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## Professor Gerschenkron goes to Brussels. Russian Catch-up Economics and the Common European Space<sup>1</sup>

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### Abstract

Ongoing discussions between Russia and the EU on the formation of a Common European Economic Space bring back to mind Alexander Gerschenkron's classic essay on economic backwardness in historical perspective. This paper argues that the institutions that once produced a specific kind of catch-up economics in Czarist Russia still remain largely the same. Unless negotiations between Moscow and Brussels take into consideration such fundamental institutional incompatibility, attempts at harmonization, expressed by Brussels as an attempt to spread Western values, will be doomed to fail. A cynical conclusion views potential convergence as adaptation by Brussels to traditional Russian institutional patterns of rule evasion, rather than a Westernization of Russia.

JEL Classification: N23, P26, P48, P52

Keywords: Gerschenkron, Russia, Catch-up, Brussels

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The ongoing expansion of the European Union represents an ambitious project, with an unclear purpose and a highly debatable future. Since these are potentially controversial statements, it may be just as well to begin by being specific. When the Treaty of Rome was signed, back in 1957, the original six founding members were clearly focused and their visions, while ambitious, were still sufficiently limited in scope to remain within the realm of the realistic. In consequence, during the first decades after the signing, those who followed the lead of Jean Monnet and Robert Schuman did manage to score some rather impressive successes. The stepwise expansion from six to twelve and then fifteen members could proceed without straying too far from the original path and purpose (Wallace, 1995).

By the end of the 1980s, however, the process suddenly began to spiral out of control. As policy makers began debating the possibility of a major expansion to the east, it also became clear that serious reform would be needed of the inner workings of what was then still known as the European Community. Institutions that had originally been devised for a membership of six would be clearly unsuitable for a membership that might expand to four or even five times that number (Laurent, 1994).

At present, we are looking at the outcome of the change in tack that followed, and it is not a pretty sight. The EU is marred by numerous open rifts between members; most notably so on the issue of whether commonly adopted rules should apply equally to all, or only to the less powerful. With both the French and the Germans being in open and defiant breach of the once famed Stability Pact, the very notion of common rules is falling into disrepute, and with the French and Dutch popular referenda having

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<sup>1</sup> This paper was originally written during a stay at George Washington University's Institute for European, Russian and Eurasian Studies, in April 2005. All the usual expressions of gratitude for hospitality apply. It was then presented to the VII ICSEES World Congress in Berlin, in July 2005. I am grateful to discussants and anonymous referees for helpful comments.

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scuppered all hopes for an acceptance within the near future of an EU Constitution, it is at the moment highly unclear both what the future may bring and – indeed – what Brussels may *want* the future to bring. The question of possible further enlargement must be viewed against precisely this background (Eichengreen et al, 1998, Rohrschneider, 2002).

When future historians turn to produce a more dispassionate account of what the story of EU enlargement was really about, they will in all likelihood point at the Maastricht Treaty of 1991 as the real watershed. That was the time when a development that *might* have continued to work for the good of all was shifted onto a path where the only remaining unequivocal beneficiaries belong to a swelling neo-nomenklatura of privileged Eurocrats and Euro-politicians, and where the democratic legitimacy of the construct as a whole is becoming increasingly shaky.

The reasons that produced this unfortunate transformation of a once successful undertaking can be understood only against the backdrop of events that were being played out at the time in the eastern parts of Europe. When they met in the small Dutch town that would lend its name to the Treaty of Maastricht, western European political leaders were clearly intoxicated by their impressions of the fall of the Berlin Wall, and by the ongoing dissolution of the Soviet Union. Rightly sensing that genuine history was in the making, they allowed collective hubris to go into overdrive and as a result proceeded to view as their mission that of founding a new superstate, the United States of Europe.

## 1. United States of Europe

A coolheaded analysis would have pointed at an approaching crossroads that was indeed of historical significance. In one direction lay a widening of the community, in its existing institutional format and with existing levels of ambition. In the other lay a deepening of the process of integration, to the point even of adopting the trappings of independent “European” statehood – ranging from flag and hymn to a common currency and a common constitution prescribing common rules for the adoption and harmonization of legislation. The choice was a real one, with far reaching implications.

Opting for the former alternative would have allowed rapid integration of the former socialist economies into a family of nations that were motivated by the promotion of free trade and economic cooperation. It would, however, also have meant postponing further and deeper integration, to a point in time when numerous new members would be in a position to have a say over the ambitions of the core of old members.

By opting instead for the latter road, the European Commission of the time sought to make sure that the formulation and adoption of a new set of rules would precede further enlargement. According to the implied game plan, enlargement would thus be a two stage process. First the requirements for membership would be raised to significantly higher levels, and then negotiations with prospective new members would be undertaken – on clearly humiliating terms. As a result, a host of states that had spent decades locked into the Soviet sphere of interest suddenly saw their hopes for the future undergo drastic change.

Instead of being allowed into what they had previously viewed as a family of free nations with equal rights for all, the Eastern Europeans discovered that much as had been the case under the Soviet order some are more equal than others. For them, accepting membership in the European Union would now imply an obligation to open their own markets to full penetration from the West, whilst having to accept that the old

members impose a number of “temporary” exceptions that – *inter alia* – will make sure that their own labor markets are shielded against penetration by cheap labor from the new member states (Light et al, 2000).

Poland in particular has good reason also to wonder over an arrangement that allows German agribusiness to receive subsidies from Brussels that further strengthens its competitive edge against Polish farmers who are denied such assistance, albeit only “temporarily” so. The likely outcome is that those Polish farmers that have gone deepest into debt in order to modernize also will be the first to cave in to German pressure. Since they are predominantly located in the old ethnically German areas of Poland, we have the makings here of something that may turn out to be unpleasant indeed (Holmes, 2003, Bielasiak, 2002).

Although membership negotiations did in the end result in “success,” in the sense that the hopefuls grudgingly accepted the terms that were laid down for them, it remains to be seen what consequences there will be from the *way* in which they were invited to join. Although some have shown greater complacency than others, it is quite clear that Poland for one does harbor a great deal of resentment. The arrogant and condescending behavior of French president Jacques Chirac in particular has left bitter memories that may well come back to haunt both Paris and Brussels.

A first indication of what might be in store was provided during the transatlantic standoff over the pending war in Iraq. When US defense secretary Donald Rumsfeld fielded his famous quip about “old” versus “new” Europe, he succeeded not only in stepping on sensitive Franco-German toes. He also did point at a very real problem, namely that the enlarged European Union presently harbors within its ranks members that have widely differing views both on the future of the transatlantic relation with America and on the self-assigned role of France and Germany as being more equal than others.

The main reason why this may turn out to have quite serious future consequences relates back to the very reasons for the European Community – read Paris and Berlin – to opt for completing the union before undertaking enlargement. While many Eurocrats and Euro-politicians will gladly present the problem of integration as a technocratic process of harmonizing legislation, reality will indicate that the problems that lie ahead are of far greater complexity.

If the ongoing process of unifying the national legislation of 20+ member states fails to produce a supporting transformation in norms and values, then the whole construct may well at some future point in time come completely unglued. To put the matter very simply, can we realistically assume that 20+ member states and 400 million+ individual members will all share the same vision of what the union is about and where it should be headed?

Perhaps the most important reason to view this as a potentially serious problem lies in the fact that when they met in Maastricht, the more prominent members of “old” Europe were so clearly possessed by a desire to once and for all be rid of their status as dependent little brothers to the Americans. In a strange form of throwback to the times of Nikita Khrushchev, the “old” Europeans were driven by an urge to *dogmat i peregnat*, to catch up with and overtake the USA. Oblivious of the fact that when Khrushchev fielded this challenge, back in 1960, he opened himself up to eventual ridicule, the “old” Europeans have now laid themselves – and their new union – bare to a similar fate.

