuring the bilateral impact of either Russia or China. In these cases, significance is confirmed for all regression on specific governance indicators. As hypothesized, RUS_DIAS reveals a negative impact for countries with a Russian diaspora, whereas Russian neighbourhood is not significant at all. The net import variable measuring the degree of external dependence is significant but positive for the Case of trade relations with China. This may be surprising at first sight but it also supports the argument that informal net imports which grew together with formal net imports may indeed exert some positive bottom-up pressure for institutional reform.

With respect to regression on single aspects of governance, net imports from Russia have a negative impact on the rule of law and total trade exerts a positive effect on political stability. These results, again, seem to support our assumption of a Russian strategy of dominance via trade relations. It improves political stability to trade with Russia but it also undermines an important aspect of governance in case of dependence. A similar result could be seen in the case of trade relations with China, which also seem to stabilize the political system (at whatever level of governance) but also rather tends to promote autocracy.

Table 5 – Russia and China as External Drivers of Domestic Governance, 1996-2007

	(1)		(2)		(3)		(4)		(5)		(6)		(7)	
	WGI		**WGI**		**WGI**		**RoL**		**STABILITY**		**VOICE**		**STABILITY**	
EU_BASIC	0.231	***	0.226	***	0.214	***	0.331	***	0.300	***	0.217	***	0.248	***
	(4.36)		(4.43)		(4.03)		(4.38)		(4.03)		(2.80)		(3.06)	
NATO_MAP	0.321	***	0.277	***	0.288	***	0.301	***	0.429	***	0.464	***	0.311	**
	(4.73)		(4.31)		(3.96)		(4.71)		(2.70)		(6.60)		(2.12)	
EC_LIB	0.179	***	0.171	***	0.179	***	0.0652		-0.0986		0.476	***	-0.300	***
	(5.05)		(4.98)		(5.44)		(1.28)		(-0.56)		(8.80)		(-3.45)	
AID	-0.021	***	-0.0215	***	-0.025	***	-0.0169	**	-0.0385	*	-0.0397	***	-0.0470	**
	(-2.97)		(-3.08)		(-3.69)		(-1.99)		(-1.83)		(-5.22)		(-2.55)	
WESTERN	0.780	***	0.762	***	0.742	***	0.807	***	0.788	***	0.583	***	0.760	***
	(10.77)		(11.34)		(10.83)		(9.26)		(5.60)		(7.08)		(5.38)	
TENSIONS	-0.257	***	-0.309	***	-0.293	***	-0.221	**	-0.481	***	-0.188	**	-0.439	***
	(-4.64)		(-10.33)		(-6.52)		(-2.38)		(-5.38)		(-2.52)		(-5.50)	
RESOURCES	-0.012	***	-0.0109	***	-0.012	***	-0.0116	***	-0.01000	**	-0.0168	***	-0.0167	***
	(-5.99)		(-8.98)		(-9.25)		(-3.71)		(-2.08)		(-8.09)		(-3.64)	
RUS_NBR	-0.023													
	(-0.28)													
RUS_DIAS			-0.007	***										
			(-3.73)											
IMPORT_RUS							-0.010	**						
							(-2.04)							
TRADE_RUS									0.0119	**				
									(2.42)					
IMPORT_CHN					0.0504	*								
					(1.79)									
TRADE_CHN											-0.0455	***	0.0562	**
											(-3.01)		(2.46)	
CONSTANT	-1.014	***	-0.885	***	-1.007	***	-0.853	***	0.138		-1.974	***	1.175	***
	(-9.25)		(-7.77)		(-9.66)		(-4.10)		(0.18)		(-10.48)		(3.98)	
N	168		168		168		168		168		168		168	
r2	0.937		0.940		0.940		0.901		0.818		0.933		0.810	
r2_a	0.930		0.935		0.934		0.891		0.800		0.926		0.791	

t statistics in parentheses
* p<0.10, ** p<0.05, *** p<0.01

However, the significance of the trade related variables may be biased by the fact that openness and world market integration may have a significant effect on domestic governance. Hence, we tested the impact of total exports and imports in GDP, alternatively not weighted (*EXPORT/IMPORT*) or weighted with the quality of governance of trade partners (EXPORT_GOV/IMPORT_GOV). Table 6 reveals that this is indeed the case. An increasing export activity has a positive effect on overall governance independent of whether the export variable is weithted with the quality of governance of trading partners or not. At the same time, import activity is only significant if not weighted. Hence, trade integration has a positive

effect on domestic governance in our sample but it does not seem to matter with whom you trade.

