



RUSSIA in GLOBAL AFFAIRS

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A Different View on the European Anniversary

Fyodor Lukyanov, Editor-in-Chief

Europe recently celebrated the 20th anniversary of the anti-Communist revolution that put an end to the division of the world into two ideological blocs. The events of 1989 opened a new chapter in global politics; however, even two decades later, the full content of this chapter remains unclear. The fall of the Berlin Wall was not “the end of history” as proclaimed by some analysts at the time, but the beginning of a thorny transition to a yet unclear destination.

Russia evaluates the last two decades differently than the rest of Europe. First, the results of the post-Communist transformation are very mixed. Many problems have been inherited from the past; that is, they have never been resolved. Others stem from developments in recent years. Second, the widespread view in the West that the world and Europe have become more stable and safer after the end of the Cold War is not that obvious to Russia. The years that have passed since the fall of the Berlin Wall can in no way be described as a period of calm, considering the number of armed conflicts that have taken place since then, including two wars that involved nuclear superpowers (in Yugoslavia in 1999 and

Georgia in 2008). Furthermore, the universal security system, which was talked about so much in the post-Cold War years, has not been built.

In this issue, Soviet President **Mikhail Gorbachev** shares his views on the events of the late 1980s. He is still convinced that what he did was right because it set a strategy for the development of his country and the whole world. However, the initiator of the changes is not satisfied with the way subsequent generations of politicians both in Russia and the West have used the newly opened opportunities.

Timofei Bordachev views the events of 20 years ago as a fundamental demolition of the principles of strategic stability, which the international system has never regained. **Vyacheslav Morozov** analyzes the phenomenon of the European revolution and tries to understand why it did not put a real end to the division of Europe. Twenty years later, the dividing line has not disappeared but has moved eastward, while Russia has not acquired a new political identity. **Lai Hairong** points out the importance of the fall of the Berlin Wall and the breakup of the Soviet Union for China’s reforms. Beijing has analyzed the mistakes made by

European communist leaders, the author says, adding, however, that not all the lessons have been learned.

The cataclysms of those times have raised the “Russian issue” – for the first time in history the Russians are a divided nation, **Igor Zevelev** writes. The development of Russia and the stability of a huge European-Asian territory depend on a realm where Moscow will look for answers to it. **Nikolai Silayev** discusses why Georgia became the first post-Soviet country to find itself in a state of war with Russia. This is especially surprising as two decades ago many people in Moscow actively sympathized with the national-democratic movement in Tbilisi.

Piotr Dutkiewicz explains the emergence of the “Putin model” by the need for Russia to overcome the acute crisis of its statehood, which hit the country after the Soviet Union’s collapse. The author points out, however, that the potential of this model has been exhausted and that it must be radically reinvented.

Leonid Sedov argues with those who believe that Russian society wants democratic changes and that it would be enough to just not stand in the way of healthy instincts. In the sociologist’s view, the national characteristics that distinguish Russians from other post-Communist nations are not conducive to changes in the country.

Vadim Smirnov writes about the unusual fate of Kaliningrad, a Russian region which the cataclysms of the late 20th century have turned into an isolated “island” within the European Union.

Yevgeny Savostyanov advocates a strategic alliance between Russia and the United States. The author believes that the two countries must implement what Gorbachev failed to do 20 years ago, despite the burden of mutual grievances and misunderstanding.

Alexander Oreshenkov draws the reader’s attention to the Arctic, a new region of international interaction that could become a place of rivalry or a place of cooperation. Russia and the U.S. are key players in this region.

Fyodor Shelov-Kovediayev writes about the degradation of the capitalist development model, which 20 years ago was believed to have no alternatives. The global financial crisis has shown that this model has exhausted itself and that new market principles should be formulated. **Leonid Grigoriev** and **Marsel Salikhov** argue that the financial crisis of 2008-2009 has not been deep enough to change the development paradigm and that the “new” world will be very much like the “old” one. **Vyacheslav Kopiev** insists that tourism is the industry that can become the locomotive of the economy. Russia has a special potential in this sector and can take advantage of the opportunities offered by the country’s openness achieved in the early 1990s.

Our next few issues will continue to analyze the last two decades of change, especially as post-Soviet countries are entering a period of notable anniversaries. Our other topics include the transformation of the Army, security and the future of negotiations on nuclear disarmament.

Essential Talk

“Now some people want to present things as if Gorbachev had no way out. The most important thing then was that people wanted change. And we were already searching for a new economic model. And what do we have today as a result? The same problems that we had then.”

Mikhail Gorbachev:

“Everything must be carried through to the end”

Mikhail Gorbachev:

“Everything must be carried through to the end.”

– *Mr. Gorbachev, twenty years ago you made the greatest contribution to making Europe look as it does today. Are you satisfied with what you did?*

– When the Charter of Paris for a New Europe was adopted at the summit level [November 1990 – Ed.], everything was put in explicit terms. But the way this process was handled later... It should have been carried through, especially with regard to the creation of a pan-European security architecture. If such an architecture had existed now, do you think we would be arguing endlessly about NATO? About which countries should be admitted to it and which countries should not?

– *By the way, speaking of NATO expansion, do you feel cheated? They promised not to enlarge NATO, and now it comprises about 30 countries and there is no end to it.*

– We ourselves are to blame; that is, the breakup of the Soviet Union. The Soviet Union, with which they had reached an agreement, ceased to exist and the agreement was undermined. This is only logical.

– *Do you mean to say that if the Soviet Union still existed, they would have kept their promises?*

– Of course they would have! Germans, for example, have fulfilled everything that we signed back then and are still fulfilling their part of the agreement. Thanks to the peaceful reunification of Germany that country is a reliable partner. Germans know their historical responsibility. Unifica-

Soviet President **Mikhail Gorbachev**, the main initiator of change in Europe in the late 1980s, spoke with **Fyodor Lukyanov** about how he views those changes 20 years later.

tion processes in Europe can be deepened. We discussed back then that Europe needs a Security Council of its own, which would have the authority, status and composition required for addressing all the issues. However, Europe has not yet overcome the classical formula of Lord Ismay, NATO’s first Secretary General, who said the purpose of the alliance was “to keep the Russians out, the Americans in, and the Germans down.” Only now a new generation is arising that can implement a different policy.

– ***And what were the guarantees of non-enlargement?***

– We agreed on a wide range of actions, from nuclear disarmament to radical changes in the atmosphere in Europe, to the establishment of a stable balance and then, on this basis, to a transition towards a new architecture. And all this was put on record.

– ***These are general provisions. And were you given a concrete promise not to advance the military infrastructure to the East?***

– And how would you perceive that? How could that be put on record? Do you think we could assume that the partners with whom we were concluding an agreement would attack us and we would attack them? In all our agreements, we introduced the principle of creating a common security architecture for Europe. This architecture must be common to all – this was the meaning of the whole process. Of course, it is up to each country to make a choice; this is the sovereign right of nations. But as regards Europe, it is more complicated; I would say that this is the sovereign right of all the nations taken together. However, when the Soviet Union ceased to exist, things began to fall apart. A war broke out in Europe and it began to be torn into pieces. Instead of a genuine unification, now we are on the brink of confrontation.

– ***With whom was it easier for you to negotiate— Reagan or Bush?***

– George Shultz, Secretary of State in the Reagan administration, told me years later that Reagan was the only U.S. president who could make concessions to the Soviet Union – because he was ultra-right; those farther to the right were only the dregs of society. This is why Reagan could make a turn that no one else would have been allowed to do. Our contacts with him in Geneva began with me calling him a dinosaur at our very first meeting, and he called me a diehard Bolshevik. And then we began our rapprochement, because we knew nuclear war was inadmissible and that there could be no winners.

George H.W. Bush is an experienced politician; clever, sly and consummate. When he succeeded Reagan, his administration began to negotiate with us as if from scratch, although he had been Reagan's vice president. They weighed everything again for half a year. But then we reached a mutual understanding, because we trusted each other. The negotiations were very difficult, but whenever we reached an agreement, it worked. However, when nasty things began to happen behind my back, of course Bush began to take time to deliberate. We should thank our nomenklatura for that, the nomenklatura on which I had pinned hopes and I had promoted many of them. We did everything ourselves, with our own hands.

– Some people now secretly yearn for the Soviet Union. They regret that they no longer have an enemy and are trying to recreate it. Have you read the letter written by Eastern European leaders to Barack Obama?

– Amazing! I was shocked by their groveling and low intellectual level. I have lost respect for those who signed the letter. Some titans of geopolitics! How they are bowing to America and begging for protection! But the Americans have reacted calmly to it and have taken that for granted. We all must follow the path which we discussed 20 years ago: we must build a united, peaceful Europe governed by Europeans, open to other countries and claiming leadership in world politics.

– And why should Americans need a Europe claiming to be a leader? They are leaders themselves.

– They particularly need it. They have already stopped saying, as they did before, that they won the Cold War. I used to tell them: we kept winning while we acted together, and then we all lost together. First we lost then all the others followed. This “winner complex” did them a serious disservice; it undermined the policy towards building a new world order, which George Bush and I talked about. Everybody agreed then that we needed a new world order – one more stable, more just and more humane. Instead, Bush announced in 1992 that America had won the Cold War. They gloated over our breakup and humiliation, although just a short time before they could not have even dreamed of that. And now what? They themselves do not know what to do. The balance has been upset. The United States cannot get away from change – speaking at Harvard a few years ago, I predicted a perestroika in America.

– This is why Obama is now compared with Gorbachev, both in a good and bad sense.

– I sympathize with him; he has ambitious and humane plans for his nation and the world. But the military-industrial complex can trip up the new president: they do not care at all about his ideas. Look at what they are doing: they have increased defense spending to a level that is higher than it was at the height of the Cold War. The Soviet Union no longer exists! Why should they do that? Because they really do not believe in anything except for their force and war. This is a lunacy which must be stopped.

– And how can it be stopped? When the Soviet Union existed, it served as a counterweight. Now there is no counterweight.

– Counterweights will be found; they always are, and they are already ripening. But this won't solve the problem. Looking for solutions in destruction is not the right path. I could not make such a decision. In addition, I felt sorry for my country – how could I impose an arms race on it? Imagine yourself running a country which has not yet recovered from the losses it incurred in the previous wars and upheavals – would you subject it to more suffering? It had had enough suffering before me, including the Afghan War. As for the Western “victory”... If we had not launched the new policy, they would have achieved nothing.

– But did you have any choice? After all, the Soviet Union would not have held out economically.

– We did not lose economically but politically – when Yeltsin began to stab me in the back and set fire to the situation. After that, the West began to hesitate about giving us support. Previously, Bush had tried to convince the Baltic republics and the Ukrainians not to try to ruin perestroika and warned them against nationalism. However, at a G7 summit, where I asked the West for aid, he gave me the cold shoulder. Mitterrand actively supported me, as well as Delors [Jacques Delors was President of the European Commission until 1994 – Ed.], but Bush did not want to support me. He was already thinking of other options – Yeltsin had brought them his anti-Communism on a silver platter. I deeply regret that I was too soft towards Boris Yeltsin. He should have been completely removed from politics back in 1987, at a plenary meeting of the Central Committee. That could have been very easy to do –

the system worked well. But I decided that he should be put in his place and given an opportunity to make amends. It was my mistake.

– ***But you are a Marxist, Mr. President. Of course, the role of the personality in history is great, but there are also objective prerequisites. The problem was not Yeltsin.***

– The situation was difficult, very difficult, and we needed help. But the country still had enough resources. We would have pulled through. While the Soviet Union existed, all difficulties were surmountable, both inside and outside the country. Now some people want to present things as if Gorbachev had no way out. The most important thing then was that people wanted change. And we were already searching for a new economic model. And what do we have today as a result? The same problems that we had then – dependence on oil and a poor situation with small business, although we had planned to begin precisely with the development of small business.

– ***Dmitry Medvedev has sort of built a bridge to those times with his initiative about a new European security architecture. Previously, no one in Russia had spoken about “a Europe from Vancouver to Vladivostok” for a long time.***

– Now is the time for that which cannot be missed. We are witnessing a crisis of all the models used previously. We need to look for a new model together, within the framework of cooperation as a basis for solving security problems. I always remind Americans about John F. Kennedy’s words that the world will be either for all, or there will be no world.

– ***And Lenin once wrote: “Before we can unite [...] we must first of all draw firm and definite lines of demarcation.” Perhaps, we are now at the stage of the required demarcation?***

– This “demarcation” has now exceeded all thinkable limits, I think. Lenin was quite a “brawler.” But I still have respect for him. He was a great person, and all attempts to sling mud at him and put him on a level with Stalin are unfair. One should understand the time in which Russia found itself then. After all, it was not Lenin who had brought the country to that state: it was the Romanovs. But Lenin dared to propose an incredible and enormous project. He had an amazing instinct. Before the revolution in Russia he wrote that the proletariat would win power through democracy and would rule the country through democracy. And then comes the year

“Everything must be carried through to the end”

1917, with all those events, the sharp turn in the country’s development, the war and chaos. And he rethought the situation and wrote “The State and Revolution,” in which he said we need a dictatorship in order to turn events around with a single stroke. This is what I call risk!

– ***Do you think this is an example for politicians to follow?***

– No, but such things happen and there may arise such a need.

– ***Was he right?***

– At that time, yes, he was.

– ***And later?***

– And later he himself proposed a new economic policy. Importantly, he did not do that on the sly to cover his tracks, so to say. No, he said: We have made a big mistake and have taken the wrong path. It is difficult to imagine Lenin admitting such things. And after that, within five years, the ruined country achieved its prewar level.