The first item on the agenda of a proudly independent United States of Europe was the highly reasonable one of formulating a common foreign and security policy.

The first dismal test of this new policy overture came with the wars in the Balkans. Engaging in their traditional forte of endless talking and posturing, EU leaders backed by UN emissaries apparently believed that they would be able to simply make the underlying conflicts go away. The Balkan warlords, however, failed to be impressed and massive material destruction and human suffering followed – perhaps unnecessarily so.

As CNN proceeded to report ever more gruesome details, from war zones and concentration camps, the utter inability of the Europeans to handle matters in their own back yard eventually reached a point where reluctant Americans had to step in. The first test of EU maturity and ability had failed. It was due not only to traditional European inability to reach agreement, but also to sheer military impotence. In a paraphrase of a classic American expression, it might be said that the foreign and security policy of the EU rested on the principles of speaking loudly and carrying a wet noodle.

Although the Balkan debacle did, for a short period of time, cause Brussels to adopt a suitably lower profile, it would not be long before both heads and tails were again pointed at the sky. Further items on the European agenda would now include out-competing not only the US economy but also the US education system. The European economy would take the lead in productivity and technological innovation. European centers of learning would leave the Ivy League in the dust, and the euro would replace the greenback as the leading world currency.

As a final and rather ludicrous manifestation of the urge to catch up and overtake, Brussels even announced that it would build and launch its own satellites, to displace the American GPS global positioning system. EU navigation, from jet fighters to pleasure boats, would thus no longer be dependent on US benevolence. The fact that massive investment will be needed not only in building and launching a redundant parallel set of satellites, but even more so in purchasing millions of new receivers, seems to have been of little consequence.

What are the implications of all of this? Are we really witnessing the formation of a viable European Union that will be founded on a communality of both values and interests, or is it simply yet another nomenclatura project, designed to create an ever-expanding labor market for an emerging new class of Eurocrats? The answers to these questions have a great deal of relevance not only to the future of the EU as such, but even more so to the prospects for further successful enlargement and – even more importantly – integration.

There are two separate issues at stake here. One concerns whether the enlarged union really will prove to be viable, or if it will be true to European tradition and get increasingly bogged down in eternal internal strife. The second concerns the matter of potential further enlargement, and of how to forge working relations with those that will remain on the outside, perhaps indefinitely so. On both counts, the legacy of Maastricht implies that the standards for achieving success have been raised – to levels that may well prove to be unattainable.

By transforming the European Community into a European Union, Brussels has left the path where enlargement could rely on and profit from the identification of obvious common interests in the promotion of trade and economic development. As indicated above, the tasks ahead will now be very different. It is no longer simply a question of harmonization of formal legislation. Far more important is the less visual dimension of achieving a communality of values, of such norms and ethics that underlie legislation on a wide variety of issues – ranging from prostitution and women's rights, to

policies on closing outer borders to asylum seekers, on agricultural subsidies, on business transparency, and on a – much needed – struggle against corruption.

To mention but one illustration of how challenging these tasks will be, we may recall the concerted efforts that were made by some European parties, strongly backed by the Catholic Church, to have the preamble of the planned European Constitution include reference to Christian values. Although this initiative was defeated, it does cause one to wonder if more than 400 million Europeans can be realistically expected to feel the same shared sense of joy when they hear Schiller's famous *An die Freude*, being sung to the tunes of the third movement of Beethoven's equally famous ninth symphony?

A negative answer to this question provokes what must be a truly existential issue for the future of the European Union as a whole. Is working statehood really possible without a communality of values that promotes a common identity and a common sense of purpose? By far the easiest way to answer this question is to simply deny its relevance.

## 2. From Rome to Aachen

An excellent way of approaching the prospects for the emergence of a European Union that is based on a truly common set of norms and values would be to argue that we have now indeed reached the end of history, that we are now all permeated by enlightenment values that include a host of fundamental features – ranging from human rights to the rule of law, and from the sanctity of private property to a Lockean social contract. If that really were to be the case, then further enlargement of the European Union would indeed be reducible to a mere technocratic task of harmonizing formal rules and mechanisms of enforcement.

In such a happy world, it would no longer be meaningful to speak of outer limits to expansion. Since existing members share with all non-members the very same set of fundamental values, then the notion of “Europe” becomes redundant. Following a series of successful negotiations over the technical aspects of making the transition to full membership, all countries and all nations of the world will eventually become Europeans – including the Americans. As history is thus brought to an end, Europe is dissolved and we all become citizens of the world.

While it is a pretty story, it is also one that comes up a bit short on realism.<sup>2</sup> The conflicts that have surrounded the process of globalization indicate that scholars who devote their time to mapping out differences in World Values still have important tasks ahead. If nothing else, the recent spate of conflicts between America and “Old Europe” also bears eminent witness to the continued existence in the midst of the “Western world” of a deep gulf in basic values, and if the West cannot help displaying its own internal divisions so openly and blatantly, then it does not seem very realistic to speak of an imminent global triumph of universal values.<sup>3</sup>

Since it is still possible to argue that these are merely short-term fluctuations, due to the personalities of some Western leaders that have been accidentally elected, it seems imperative here to be specific about what may constitute common ground for

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<sup>2</sup> If nothing else, one might wonder if all these new citizens of the world would be expected to speak French, or perhaps German? English would surely not be acceptable.

<sup>3</sup> As an illustration of how sensitive this matter is to Europeans, we may note that it caused quite a furore in Brussels when Robert Kagan (2003) argued that it is time to stop pretending that Europeans and Americans share a common view of the world, or even that they occupy the same world.

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defining a fundamentally important communality of values. In the European case, there is only one really serious candidate, and it must be that of Roman law.<sup>4</sup>

The story as such is both powerful and remarkable. Its essence is that a set of rules and norms that once emerged as a joint product of Greek philosophy and Roman pragmatism have shown such resilience over time that law schools all over the world still view Roman law as a vital part of the core curriculum. More specifically, the main principles that were established by the Roman jurists to define private property, those of *usus*, *abusus* and *usufructus*, remain unchanged to this very day (Tellegen-Couperus, 1990, Wolff, 1951).

The key to understanding why the legacy of Roman law is so important lies not only in the fact that the rules were discussed and codified in a genuinely democratic process. By insisting that the state had an obligation to protect the private property of its citizens, the Romans also succeeded in the process in drawing a firm line between the power of the state – its *imperium* – and the property of private individuals – their *dominium* (Pipes, 1999, pp. 11, 28). For all intents and purposes, the Romans thus had succeeded in laying the foundations of a system that would eventually come to be known as the rule of law.

Of all the strands of explanation that are normally advanced in order to explain what Douglass North and Robert Thomas (1973) have referred to as *The Rise of the Western World*, none really competes with this. Over time, the formal rules that were once enacted in ancient Rome have interacted positively with the evolution of a set of informal norms that have served both to legitimate and rationalize existing rules, and to generate demands for further steps in the same direction to be taken. As a whole, the story forms something of a case study of what neo-institutional theory is all about.<sup>5</sup>

As prominent illustration of continuity in this process of evolution, it is of particular importance to note that the old Roman rights to property would be specifically included in the *Déclaration des droits de l'homme et de citoyen* of the French revolution, as well as in the subsequent Napoleonic Code of 1804. In the latter document, French law removed all feudal limitations on ownership and returned almost verbatim to the Roman definitions:

Property is the right to enjoy and dispose of objects in the most absolute manner, provided that one does not make use of it in a manner prohibited by laws or regulations. No one can be forced to give up his property unless it is for the public good and by means of a fair and previous indemnity (Pipes, 1999, pp. 43-44).