Table 6 – Governance and Globalization, 1996-2007

WGI	(1)		(2)		(3)		(4)	
EU_BASIC	0.231	***	0.241	***	0.200	***	0.212	***
	(5.21)		(5.02)		(4.59)		(5.12)	
NATO_MAP	0.336	***	0.263	***	0.347	***	0.195	***
	(5.97)		(4.05)		(6.39)		(3.18)	
EC_LIB	0.248	***	0.143	***	0.266	***	0.130	***
	(7.02)		(3.29)		(5.75)		(3.54)	
AID	-0.0168	*	-0.0144		-0.00678		-0.0135	
	(-1.77)		(-1.43)		(-0.67)		(-1.54)	
WESTERN	0.722	***	0.764	***	0.731	***	0.757	***
	(9.85)		(8.39)		(10.38)		(9.90)	
TENSIONS	-0.263	***	-0.286	***	-0.237	***	-0.308	***
	(-4.67)		(-5.84)		(-4.50)		(-6.74)	
RESOURCES	-0.00406		-0.00811	**	-0.00335		-0.00798	***
	(-1.39)		(-2.14)		(-1.03)		(-2.67)	
ECO	-0.141		-0.117		-0.259	**	-0.165	**
	(-1.51)		(-0.93)		(-2.55)		(-2.04)	
IMPORT	0.00615	***						
	(3.58)							
IMPORT_GOV			0.625					
			(1.14)					
EXPORT					0.00674	***		
					(3.48)			
EXPORT_GOV							1.022	**
							(2.51)	
CONSTANT	-1.697	***	-1.224	***	-1.727	***	-1.353	***
	(-8.20)		(-6.55)		(-6.95)		(-9.28)	
N	168		149		168		149	
r2	0.948		0.951		0.949		0.954	
r2_a	0.942		0.945		0.943		0.949	

t statistics in parentheses
* p<0.10, ** p<0.05, *** p<0.01

Finally, in order to put things together and to test the robustness of the results of our stepwise estimation procedure, we estimated a parsimonious model (Table 7). The model only includes variables that reveal robust significance if all variables tested in Tables 4-6 are included with respect to at least one aspect of governance or the aggregated governance variable.[13]

[13] Appendix Table 2 shows the results for the same model but considering potential endogeneity effects for EC_LIB, AID and EXPORTS (see, e.g. Schweickert et al. 2011 for the discussion of endogeneity in this respect). Although instrumentation is limited by the properties of the data set, the use of time-lags for the instrumentation of potentially endogenous variables reveals that the significance shown in Table 7 is fairly robust.