– ***What do you think of what is now happening in Russia with regards to Stalin?***

– I know a lot about the events of those times – from family memories, from my personal experience and from what I have read. When I came to Moscow and found myself in politics, I saw the legacy of Stalinism with my own eyes.

– ***And why wasn’t the charge of the late 1980s enough? It seemed then that it was over and done with, as so many things had been disclosed. And now we are discussing the same issues again.***

– Because such things must be carried through. Khrushchev began it, but he did not bring it to an end. Unfortunately, we failed to do this, as well.

– ***What do you mean he did not bring it to an end? What should this “end” be?***

– It must be the full truth about events. Everything must be done systematically. When I was leaving the post of president, the head of the Central Committee’s General Department gave me an envelope with a letter written to Khrushchev by Shelepin about the Katyn massacre. [Alexander Shelepin was the head of the KGB and later deputy prime minister and secretary of the Central Committee under Khrushchev – Ed.] It was all described in the letter how it happened. I gave the letter to Yeltsin. He later presented things as if Gorbachev had hidden this document and that he

(Yeltsin) had found it in a safe. But I had never seen that letter before. Surely the archives contain a lot of other things. For example, when I became General Secretary I wanted to find a memo on the status of agriculture, which I had written when I was secretary of the Stavropol Regional Committee in 1978. We ransacked the archives, but for some reason the memo was only found in Irkutsk after a long time, in the local archives of the CPSU Central Committee. Those archives need a good digging through and many things can be found there. For me, what is happening with regard to Stalin now is a political struggle. Politicians pursuing their own goals seek to draw support from history. Things have always been that way and the same things are taking place now.

– ***For many people Stalin is a synonym for great power.***

– Well, yes, but this will pass. We must focus on the development of our country, so that people can be proud of it. Without that all our efforts will fail. Meanwhile, instead of development, they first ruined the country, and now we are witnessing pseudo-patriot games. When people justify Stalin, they return to the idea that the end justifies the means. But this is unacceptable. We must always remember what price we paid.

– ***Perhaps, this is our mentality, that price does not matter?***

– No, it is not our mentality. Some people simply want to score political points this way.

– ***Many people support them.***

– So what? People may support anything – we in Russia know this particularly well. That’s where politicians must show their responsibility. We still must follow the path we started down earlier. In our transition to democracy we are somewhere in the middle, still far away. We, a country in transition, have not understood what freedom is and how to use it. We do not use democratic institutions in earnest.

– ***Do you feel defeated?***

– I lost as a politician. But I am absolutely certain what we started and what we brought to Europe and the world is already irreversible. This is a great achievement for our people.

– ***Few people in the world think this is the merit of our people. Take, for example, the aforementioned Eastern European letter. Actually, it negates the role played by Russia and the Soviet Union.***

– C’è la vie. But this can be overcome.

Lessons of the Revolution

“*The prospect for democratic politics liberated from the need to endlessly refer to the Western models is turning into the most pressing issues of our time. The twenty years that have passed since the end of the Cold War suggest that international experience must be re-thought, with due account taken of local tensions and conflicts.*”

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Without Ideology or Order

A Pragmatic Russia and Current Challenges

Timofei Bordachev

The greatest achievement in Russian foreign policy over the past 20 years has been the renunciation of messianism as Russia abandoned attempts to impose its own model of social relations on other countries. The Russian political class was very relieved when it no longer had to position Russia's ideology as the only systemic alternative to the global dominance of liberal democracy. Economic advantage was expected to become the key guideline in domestic and foreign policies.

Yet today Russia has to choose again between a policy based on global ideas, one that is mainly pursued by the United States, and sovereign pragmatism, which is characteristic of the foreign policies of China, India, and – increasingly – Europe.

The final triumph of pragmatism in 1991-2000 was foiled by the commitments that Russia had to make in order to comply with the system of international relations. Among the most important obligations it had to honor were the need to maintain its status as the second nuclear superpower, responsibility for the fate of the majority of former Soviet republics, and the need – which Russia felt rather than realized at that time – to play an active role in containing any aspirants to global leadership.

During the larger part of the 1990s, Russia took on a bona fide but reluctant role to contain U.S. hegemonic ambitions and carried this bur-

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den into the 21st century. In the first half of the current decade, Russia began to backtrack to its habitual, imperial model of foreign policy, tempered by various restrictions of international law. However, as the U.S. experience of 2003 (the invasion of Iraq) and Russia's experience of 2008 (the war with Georgia) showed, a country that considers itself an empire does not hesitate to step beyond such restrictions if the circumstances require it.

A "BRIDE-TO-BE" IDEOLOGY

Russia seems to have been able to get rid of ideology as the main pillar of its foreign policy. As a result, its course in the international arena has been marked by a paradoxical combination of regulatory integration with the European Union (in accordance with the model of relations envisioned by the Partnership Agreement) and rivalry with the EU in the territory of the former Soviet Union. The first is dictated by pragmatic considerations: the European norms of state regulation of the economy are indeed better and more effective. The second is explained by Russia's struggle to regain the potential and prestige that befit the empire. Moscow attempted to overcome this paradox within the framework of the sovereign democracy doctrine: while remaining part of the outside world, Russia insisted that the national specifics of its policy should be reckoned with.

It should be noted that the very fact of the recognition of such specifics, unique in each particular case, implies a voluntary withdrawal of the Russian model of social order from the international contest. In other words, history for Russia is not a struggle to the final victory between developmental models, but their peaceful, although competitive, existence. This markedly differs from both the liberal views of Anglo-Saxons and classical Marxism, which was the core of education for the majority of Russian elites.

But the question still remains open: Can a state that rejects global aspirations count on more than regional influence? If yes, and if an attractive ideology is no longer the necessary attribute of foreign policy, Russia will have to compensate for the lack of this factor of influence by boosting other factors. If no, and if it is impossible to be a big player without ideology in the contemporary world, Russia will be unable to

hold a pragmatic line for long. It will have to look for new ideas, possibly borrowing them from abroad.

There are few options here. Judging by the number of program speeches and academic papers, Europe is gradually abandoning universalist ideas in favor of preserving a sovereign nation state as the only guarantor of democracy. The logical consequence is a gradual departure from the ideologization of external relations, readiness to cooperate with regimes hitherto viewed as unacceptable partners because of their disrespect for human rights and other principles inherent in the liberal outlook. Europe is trying to pass through, as Sergei Karaganov has aptly noted, the stage of “overcoming the overcoming.” In other words, it wants to abandon its ideologized and, at the same time, sterile foreign policy, which once aimed to neutralize destructive nationalism, while at the same time steering clear of nationalistic traditions.

China, although it considers itself a great world power, is by no means inclined to extrapolate its ideology to other countries and regions (if such an ideology has existed at all since 1978). Adhering to the precept of Deng Xiaoping that “it does not matter what color a cat is as long as it hunts mice,” Beijing ignores the color of the partner, showing interest only in the profit and political influence necessary for gaining it.

India seems to have withdrawn into itself. The huge scope and depth of the country’s problems, together with religion, frustrate the appearance of even insignificant messianic aspirations. Aside from that, the local ruling class, with a thousand-year-old culture and traditions of statehood, has developed a rather haughty attitude to foreigners. The authorities even frown on the Hindu gurus who teach yoga abroad: they believe that sacred things are not for export. Unlike Europe or Russia, India is self-sufficient, and does not need close allies.

The last “bride-to-be” ideology is liberalism, which advocates the interrelation between domestic and foreign policies, the interdependence between the countries of the world and the possibility of international control over actions by national authorities.

Russian President Dmitry Medvedev made particularly liberal comments at an international conference in Yaroslavl in September 2009: “The problems that emerge in the territory of one or several states assume a global proportion, and this happens instantly, while incompetence, or some-

times an unwillingness to resolve one's own problems, causes damage not only to one's own country, but also to a large number of other states. The ineffectiveness of state institutions generates international conflicts.”

These words express the essence of liberal institutionalism and look as if they were borrowed from such classical works as Stephen Krasner or James Rosenau. It is another matter that these and a number of other authors never questioned the sovereignty of the U.S. One might assume that Russia is trying on a similar gown. The problem is that the U.S. has long staked out the place as the leader of world liberalism. There can only be one unchallengeable authority in this community, as in NATO. But it is unlikely that Russia will reconcile itself to the role of a junior partner. The history of the past two decades has convincingly refuted this supposition.

LIFE IN A MULTIPOLAR WORLD

On December 26, 1991, we woke up in a multipolar world. The lowering of the Soviet flag the previous day was a pivotal occasion that put an end to the history of the bipolar system of international relations. Russia, which hoisted its tricolor above the Kremlin on December 25, became one of the centers of a new, multipolar world, together with the U.S., China and India. It was Russia – because its military-strategic capabilities were a match to those of the U.S. – that had to play the key role in keeping the new structure of international relations.

With a few exceptions, Moscow's foreign policy concept in subsequent years was formed – voluntarily or not – in the vein of “containing” the U.S., the most likely aspirant to world hegemony. All these years the U.S. was busy asserting itself as the only political center in the world, but its efforts were unavailing. The system that emerged in the wake of 1991 was not shaken. The one-pole model of world governance remained no more than an intention.

Even before the breakup of the Soviet Union, bipolarity had not been absolute. In the middle of the 1960s, China openly confronted the Soviet Union, while France withdrew from the North Atlantic Treaty Organization. From then on the capability of the two superpowers to fully control countries standing below them in terms of importance (the main characteristic of the system of international relations, unique in human history) was stated with certain reservations.

Nevertheless, until 1991, only those two states had been much stronger – militarily and politically – than any of their immediate rivals. Also, they were almost equal in power to each other. This parity enabled them to dictate their will to other countries on the key issues of war and peace. This created a semblance of international governability. In the economic sector both superpowers controlled the development of their subordinates with confidence, although it took a great deal of effort.

The multipolar system which emerged after the breakup of the Soviet Union is far from the theoretical classical construct as well; that is, it does not envision the equality of more than two powers by the main parameters of power. One of the countries has remained much more powerful than its immediate competitors. In 1997, for example, U.S. defense spending was larger than that of the six states standing next to it in terms of military power put together. Also, U.S. GDP accounted for 20 percent of the world's GDP at that time.

Kenneth Waltz, a classic in the science of international relations, notes that “the numbers give a sense of disparity in capabilities but they are hardly impressive.” It follows that the arithmetic understanding of unipolarity (i.e. the U.S. would be the only center because it has the largest GDP and defense spending) is quite conventional. In reality, to justify it, one would have to ignore the parity between Russia and the U.S. in strategic nuclear forces.

Meanwhile, the missile-nuclear parity, inherited from the Cold War era, continued to play a crucial role. It is this parity that remained the “tough foundation” for Russia's opposition to America's unipolar initiatives during the entire period from 1991-2009. Both Moscow and Washington were well aware that the end of the Cold War dramatically reduced the practical value of nuclear weapons, but the responsibility imposed by nuclear parity never allowed Russia to agree to be “the junior partner” to the U.S.

Of no less significance is the multipolarity in people's mentality; that is, an awareness of the independent nature of other states. Sergei Karaganov underscored in one of his recent articles that “Russians... came out of the Cold War without feeling defeated, and expected an honorable peace” with flags flying. The West has traditionally underestimated the role of this factor in Russia's foreign policy-thinking. Mean-

while, the defeat in the Cold War is not at all obvious to the Russian establishment and population.

Of crucial significance is the ability of the multipolar system to block actions by one of the countries by means of the concerted efforts of others, not the individual strength of each player in the international arena. This ability is primarily tested in areas that the contender selects as the floors for establishing his hegemony, be it international institutions or norms for the use of force.

The multipolar world of 1991-2009 was not ideal, like no models of international relations in the past have been. In the first century AD, Rome, Parthia and China were not equal in all respects either, but that fact did not interfere with their balancing each other out in the international arena. To test this relative equality in practice in all combinations was not possible due to the considerable distance between the Roman Empire and the Middle Kingdom. This factor ceased to be of crucial significance as new transport opportunities emerged in the 19th century, and it became redundant in the era of globalization, communications and technology.

THE STATE AND THE SYSTEM

“The moment of unipolarity,” about which neoconservative intellectuals wrote in the first half of the 1990s and which Richard Cheney and Donald Rumsfeld tried to implement, never happened. From 1991-2008, the system of international relations was consistently blocking U.S. attempts to attain global domination. Each time the contender encountered resistance from open or hidden coalitions of other centers of power. Russia always played an important role in these coalitions, as the most powerful participant in the multipolar system in terms of military might.

At first, the opposition manifested itself by sabotaging Washington’s leadership initiatives, which it was trying to implement “in an amicable way,” within the framework of international institutions inherited from the Cold War, above all the United Nations. The Democratic administration in the U.S. regarded the UN Security Council as a prototype for a U.S.-led world government.

Attempts to configure a unipolar world order were made by truly virtuous methods in that period. However, resistance from other leading players did not differ much from the classic struggle put up against the

aspirant to world hegemony in the time of Charles V, Louis XIV, Napoleon I and Adolf Hitler. In 1992-1999, Russia and China consistently foiled America's attempts to dictate to other states what decisions they should support at the UN Security Council.