Leaving the European continent, the very same process of positive institutional evolution would come to mark the process of formation of the United States of

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<sup>4</sup> Complaints have been lodged by an anonymous referee, holding that the process of European integration is about so much more than simply Roman law. This is surely so, and those other dimensions have attracted massive other scholarship. In the present article, however, focus is aimed at rule aversion versus rule obedience, making the choice of Roman law as a leading theme seem rather natural.

<sup>5</sup> In a highly condensed form, the central message of North's (1990) theory of institutional change is that the institutional matrix of a society consists of three different components. There are the formal rules, which may be changed overnight by political intervention. There are the informal norm systems, which change only gradually, and there are various mechanisms of enforcement, which make sure that the formal rules are upheld. It is the interplay between these three components that determines social change.

America. The real essence of Tocqueville's classic story of *Democracy in America* may be seen as yet another illustration of how formal rules are enacted in tandem with the evolution of supporting norms and with the formulation of mechanisms of enforcement that are firmly rooted in the rule of law.

What was needed for this story of positive legal development to be transformed also into an economic success story was simple opportunity, and this was provided with the opening up of the eastern Mediterranean to long-distance trade in the twelfth and thirteenth centuries. In the north of Italy, city-states like Venice and Genoa responded by developing institutions to facilitate trade and an expansion of markets that rested on the rule of law and that resulted in tremendous growth.

In order to drive the point home, we may note that the entire vocabulary that is used in present-day discussions about economic matters is of Italian origin – viz. words like *summa*, *saldo*, *conto*, *budgetto*, *firma*, *credit*, and, indeed, *banca rotta*. The formulation of an eminently successful institutional matrix that would come to be known as market economy was the result of effective demand for institutions that were rooted not in personal networks of allegiance and protection but rather in the rule of law as vested in anonymous public agencies.<sup>6</sup>

The stunning success of the Italian city states was derived from adherence to property and contract law, which in turn was based on credible and impartial third party enforcement by the state. Perhaps the most important legacy that they left for further European development rested in a firm entrenchment of the very notion of rights, to be so brilliantly expressed in the classic French maxim of *Dieu et mon droit*.

If we accept that this is indeed the story that forms the mainstay of the “Rise of the Western World,” then it must also be noted that it was not a case of instant transition or imitation. It was rather a case of slow evolution, where some nations and states would show greater adherence to the basic principles, and thus also record greater successes. It would, for example, be some time before the example of England's “Glorious Revolution” spread beyond the territories of Britain and the Low Countries, and as Robert Putnam (1993) has shown, the Italian *Mezzogiorno* still has not succeeded in fully emulating the institutional matrix that began to emerge in the north some 800 years ago.

The point in highlighting such differences in chosen paths of development lies in bringing out just how fallacious it was to believe that once the Berlin Wall had come down, simple institutional imitation could make sure that the countries of Eastern Europe would swiftly and successfully undertake a transition to liberal democracy and market economy rooted in the rule of law. Success along these lines really would have required that the institutional matrix of “the West” represent a sort of well defined institutional default position, to which all societies will automatically revert if they are only allowed to do so.

Although “the West” certainly does exhibit a large degree of institutional conformity, it also is the case that differences in historical paths of development still manifest themselves. One needs only recall here how the Lutheran drive against the rampant corruption of the Catholic Church served to open up a major divide in rule obedience, between areas that are traditionally Catholic and those that are traditionally Protestant. Reformation and counter-reformation in this sense placed an imprint on

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<sup>6</sup> For a comparison between this Italian case and parallel Russian developments, see Hedlund (2005, pp. 63-69).

European development that may still be mapped and measured, e.g. by the World Values Survey.<sup>7</sup>

In lieu of the belief in universality that has been implied by e.g. the Washington Consensus, we shall hold up here an image that features persisting institutional differences within “the West,” and which in consequence must feature even greater differences between East and West. If it is the case that differences in fundamental norms and values cause the current process of deeper integration within the European Union to go increasingly wobbly, then one must seriously question to what extent it is realistic to undertake further enlargement on the very premise of assembling an ever larger group of nations that are presumed to share common values.

Before we proceed to look more closely at this set of problems, there is one further strand of development that needs to be added here. For the story of the “Rise of the West” to be of more specific relevance to our argument on further enlargement of the European Union, we also need to underscore that the link between the ancient Roman world and modern-day Europe did not proceed primarily via Renaissance and Enlightenment. The real link was forged much earlier on, namely on Christmas Day in the year 800, when Charlemagne allowed himself to be crowned Emperor by the Pope in Rome.

By accepting this distinction, the first of the Holy Roman Emperors not only accepted an implied duty to act as the protector of the Holy See against the Patriarchal powers of the expanding Byzantine Empire. He also, and more importantly from our point of view, took on the role as rightful caretaker of the heritage from ancient Rome. Over the centuries, the Holy Roman Empire would serve to embody and uphold what is identified in the present paper as the mainstay of the institutional matrix of “the West.” Let us refer to it as *pacta sunt servanda*, that rules are there to be obeyed, by kings and vassals and peasants alike. If rules are broken, the wronged party has both a right and a duty to seek redress, even to the point of rebelling.

While this path of development was important enough, there is, however, also another side to the story. Following the death of Charlemagne, in 814, his empire began to disintegrate. The conflicts that broke out between his descendants would come to mark a millennium of European history. Following the death of his son Louis I, in 840, the latter’s three sons in their turn agreed, in the Treaty of Verdun, in 843, to divide the realm into three parts. The central part, to be known as Lotharingia, went to Lothar to whom also went both the imperial title and the capital city of Aachen.

Close to three decades later, with the Treaty of Mersen, in 870, Lotharingia was dissolved and divided between the eastern and western parts. Towards the end of the tenth century, the latter two had begun to assume the contours of states that would eventually come to be known as Germany and France. As they gradually consolidated, and were transformed into modern European states, they would, however, remain utterly incapable of finally settling the scores of Verdun and Mersen. Over the centuries,

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<sup>7</sup> One striking illustration is presented by Ronald Inglehart (2000, p. 90). Mapping measures of interpersonal trust against GDP per capita, he finds all the historically protestant nations grouped together in the top right quadrant, i.e. high trust and high income. The historically catholic nations are spread out over the lower section of trust, with widely different incomes, and the traditionally orthodox are grouped in the lower left quadrant, with low trust and low incomes. It is also striking to note that Transparency International’s “Corruption Perception Index” for 2004 places all the protestant countries of northern Europe among the top 15 least corrupted. The top ranking Catholic countries are Belgium and Ireland, in place 17.



a permanent struggle over territories that are presently known as Lothringen/Lorraine would give rise to numerous wars.

Over the past century and a half, strife over the borderlands between France and Germany has given rise to three major wars – first the Franco-German war of 1870-71, then the Great War and finally WWII. The human and material costs of the seemingly endless wars that have been fought amongst the descendants of Charlemagne have been immeasurable, and the rest of us have repeatedly and tragically been drawn into this internal family strife.