Table 7 – Governance and External Drivers - Parsimonious Model, 1996-2007

	(1)		(2)		(3)		(4)		(5)		(6)		(7)	
	WGI		VOICE		STAB		GOV		REGU		RoL		CORRUPT	
EU_BASIC	0.188	***	0.181	***	0.237	**	0.196	***	0.106		0.254	***	0.155	**
	(4.41)		(2.78)		(2.55)		(3.17)		(1.55)		(4.15)		(2.37)	
NATO_MAP	0.295	***	0.401	***	0.367	**	0.287	***	0.272	***	0.208	***	0.236	***
	(4.45)		(5.41)		(2.05)		(3.35)		(3.60)		(3.31)		(2.67)	
EC_LIB	0.259	***	0.480	***	-0.179	*	0.204	***	0.826	***	0.180	***	0.0411	
	(6.38)		(11.57)		(-1.78)		(3.27)		(12.83)		(3.76)		(0.76)	
AID	-0.0134		-0.0347	***	-0.0372		0.0164	*	-0.0011		-0.0196		-0.00430	
	(-1.17)		(-4.47)		(-1.30)		(1.81)		(-0.07)		(-1.54)		(-0.38)	
WESTERN	0.702	***	0.541	***	0.720	***	0.921	***	0.656	***	0.684	***	0.692	***
	(10.19)		(6.19)		(4.32)		(20.17)		(7.29)		(8.64)		(7.73)	
TENSIONS	-0.276	***	-0.248	***	-0.368	***	-0.233	***	-0.174	**	-0.267	***	-0.365	***
	(-5.81)		(-5.05)		(-3.63)		(-3.42)		(-2.02)		(-2.58)		(-2.89)	
RESOURCES	-0.0045		-0.0057	*	-0.0166	*	0.00335		0.00592		-0.0082	*	-0.00605	
	(-1.24)		(-1.76)		(-1.77)		(0.98)		(0.89)		(-1.80)		(-1.51)	
ECO	-0.188		-0.377	***	0.0825		-0.351	***	-0.320		0.00254		-0.165	
	(-1.62)		(-3.58)		(0.28)		(-4.25)		(-1.38)		(0.02)		(-1.52)	
EXPORT	0.00629	***	0.00208		0.00776	*	0.00507	**	0.0114	***	0.00663	**	0.00482	**
	(3.05)		(1.02)		(1.88)		(2.50)		(3.70)		(2.39)		(2.16)	
RUS_DIAS	-0.0043	*	-0.0069	*	0.00323		0.0000611		-0.0032		-0.0113	***	-0.00789	**
	(-1.87)		(-1.82)		(0.43)		(0.02)		(-0.73)		(-3.96)		(-2.09)	
IMPORT_CHINA	0.0227		0.0591	***	-0.0561		0.0282		0.0290		0.0299		0.0460	*
	(0.91)		(2.85)		(-0.84)		(1.27)		(1.02)		(0.89)		(1.80)	
CONSTANT	-1.588	***	-2.209	***	0.487		-1.564	***	-4.075	***	-1.452	***	-0.714	*
	(-6.02)		(-9.38)		(0.89)		(-4.75)		(-9.61)		(-4.24)		(-1.95)	
N	168		168		168		168		168		168		168	
r2	0.951		0.946		0.819		0.916		0.933		0.924		0.893	
r2_a	0.945		0.939		0.797		0.906		0.925		0.915		0.880	

t statistics in parentheses
* p<0.10, ** p<0.05, *** p<0.01

As a result, outward orientation as expressed by *EXPORT* seems to improve the quality of institutions. The exception is *VOICE*, a result consistent with the assumption that trade affects the preconditions for doing business in the first place. It has to be recognized that our dependent variable is formulated in relative terms, i.e. it is standard normally distributed without a trend. This implies that there may be a common trend in democratic and globalization developments but countries globalizing with the trend do not improve their relative position with respect to governance. This also underpins the relevance of the significance of the EXPORT variable with respect to other aspects of governance such as control of corruption. Even globalization with the trend only helps to improve relative governance in the respective countries.

Measured against this background, the impact of Russia and China is quite different:

- Russia has a negative impact on countries with a strong Russian diaspora, whereas the argument that trade is used for dominance could not be confirmed by our results. Interestingly, the "diaspora effect" is relevant for the quality of democracy as well as for the two variables related to the judicial system, i.e. the rule of law and the control of corruption.
- China has a positive impact on countries which are net importers from China. This is somewhat surprising because the variable was intended to measure a negative impact from trade with Russia in the first place. Similar to the negative impact of the Russian diaspora, the impact matters for the quality of democracy and the control of corruption. Chinese financing for investment seems to reduce relevant bottlenecks for economic and, indirectly, institutional development.
- Regional organizations seem to play a minor role. Compared to EU and NATO, these regional organizations are far from defining a homogenous group with a well structured and conditioned accession process. They rather provide a basis for organizing diplomatic support for bilateral policies, which are already accounted for by the *RUS-DIAS* and *IMPORT-CHINA* variables.