Russia even went as far as to start the debate challenging the right of the U.S. and its close allies to suppress Slobodan Milosevic's revolt against the new European order. Like the rest of the former "Socialist camp" in Europe, the Balkans were put under the absolute hegemony of the West after the Cold War. The Russian economy was in a sorry state and the government was unable to meet its welfare commitments in full measure. However, even this economic turmoil did not prevent Moscow and Beijing from making NATO's actions lose international legitimacy. Meanwhile international legal recognition of unipolarity was precisely what Washington was seeking to achieve at the UN in those years. The Russian paratroopers' accelerated march to the Pristina airfield in June 1999 was a striking example of the defiance of the U.S.'s leading role.

The multipolar system continued to grow in strength. During the 1990s, India and Pakistan worked intensively towards developing nuclear capability. As a result, the aspirant to global dominance was unable to stop New Delhi and, later, Islamabad from acquiring nuclear status in 1998, or to punish both states. The rapid spread of nuclear weapons after the Cold War is the most vivid example of the negative effect on international stability and security of the attempts by one state to attain world hegemony.

The events of September 11, 2001 put an end to the first campaign to establish a unipolar world as the U.S. encountered problems in ensuring its own safety. The sabotage of the U.S.-proposed model of international governance, which took the form of resistance by other centers of power, enormously expanded the moral and material opportunities of a non-system participant in international relations that delivered a blow to the territory of the would-be hegemony. Not surprisingly, the second attempt by the U.S. to change the system of international relations involved the use of force.

To establish a unipolar world, Washington opted for "the hard way." And again, a predictable reaction by the multipolar system followed. The more radical the U.S. was in its actions, the tougher the response: Washington's closest allies in Western Europe came out against it, not men-

tioning Moscow, which naturally fit into the “coalition of the unwilling” created by Paris.

The initial reaction of many countries to the rapid increase in the opportunities of non-government players was the unheard-of-solidarity in suppressing them. The unprecedented unity of all poles in fighting the Al Qaeda terrorist network and the Taliban regime in Afghanistan was a natural response by governments to attempts by their rival – a non-government organization – to destroy the state’s monopoly on violence. Russia’s positions are very close to that of the U.S. in what concerns fighting international terrorism, especially its non-systemic and potentially catastrophic forms. Within just several months, the problem of the “Al Qaeda-zation” of a whole country was successfully resolved. This done, the antiterrorist coalition dissolved immediately.

Having rebuffed the attack on its territory, the aspirant country commenced taking measures to establish a unipolar structure of international relations. The first practical task was to obtain the right to determine, at one’s own discretion, the main threats and the states whose activities must be stopped. The task was solved by achieving a military victory in Iraq, but the U.S. suffered a diplomatic defeat because even its closest allies refused to acknowledge the legitimacy of the operation.

As a result of a series of actions and counteractions in 2002-2009, the U.S. lost in practically all the directions in which it sought hegemony status. The quest for the unipolar world ended in the ignominious bargain of the would-be leader with the least noticeable participants in international relations over the deployment on their territories of missile defense facilities as part of the global strategy of dominance (missile defense facilities in the Czech Republic and Poland), the recognition of the inability to fully control the actions of its smallest satellite, Georgia, in the Caucasus and its defeat in a war by the minimal taskforce of another center of power.

The economic crisis in the U.S. in 2008 aggravated its problems. Admittedly, the supreme efforts in establishing financial-economic unipolarity can be viewed as one of the most significant reasons behind the crisis.

TEMPTATION OF GOVERNABILITY

Amidst the crisis, the American people elected Barack Obama as president. The most important change in foreign policy announced by the

new administration was its renouncement of unilateral actions for the sake of resolving problems worrying the U.S. and the world at large. Instead, the strategic minds in Washington and the president himself wish to lean on the “community building” method, which Obama used at the beginning of his political career.

The essence of this method is voluntary cooperation between world countries, similar to the collective clean-up of dog excrement by Chicago residents on a frosty morning. Or, as the new U.S. president stated at the UN, “Now is the time for all of us to take our share of responsibility for a global response to global challenges. [...] The cooperative effort of the whole world. Those words ring even more true today, when it is not simply peace – but our very health and prosperity that we hold in common.”

On the surface everything looks quite attractive. Nobody forces you to do anything; everybody is aware of the importance of the problem and does something towards its solution. But you cannot voluntarily clean streets all the time. Sooner or later (possibly sooner) one will have to enact laws against those who do not care for their pets properly. Then these new laws will have to be enforced. Barack Obama said during his visit to Moscow “as we keep our own commitments, we must hold other nations accountable for theirs.”

The problem is that it is not that easy to find volunteers to act as enforcers, as the experience of the previous U.S. administration showed. To do it on one’s own means to return to the foreign policy of the Republicans. The only remaining option is developing a new model of global governance.

Nobody sets aside the hypothetical objective to establish a semblance of order in world affairs. Governability of the world as the universal and reliable protection from threats to national security is the main unrealizable and cherished dream of many states.

The dream is cherished because one can never have enough power. The assumption of the possibility to rule the world in principle, though unattainable, has such a strong hypnotic effect that it makes one forget about the crucial (and also hypothetical) condition of governability – the necessity to share power on a more or less equitable basis.

The dream is unattainable because any contender’s aspiration to absolute power automatically encounters resistance and thereby increas-

es anarchy in international relations. At best, one might hope for an illusion of governability, a semblance of which existed during the Cold War. Generally speaking, the impossibility of governing the world remains the main characteristic of global politics and proof that relations between countries are competitive in nature.

The Russian foreign policy discourse has always proceeded from the principal necessity to make the world governable. In this respect it is close to the U.S., Western European, and, partially, Chinese approaches. The basic difference is Russia's assumption that governing the world does not require uniformity of the models of socio-economic and political development.

In the Russian discourse, it stands to reason that there is no link between the set up of international relations and the national government systems of the countries that build these relations – something the liberal foreign policy philosophy does not accept in principle. Russia acknowledges that the suppression of an individual (by soft or tough methods) and his renouncement of part of his rights are the inevitable conditions of peace within society. Yet Moscow also assumes that other laws should operate at the level of relations between the elements of the international system.

Speaking about the governability problem, it is necessary to note that we do not mean the hypothetical possibility to extend the model of national governance (be it a liberal democracy, a monarchy or a totalitarian state) to the international level. The possibility of international governance is rather questionable.

The second unpleasant surprise for the policy of the new U.S. administration is that any public movement needs a leader. Barack Obama and his advisers naturally assign this role to the virtuous America. But will Europe, China, India, Russia and other countries of significance – whose numbers are growing – agree to it? Judging by the discussions concerning measures to overcome the consequences of the crisis, no signs of accord are in sight.

AN INABILITY TO LEAD

Throughout its brief history the U.S. has sought to become the world's spiritual leader, while political leadership has been its objective since the

beginning of the 20th century. International institutions and unilateral actions were the means to attain supremacy. At the newest stage, it means the ability to be more adept than others in using the opportunities which, as prominent U.S. specialists point out, are provided by the increasing significance of network connections.

The U.S. has all the formal reasons for this: it is the most competitive economy and is a developed democracy with the largest number of individual freedoms. The U.S. also has huge advantages in terms of the requirements set by the global information and communication milieu. Yet one thing is missing: the readiness of the rest of the world to acknowledge this leader in principle, regardless of its personal virtues or the number of connections.

The main question is whether or not America will be able to reconcile itself to the fact that world hegemony – good or evil – cannot be achieved by one country alone in practice, even though such an outcome may be welcome in theory. History does not know such instances, but it does know the states whose military and economic capabilities at that time were comparable to and even surpassed modern U.S. resources. Over the past 18 years, even such relatively weak opponents as Europe, China and Russia have been preventing the U.S. from arranging global governance under its leadership. It is unlikely they will let Washington do it now that the U.S. is objectively weakened.

Many Russian and foreign analysts explain the failure of U.S. foreign policy during the presidency of George W. Bush by the erroneous strategy of proliferating democracy, equally pursued by both presidents Bill Clinton and Bush in “the quest for unipolarity.” At present, liberal pragmatists in Washington even acknowledge the possibility and – moreover – the necessity of the co-existence of states with different development models.

However, in the opinion of U.S. analysts, the objective of the proposed “strategy of respect” is a “new, truly universal order.” They cannot simply grasp the idea that order has been and remains an unattainable form of the existence of the international system. Even if they have an inkling they reject it outright, although all of human history testifies to the non-governability of the world rather than to the possibility of ruling it.

The Roman Empire set up its “pole” by conquering new territory. Parthia was content with the tribute paid by the neighboring tribes and mostly focused on the confrontation with the Roman Empire. The enlightened Chinese emperors dished out titles of kings and royal seals to the rulers of adjacent states, collecting taxes in exchange. None of them was seeking to export their government system to other cultures, and neither were the Concert of Europe members in the 19th century. Even in China’s case, the symbols of submission, as historians note, did not spread farther than the use of the Chinese calendar by the vassals of the Celestial Empire.

Generally speaking, the expansion of the political system to other cultures as a necessary condition for the central position of this or that country is not a proven fact; in the first place because history has never been a competition between different development models (with the exception of seven decades in the 20th century).

For their part, the advocates of the liberal unipolarity of 1989-2001 believed that the export of the development model is a necessary attribute of the policy of poles in the system of international relations. The starting point of their discourse is the conviction that – as Francis Fukuyama wrote – “while all other aspects of the human social environment – religion, the family, economic organization, concepts of political legitimacy – are subject to historical evolution, international relation is regarded as forever identical to itself.”

Therefore, we have a simple extrapolation of the “laws” of society’s evolution to international relations. In his book *The End of History*, Fukuyama refers to Marx and Hegel, and Charles Kupchan wrote in a recent article that even in the diverse world of the future, “liberal democracy must compete respectfully in the marketplace of ideas with other types of regimes.”

To compete in ideology is to try to edge out one’s opponents, in order to take their niche. The difference from the concept of “the end of history” that emerged 20 years ago is only seen in the expected timeframe of the victory, which one of the competing models gains over its rivals. Or it can attain absolute prevalence, as is the case with Microsoft’s operating system, with Apple and others lurking in the background, although Microsoft acknowledges their existence. It is a question of perspective.

Moscow feels differently about the competition between development models. In 2007, Russian Foreign Minister Sergei Lavrov wrote in *Russia in Global Affairs* (4/2007): “Today, value benchmarks and development models have also become matters of competition.” But Russia interprets the competition between ideologies as a drive towards a pluralistic coexistence and even a synthesis of various models, and rejects “the end of history.”

The 21st century, which some observers have dubbed “post-American,” will be a routine century in human history. The 20th century was the only exception when international relations, at some point, indeed turned into a struggle between ideologies: Marxism and liberalism.

So far, self-isolation has been considered as the only possible alternative to this or that form of the spiritual or political leadership of the U.S., but the physical impossibility of such policy in the globalized 21st century leaves the U.S. no such option. A real alternative is the awareness of oneself as an ordinary nation state, no different in its behavior or mentality than Russia, France or China. Or there will appear some other alternative ideology to return the U.S. to the atmosphere of the last century.

THE CHOICE RETURNS

The structural approach implies that unipolarity is the least stable of all the possible configurations. It can only secure a rather low level of stability for the international system. This is explained by the inevitably irresponsible behavior of the hegemon (absolute power breeds absolute corruption), the siphoning of its forces, and the suspicions and desire to become stronger on the part of other states.

However, the continuous struggle, in which all the poles would fight one contender for sole leadership, can lend an even lesser degree of stability to the international system. Each subsequent round of this struggle requires from the contender country and other participants in international relations new efforts towards building up their strength. Consequently, it foils the appearance of even a semblance of the balance of forces.

It is not surprising that in all cases, interaction between the U.S. and other participants in international relations resulted in increased anarchy – incidentally, the most common state of world politics since the emergence of the state as such. A practical manifestation of anarchy is the inability to govern the main international processes not just from one

center, but even collectively and within the framework of existing institutions and norms. The most serious threat anarchy is fraught with is the high probability of war between the centers of power. Given the stockpiles of nuclear weapons, it might have tragic consequences for humanity.

Overcoming anarchy in international relations was the crucial task in the establishment of a unipolar world. The understanding that the task is unfeasible makes us look for new solutions. Of the proposed options the one that deserves the most attention is the concept of autonomous governance, put forth by liberals in the U.S., and the idea of collective leadership, which has been promoted for quite some time by part of the Russian establishment. The benefits of the latter approach were discussed by Sergei Lavrov: “Collective leadership of the world’s leading states – in addition to international institutions, most importantly, the United Nations – offer ways for solving the governability problem in the contemporary world.”

Both the Russian and American concepts proceed from the recognition of the multipolar – temporary or permanent – nature of the international system. Stable relations between the poles depend in the first place on their ability to contain a potential contender from gaining global dominance before it takes any practical action. Of crucial significance here is the strengthening of each key player to the necessary degree.

Despite the military-political failures and economic crisis of the U.S., the growing poles – India, China and Russia – have been unable to catch up with the U.S. Actually they have not needed to so far. The multipolar system emerged and survived in the period from 1991-2009 without active efforts by these countries to match the indicators of their might to the U.S. Furthermore, this system has achieved much success in restoring its natural anarchy, which is quite unsafe for small and large countries and which provokes, as any anarchy, a search for totalitarian methods of governance.

But are these opportunities sufficient for lending at least the minimal stability to international relations? Today there is one missing link that prevents the above-mentioned international players from blocking the U.S. and becoming its equal; that is the ability to offer one’s own model of social order as an objective for directing the creative effort of humanity. That is, to offer the world a development ideology that would replace the one Russia gladly abandoned after the collapse of the Soviet Union.