The real essence of the Treaty of Rome was a desire to once and for all put an end to this conflict. It aimed to forge such powerful economic links across the middle territory between the eastern and the western Franks that no further wars between them would be possible. If we do believe that Germany and France will indeed never ever go to war with each other again, then Monnet and Schuman must be credited with having scored a triumphal success. A millennium of internal conflict between the Franks has been peacefully resolved. In this sense, and in this sense only, EU politicians do have a valid point when they present the project of European integration as a peace project.

Even if we do accept this outcome, it will, however, still have to remain a fact that the story as such has limited relevance and validity for the rest of us. While we do have every reason to hope that the process of European integration will indeed bring eternal peace to the ancient province of Lotharingia, we must seriously question if this argument can be validly used to rationalize further enlargement of the European Union.

The real reason why the first decades of European integration could result in such undisputed success rested not in the imposition of rules from above or from without, but in the fact that nations with much similarity in cultural heritage, defined here as essential similarities in institutional matrices, could be convinced that continued territorial conflict was not in their own best interests. Although the Marshall Plan did serve as an important external policy anchor, creating powerful incentives for trade and integration *within* Europe rather than between Europe and the US, it could be successful only due to that fact that those who were thus encouraged to integrate did share common values, derived from a common cultural heritage.

As the success of what was then known as the EEC became ever more evident, pressures began to mount for an inclusion also of those states that had joined together in a somewhat looser free trade area, known then as EFTA. As members switched sides, the latter organization eventually disappeared altogether. Up until the signing of the Treaty of Maastricht, the process of enlargement remained successful, resting on exploiting common interests between states that already had a sufficient degree of common values. Although England and France, for example, do have a long history of animosity, they also have sufficient similarity in values in order to be able to function constructively within the same club. Or so, at least, it is believed.

Since much of the policy advice that emerged from the Washington Consensus, on how best to undertake an economic transition in Eastern Europe, was based on a faulty assertion that culture is of little or no relevance to economic policy, it may be of some use to underscore more specifically in what sense norms and values serve to influence economic behavior.

At the micro level, we are dealing here with dimensions that incorporate degrees of interpersonal trust and of perceptions of legitimacy in public agencies, all of which will have a profound impact on the scope of the market, on the distribution between productive and redistributive efforts, and on the length of the time horizon for

investment. At the macro level, perhaps even more important features are at stake, such as transparency and accountability, which will influence credibility and time consistency in economic policy making.

If we accept the above-mentioned principle of *pacta sunt servanda*, that rules are made for all to obey, as the central feature of the institutional matrix of “the West,” then we have also translated “culture” into a more specific dimension of that matrix. From an economic point of view, it is obvious that this is indeed a core feature of a working market economy. Viewed against this background, the process of re-integrating territories that once made up the empire of Charlemagne could be successful for the very simple reason that they shared the same cultural heritage of a firm belief in Roman law and in the role of the state in maintaining a line of division between *imperium* and *dominium*. Given this communality in norms, the process of integration and harmonization of rules could be reduced to a purely technical task.

The question that must now be addressed concerns the potential for enlargement that results in inclusion of nations that do not share that same cultural heritage. A serious answer must begin by making a distinction between time spans. In one category we will find nations, such as those in Central Europe, which did belong, over a span of several centuries, to the community of “the West” but were then incorporated, for a period of less than half a century, into the Russian sphere of interest. The theoretical challenge here is to explain to what extent the imposition of an alien set of formal rules has served to alter also underlying informal norms. If the latter effect has been negligible, then a transformation of the formal rules – back to their Western format – will meet with success. If the effect has been substantial, then serious conflicts are to be expected. Only time can tell which it will be.

The second category incorporates nations that have never been part of the Western community, and which share instead a communality of norms and values that is marked not by *pacta sunt servanda* but by deeply engrained preferences for rule evasion. Since this group will be made up of those nations and territories that once formed part of the Byzantine half of the original Roman empire, it is close at hand here to say that the dividing line coincides with the religious divide that emerged between the Orthodox east and the Catholic west.

The political relevance of this perception was clearly manifested at the very outset of transition, when then general secretary of NATO Willy Claes suggested that perhaps the Cold War division of Europe had not been so artificial after all. Perhaps it was only the case that the line had been drawn in the wrong place, turning essentially “Western” Central Europeans into captives on the wrong side of the Iron Curtain. His specific warning was that only those nations and states that had formed part of the Western Christian world could hope to be integrated. Countries in the Orthodox part of Europe should not entertain any ambitions in this direction (*Süddeutsche Zeitung*, September 28, 1994). Without assuming any form of causality, it would be rather interesting to note that the Big Bang enlargement that took place in 2004 did proceed up to but failed to cross the borders of the Orthodox world.

This surely is not the place to question whether enlargement was a wise move. It is now an established fact, which cannot be undone, and as noted above it will remain to be seen how it plays out. What is of importance is the fact that the enlarged membership will have a different attitude towards the question of further enlargement – most notably so with respect to Ukraine and Russia. While new members such as Poland and Lithuania may be expected to lobby forcefully for inclusion of Ukraine, the

whole group of former socialist states that were given membership in 2004 may be expected to have a problematic relation to Russia.

As Pekka Sutela (2004, p. 34) formulates it, “In general, it remains to be seen whether the new members will allow their bitter historical experience to dominate their attitude towards Russia. In that case, one must expect a stronger and more critical European voice in issues of human rights, freedom of the media, democracy development and the Chechen war.”

Since these observations do place Russia in focus, it may be useful to proceed by looking at the evolution of EU policy towards Russia.

### **3. A Common European Economic Space<sup>8</sup>**

In its early stages, the evolution of relations between Russia and the European Union rested on the ambition of finding areas of mutually beneficial cooperation. Although facts on the ground really should have pointed at a large area of common interests, it also was evident how slow the legacy from the Cold War was in evaporating. It was only in 1989 that the USSR and what was then the EEC could sign an agreement on trade and cooperation, which would prove to have a short life span indeed.

The same in a sense holds for the story of cooperation between the USSR and the West in general. It was only in July 1990, at its summit meeting in Houston, that the G7 decided to undertake a study of how best to assist in reforming the Soviet economy. Although the joint report that it commissioned from the IMF, the World Bank, the EBRD and the OECD did have many interesting things to say, it hardly had been published before it was rendered obsolete (IMF et al, 1991). When the G7 met in London, in July 1991, the USSR was wobbling and the days of Mikhail Gorbachev were numbered (Hedlund, 1999, pp. 113-24).

Following recognition by the EU of Russia as legal successor to the USSR, recognition that was given in December 1991, negotiations could begin on an Agreement on Partnership and Cooperation (PCA), which was signed in 1994. The stated objective was to “create the necessary conditions for the future establishment of a free-trade area between the Community and Russia, covering substantially all trade in goods between them, as well as conditions for bringing about freedom of establishment of companies, of cross-border trade in services and of capital movements” (RECEP, 2002, p. 13). As it turned out, however, the outbreak of the first Chechen war caused such tensions between Moscow and Brussels that the PCA could not come into force until December 1997.

In the meantime, Moscow and Brussels continued more specific negotiations on a bilateral free trade area (FTA). A first result of this process was an Interim Trade Agreement (ITA) that was signed in December 1994 and came into effect in February 1996. In November 1996, however, it was agreed that Russian accession to the WTO would have priority over the free trade area. Since the issue of Russian membership in the WTO is still pending, so is the question of the FTA.

The first really important step towards more serious integration was taken in 1999, with the formulation of an EU “Common Strategy on Russia.” It was here that the notion of a “Common European Economic Space” was introduced. Russia responded in the following year, by publishing a “Mid-Term Strategy towards EU.”