It is also interesting to see the negative impact of *ECO*, especially on *VOICE*. For our country sample of post-communist transition countries, *ECO* is equivalent to a dummy for the five Central Asia CIS countries. Hence, a significant extent of bad governance in Central Asia remains unexplained even if the impact of Russia (most likely negative) and China (possibly positive) is taken into account.

4. Summary and Policy Conclusions

Overall, the somewhat surprising result of our analysis is that, in contrast to Russia's dominance mode of operation, China's doing-business approach towards its neighbours in Central Asia may have - although unintentionally - even positive effects in terms of improving governance and undermining autocratic structures. Panel data analysis allowed for some tentative conclusions, which are basically in line with country evidence on regional organizations, trade relations, and direct interference in domestic affairs as potential transmission channels for external influences:

- Regional organizations including China and/or Russia don’t seem to have an own independent impact on institution building.
- Exports are good for institutions related to doing business. This seems to be independent of the direction of exports and it is unrelated to democratization.
- Countries with a strong Russian diaspora are likely to be negatively affected by Russian foreign policy. An additional, trade related impact could not be confirmed.
- Countries do profit from doing business with China even if trade is unbalanced. This has a positive effect on democratization and control of corruption stemming from bottom-up demand for better governance and the moderation of Russia’s position.

If this conclusion is correct, China’s doing-business approach may give some hints for increasing the effectiveness of EU neighbourhood policy. Arguably, better governace should not be a precondition for cooperation as in European Neighbourhood Policy (ENP) but rather be promoted by sweeping economic cooperation incentives.

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Appendix Table 1 – Definitions and Data Sources

Variable	Description	Source
Dependent Variable		
WGI	Average of the six World Bank Governance Indices (VOICE: Voice and Accountability, STAB: Political Stability and Absence of Violence, GOV: Government Effectiveness, REGU: Regulatory Quality, RoL: Rule of Law, CORRUPT: Control of Corruption	World Bank Governance Matters VII database
Base Model Variables		
EU_BASIC	Dummy Variable, equals 1 for "potential EU members" if a stabilization and association agreement (SAA) is ratified in the previous year or for other countries if a partnership cooperation agreement (PCA)is in force since the previous year	EU Agreement Database
NATO_MAP	Dummy Variable, equals 1 starting in the year a membership action plan was established	NATO website
EC_LIB	Average of indices "price liberalization" and "foreign exchange liberalization", running from 1 to 4,66	EBRD Transition indicators; available on EBRD website
AID	Flow of Official Development Assistance and Official Aid as share of GDP, averaged over current and past two years	World Bank World Development Indicators Database
WESTERN	Dummy Variable, equals 1 if catholic or protestant Christianity dominates over other religions	CIA World Factbook
TENSION	Dummy Variable, equals 1 if conflict occurred at beginning of indepence	Heidelberg Institute for International Conflict Research KOSIMO Database Version 1.3
RESOURCES	Average of fuel exports and ores and metal exports as share of merchandise exports as a share of GDP	World Bank World Development Indicators Database
Membership and Neighbourhood		
NBR_GOV	Average WGI of all neighboring countries	World Bank Governance Matters VII database
	Regional Organizations	
CSTO	Dummy Variable, equals 1 for every year a country is a member of CSTO	see Text
SCO	Dummy Variable, equals 1 for every year a country is a member of SCO	see Text
EURASEC	Dummy Variable, equals 1 for every year a country is a member of EurAsEC	see Text
ECO	Dummy Variable, equals 1 for every year a country is a member of ECO	see Text
General Trade		
EXPORT	Total exports as share of GDP	IMF Directions of Trade database & World Bank World Development Indicators Database
IMPORT	Total imports as share of GDP	IMF Directions of Trade database & World Bank World Development Indicators Database
EXPORT_GOV	Average WGIs of trade partners, weights are shares of total exports - rescaled to [0;1]	IMF Directions of Trade database & World Bank Governance Matters VII database
IMPORT_GOV	Average WGIs of trade partners, weights are shares of total imports - rescaled to [0;1]	IMF Directions of Trade database & World Bank Governance Matters VII database
Russia/China		
RUS_NBR	Dummy Variable, equals 1 if country is a Russian neighbour	Own calculation
RUS_DIAS	Russian Diaspora as share of total population	Center for International Development and Conflict Management Minorities at Risk Project Database
IMPORT_RUS	Net imports (imports - exports) from Russia as share of GDP	IMF Directions of Trade database & World Bank World Development Indicators Database
TRADE_RUS	Total trade (imports + exports) with Russia as share of GDP	IMF Directions of Trade database & World Bank World Development Indicators Database
	Chinese Impact	
IMPORT_CHN	Net imports (imports - exports) from China as share of GDP	IMF Directions of Trade database & World Bank World Development Indicators Database
TRADE_CHN	Total trade (imports + exports) with China as share of GDP	IMF Directions of Trade database & World Bank World Development Indicators Database