Policy Transformation

The End of History and the Paradoxes of the European Revolution

Vyacheslav Morozov

A heady wind of change blew throughout Europe at the end of the 1980s and one might have thought that European history was experiencing a new birth. There was a sense of joy about a breakthrough into the future mingled with a sense of triumph associated with the attainment of a very important goal. People thought that nothing would stop them anymore from “living like the Europeans” now that Communism had fallen. It took years before people realized that the two attitudes were incompatible. The contradiction between the sense of a revolutionary event and the feeling of a materializing utopia has determined to a great extent the course of both European and global history over the past twenty years. In order to move beyond the impasse that democratic politics is in it is important to regain awareness of the unfinished and unpredictable nature of history. First, however, it would be useful to clarify how this awareness was lost.

THE MAIN IDEOLOGEME OF THE DAY

It is extremely risky to begin a discussion of the transformation of European policy with references to “The End of History” by Francis Fukuyama. Most readers are quite familiar with the contents of his article published in the summer of 1989, which eventually became much more famous than the subsequent book of the same title. As for Fukuyama’s critics in Russia, they have long lapsed into banalities. Still, it is not possible to ignore this text – not so much because of its originality, as its

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predictability. “The End of History” illustrates perfectly the post-modernist notion of “the death of the author”: while the emergence of a text of this sort was fully dictated by historical necessity, the fact that Fukuyama wrote it was entirely contingent. Had it not been Fukuyama, someone else would have produced it anyway.

It is well known that Fukuyama did not claim the role of a trailblazer. He quotes Hegel, who came up with the classical formula of the end of history, along with its best-known 20th century interpretation that can be found in the works of Alexander Kozhev. Fukuyama’s impact on the understanding of international relations in the United States has been largely overstated in Russia, as his work only partly correlates with the mainstream academic debates over the past several decades. In some sense, the subject of “The End of History” lies outside academic discourse and belongs to the sphere of ideology. As Fukuyama made an attempt to analyze the current situation, he de facto formulated the main ideologeme of the era. This is why he cannot be ignored in a discussion of the outcome of the “glorious twenty years.”

Unlike Marx’s Communist utopia, the idea of the end of history does not set any political horizons. It simply describes the current moment of time (or a future which can already be distinguished in the present), but this does make it less partisan: in the final run it leads to depoliticization. Fukuyama insists that all remaining contradictions and conflicts of global politics can be resolved in the framework of liberal ideology. The concept elevates liberalism to the rank of an absolute, supra-historical truth that sets the only correct vector for the development of all humankind. The case is not limited to abstract liberal values – individual freedom, for instance – and concerns the very concrete institutional and legal reality of Western European and North American countries. It appears that all the nations belonging to the Western political community have already found answers to all the fundamental political questions, while their less fortunate neighbors should give up their futile search and start copying Western models. Now the main tasks of democratic states or the ones moving towards democracy lie in the domain of governance, where the simple observance of procedures guarantees the results. The figure of the charismatic political leader is replaced with a red-tape technocrat who has a directive to follow in any possible case.

In Europe, this mechanism was set in full motion with the aid of identity policy. The restoration of sovereign national statehood in the former Socialist camp proceeded under the motto of reverting to the “genuine” European identity that has been preserved in spite of Communist oppression. Since a genuine Europe was identified with the EU and NATO, the fastest possible integration into Euro-Atlantic structures was essential for becoming full-fledged Europeans. Naturally, this integration implied certain conditions that were set forth by the “older Europeans.” Also, it implied a more or less exact replication of their legal and institutional norms. Appropriate mechanisms were built quite quickly. First, there was the Phare program and then the entire multistage plan of enlargement crowned with the Copenhagen criteria.

The technocratic machine of Europeanization was from the very outset focused on embracing the maximum possible number of countries bordering the European Union, including those that have vague prospects for accession even now. The Euro-Mediterranean dialogue is called upon to bring the countries of North Africa and the Middle East into the realm of Euro-Atlantic influence. Following the 1995 Dayton Agreements, the EU has played an increasingly active role in the Western Balkans. The European Neighborhood Policy, open to everyone, was supplemented in 2008 with invitations to former Soviet republics to join the so-called Eastern Partnership. The EU’s internal norms were presented as universal ones in all these situations. The starting point of the dialogue was the assumption that the rules accepted in the EU fit everyone, can have no alternatives and must be accepted by all candidates. This stance is not at all surprising since the universalization of the EU’s legislative system as a power resource is far greater than any other that Brussels can rely on. It is certainly more significant than military coercion (for which the EU does not have the necessary resources) or the management of capital flows.

A critical glance at pan-European provisions as a resource of power does not presuppose their reassessment in substantial terms. More than that, many of the principles advocated by the EU, the U.S., the Council of Europe, the Organization for Security and Cooperation in Europe, and other international actors on behalf of democratic states deserve being recognized as having truly universal value. I would put on this list

freedom of speech; independence of the mass media; transparency in the operations of state power agencies; independence of the courts and the equality of all people before the law. The same examples, however, reveal the full measure of complexity of practical application of the norms that are accepted by nearly everyone at the abstract level. Should freedom of speech cover attempts to proliferate racial hatred? Or can corrupt journalists make use of it? Or where is the border between ensuring the equality of discriminated groups and the infringement on the rights of the majority? Mixed cases and contradictions of all sorts emerging at the junction of differing norms form the subject of intense political debates in democracies today. Moreover, the intensity and fruitfulness of such debates show the true degree of democratic development in society. A true democracy is not an ossified system that produces answers in advance to all the possible questions. It is a never-ending search for a compromise between individual freedom and the existence of society as a sovereign whole.

The sensation of the end of history that enveloped the Western world in the late 1980s-early 1990s proved to be a disturbing symptom that testified to the loss of the ability for democratic pursuit and continued to undermine this ability itself. Along with other forms of “democracy promotion,” the EU’s enlargement propped up the illusion that the democratic countries themselves had accomplished everything and what remained to be done was to clean up the undemocratic backyards of civilization. That the triumph of democracy had degraded into a crisis became very clear on September 11, 2001, when democratically-elected governments started to shake off democratic freedoms very easily. It turned out that the majority of the political class and ordinary people put more value in a secure and safe existence than in the readiness to accept the challenges of a yet unknown future.

ONE MORE DISINTEGRATION OF A UNITED EUROPE

The depoliticization that was typical of the period immediately after the Cold War was not free of inner controversies. Access to Europe can be used as a resource of power only if two important conditions are met. First, the candidate country as a target object in the power relationship

must strive to become a part of Europe, and importantly, into a Europe personified by the wielder of power. Second, the right of the latter to define the criteria of European self-identity must not be questioned. It seemed at first that neither of the two conditions could raise any problems. A radical opposition to the choiceless Europeanization was only displayed by the Balkan nationalists, and the proponents of a united Europe targeted most of their efforts at appeasing the region. The problems of the democratic transition in other countries, like Russia under Boris Yeltsin, Slovakia under Vladimir Meciar, and Ukraine under Leonid Kuchma, looked temporary. There were no marked differences left in the world of victorious liberalism between countries and regions, except for the fact that some had already reached a brighter future and others were still moving towards it.

Yet the triumphant progress of democracy slowed down by the end of the 1990s. While the countries of Central and Eastern Europe became increasingly “Europeanized,” Serbia, Belarus, Russia, Ukraine and many other post-Soviet countries were less and less inclined to follow the precepts of technocrats from Brussels. Where each of these cases has eventually led up to is a separate story; the causes of the “deviations” in each particular country require independent scrutiny. Let us single out just a few basic moments. In the first place, any references to the specificity of national cultures as the root causes of failures in democratization cannot be considered valid. There is no doubt that cultural differences do have political importance, but it is not these differences that predetermine development pathways for countries and nations. Russian researchers Alexander and Pavel Lukin indicate that both today’s German democracy and Nazism can, with an equal degree of credibility, be derived from the German cultural tradition. Similarly, the specific features of the Confucian culture provide a no less potent explanation for the past backwardness of countries making up that cultural area than for their subsequent technological breakthrough.

The qualitative difference between Russia and the countries that succeeded in riding the “third wave of democratization” should be sought, in the first place, in how Russians understand their homeland’s European identity. The “come back to Europe” formula, which implied the recognition of the EU’s and other Western institutions’ right to set the

criteria of “Europeanness,” was not acceptable for Russia. The Russians found it all the more difficult to accept the role of a European apprentice because, for a number of historical reasons, their own social model had drifted much farther away from the European standards than, for example, the Estonian or Czech model. The path to the Europe incorporated in the EU was longer and more difficult for Russia than for other former member-states of the Eastern bloc. In addition, the new partners’ readiness to support the Russian transformation, measured by the size of financial aid per capita, was visibly lower.

Last but not least, accession to Western institutions was a symbolic step for all the new members of the EU and NATO. It symbolized their eventual liberation from the yoke of imperial oppression. Setting off Russia against Europe, democracy and civilization has become a political reality in the entire region, although its impact on the political process varies from country to country. The “color revolutions” showed that the specter of Russia can be exploited as an instrument for political mobilization even in countries where the new Russia initially was not associated with the gloomy Soviet past and where this past was not viewed as so gloomy.

Political mobilization through drawing contrasts between the new democracy and the authoritarianism of the past happened to take place in Russia, too, but it was much weaker and failed to live through the shock therapy. To follow the same course that its Western neighbors had opted for, Russia would have had to do something bigger than withdrawing from the Soviet Union together with the other republics. It would have had to secede from itself, to work out a new identity based on the rejection of the Soviet period of its history and, on a broader scale, of its imperial past. While other post-Soviet states that broke away from authoritarianism managed to retain their national historical narratives and rolled up the sleeves to modify and fortify them, Russia would have slid into a hole and would have had to start writing its history from scratch. The experience of postwar Germany shows that such a radical change in people’s mindset is possible, but it also demonstrates the scale of the upheavals that society has to go through in this case.

In a word, while the political class in Central and Eastern Europe deemed Europeanization under the EU’s diktat to be the simplest and

most obvious course, it meant huge political costs for Russian politicians. Pro-Western Russian liberals paid a terrible price for their attempts to “return Russia to civilization.” Many of them are still accused of treachery, while mass consciousness paints the 1990s as a time of tumult and decay. Therefore, it is not at all surprising that the new generation of Russian leaders have turned to a different form of political thought that is no less typical of this country and that singles out Russia as a separate civilization. It must be emphasized that the ideas of independence and even “great powerness” do not imply a renunciation of the European choice. They simply mean that Russia is positioning itself as a different, alternative or even more genuine Europe and thus claims the right to independently define the criteria of belonging to European civilization.

There are plenty of concrete examples of political actions and processes based on the perception of Russia as the “genuine Europe.” Moscow’s policy towards the Baltic states can serve as a most characteristic one. Riga, Tallinn and Vilnius are constantly criticized for encroaching on the rights of their Russian-speaking population, for sympathizing with the neo-Nazis, for trying to revise the results of World War II, etc. The Baltic republics are accused of something much more significant than being hostile towards Russia – the charge is that they undermine common European values like human rights, denunciation of totalitarian ideologies and commitment to the Helsinki principles.

Among other examples one can cite the elevation of the victory over Nazi Germany into the fundamental event in national history (“The Soviet people saved Europe from Nazism”) or the concerns about the looming loss of identity by Europe (as a result of Americanization, the decay of high culture, the inflow of immigrants, etc.). Even when Russian ideologists mention sovereignty, national interests or the balance of power, these notions refer to the discussion of common European values and norms rather than the tradition of realistic foreign policy thinking.

The latter illustration is especially graphic as it highlights Moscow’s attempts to offer its own version of European normative order by directly challenging the European Union. There is no doubt that nationalism remains an integral part of the ideological field everywhere in the EU, but references to national interest as a way of defining global geopoliti-

cal priorities are scorned as a sign of bad taste. When Russian politicians and diplomats speak about national interests, this sounds outdated at best. At worst, this is taken as a manifestation of imperialist ambitions. But the contention between the two Europes is not limited to the problem of nationalism or ways to overcome it. The fight for control over energy resources is also taking place primarily in the regulatory field. While Brussels uses the Energy Charter Treaty to promote its own model of energy market regulation to the neighboring regions, Moscow operates with notions like equal security of suppliers and consumers or reciprocity in the access to assets.

Especially heated debates flare up around the vital normative notions of our times – democracy, human rights, sovereignty and the territorial integrity of states. Ukraine’s Orange Revolution, the status of Kosovo, the conflict with Georgia and the recognition of Abkhazia and South Ossetia – all these cases ultimately boil down to the question of who has the right to tell the difference between a legitimate regime meeting European values and a regime that is illegitimate, authoritarian and self-proclaimed.

The era that began as “the end of history” is ending with the emergence of a new boundary between the West and the East in Europe. Descriptions of this border as a new Iron Curtain or a reversion to the standoff between the two blocs are not quite appropriate, since they unreasonably limit the historical retrospective. Europe has been debating for several centuries – practically since the beginning of modern history – over what it means to be a civilized society. Larry Wolff, a U.S. historian, showed some fifteen years ago that the very notion of Eastern Europe came into being in the 18th century when European civilization began to be viewed as unique and universal. That is why it would make sense to stop talking about a resumption of the Cold War and to state the fact that Russia has again failed to escape the role of an outsider and a not-quite-European country at another spiral turn of social transformation. Like any social and cultural form, the era of Russia’s exclusion from Europe is not endless and will be over one day; this issue may even lose its pressing character (for instance, if the center of the global world shifts to Asia). Still, the current situation shows an amazing stability and we Europeans just do not have enough political imagination to eradicate

this standoff. Technocratic Europeanization inspired by the illusion of the end of history did not open up any new intellectual horizons in that sense. This is why it did not have any chances from the very start of bringing about the unity of Europe from the Atlantic to the Urals.