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<sup>8</sup> For a background to the evolution of relations between Russia and the EU, and an incisive analysis of the main points of the Common European Economic Space, see RECEP (2002).

While the latter did reaffirm Russia's "freedom to determine and implement its domestic and foreign policies as a world power situated on two continents," it also described the FTA as merely a first step and "seemed ready to consider adjustment to the *acquis communautaire* for some specific areas" (ibid., p. 13).

At a summit meeting in October 2001, Vladimir Putin and Romani Prodi reaffirmed the agreements that had been reached thus far, and decided to appoint a High-Level Group that would work out what would be the core elements of the Common Economic Area. The report of this group was presented at the 2003 summit meeting in St. Petersburg, where a total of four spaces, or areas of cooperation, were defined. In addition to economic cooperation, which is henceforth captioned as a Common Economic Space, EU-Russian relations will now also encompass external security, justice and home affairs, and research, education and culture.

Summing it all up, we have a rather mixed bag of impressions. While nothing is said about potential Russian membership in the EU, Russia does commit to a selective adoption of the *acquis communautaire*, which in plain English means a commitment to harmonize at least parts of its own legislation with that of the EU. While, moreover, the Russian side is clearly focused on reaping gains from economic cooperation, the inclusion of a common area that is devoted to culture surely must be taken as an expression of a desire by the EU to strive for an outcome that is based on common values.

What it all boils down to is the fact that the two sides are really not playing the same game. The implied conflict between their respective strategies is formulated rather to the point by Alexander Rahr (2004): "Russia offers the EU a community based on interest, instead of values, economic pragmatism instead of civil dialogue, a modernization partnership instead of democratic partnership." Since it seems unlikely that Russia will be inclined towards a full adoption of Western values, it would appear that Brussels is trying to keep score in the wrong game, and this is not the only problem that faces an increasingly beleaguered European Commission.

Following the Big Bang enlargement of the EU that was implemented in the spring of 2004, it has now become imperative for the Commission also to decide if there are any outer limits to further expansion, and if so how those limits may be drawn, explained and perhaps also defended. When and if Brussels does agree to a timetable for negotiations with Turkey, it will be difficult indeed to maintain a closed door against Moldova, Ukraine, Belarus – and Russia.

One reason why the matter is so sensitive relates to Russian superpower hangover. Following the dissolution of the USSR, Moscow has insisted that with the possible exclusion of the Baltic republics, all those countries that formed part of the Soviet Union now make up Russia's "near abroad." As a clear stand against the implied claim for a Russian sphere of interest, Brussels of late has taken to identifying Belarus, Ukraine, Georgia and Moldova as parts of *its* "near abroad," thus raising the stakes in the games of foreign policy.

At the core of this highly sensitive political issue lies the more pragmatic question of whether it really is *possible* to define Europe. It may in a sense be less complicated than defining Asia. It does, for example, seem rather difficult to pinpoint exactly what it is that unites Pyongyang and Bangkok with Damascus and Dushanbe. This said, it still remains highly unclear where Europe ends and Asia begins. Is it, for example, the case that only a part of Turkey, and only a part of the Russian Federation,

should be included, or should both be viewed as nations that in some sense are “European” *in toto*?

Up until the time when the European Union began to entertain ambitions of eastward expansion, questions such as these would have been mere sophistry. Today, they form essential parts of the political process. If we accept, as we surely must, that the very notion of “Europe” will have to remain fluid, then it follows that the surrounding political process will also have to be marked by confusion. At times, this may surely be helpful, but it may also serve to back negotiators into corners from which there are no easy escapes.

In its post-Maastricht development, the European Union has been hard at work producing two rival definitions that serve to further confuse the issue. One is the Union itself, with all its trappings of independent statehood. The other is a much looser concept, once defined by Romani Prodi as a “Wider Europe” that stretches from Murmansk to Marrakech. Exactly what the latter was supposed to mean is a bit fuzzy, but the main gist of it seems to have been that the countries that are included here are good neighbors that merit good working relations but are not seen as potential members of the EU.

In his presentation of an EU-Russia White Book, Ivo Samson (2004, p. 10) makes the following attempt at clarification:

The Wider Europe Neighbourhood (WEN) paradigm means the building of a belt of democracy and prosperity around Europe, which will ensure shared stability and security. It is interesting to note the prevalence of geographic proximity as a criterion for definition of strategic partnerships, which reflects the importance of the integration process in the EU’s international relations. What is Wider Europe Neighbourhood? The content will of course be more precisely defined, but the guidelines are already quite clear. The EU will strive to disseminate its values and prosperity within its *ring of friends*.

The implication would appear to be that from the horizon of Brussels, the EU equals Europe and in its benevolence as a self-appointed government of this Europe, the European Commission is seeking to establish good relations with all its neighbors, both inside and outside what is normally understood as geographical Europe. While such relations should preferably rest on shared values, it is highly unclear what kind of basis this forms for discussing and implementing further enlargement.

This crucial issue is further clouded when Prodi notes that the countries of Wider Europe should share with the EU “everything but institutions” (probably understood here as bureaucratic structures), and when he expresses an obvious fear of including countries whose basic values are too far removed from those of Europe: “We cannot water down the European political project and turn the European Union into just a free trade area on a continental scale” (Sutela, 2004, pp. 4, 32). As was noted above, deliberate confusion may at times have short-term benefits, but the longer-term outcomes also risk becoming rather adverse.

Given the absence of a clear and commonly accepted definition of what does constitute Europe, and the obvious unwillingness by European politicians to commit to a strategy on what relations the union should have to its gray zone neighborhood, it seems reasonable here to leave the dimension of politics and return instead to what was said above about an institutional matrix that is based on common values and that may be used to define at least that part of Europe which has been known as the West.

Since the task of formulating working relations between the European Union and those former members of the USSR that still remain on the outside will depend heavily on the evolution of relations between Russia and the EU, it may be useful to look in somewhat more detail at the prospects – from a scholarly perspective – of a successful institutional rapprochement between these two.

#### 4. From Aachen to Brussels – Via Muscovy?

The question of whether or not Russia can or even should eventually be integrated into the European Union may be approached from two fundamentally different directions. One concerns the internal Russian dilemma of self-image, of a several centuries long process of brooding over the true nature of Russia. As this is a topic that has filled entire libraries, without anyone ever getting much wiser, we shall leave it aside here. Suffice it to note that it does point at one important distinguishing factor, which sets Russia part from most if not all of the other states that once formed part of the USSR and of the Soviet *cordon sanitaire* in Central Europe.

As the Soviet Bloc began to unravel, country after country demonstrated that their preferred paths led away from Moscow. First out were the Central Europeans, who felt that during the post-war era they had essentially been kidnapped by Moscow. Then followed the Balts, claiming to have been illegally occupied by Russia following the infamous Molotov-Ribbentrop Pact, and then there was the falling dominoes of “colored revolutions,” extending from Georgia to Ukraine and Kyrgyzstan.

Whatever the realism of such claims, political elites in all of these countries have made a point of displaying a desire to join or even to return to Europe. From a purely technical point of view, these political plays may be viewed as external policy anchors. The prospects of eventually winning membership in the EU – and in NATO – serves to provide a focal point for domestic politics and thus to facilitate changes that might otherwise have been blocked by a host of special interests. Prodi puts it as follows: “By holding up the goal of membership we enabled these governments to implement the necessary reforms. Only this prospect sustained the reformers in their efforts to overcome nationalist and other resistance and fears of change and modernization” (ibid., pp. 31-32).