Appendix Table 2 – Governance and External Drivers – Instrumented Parsimonious Model, 1996-2007

	(1) WGI		(2) VOICE		(3) STAB		(4) GOV		(5) REGU		(6) RoL		(7) CORRUPT	
EU_BASIC	1.272	***	0.147	**	0.244	**	0.299	***	0.119		0.257	***	0.183	**
	(4.58)		(2.30)		(2.39)		(3.34)		(1.52)		(3.68)		(2.54)	
NATO_MAP	2.824	***	0.487	***	0.377		0.465	***	0.355	***	0.281	***	0.292	**
	(5.31)		(6.72)		(1.62)		(3.77)		(3.41)		(2.96)		(2.28)	
EC_LIB	1.363	***	0.570	***	-0.247		0.0690		0.869	***	0.155	**	-0.0253	
	(3.58)		(7.01)		(-1.52)		(0.71)		(8.19)		(1.99)		(-0.23)	
AID	0.0587		-0.0477	***	-0.0324		0.0464	**	0.00499		-0.000119		0.0179	
	(0.66)		(-5.25)		(-0.91)		(2.46)		(0.23)		(-0.00)		(0.62)	
WESTERN	4.457	***	0.461	***	0.811	***	1.021	***	0.643	***	0.779	***	0.797	***
	(9.64)		(5.74)		(3.43)		(10.44)		(6.26)		(6.52)		(5.12)	
TENSIONS	-1.450	***	-0.156	**	-0.431	***	-0.213	***	-0.120		-0.273	***	-0.364	***
	(-4.57)		(-2.44)		(-2.98)		(-2.87)		(-1.55)		(-2.67)		(-3.20)	
RESOURCES	0.00848		-0.00436		-0.0165		0.0121	***	0.0108	*	-0.00443		-0.00166	
	(0.43)		(-1.63)		(-1.52)		(2.89)		(1.86)		(-0.72)		(-0.26)	
ECO	-2.093	***	-0.354	***	0.0190		-0.611	***	-0.420	*	-0.119		-0.322	
	(-3.15)		(-3.54)		(0.06)		(-5.14)		(-1.91)		(-0.59)		(-1.63)	
EXPORT	0.0424	***	0.00253		0.00612		0.00528	**	0.0127	***	0.00712	**	0.00486	**
	(3.30)		(1.31)		(1.43)		(2.08)		(3.70)		(2.31)		(2.08)	
RUS_DIAS	-0.000235		-0.00649		0.00630		0.00388		-0.00252		-0.00800	*	-0.00496	
	(-0.02)		(-1.63)		(0.77)		(1.00)		(-0.51)		(-1.81)		(-1.00)	
IMPORT_CHINA	0.0261		0.0444	**	-0.0274		0.0149		0.00639		0.0242		0.0430	
	(0.20)		(2.11)		(-0.50)		(0.85)		(0.19)		(0.72)		(1.60)	
CONSTANT	168		168		168		168		168		168		168	
	0.957		0.954		0.840		0.906		0.929		0.933		0.901	
r2_a	0.952		0.948		0.820		0.894		0.920		0.924		0.888	
jp	0.336		0.572		0.394		0.0294		0.410		0.245		0.0996	
estatp	0.0482		0.00615		0.703		0.516		0.0281		0.226		0.970	

t statistics in parentheses
* p<0.10, ** p<0.05, *** p<0.01