HISTORICAL DEADLOCK AND HOW TO OVERCOME IT

Even if the standoff between Russia and the EU as two normative projects signals a relapse of the old debates on European civilization, the debate is now taking on a new form. One more reason that makes talk about a return of the Cold War sound wrong is that today's Russia, unlike the Soviet Union, is not putting forward any radical alternative to the Western model. In this sense, the Russian challenge to the U.S. global domination and the EU's regulatory rule in Europe stands in a dramatic contrast to the Soviet ideology and the radical Islamism of today.

Although the post-Stalinist Soviet foreign policy was based on the principle of peaceful coexistence, this did not prevent serious preparations on both sides for a global nuclear war. The Soviet propaganda machine was reluctant to discuss human rights and stressed on every suitable occasion that working people can fully enjoy those rights only in the Socialist countries. The concept of common human values appeared in the Soviet vocabulary only after the start of Mikhail Gorbachev's *perestroika*. The same discussions continue today. For instance, while the current Foreign Policy Doctrine criticizes the "historical West" for striving to "maintain a monopoly over globalization processes," it says nonetheless that "competition between different value systems and development models" is unfolding "in the framework of the universal principles of democracy and market economy." In contrast to the Soviet era, the Kremlin administration agrees today that some universal standards of democracy, human rights and economic freedoms do exist. It generally recognizes, for instance, that in the U.S. and the EU these norms are secured much better than in Russia. Ideologists in Russia are extremely displeased only with what they consider to be prejudice towards Russia and the employment of double standards in a cynical political game. In spite of all patriotic talk about Russia's "lofty spirituality" and its "special path," Russian identity discourse remains focused

on Europe and European values. Even if the pessimistic predictions come true and Russia leaves the Council of Europe, it will not have anything else to offer to the wider world than the very same idea of democracy – with the exception that this democracy may be “sovereign.”

In other words, all attempts to position Russia as an “alternative Europe” of some kind are part of the struggle for the existing ideological and political resources rather than a search for a radically different path. It may sound like a paradox, but the idea of the end of history has taken firm root in Russia too. In the beginning, we accepted the neo-liberals’ ideological clichés almost literally and passionately embraced the idea of remodeling the country to fit these intellectually dismal schemes. The feeling of novelty and eventfulness of our time was gone right after we decided that the Washington Consensus had furnished us with answers to all possible questions. A brief period of enchantment with the West gave way to frustration over the poor results. The revolutionary spirit waned away to be replaced by anomie and apathy which found an ideological reflection in a revulsion against “Western democracy” and in a desire to revive the old good Soviet times.

Since it is impossible to make the clock of history tick backwards, Russian policies of the first decade of the 21st century are an amazing hybrid of modernization and restoration. On the one hand, most decisions are still made according to the recipes suggested by Western technocrats, as no alternative options are in sight. On the other, the political process increasingly reminds of the Soviet Union under Leonid Brezhnev, with its one-party system, the propaganda monopoly over the mass media, semi-official xenophobia and a creeping rehabilitation of Stalinism. Not a single large-scale project is fully completed without giving grounds for the suspicions of megalomania, window-dressing and “elements of corruption”. It is quite clear that genuine global alternatives will not emerge from within contemporary Russian society. The non-conformist projects that do loom on the Russian ideological horizon – diehard racism, Orthodox fundamentalism or, last but not least, dogmatic Stalinist socialism – imply choosing between bad and worse.

If we really have a chance to extricate ourselves from the morass of depoliticization, new politics will not grow out of the depths of the Russian soul or from the intellectual toil of Kremlin officials. Nor will it be

invented by the Western champions of democracy, who mostly share the stagnant worldview of their Russian counterparts and are preoccupied with the preservation of “stability.” Yet a spark may snap one day at the joint of these two ideological fields.

One of the most curious splits in global policy today lies between the pro-democratic hegemony of the West and that of its opponents who continue to observe the format of democratic discourse. The urge to criticize the U.S. and the EU for their failure to live up to the democratic standards is typical today not only of Russian politicians, but also of the leaders of such countries as Brazil, China and Venezuela. In most cases, their criticism is not without ground and therefore it has the potential of seriously undermining the Western monopoly to set standards and simultaneously facilitates the rise of democracy as a universal reference point. None of these countries, however, is capable of imposing a new monopoly, as they will not have enough political weight for this in the foreseeable future. As a consequence, the notion of democracy is still hanging in midair. The abstract idea lives on and continues to attract people worldwide, but its link to a concrete empirical reality is thinning. Hence there is no surprise over the extreme alarm that this tendency is causing among the proponents of “stability.” But if we reject the conservative position, we will clearly see that the current situation opens up new horizons, as it prompts a critical reassessment of the liberal democratic values.

If this account is true, the prospect for democratic politics liberated from the need to endlessly refer to the Western models is turning into the most pressing issue of our time. The twenty years that have passed since the end of the Cold War suggest that international experience must be re-thought, with due account taken of local tensions and conflicts. The link between the abstract values of individual freedom and collective self-government, on the one hand, and the concrete historical situation of local society, on the other, should each time be established anew. It takes much civic courage and responsibility to return, again and again, to the roots of legal and political order, and yet this is the only way to push history out of the deadlock and impart meaning to politics again.

Assimilating Experience

The Impact of the 1989 Events on the Reform in East Asia

Hairong Lai

There is no doubt that the fall of the Berlin Wall in 1989 and the collapse of the Soviet Union in 1991 were the two most crucial global events in the second half of the 20th century. However, it is not clear how far-reaching these events were for social, economic and political changes that have occurred in places other than Europe and Russia. This article will attempt to analyze the impact of these events on domestic changes in China and in some other East Asian countries.

A PLANNED ECONOMY VS. A MARKET ECONOMY: THE END OF THE DEBATE FOR CHINA

The fall of the Berlin Wall and the breakup of the Soviet Union were rooted in an unsustainable system. However, the process that led to their collapse did not start until the problem of sustainability began to be explosive in the mid-1980s.

China started its strategy of reform and openness in the late 1970s – many years before the sweeping events in Berlin and the Soviet Union. Reform in China was basically driven by domestic factors and without much international experience to go on. There were heated debates over the reform strategy and target economic patterns in the 1980s and these even grew into a political struggle. Although it was obvious that the

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planned (command) economy was not sustainable and that the market should be introduced to coordinate some economic activities, the Chinese ruling elite and society were divided regarding the question whether the target economic system should be a planned economy with the market playing a complementary role or whether it should be a market economy with the complementary role of planning.

The fall of the Berlin Wall and the breakup of the Soviet Union put an end to these debates in China. The question of viability, changeability and sustainability of the planned economy that had remained open in the 1980s disappeared because of its collapse, and all arguments for maintaining a planned economy in China lost their credibility overnight. So it is not accidental that in 1992-1993 the planned economy was abandoned by the Chinese Communist Party and the market economy was introduced in the Party's program and in the Chinese Constitution. The fundamental shift from a planned economy to a market economy was extraordinary because the ideology of the early 1990s, as a consequence of the tragic events in Beijing in 1989, was particularly hostile to the market economy, which was viewed as a Western capitalist economic system.

It is not surprising that the fall of the Berlin Wall and the collapse of the Soviet Union had such a far-reaching impact on economic reform in China: the Soviet Union had been a model for China in terms of systemic development, even though international relations between China and the Soviet Union practically broke off in the 1960s. The command economy that dominated in China between 1949 and 1978 was actually a copy of the Soviet command economy. The uncertainty over Mikhail Gorbachev's reforms in Russia also affected Chinese reform in the 1980s. Thus, nothing could be more sweeping in Chinese mentality than the demise of its tutor, the Soviet Union.

Following the denunciation of the planned economy and the introduction of a market economy, China quickly abandoned the dual-track pricing system. In the mid 1990s, most commodity and service prices were determined solely by the market. Privatization started to spread, first from collectively-owned enterprises, then to small and medium-sized state-owned enterprises subordinate to counties and prefectures, and finally to large state-owned enterprises subordinate to higher levels. The ownership structure of the Chinese economy has changed funda-

mentally since the 1990s. Measured by output, the share of private sector GDP increased from 0.9 percent in 1978, to 24.2 percent in 1996 and to 65 percent in 2006. China cautiously opened itself to the outside world in the 1980s. In the 1990s, China began to integrate itself into the world economy and by the late 1990s it had completed negotiations with major economic powers on joining the World Trade Organization (WTO). After ascending to the WTO in 2002, China has integrated into the world economy much faster than any other country and has reaped many more benefits than most people could have imagined.

The introduction of a market economy in China was a milestone not only for its economic, but also political development. China had to look for its own path of development because the market economy ran counter to the Stalinist ideology and Stalinism was no longer a line to follow. Meanwhile, developed countries like the U.S., Great Britain and other Western European states were ideologically alien to China. It could not accept them as a model to follow, although China closely studied their experience and has assimilated certain merits of the Western economic system.

Today there is much discussion about the so-called Chinese development model. Some believe there is such a model, while others think it does not exist. One thing is clear: China's path of development has increasingly acquired many specific features, which – to some extent – are a by-product of the collapse of the Berlin Wall and the Soviet Union.

THE END OF RADICALISM IN CHINESE POLITICAL REFORM

Whereas the impact of the fall of the Berlin Wall and the breakup of the Soviet Union on China's economic development was absolutely clear, the outcome for its political development was quite obscure.

The debates about lessons from the Berlin and Moscow events for political reform in China involved two opposing sides. One side believed that the Soviet Union's political system would not have collapsed had it not been for Gorbachev's reforms. The other side thought that it collapsed just because Gorbachev's reforms came too late and were handled badly. The voice of the former group was loud and dominating in the early 1990s, reinforced by the 1989 political turmoil in Beijing. However, the arguments of the latter group were also strong, although of a lower

profile, particularly because China had already started to explore different forms of political reform in the late 1970s.

Political lessons common to the Soviet Union before 1992 and China before 1978 seem to be that, first, the two countries had no institutions for the succession of power and, second, power was totally concentrated in the hands of a single leader. In the early 1980s, Deng Xiaoping, the architect of the reform and opening-up policy in China, launched a program to institutionalize the transfer of power. He initiated mandatory retirement for those revolution veterans who had been in power for decades since the establishment of the People's Republic of China in 1949. Young leaders began to emerge as candidates for high posts with the prospect of holding power in limited terms and handing it over to younger generations. The consequences of the Mao cult of personality in China were as tragic and painful as that of Stalin in the Soviet Union. One lesson from it was that Deng Xiaoping and his colleagues put great effort into building an institution of collective leadership. Power was to be shared by a team of leaders so that the influence of any single leader, whether good or bad, would be checked.

The hasty transfer of power from the dying Leonid Brezhnev to the dying Yury Andropov, then to the dying Konstantin Chernenko, then to a relatively young Mikhail Gorbachev who did not have much experience, reinforced China's own bad succession experience under Mao. An institution that would ensure the succession of power thus became a top priority issue in China's political reform agenda.

Since the late 1990s the world has been witnessing the achievements of the political reform effort in China. In 1997, a few Politburo Standing Committee members aged 70 retired and in 2002 most of the Politburo members in their 70s retired. The high posts were peacefully transferred to leaders of the younger generation. In 2007, two Politburo members who were over 70 retired, and four new members who were in their 50s and 60s joined the Committee. It is quite likely that by 2012 seven out of the nine incumbent Politburo members will retire. Thus the previously very uncertain issue of the succession of power in the Communist political system has become quite predictable in China.

Another important lesson was drawn from the fact that perestroika and glasnost were directed solely by Gorbachev, which meant that the success and failure of the reform depended on a single person. That was

a frightening scenario for the Chinese. The fact that the entire Communist Party was apathetic when Gorbachev announced the dissolution of the Soviet Union and when Boris Yeltsin dissolved the Communist Party was especially shocking for the Chinese leaders who interpreted these events as that the Communist Party played no role in the political processes. They realized that there was an urgent need to dilute the concentration of power by a single leader and increase the participation of ordinary party members in decision-making. This became a primary issue for China, and since the 1990s there has been much more talk about intra-party democracy. Unfortunately, no concrete institution has been established so far to ensure this. This shows that the lessons of the collapse of the Soviet Union have not been fully drawn yet.

Another obscure political issue is how open the ruling party should be towards the state and society. In the 1980s, the main perception among the leadership was that the party was too much intertwined with the state; that it had become a substitute for the state and had degenerated into bureaucracy. Thus there was a need to separate the party from the state so that it politically led the state while the latter focused on administration and implementation. Radical efforts were taken to separate the party structure from the state structure in the 1980s. But the 1989 events in Beijing, together with the fall of the Berlin Wall and the dissolution of the Soviet Union, alarmed the Chinese leadership. One frequently referred perception by the Chinese about the collapse of the Soviet Union is that Gorbachev handed over too much power too quickly from the party to the state, which fundamentally and irreversibly weakened the party. With such a lesson in the minds of the Chinese, the once heated public discussion over separating the party from the state ended in the 1990s and the 2000s. The effort of separating the party from the state stopped. Moreover, it seems that since the 1990s there has been a tendency to strengthen the party's supervising role over the state.

However, not all political reform measures taken by Gorbachev were perceived as mistakes in China. The Chinese leadership realized that some extent of openness in the party structure was needed. Bureaucratism in the Chinese Communist Party was as strong as it was in the Soviet Union. Thus the need for reform was equally urgent. Nevertheless, what exactly should be done is far from clear.