If we accept that the question of policy anchors has indeed been an important part of transition, it becomes all the more important to note that Russia has been and still remains the solitary exception that confirms the rule. Moscow is the only capital that views the enlargement of both NATO and the EU as threatening, as ways of drawing new lines of division in Europe.

In his work on *Transition and Economics*, Gérard Roland (2000, p. 338) devotes much interest to this question, defining the problem of policy anchors as an essential geopolitical factor that quite clearly places Russia in a category of its own:

By contrast to Central Europe, where transition is seen as a liberation from the Soviet empire and as access to the Western club of nations, transition is viewed in Russia as a traumatic experience by important parts of the population. Transition represents indeed the loss, not only of the Soviet empire, but also of territories like Ukraine or the Baltic states that already belonged to tsarist Russia.

While it is clear that relations between Moscow and Brussels will have to be formulated with such factors taken into account, it is not quite as clear what the more

specific implications are. Should Euro-politicians remain insistent on a partnership that is founded on common values, and continue searching for ways in which Russia may be enticed to Westernize? Or should they simply accept that Russia will never graciously accept status as just another rank-and-file member of the EU, and conclude that special rules will have to apply?

If matters are formulated in this rather blunt way, it follows that the question of whether Russia *will* eventually be integrated in the European Union is different from that of whether Russia *should* eventually be integrated, and that the two may not necessarily have the same answers. In order to disentangle these issues, we shall have to take a closer look at the thorny question of Russian specificity. Is it really realistic – beyond sloganeering and empty political rhetoric – to remain focused on an outcome that views Russia as belonging to, and becoming just another member of, Europe?

What is really at stake here is not so much the matter of superpower hangover. Far more important is the question of whether we can identify a path of institutional development that has placed Russia in an essentially different category from that of “the West,” as defined above. In Russian historiography, there have emerged two different schools on this matter.

The first, to which we shall subscribe in the following, is associated with Richard Pipes (1974), and maintains that Russia evolved into a *sui generis*, with an institutional makeup that cannot be usefully compared to any other country. The other school, following Martin Malia (1999), holds that Russia is backward only in a relative sense. Due to a set of unfavorable initial conditions, the country got off to a slow start but then proceeded along the same track of development as the West. As the only real deviation from this track was the introduction of communism, it follows that post-socialist transition would not be marred by problems with any deeper historical roots.

The distinction between these two schools is of fundamental importance, and may be said to reflect a difference of opinion on whether Russia has succeeded over the centuries in modernizing with or without also Westernizing. It is one thing to note that the social and economic infrastructure has become increasingly similar to that of other European countries, and that formal rules may have come closer to those that characterize the West. It is something completely different to also argue that the games that are being played are played according to, rather in contravention of, those very rules, and that economic outcomes of similar policies may be realistically assumed to be similar in nature.

What Steven Rosefielde (2005, p. 13) refers to as a “countervision of Russia as a modernizing state heading toward its European home” may, to his mind, be conceptualized in what Samuel Huntington has referred to as the “idea of the West.” The definition embraces the institutional matrix as a whole:

For a nation to be classified as Western, its people must be rational, individualist utility seekers who possess or embrace consumer sovereign markets, democratic government, social justice, and pluralism responsive to the people’s will – in other words something approximating either the American free enterprise of the European Union social democratic ideal.

While this can surely never be more than an “aspirational ideal,” it will have to remain a fact that some nations group closer to this ideal than others. What is of particular relevance is that the “social contract, the Golden Rule, the rule of law, and rationality foster fairness by eradicating market power, privilege, and discrimination”

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(*ibid.*). The real core of this argument, if viewed from an institutional perspective, must concern to what degree the rule of law, and the associated belief in *pacta sunt servanda*, have been internalized and form essential parts of a nation's system of norms and values.

Recalling what has been said above about the role of Roman law as the mainstay of Western development, we shall proceed here to argue that the effective exclusion of the Eastern Slavs from this tradition served to produce an institutional matrix that was far removed from the "aspirational ideal" of the West. While it is certainly the case that the Byzantine Empire did remain firmly rooted in the Roman tradition, as evidenced perhaps most importantly in the law code of Emperor Justinian, the *Codex Justinianus*, it is also a fact that in the onward tradition to Kiev and to Muscovy, all traces of Roman law were quite literally eradicated.

The evolution of Muscovite autocracy would be associated not only with insistence on the exercise of power that would remain above the law. Even more importantly, what Pipes refers to as a "patrimonial" society would be marked by a fusion between power and property that effectively served to suppress or even eradicate the very *institution* of rights to property. Relations between the grand princes (later the tsars) and their servants (boyars as well as lesser princes) would in consequence be marked by hierarchical dependence and strongly personalized relations. Estates (with serfs) were held in conditional tenure only (*pomestie*). Income was awarded via rights to squeeze taxes from the peasantry (*kormlenie*). Boyars were required to offer bondsmen to guarantee their allegiance, and all were subjected to duties to denounce any words or deeds that were directed against the autocrat. The main implication for economic policy is that behind its closed borders the Muscovite economy went into a forced mobilization mode, where the state would be the only agent capable of acting as an engine of growth (Hedlund, 2005, part III).

It may certainly be argued that presenting this as a set of institutions that characterized Muscovy is far from the same as having shown that this medieval pattern has persisted into modern times. It is, for example, undeniably the case that following a century or more of dedicated work by reformist tsars and their advisors, by the end of the nineteenth century it really did look as though Russia was finally about to break with the past and to embrace Westernization.

A compilation of some simple macroeconomic statistics will tell a story of tremendous successes. Economic growth following the imposition of the tariff in 1891 was spectacular. In the last decade of the century, industrial production as a whole more than doubled. The output of pig iron trebled, and the total mileage of railway track increased by nearly three-fourths. By 1900, Russia even had bypassed the USA to become the world's largest oil producer (Nove, 1982, pp. 12-13).

Behind this happy façade, however, there were numerous remaining problems. The growth record was highly uneven, both over time and between sectors, with the rural economy in particular remaining in dire straits. Measured against Russia's rapid population growth, moreover, we get a picture where Russia, "despite her very considerable growth was not making much headway in catching up with the more advanced powers" (*ibid.*, p. 14). Calculations of industrial progress measured per capita show that over the period 1860-1913 Russia actually fell behind Italy, to occupy last place amongst the ten leading world powers (*ibid.*, p. 15).

The problem of economic backwardness, and of the associated perceived need to "catch up," was certainly not a new one. In the midst of his famed reforms, Peter the



Great had nurtured illusions that Russia would need the advice and assistance of the West for some time, maybe a generation or two, after which she would be able to make it alone: “We need Europe for a few decades, and then we must turn our back on it” (Pipes, 1974, p. 113). Two and a half centuries later, as noted above, Khrushchev would still “talk boastfully but vainly” about catching up with and overtaking the USA. As W. A. Mosse (1992, pp. 12-13) concludes, the “rate of Western technological progress remained faster than the Russian; the hope of catching up definitively proved illusory.”

In his famous treatise on “Economic Backwardness in Historical Perspective,” Alexander Gerschenkron (1962, p. 7) argues, as “the main proposition” of his essay, that due to the very nature of backwardness, attempts by backward countries to undertake rapid industrialization will by necessity produce results that are different from those recorded in the already more advanced countries. Differences in both speed and character of industrialization will be derived from the application of different institutional instruments (i.e. formal rules), as well as from the intellectual climate (i.e. informal norms) in which industrialization was undertaken.