DEMOCRATIZATION IN SOUTH KOREA
AND TAIWAN

The impact of the fall of the Berlin Wall and the collapse of the Soviet Union on domestic economic and political development was felt not only in China, but in other East Asian states, as well, such as South Korea and Taiwan. In these countries, the events in the Soviet Union and Eastern Europe mainly affected their political development. It was not accidental that democratization in South Korea and Taiwan started in the late 1980s and was practically completed in the 1990s. However, the way in which the events in the Soviet Union and Eastern Europe influenced the political development of South Korea and Taiwan differed from that of mainland China. In China, it was the ruling elite that drew serious lessons from the failure of its former comrades. In South Korea and Taiwan, it was the United States which, no longer tied up by pressure from the Soviet Union, encouraged or even imposed democratization on South Korea, Taiwan and its allies in East Asia.

During the Cold War, the United States would make alliances with any country or region that was against the Soviet Union, no matter how authoritarian a particular regime was. The U.S. would not intervene in the domestic affairs of its allies if the intervention would upset the rulers and thus drive its ally into the Soviet bloc. That was also the case with the Soviet Union. The Soviets did not mind becoming allies with those capitalist or feudal states that were against the U.S. bloc, although ideologically capitalism and feudalism were condemned by the Soviet Union.

Once the pressure of the Cold War was alleviated, the U.S. had the opportunity to promote democracy in allied countries. In 1988, the military regime in South Korea held the first free presidential election since General Park Chung-Hee took power in a coup d'état in 1961. In Taiwan, long-time dictator Chiang Ching-Kuo allowed an opposition party – the Democratic Progressive Party – in 1998. Restrictions over freedom of speech were lifted both in South Korea and Taiwan in the late 1980s. There was a change in the ruling party in South Korea in 1998 and Taiwan in 2000 as a result of free elections which marked a new stage of democratization in these countries. Naturally, there were other factors that promoted democratization processes in East Asia, primarily the push from the U.S. But this push would have been impossible without the fall of the Berlin Wall and the collapse of the Soviet Union.

A NEW POSSIBILITY

The fact that the Berlin Wall fell and the Soviet Union dissolved peacefully had and will continue to have a huge impact on politics in East Asia. Before these two events, few people could imagine that a regime change, dissolution of a state or reunification of a nation could be accomplished peacefully. All of prior history showed that regime change and the dissolution or merger of states inevitably involved mass violence, bloodshed and killing. The peaceful collapse of the Berlin Wall and the Soviet Union wrote a promising new page in world history, especially for China and Korea, which face the pending problem of reunification.

Several wars in the Middle East and Central Asia show that it is much easier for violence to prevail than peace when different states face disputes. Therefore, the peaceful fall of the Berlin Wall and the Soviet Union set a genuinely precious example. It was fortunate that the Czech Republic and Slovakia had a peaceful divorce in the 1990s, following the peaceful reunification of Germany and the peaceful dissolution of the Soviet Union. But it was tragic that the former Yugoslavia did not follow this example. The breakup of Yugoslavia involved hundreds of thousands of deaths, as did the divorce between Pakistan and India in the 1940s when millions of people died.

It is not yet clear if the great legacy of the peaceful processes of the events in Berlin in 1989 and in the Soviet Union in 1991 has been fully taken in by China and South Korea. The Chinese Communist Party and its former enemy Kuo Ming Tang (the Nationalist Party) in Taiwan reached a high level of reconciliation in 2005 after decades of antagonism. This reconciliation greatly eased the tension across the Taiwan Strait. Also, North and South Korea began to engage with each other in the late 1990s. Although the reconciliation between the two Koreas is not comparable with that between mainland China and Taiwan, tensions on the Korean Peninsula have decreased greatly because of this engagement. The increasing possibility for peace in these two countries could partly be a result of their people learning the lessons of the peaceful fall of the Berlin Wall in 1989 and of the peaceful breakup the Soviet Union in 1991.

EASE OF TENSIONS IN EAST ASIA

The end of the Cold War, together with the ensuing domestic changes in East Asian countries, greatly improved international security in the region.

The early 1990s witnessed a third – since 1949 – wave of China establishing or restoring official ties with many countries, particularly with its Asian neighbors – South Korea, Vietnam, Singapore and Indonesia. China also established official relations with Saudi Arabia, Israel, South Africa and Namibia during this period. This new trend in foreign relations with various countries helped China improve international security. Without profound political changes in Berlin and Moscow in 1989-1991, establishing or restoring ties could not have been possible. For example, Vietnam had to end its aggression in Southeast Asia because of the collapse of its ally, the Soviet Union, which paved the way for the restoration of official ties between Vietnam and China. Similarly, due to the fall of the Soviet Union, North Korea – a member state in the Soviet bloc – lost its chance to invade South Korea, a member state in the U.S. bloc. The tension on the Korean Peninsula eased greatly, making it possible for China and South Korea to develop foreign relations.

Even relations between China and India have improved since the late 1980s when Gorbachev and the Chinese leadership began to seek normalization of their relations. Backed up by the Soviet Union, India had been antagonistic towards China for decades. After the Soviet Union pulled back its support for this tension, India and China began to engage with each other.

Yet a more far-reaching impact on international relations seems to be that the approach of dividing the world along ideological lines – communism, nationalism, liberalism, etc. – no longer prevails. The most powerful driving force in shaping international relations is now the promotion of economic interests through trade with different nations. This new approach has helped many East Asian states put aside their ideological differences and develop economic cooperation. If there is still tension caused by ideological reasons, its magnitude is not comparable with that which existed before.

Thus from a Chinese point of view, the fall of the Berlin Wall and the Soviet Union greatly improved international security. Whether the world is safer is another question. Newly emerging extremism might disrupt peace in the world. However, a world without the frenzied Cold War is surely a much safer place than a world with it.

Commentary

“ The attitude to the fact that about a quarter of Russians live outside Russia, of whom more than a half live in neighboring states, may become a major factor in the development of Russia’s national identity and the system of international relations in Eurasia in the 21st century. ”

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Tradition Breaks Reforms

Russian Liberals vs U.S. Realists: The Historical Context of the Dispute

Leonid Sedov

Russian liberals have been warning the U.S. administration recently that making concessions and compromises with the current Russian government only strengthens this authoritarian regime and foils democratic and liberal processes in the country. They mostly criticize U.S. realists who defend the need to respect Russia's interests and sovereignty.

This position taken by U.S. realists is supposedly based on the assumption that the Russian nation is not ready to accept democratic values and institutions, and, consequently, there is no point in trying to promote democracy in Russia from the outside. However, the realists' concept implies no such argument regarding the Russian nation.

This erroneous interpretation of the realists' views has led to a no less mistaken and persistent assumption that Russians are striving towards democracy and have a good idea of what it is. Remarkably, Lev Gudkov, director of the Levada Center, an independent polling and research organization, co-authored an article published in *The Washington Post* that stated such views, although he should be more knowledgeable than most about the results of opinion polls that show exactly the opposite.

The article, citing an opinion poll conducted by the Levada Center in 2008, said Russians "would like to see their Motherland becoming more open to the outside world, and would like the abuses of power and corruption among officials to stop." Meanwhile, when asked in 2008 "Would you like to live in a country that actively defends its culture and traditions or a country open to the whole world and all modern

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trends?”, 77 percent of the respondents preferred a country that protects its heritage, and a mere 18 percent chose the second option (the figures cited hereafter have been released by the Levada Center). But it is illogical to string together “openness to the world,” corruption and abuse of power.

“Two-thirds of Russians would like to see the establishment of democracy and the supremacy of law in the country,” the Levada Center reports. However, this is not supported by the results of the poll. Moreover, when asked what kind of democracy Russia needs, only 20 percent of those polled said it should be a Western-style democracy, while 45 percent opted for “a completely different democracy, which conforms to national traditions and Russian specifics.”

It should be noted that since 1996 (near the end of the Yeltsin era), Russia has profoundly re-evaluated its political system, opting for the one that exists at present (i.e. Putin’s system), and rejecting both the Western and Soviet systems. When asked in 1996 which political system is better, 39 percent of those polled preferred the Soviet system; 28 percent selected the Western one; and a mere 8 percent liked the Russian political system of that time. In 2008, the answers were 24, 15 and 36 percent, respectively. Clearly, Russians prefer authoritarianism to Yeltsin’s democratic anarchy.

Recent propaganda targeting both the communists and the West has had its effect, as well. This ideology also aimed to reinforce the concept of “a hostile environment” where Russia is portrayed as a besieged fortress. The ratio between positive and negative answers to the question “Does Russia have enemies?” in 2004 was 41 to 22, whereas in 2008 it rose to 68 to 14.

How then can we say that Russia is striving towards a society “open to the whole world” if the same poll in 2008 reports that four-fifths of the respondents, against just 15 percent, answered in the affirmative to the question “Is our country noted for special originality and spiritual culture, which surpasses all other countries?” The assertion that “Russia is a great country that can be understood only by believing in its great destiny” is supported by 82 percent of respondents and rejected by 9 percent. These figures signify the highest level of national conceit, self-complacency and messianism in Russians.

CULTURAL GENETICS AND ITS OPPONENTS

Today the issue of power in Russia and the vector of its political evolution boils down to a discussion of two problems: first, why the country failed once again to implement a liberal government system project – which envisions public control over the authorities, power-sharing and mutual respect and trust between the government and society; and, second, how to define the type of the government system and inherent power relations that are sidelining the liberal-democratic one. There are two different approaches to resolve the first problem, with the controversy akin to the debates between the geneticists and Lysenkovites (the dogmatists of biology) in the first half of the 20th century.

The cultural-genetic premise holds that launching liberal undertakings and borrowing liberal Western institutions run into barriers created by differences in the systems of values, or even deeper, archetypal and often subconscious correlations with reality, which may be called “perception of the world” or “sensation of the world.”

The genetically predetermined mistrust of the West, along with rejecting the Western lifestyle and values, plays a fatal role in forming the system of governance in Russia. Pollsters have ample evidence on this account. In March 2006, the following answers were recorded to a question about the specifics of democratic development in various countries: 78 percent of those polled claimed that each country was going along its own path (“sovereign democracy”) and a mere 10 percent said all countries were moving towards democracy along the same path.

In March 2001 (a year after Putin came to power), the problem was subjected to a thorough study. The question “What kind of government would you like to see in Russia?” was answered as follows: 34 percent of the respondents wanted “a Western-style democracy (including the market, private property, democratic institutions, etc.)”; 28 percent preferred a socialist state with a Communist ideology; and 27 percent opted for a state with its own, specific government system. Another question was “Which historic path should Russia take?” It turned out that only half of those who wished to see Russia as a Western-style state said it should follow the path of Western civilization common for all modern states, while the other half said it should go its own way to achieve the desired objective. So 15 percent of Russians supported both the line towards a

Western-style state and a common path, while 16 percent believed that Russia needs to find its own way to achieve common goals with the West. In total, a special path (regardless of what it implies) is supported by 53 percent of the respondents, including 23 percent who believe that this will lead to a special political system. If we compare these figures with the latest data, we will see that the number of supporters of a special path for Russia has increased during Putin's administration from 53 to 70 percent.

Democratic values make up the core of the Western civilization's system of values, whereas they look marginal in the Russian system. That democracy for Russians is not the necessary element of good governance is shown by the results of a joint Russia-U.S. study, conducted in April 2006 (1,000 respondents in Russia and 1,023 respondents in the U.S.). One of the questions was "What do you think about the governments of China, the U.S. and Russia?" China's governance system drew positive opinions from 54 percent of Russians and 14 percent of Americans (the ratio of negative opinions was 14 to 80 percent, respectively). As for the U.S. government, 54 percent of Russians and 83 percent of Americans approved of it, against 27 percent of Russians and 14 percent of Americans who answered in the negative.

Forty-seven percent of Russians and 26 percent of Americans believe in the effectiveness of the Russian governance system, while 42 percent of Russians and 68 percent of Americans think otherwise.

It follows from these figures that Russians place the Chinese governance system above that of the U.S., although the answers to another question indicate that they regard the U.S. system as more democratic. It is therefore obvious that Russians, unlike Americans, do not think that a good government must necessarily be democratic.

A considerable portion of Russians do not believe that authoritarian trends gained momentum during Putin's rule, although many experts and liberal politicians criticized him for that.

The results of a poll conducted in January 2009, which asked the question "In what direction is political life developing in this country?" were as follows: "democratic development" – 36 percent; "chaos, anarchy gaining momentum" – 21 percent; "emerging authoritarianism, dictatorships" – 14 percent; "a return to the old Soviet order" – 8 percent; and 20 percent were undecided. It should be noted that contrary to

efforts by the authorities to revive old Soviet symbols and style, and the opinion of some experts that Putin's government is associated with the Soviet period, a relatively small portion of Russians see a return to the Soviet past in government policies, despite the obvious infringement upon the rights of the mass media. A majority of those polled say the situation with the mass media improved during Putin's rule.

A constant recurrence – at various stages in Russian history – of relations and traditions peculiar to its civilization pattern is quite obvious to anyone who takes a careful look at Russia's historical experience. For instance, Russian historian Vassily Klyuchevsky defended the idea of genetic succession in Russian history: "Why should we understand our past they say, if we have renounced it, as we're building our lives on entirely new principles? But we ignore a key point: exhilarated and thrilled at how the Reform [the reform of 1861 – L.S.] changed Russian tradition, we forget how this tradition, for its part, changed the Reform." Similarly, is the traditional lifestyle not showing from under the market and liberal-democratic guise of the present-day reformed Russia?

The modern Lysenkovites in political science, not unlike their predecessors in biology, believe that conditions play a crucial role in forming a political system. Emil Pain, a staunch opponent of the civilization concept, writes: "If traditional mentality lives on, it means that either the conditions that generated it have survived, or new conditions have emerged, which function as a refrigerator or a hothouse for reviving seemingly withered traditions." It follows that in order to form civil consciousness and a civil society, Russia needs an institution such as a society-nation, i.e. precisely what cannot be achieved within the context of traditional civilization specifics. This kind of logic boils down to the proposition: "There is no civil society in Russia because it has no civil society."

ADOLESCENT MENTALITY

Those who oppose the civilization concept fear it is close to the idea of "a special way for Russia" professed by statism, which provides the groundwork for isolationism as a means to protect the country from the influence of foreign cultures and dependence on them.

But even these opposed to cultural genetics acknowledge that at least some traits of an average Russian have "a much longer past history (than

the Soviet period), and are deeply rooted in the traditions of Russian political or social serfdom” (Lev Gudkov).

Admittedly, the supporters of Russia as a great power are more sensitive to the interests and aspirations of Russian culture and history. But whereas finding genetic traits and historical continuity have a positive meaning for them, liberals should be careful not to underestimate the influence of traditional mass sentiments on politics and state-building. One should always bear in mind that the authorities in Russia tend to meet people’s expectations in order to win more supporters. In addition, government officials are Russians who share a special mentality inherent in the nation. The most merciless definition of the Russian situation in terms of cultural genetics was recently given by Yuri Afanasyev, one of the ideologists of post-Soviet liberalism, in an article called “The Special Way of Russia – Running in Place in History” published by *Novaya Gazeta*. He writes: “The character and type of the Russian government is as important a system-making element of the ‘Russian track’ as a never-ending war – accompanied by a constant and daily militarization – and Orthodoxy. To put the idea in modern terms, the Russian government could put the word ‘violence’ on one side of its business card, and ‘occupation’ on the other. ‘Occupation’ means that the authorities treat the population of their own country as strangers, the occupied.”

“A regime of self-occupation” and a type of government that can be defined as “of the Horde” would most adequately describe the Russian government system during all periods of its history, including now. Elaborating on the “Horde-type government,” Afanasyev includes, in addition to violation and occupation, “autocracy, monologue instead of dialogue, a dictate instead of negotiations, no compromise, an unwillingness to accept an accord as a means of communication, and, lastly, Manicheanism.”

The author of the present article is probably the first to have introduced the notion of “self-occupation” into the political vocabulary (in *Novaya Gazeta* in 2004). At the dawn of *perestroika* I wrote: “Power has been the primary value in Russia at all times. All Russian social reality is arranged around the key notions of *chin* (rank), and *nachal'stvo* (bosses) (both stemming from the Russian word *nachalo* [beginning]). There is nothing more alien to the Russian mentality than pluralism or power

sharing. Power should be single and hierarchical, otherwise the beginning will disappear and a vicious circle will emerge.”

These traits of the national mentality have been confirmed by public opinion polls in recent years. For example, 51 percent of the respondents support the notion that the concentration of power benefits Russia, compared to 29 percent who object to it. Characteristically, it is mostly young respondents aged 18 to 24 who favor authoritarianism. There is no way that they could be influenced by the Soviet lifestyle and their answer is a manifestation of adolescent mentality, which is seen in many adults.

An understanding of what was happening at the beginning of market reforms and democratic changes from the point of view of cultural genetics would protect liberals from too much euphoria and show in what ways the tradition would inevitably disrupt the reform.

It would be difficult to disagree with Yuri Afanasyev’s description of the reforms: “Genuine changes only took place in a small number of life-support sectors, but they did not affect the very principles of the social order. They never touched the core of the crucial element of the Russian system: the government, its role, structure, function and its main pillars of violence and reprisals: the army, the judicial system, law-enforcement, the political police, the education system, etc. The government system remains, as in Soviet times and before, a Horde-type – it does not depend on society in any way, is unbalanced and uncontrolled by any public forces or institutions. It is only guided by its own material interest and a tendency for self-preservation.”

THE HISTORY OF MAFIAS

Russian society tends to form tiers of mafias through the actions of the principles of hierarchy and rank-worship on the one hand, and adolescent group solidarity on the other, with the upper-ruling mafia as the occupational force. The social order has been dismantled three times in post-Kievan Rus. This was accompanied by an increase in social mobility and the establishment of a new ruling mafia based on new recruiting principles and socio-economic benefits. The first dismantling occurred in the middle of the 15th century, when the mafia of boyars [the nobility before Peter the Great ordered that rank depend on state service –

Ed.] sided with the Moscow princes. The second took place after the Time of Troubles, when the boyars and the relatively independent clergy were replaced by a new government and clerical class – the gentry's mafia. Finally, the emancipation of the serfs heralded the end of the gentry's mafia and the emergence of a mafia of bureaucrats, which eventually turned into the elite of functionaries after the 1917 Bolshevik Revolution. The revolution of 1989-1991 ushered the corporate mafia into the government, a symbiosis of bureaucrats and business people on a clan/criminal basis.

But after the triumph of the new principle of social order, decades had to pass before a new stratum – the new mafia – could fully triumph, as it needed time to mature for its final, murderous assertion. For example, the supremacy of Moscow as a principle was established after the arrival of the metropolitans; the appointment of Metropolitan Iona (1446) independent from Constantinople; the elimination of independent areas within the Principality of Moscow; and after a majority of the largest principalities submitted to Moscow. The final blow to the separatist mentality and its advocates was delivered by Ivan the Terrible's *oprichniki*, a squad notorious for violence and massacres. The gentry-in-service principle became prominent under the Romanov royal family and was fixed in the Code of 1649, but the new mafia finally secured a firm grip on power during the totalitarian period of Peter the Great's rule. The principle that brought together bureaucrats, functionaries and intellectuals who did not belong to the gentry replaced the class-gentry principle in 1861, but its final establishment took place during the years of Stalinist repression. If one follows this pattern the incumbent corporate mafia will only be completely established by 2060. It is impossible to predict what forms of totalitarianism will develop by that time; however, it should be taken into account that all totalitarian periods in Russian history have been ideocratic.

Missing in Translation

Re-Conceptualization of Russia's Developmental State

Piotr Dutkiewicz

Of late, a palette consisting only of black and white has seemed sufficient to paint a picture of Russia. A sketch of the dominant Western (and recently, increasingly Russian) conceptualization of the last two decades of the country's history looks something like this: The democrat Boris Yeltsin introduced a market system and erected the foundation of a Western model of democracy. This free market and a newly free press effectively overhauled the Russian political system, giving rise to hope for the emergence of a democratic and pro-Western Russia; one which would become a good citizen of the post-Cold-War rapidly globalizing world order.

In 2000, all such hopes were dashed. A new ruling elite led by Vladimir Putin (often with a military or KGB background) decided to undertake a coup d'état. Granted, this coup was constitutional, but due to its radical nature it was no less revolutionary. It moved Russia back to the level of a Mega Euro-Chinese gas station. It became no more or less than a classic petro-state, albeit one protected by a mighty nuclear arsenal. The talk these days is increasingly about a new authoritarian state, within which one can already discern the resurrection of the Soviet Union.

Economic arguments (particularly after economic crises hit Russia in the fall of 2008) are equally damaging. In short, Russia has been hit by a "double crisis," one growing out of its own faults and another created by global processes.

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If so, then why does the majority of Russians support Putin (and his successor)? The answer is complex as Putin's Russia is neither a banal authoritarian state nor a soft incarnation of the Soviet Union. But such an understanding requires that we add some colors to a hitherto black-and-white etching of the country.

A NEITHER-NOR RUSSIA

Today's Russia is certainly a challenge for the willing analyst. It is obviously not a liberal democracy, but, given the freedoms available for every Russian citizen, neither can it be labeled an authoritative regime. Russia does have democratic electoral law, but the electoral mechanism does give considerable influence to the party in power (and the bureaucracy that accompanies it). Vladimir Putin is considered by many to be a 21st century incarnation of the czars, but in reality his power – especially in the regions (mainly due to the “autonomous bureaucracy”) – is seriously constrained. The Kremlin, though it fosters an aura of omniscience, continues to base its politics on what might be termed as a timid trial-and-error approach.

Russia has a market system (as recognized by the EU and WTO) but the system of accumulation is to a large extent based on non-market political access. The media are not “free” per se, but neither are they under state control (with the exception of state television). The government's rule is seen as strong but the state's institutions remain fairly weak. While the decisions of the Kremlin's elite are seen by many as systemic manipulation – or just a PR exercise – many of them are real responses to the needs of the Russian people. Strength and weakness in one. Russia is seen as pragmatic but the role of its ideological component (as in the case of the concept of “sovereign democracy”) is more important than many assume. Russian politics is becoming increasingly assertive but its implementation is everything but that. At the moment there is neither stability nor change. In other words: a neither-nor Russia.

Moreover, while Russian foreign policy may at times seem clear to the West, it is anything but, even for insiders. Russia wants to influence the decisions of other countries and of international institutions, but in reality there is little certainty (in most cases) exactly what her position on many issues is.

Just as authoritarian actions do not necessarily equate to a belief in an authoritarian system, a lack of a central governing ideology does not necessarily signify a lack of ideological basis for state governance, a lack of democracy is not synonymous with the absence of freedom, rejection of Marxism is not a rejection of the historical value of the Soviet Union as this elite's fatherland. A classical neither–nor situation dominated by shades and ambiguities, in many cases dressed up for the occasion in boldness, strength, high morality and sometimes arrogance and self-righteousness.

It is worth returning to the late 1990s as it deeply shaped the systemic thinking of the Kremlin's ruling group. A sense of humiliation rooted in the all-too-obvious evidence of social and economic collapse, evaporating sovereignty, “democracy a la Yeltsin” pushing Russia away from its “great status”, indeed a sense of Russia being “driven to its knees”, all contributed to the “deep mental formation” of a current elite.

As analysts know, production dropped in the 1990s in Russia; however, not everybody knows that this decline was of a magnitude unprecedented in the 20th century. Neither the First World War along with the revolution of 1917, with the subsequent bloodshed of the civil war, nor the horrors of the Second World War, brought about such a dramatic drop in output as was seen in the 1990s. In 1998, at the lowest point in the transformational recession of the 1990s, Russia's GDP was 55 percent of the pre-crisis peak of 1989. In short, the economic losses from the 1990s recession were exceptional in scale and, importantly, in duration.

Such an unprecedented plunge in production caused equally unprecedented tension in society. Due to the immense growth in income inequality, the real incomes of the absolute majority – 80 percent of the more vulnerable members of the population – were approximately cut in half. During privatization, there occurred a massive redistribution of national wealth; in just a few years, somewhere around a third of all state property passed into the hands of a few dozen oligarchs for a song.

Inevitably, the brunt of these hardships was borne by society's most vulnerable groups because they had fewer resources with which to cushion the impact of economic decline and increased insecurity. This was further exacerbated by their limited ability to respond constructively (either through political or economic means) to rapidly changing cir-

cumstances and by a lesser capacity to protect their vital interests in the political process.

The transformational recession was brought on not so much by market liberalization as by the virtual collapse of the state. Russian spending on “ordinary government” (excluding spending on defense, investment and subsidies, and debt servicing) in real terms decreased three-fold, so that government functions – from collecting custom duties to law enforcement – were, for all intents and purposes, either curtailed or transferred to the private sector.

The shadow economy, estimated at 10–15 percent of the GDP under Brezhnev, grew to 50 percent of the GDP by the mid 1990s. In 1980–1985, the Soviet Union was placed in the middle of a list of 54 countries rated on their level of corruption, with a bureaucracy cleaner than that of Italy, Greece, Portugal, South Korea and practically all the included developing countries. In 1996, after the establishment of a market economy and the victory of democracy, Russia came in 48th in the same 54-country list, between India and Venezuela.

The regionalization of Russia proceeded in leaps and bounds in the first half of the 1990s. The percentage of the regional budgets in the revenues and expenditures of the consolidated budget increased, while the federal government was forced to haggle with the subjects of the federation over the division of powers, including financial jurisdiction. Russia as a Federation was on the brink.

I have argued that an indispensable attribute of any state is a minimum of three monopolies – a monopoly on force, tax collection, and currency issue. All three monopolies were undermined in the Russia of the 1990s.

The voucher privatization of 1993–94 and the “loans for shares” auctions of 1995–96 led to state property being sold off for a pittance, and this at a time when the state needed money more than ever before. As a result, anyone who could call themselves at least bit well-to-do at the time not only had unlimited opportunity for incredible enrichment, but was also able to take partial control of the economy of the former superpower. The Russian business elite had found joy in the unbearable lightness of living within a weak state.

In 1998, the short-lived stabilization of the mid-1990s ended in stunning failure with the August devaluation of the ruble and subsequent

default. Real incomes on a month-to-month basis fell by 25 percent in the fall of 1998, only climbing once again to the pre-crisis mark in 2002. The state crisis had reached its apex: federal government revenues and spending fell in 1999 to 30 percent of the GDP at a time when the GDP itself was almost half of what it had been 10 years before. State debt and foreign debt had peaked; the currency reserves had shrunk to \$10 billion, less than those of the Czech Republic or Hungary. The prevailing feeling was that the federal government was so useless that it might as well just shut down.