With particular reference to the “abysmal economic backwardness of Russia,” he lays out a distinct pattern of development. Moved by military interests, the state assumes “the role of primary agent in propelling the economic progress.” Given the ebb and flow in military needs, this in turn imparts a “peculiarly jerky character” to economic development. In times of intensive development, great burdens will be imposed on the population and “severe measures of oppression” will be necessary to prevent flight into distant frontier regions.

The outcome will be a cyclical economic development, which forms a pendant to the cyclical or pendulum pattern that has marked economic reform: “Precisely because of the magnitude of the governmental exactions, a period of rapid development was very likely to give way to prolonged stagnation, because the great effort had been pushed beyond the limits of physical endurance of the population and long periods of economic stagnation were the inevitable consequences” (ibid., p. 17).

Thus it was that the rapid spurt of development in the 1890s was followed by a depression in the first years of the 1900s. The burdens on the peasantry had proven to be overwhelming, and a period of great disorder followed. Once order had been restored, there would follow another spurt of rapid development, beginning in 1909, which in turn would be interrupted by the Great War (Mosse, p. 98).

Thomas Owen (1991, p. 1) clearly recognizes the dilemma that rested in Russia’s pursuit of a foreign policy she was unable to sustain out of her own resources: “It is one of the many ironies of Russian history that, as the tsarist empire gained influence in European political life by virtue of its diplomatic and military achievements, it gradually fell further behind Europe in terms of economic development.”

For all his successes, by 1900 Prime Minister Sergei Witte would find reason to warn the tsar of the broader dangers that were involved in the country’s race against the industrialized powers: “It is possible that the slow growth of our industries will endanger the fulfillment of the great political tasks of the monarchy. Our economic backwardness may lead to political and cultural backwardness as well” (Mosse, p. 98).

While Witte had claimed that in the end all would benefit from his reforms, such benefits could only be of a long-term nature. In the short term, there were no obvious winners – outside of a rather small circle of favored investors and industrialists. It goes without saying that the plight of the peasantry was greatly aggravated, and it is a fact that

crop failures and famine around the turn of the century would play an important role in the drift towards revolution.<sup>9</sup>

There are two important reasons why this digression is of relevance to our argument. The first is that whatever one chooses to believe about the prospects for a successful integration of Russia into Europe, had it only not been for the outbreak of the Great War, it will remain a fact that the Bolshevik program entailed a full scale reconstitution of the institutional matrix of old Muscovy, albeit in modern garb.

The experiment in democracy that had begun in the wake of the 1905 “October Manifesto” was followed by a return to unaccountable autocracy. Fledgling rights to private property, developed mainly in the cities, were eradicated and replaced by the empty notion of “people’s property.” The previously growing monetary economy collapsed, and gave way to natural resource management. The exercise of power again came to rest on *kormlenie*, privilege and strongly personalized relations.

Under Stalin, the command model was completed with a policy of forced industrialization that rested on traditional resource mobilization, based on a desire to catch up with enemies to the West. In order to rationalize this undertaking, borders again were closed, denunciation again became a legal obligation, and official propaganda began rehashing the old myth about Moscow as a Third Rome. It was a virulent mixture, with deep Russian roots.

Paradoxically, what was paraded by the Bolsheviks as progressive and utopian, in this sense was deeply reactionary, aiming to erase all traces of such progress that had been recorded up until the point of their “Great Socialist October Revolution.” Subsequent developments also would fit depressingly well into Gerschenkron’s discussion of backwardness, and the associated focus on what we may refer to here as catch-up economics.

The second of our two reasons why a digression into Russian history is of importance relates to the further repetition of history that was played out under Gorbachev and Yeltsin. Much as the collapse of Muscovy, and of the Russian Empire, had led to times of trouble, so would the collapse of the USSR. Beginning in 1987, or thereabouts, poorly coordinated and seemingly purposeless policy plays by the Kremlin began to cause a serious erosion of authority. In a culture that has always rested on the rule of men rather than on the rule of law, that was dangerous business, setting the stage for a bonanza of asset grabbing and asset stripping.

When Boris Yeltsin and his young reformers set themselves the task of transforming Russia’s economy into a replica of American nineteenth century capitalism, complete with robber barons and all, they seem to have believed that none of this mattered. Intoxicated by a belief in textbook models of the Smithian *homo economicus*, to whom the past is indeed irrelevant, they proceeded to undertake measures that would catapult the country into a Hobbesian world of war of all against all. The ensuing economic meltdown should be seen as the outcome not only of bad policy advice, but even more so of a true clash of cultures.

As Lionel Robbins once put it, “The pursuit of self-interest unrestrained by suitable institutions, carries no guarantee of anything but chaos” (cited by van Brabant, 1998, p. 108). What the Russian reformers did was to impose a set of formal rules that are prevalent in the West, but which also require a corresponding set of informal norms that were sadly lacking in Russia. Already in 1997, i.e. well before the August -98 crash

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<sup>9</sup> On the background of land hunger and agrarian crisis, see further Volin (1970, ch. 3).

on Russia's financial markets, Alan Greenspan noted that "Much of what we took for granted in our free market system and assumed to be human nature was not nature at all, but culture." The failure of Russian reform, in his view, had a very simple explanation: "The essential infrastructure of the market is missing" (cited by Goldman, 2003, pp. 29-30).

The main question that must be now be addressed concerns whether this may be viewed merely as a problem of incomplete transition. Has Russia simply found it more difficult to transit than, say, the Balts or the Central Europeans? And may we thus expect that further developments will return the country to the virtuous path that leads to the West? Or is it rather the case that we are witnessing consequences of such deeply rooted institutional differences that Russia still remains fundamentally incompatible with the EU?

Developments under Vladimir Putin surely do not support the former view. What is commonly referred to in the press as "democratic backsliding," essentially reflects a drift back to classic Muscovite autocracy, and to its associated patrimonial fusion between power and property. Electoral reforms are making sure that the Duma will be in no position to constrain the Kremlin's power. Appointed regional governors will receive their *pomestiya* in return for service to the tsar. The Yukos mess reflects that nominally private enterprises will operate at the mercy of the tsar, and increasing repression is curbing both the freedom of speech and openness in relations to foreigners. Although Putin's ambition is limited to catching up with Portugal, rather than with America, it is clear that the West remains as a negative policy anchor, as a threat that must be dealt with rather than a role model to emulate.

While all of this is most discouraging, it still cannot be construed as proof that the game is in some sense over. Much as was the case in our previous question of whether or not those countries of Central Europe and the Baltics that are now formal members of the EU will also become successfully *integrated* into the EU, it is important here to retain an open mind, to conclude that the jury is still out and that only time can tell what the eventual answer will be.

Before concluding the paper as a whole, there is, however, one final issue that calls for some added speculation. Following the "orange revolution" in Ukraine, there was a host of previous truths that seemed to be going a bit wobbly. When Putin was re-elected to a second term, few if any would have been prepared to listen to stories about how Moscow would lose its grip over Kiev and how a new government there would begin training its sights on integration into the West. Today we may look back at a string of developments that include President Putin ending up with egg on his face, and President Yushchenko becoming the first president of the FSU to be invited to address the US Congress.

The standing ovations that accompanied the latter occasion did serve to raise two tantalizing questions. One is whether Ukraine is sufficiently different from Russia for integration into the West to be a serious proposition, and the other concerns the potential consequences if Ukraine were to be integrated without being ready for such integration. With the recent election victory of Viktor Yanukovich, the Ukrainian case no longer may appear quite as provocative, but the underlying questions surely remain important. In order to place them into a more general perspective, we shall wrap up by looking at the potential for integration into the European Union of that whole group of nations that jointly form part of the "Common Neighborhood."

## 5. From Kiev to Brussels – Skipping Aachen?

In our previous discussion, we have placed much emphasis on the role of external policy anchors. We have argued that an important reason behind the outcomes of the recent series of “democratic revolutions,” spanning from the velvet one in Czechoslovakia to the orange one in Ukraine and the pink one in Kyrgyzstan, has been linked to a strong desire to form part of the West. In a sense, the still ongoing implosion of the Soviet Bloc has been akin to the peeling of an onion. As layer after layer is peeled off, it becomes increasingly questionable if and when we are going to reach something that resembles a core. (Remember that the onion has none.)

When the Central Europeans wanted to go “home” to Europe, it did not cause too much of a sensation. When the Baltic republics wanted to escape Russian occupation, the stakes were raised, and when Georgia began its open courtship of the West, serious worries about Russian counter-reactions were emerging. With the Ukrainian about-face, such worries came out into the open, and when even Kyrgyzstan looked for a moment like it might be opting for democracy, the status of the Russian Federation itself was coming under doubt.

Rather than speculate on what the Kremlin may be prepared to do, in order to ward off a colored revolution also in Moscow, we shall engage here in a little intellectual exercise in counter-factual speculation. Let us assume that there were to be a genuine split between Moscow and St. Petersburg. (Tensions between the two do have something of a pre-history.) Let us assume further that the latter were to joint the common trek towards the West, emphasizing its own tradition from the Republic of Novgorod and from the “Window on the West” that was once opened by Peter the Great. What then?

With both Kiev and Petersburg gone, all that would remain of the “Tale of Three Cities,” which forms the mainstay of James Billington’s magnificent account of Russian cultural history, would then be Moscow.<sup>10</sup> Since it was in the Principality of Moscow that Russia’s rise to great and superpower status began, that would in some sense be fitting. But would it be the end of the story? Would not also Moscow then be enticed to turn West, and what would then remain?

While some may certainly be offended by this little speculation, it does serve to point at what really must form the core of the issue of Russian versus Western tradition. Let us begin by assuming that the failure during the “roaring nineties” of both the Russian Federation and most other parts of the FSU to undertake true Westernization was due not only to faulty policy advice but even more so to the fact, as underscored by Greenspan above, that the essential infrastructure of the market economy was missing. The logical challenge then must be to explain why.

In the above we have suggested two different possibilities. One is short-term institutional deformations that resulted from the imposition of central planning, and of the Soviet order at large. The other is longer-term, suggesting that that a warped institutional evolution over several centuries is at fault. While one does not exclude the other, the process of extrication will have to be very different. To be more specific, we shall make a distinction here between having been part of the Soviet order and having also been part of Russian Tradition. (In order to reflect that the latter embodies the core

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<sup>10</sup> “Reduced to its simplest outline, Russian culture is a tale of three cities: Kiev, Moscow, and St. Petersburg” (Billington, 1970, p. 3).

features of the informal dimension of the institutional matrix, it will be deliberately written here with a capital “T.”)

While both the Central Europeans and the Baltic republics have already proven that having been part of the Soviet order did not preclude becoming part of the European Union, the latter three in addition have also proven that the potential obstacle that rests in having been part of Russian Tradition also could be easily overcome. So, where does this leave us? Is it perhaps the case that we may expect countries further east to follow the same route, thus conclusively proving that the norms and values that have been associated with Russian Tradition are easily dissolved into the cup of universal values that makes up the foundation of the European Union? There are three possibilities here, with widely diverging outcomes.

The first possibility holds that Russian Tradition has been a superficial phenomenon, of great interest to intellectual types but of little or no relevance to the interplay between formal rules and informal norms in the institutional matrix that in the end will determine the success of socio-economic change. If this is true, then even Russia will eventually be integrated into the European Union and the process of institutional harmonization will proceed smoothly and successfully. We will then have reached the end of history.

The second possibility holds that the formation and evolution of Russian Tradition was intimately linked to Muscovy, and that the further you get from Moscow the weaker its grip will be over the informal dimensions of the institutional matrix. If this were to be the case, then we may expect that countries in the old periphery will respond more strongly to external policy anchors and that a step-wise “peeling” will result. Reality thus far conforms with this scenario, which would have Kiev next in line to be peeled off.

The third and least optimistic option would represent a case where the systems of norms that are associated with Russian Tradition have permeated the Soviet order to the point where having formed part of the latter essentially also means having formed part of the former. More specifically, this option would predict that having been part of the Soviet order has caused serious institutional deformations that will prove hard indeed to rectify. If this were to be true, it then follows that the Big Bang enlargement of the European Union will bring in its wake a set of serious backlash effects. If we define the fundamental norm of Russian Tradition as that of rule evasion, or of a preference for personalized relations of influence over transparent and enforceable rules, then we have also pointed at the direction in which such consequences may be expected to materialize.

As we have noted repeatedly above, these are mere scenarios, the realism of which in the end will boil down to what we believe about the role of norms and values in determining the outcomes of public policy. Since this is largely *terra incognita* to the social sciences, in the very basic sense that we really do not know if and how norms can be altered by deliberate action, we shall have to accept that the jury will remain out for some time.

Before leaving the argument altogether, there is, however, a need here to repeat a *caveat* that was raised above, with respect to potential membership in the EU for the Russian Federation, namely that the question of whether Ukraine *will* become a member is different from whether Ukraine *should* become a member, and that the two may not necessarily have the same answer.

The striking refusals by a host of Euro-politicians to be explicit about where they see Europe ending, and to commit to a strategy on what to do with the “neighborhood,” may well serve to back Brussels into a corner where it *has* to admit Ukraine. That, however, would not by necessity mean that such a decision would also be a wise decision. With this we shall leave the serious part of the argument, and conclude with a somewhat less serious piece of speculation, which also returns us to the title of this paper.

Let us assume that Professor Gerschenkron had arrived in Brussels in 2005. He would then have been able to observe two interesting patterns. On the one hand, he would have seen Russia being mired in much the same institutional patterns that have been described above. An autocratic government that shuns transparency and accountability. An economic system that is embroiled in vast corruption and personalized games of influence. A legal process that caters to the political whims of the Kremlin. A population that is beset by massive social problems. And a country that as a whole is feeling itself to be backward, and is thus bent on catching up with the West, whilst viewing that same West with increasing suspicion and perhaps even outright hostility.

While this set of impressions might not have come as such a great surprise, the other set would perhaps have been a bit more unsettling. Accepting that Europe for so long has served as a positive role model for Russian liberals, Gerschenkron would have been able to observe a reality that may no longer harbor all that much that is of interest for Russia to emulate.

Meeting with Eurocrats and Euro-politicians in Brussels, our distinguished professor would have encountered a European Union that is beset by accusations of massive corruption, and of personalized games of influence that are going on behind a veil of secrecy that defies not only transparency but also accountability. He would have been told of member governments that engage in a broad range of shenanigans that are designed to evade commonly accepted rules. He would have observed a swelling nomenclatura that awards itself a host of privileges, ranging from tax exemptions to separate schools and shops. And he would have met with a Union that as a whole is feeling itself to be backward, and is thus bent on catching up with *its* West, whilst viewing that same West with increasing suspicion and perhaps even outright hostility.

Based on these latter observations, one might predict a rather different scenario for the future development both of the Common European Space and of the Wider European Neighborhood. As Europe increasingly emulates the values that have been associated with Russian Tradition, the obstacles to eastward enlargement are eroded, and in the end we all do become Europeans, albeit far removed from both Rome and Aachen. Now, would not that be a beautiful paradox?

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