It would be hard to name countries with a developmental level similar to Russia's, where the state lost so much of its independence in its relationship with private capital. A virtual merging of big business and the middle/upper management levels of the bureaucracy occurred in Russia, and their interests became practically indistinguishable one from the other. Neither the civilian ministries, nor even the top bureaucracy were able to counter this force; even the "power" agencies, such as the Ministry of the Interior, the army, and the security services began "privatizing." As a result of this process, the state became neo-patrimonial (a capitalist-cum-feudal system) and to a large extent privatized. In such an environment, the issue of improving equitable policies became irrelevant (as it is almost impossible to implement any kind of policy interventions that might challenge the fusion of such powerful interests).

To sum up, in the 1990s the Russian state lost its capacity to govern and to manage tremendous burden of transformational change. The state, facing internal and external pressures, withdrew from its basic functions (protection of its citizens, provision of health care, securing legally bounded transactions, monetary oversight). The accidental elite that took power lacked both coherence and a long-term plan and so leased the country to a merger of oligarchs (formed by the state's privatization scheme) and the top echelon of Kremlin insiders. The state became engaged in a massive redistribution scheme that gave away state assets and, with them, the dominant power within the system. As state provisions were disappearing, a "parallel state" started to emerge to secure a smooth process of primitive (based on the state's distributional capacity and de-industrialization) accumulation at the regional and federal levels. This mutation of capitalism transformed market relations

into a system of complex symbiosis between nominally legal structures and organized crime, which became not only a systemic economic force but also a political actor in its own right. That process led to a massive impoverishment of society with all the associated negative consequences for societal cohesion, health, education, and so on.

Putin's group decided to reverse that trend. For that task they needed not only more power than Boris Yeltsin had as President but – most importantly – a *different kind of power*. The Kremlin's future rulers were convinced that at the very core they needed to restore what was a traditional and central engine of social development in Russian history: the State. In order to accomplish this project, they had to link the state and accumulation into one undivided whole of social power. If one looks for a singular explanation of "Putin's Idea", most probably this is the closest we can get. Their long-term task was to reconstruct and modernize Russia but in order to have some results in that remarkably complex goal, they had to dramatically change the pattern of accumulation and the structure of power; indeed, to reshape the political economy of Russia.

ACCUMULATION – POWER – MODERNIZATION

The logic of the capital expansion in the 1990s was nothing short, as Jonathan Nitzan and Simshon Bichler argued, of "to penetrate and alter the nature of the state itself". They were, however, caught in an existential dilemma – to have a weak state was good for business (no taxes, corrupt officials, etc.) but to have too weak a state was bad for business (their main problem was that the state was too weak to secure/protect the gains of the dominant capital). In a truly Hegelian spirit they solved this seemingly deep contradiction by evoking the notion of politics. The oligarchs, then, "had to take things into their own hands" by engaging in a collective political action.

But it was not enough, and as early as the mid-1990s, Russian oligarchs were actively looking for international capital backing. They were seeking transnational ownership to, on the one hand, gain access to international capital (in order to gain more power domestically) and, on the other, to secure their access to safer investment abroad. Having advanced the "privatization of the state," Russian oligarchs were getting

ready to make a real deal: to merge with international capital and put the Russian economy on the trading block.

Are we still puzzled why Putin's group obsessively put "state sovereignty" at the core of their program? Why were the Kremlin's planners besieged by the "threat of unpredictability," "lack of control" and "need for stability"? And are we still puzzled by the Russian population's support for Putin in light of the "double failure" of the 1990s – the loss of "empire" and the collapse of the economy?

It is time now to try to decipher the political economy of Putin's Russia. A seductively simplistic algorithm of Russia's political economy would look something like this:

- Putin's group rule = power + oil/gas + TV
- Power = state-based accumulation + Presidency (trusteeship)
- Oil/Gas = principal state/private revenues
- TV = relative control of mass opinion
- Therefore, Putin's rule + power + oil + TV = the Russian developmental state in progress.

In order to make any change, to define new rules, and "bring the state back," Putin's Kremlin elite needed more power and new resources (in order to avoid becoming trapped in a new dependency cycle by the oligarchs). So what they were really looking for was a different mode of accumulation; accumulation that would not differentiate between "economic" and "political" power; where money would not be "separated" from the institutions, law, culture, etc.; accumulation that would be more totalizing in their capture of economy/society; accumulation that would epitomize power; or in J. Nitzan's and S. Bichler's terms "...what we deal with here is organized power at large. Numerous power institutions and processes – from ideology, through culture, to organized violence, religion, the law, ethnicity, gender, international conflict, labor relations, ...all bear the differential level and volatility of earnings... there is a single process of capital accumulation/state formation, a process of restructuring by which power is accumulated as capital."

In other words, they attempted to intertwine capital linked to politics with politics linked to institutions and law, which in turn was linked to ideology, with ideology linked to value systems and culture, with a culture linked to religion, which is linked to almost everything that matters

and, by the end of this logic chain, to turn to power again – power as confidence in obedience. I shall note, however, that while the confidence in obedience was quite high (but never taken for granted by the Kremlin) in the first years in power, the current economic crisis may change that quite significantly. As recent opinion polls show, the confidence in the ruling group may evaporate quite fast as Russians expected much more after being obedient for so long.

The relatively easiest and most profitable source of accumulation (and hence power) was oil and gas. With prices spiking for almost a decade, it gave Putin's group enormous leverage and confidence domestically and internationally. Oil has its vices too, but as a second component of Putin's rule, it became indispensable for the project. The third module of power to capture was to take control of TV. More than 75 percent of the information absorbed by Russians comes from TV. So, to put tighter controls on TV than on any other printed or e-media was the third principal rule of survival in a long-term, strategically thought plan.

The second part the “algorithm” (Power = state-based accumulation plus Presidency) is that Putin's group reversed the main vector of accumulation from private to state. The state became the principal agent of accumulation; the state (and state “hegemonic” bureaucracy and key interests groups related to it) is also its main benefactor. By paraphrasing Joseph Schumpeter's famous conception of capitalism without the capital that led him to the conclusion that the “dynamic characteristics of capitalism arise from non-capitalist sources” we come to the core of Putin's group's base of accumulation: the State.

Putin's group is much closer to the ideas of Friedrich List's National System of Political Economy than to Adam Smith's *The Wealth of the Nations*. It is not the invisible hand of the market but a very visible hand of the state that is to be responsible for “development and progress.” F. List's justification of the de facto protectionist approaches through the creation of a constructivist doctrine of national development fits squarely into the “Putin Plan.” If we also consider List's moral and spiritual overtones of productive force and his emphasis on the defensive capacity of the state to protect its “integrity,” we can add Putin to the list of his hidden admirers.

But to put any plan into motion you need the implementers, supporters, and at least a slim but trustworthy social base for change. Here enters

the need for the Presidency – the office, the collective, the institution, the prestige, legitimacy, charisma, and the man himself. There emerges a distinct need to find the ideal individual/collective holder of the trusteeship. Who shall/can lead society in a truly revolutionary time of transformation? Society itself, the idea goes, cannot be trusted entirely as they have lived too long in an entirely different system, and so they can't grasp the "goal of the change." Society is also prone – as the 1990s showed – to massive media/political manipulations. Oligarchs and high-level officials were not the best option in 1998 for a ruling group either, as they were engaged in stripping assets and placing them abroad. They were, after all, businesspeople, not interested in the wealth of society or the future of the state. So who was to lead Russia to its revival?

From the utopian socialists, through the Hegelian principles of development, Marx's debate on the role of the "individual man", the Fabian's society ideal of correcting the socio-economic change in the British colonies, the League of Nation's institution of trusteeship, the ideas of Sergei Witte, and Lenin's notion of a "vanguard party," theorists and practitioners of all stripes and colors have struggled with the answer to this very question: Who is to lead society into development and progress? Who can be entrusted to lead the change? Hegel's "spiritless mass" or someone else? In their brilliant book on development, Robert Shenton and Michael Cowan observed that, "A 'handful of chosen men' could now assume the mantle of the 'active spirit' to become the inner determination of development", regardless of the system of governance and its ideological dress. This reminds me of the Saint-Simonian ideal that to remedy disorder, "Only those who had the 'capacity' to utilize land, labor and capital in the interest of society as a whole should be 'entrusted' with them." Putin's version of a trusteeship is thus given its philosophical justification. Sociologists are ready to support me with their empirical studies of the configuration of the Putin's inner circle. The notion of the trusteeship – I believe – explains a lot about Putin's leadership.

It may explain, for instance, the Kremlin's partial distrust of society (which explains why only very limited change via grass-roots social movements was permitted) but also their desperate need to "have society engaged" in the convoluted form of the Social Chamber (among

other things, in order to keep the bureaucracy in check). It may also explain some of the reasons for the relative freedom of the parliamentary elections in 2008 and the Kremlin's actions against the "not trustworthy oligarchs" and their anti-bureaucratic outbursts. It can explain an uneasy cohabitation of conservative and liberal ideas that are transformed into policies and institutions by the Kremlin's rulers. It can also explain their "philosophy of power".

The final part of the algorithm (Putin's rule + power + oil + TV = the Russian developmental state in progress) deals with the longer-term, intentional as well as unintentional consequences of ruling Russia for the last ten years. In other words, what was the power for? Today, Russia is a developmental state in progress (being, I shall underline, in a state of policy hibernation – or stagnation – for the last three to four years). The current economic crisis has shown that the painfully accumulated state capacity (both institutional/legal, financial, and moral) to act as a principal agent for change did not result in an economically effective, politically significant, and socially viable transformation of Russia's socio-economic system (or, in the words of Gleb Pavlovsky, one of the Kremlin's chief alchemists, "Medvedev is right, this is a dead end"). The question is: Is it really "a dead end"?

To answer, we should make a small detour to trace the main features of the "developmental state". The idea is not new. The postwar period saw the coming together of statist theories, specific measures of state intervention and more general extension of state regulation in critical aspects of the economy. Herein lays the origin of the contemporary developmental state. The idea/practice was first applied in post-colonial Africa, then later – more ambitiously and consistently – to a cluster of rapidly growing economies in East Asia such as Japan, South Korea, Taiwan, Singapore, Indonesia and Malaysia. Many argued that their spectacular growth was possibly due to the activist and "market friendly" state. But not all states can be evaluated as developmental. Adrian Leftwich, one of the key authorities in this area, proposes that only "...states, whose politics have concentrated sufficient power, autonomy and capacity at the center to shape, pursue and encourage the achievement of explicit developmental objectives... can aspire to be the ones". The argument goes that in a developmental state, the state

itself becomes the main instrument for the pursuit of both public and private goals. The state comes to define and determine who will be able to make which decision of administrative, political, and economic significance. Political and administrative positions become – obviously – a fruitful means of securing economic resources and opportunities (so it is normal that state came to be an important avenue for realizing private goals). The claim of the state to define public goals and the legitimate means for pursuing private goals is formally recognized in a notion of “national sovereignty.” The expansion of state economic management is justified by the notion of “national development.” The state’s “capacity for coercion gives the content to these otherwise vacuous concepts”. However, there is a twist to this story. The power arising from the state capacity to allocate resources depends largely on the exclusion of alternative sources of access to capital; hence the tendency of the holders of the trusteeship to organize the provision of services and commodities along monopolistic lines (something that Russian materials and energy producers know by heart).

As you can see, from a comparative perspective the approach taken by Putin and his group is a general approach to development, not new. What is new is the specific historical circumstances in which this project was being launched and its fundamental understanding of its amalgamated accumulation-as-power and trusteeship-led mode of reproduction of social relations. The Russian ruling elite faced a formidable developmental task which required coherent and strategic actions, and the only agency capable of achieving social and economic stability in the given circumstances was the state.

So far so good, but as the perennial East European question goes (particularly in times of crisis), “If it is so good, why is it so bad?” I may offer, as an explanation, two fundamental drawbacks of the model’s implementation. First, the model seems to be based (even if unintentionally) on the “old-fashioned” approach of the first generation of developmental state theorists such as Dudley Seers and Hans Singer, who emphasized the need for a distributional approach to economic growth (with the state’s main role being that of principal distributor of wealth). In that sense, the policies based on that notion were emphasizing just one side of the role of the state. What was needed was rather a

dual-track, more flexible approach.

Contemporary theorists of the developmental state would suggest that the state should be an engine of “liberal” policies (and a guarantor of their implementation) in the area of economic growth and generation of national income, and, simultaneously, of the “social and re-distributive” mechanism (by giving some developmental opportunities to the poorer section of the population and worse-off regions).

Everyone now is talking about modernization and modernity in Russia. Such talk has become fashionable for radio hosts and newspapers. The problem is that there is no comprehensive economic modernization underway. Whether we like it or not, Russia is today a largely de-industrialized, resource-dependent country with no serious base for technological innovation. Except the enormously powerful energy sector and high-tech pockets of the military industry, it is not internationally competitive. Is that adequate for the Russian aspirations?

Another important point relates to the sequence of the Putin Group Project’s implementation. The first six years of the trusteeship-led process of stabilizing the economy, re-creating a state, re-grouping power, re-shaping politics, diminishing poverty, stopping criminalization of the society, saving oil money, and so on, were largely necessary steps. Cumulatively, they formed a strong foundation for the developmental state and, in general, were quite indispensable prerequisites for making the system work again. However, it is quite clear that there was no “second-phase plan” to move from “stabilization” to “accelerated modernization” (ideally from mid of the first decade). I can only speculate why such a plan did not materialize in 2005-2006 when the Kremlin “got everything” – political power, resources, and high social support “in one”. The point is that Russia did not enter (having enough resources and power to do so by 2005-2006) a second, logical, and fundamentally important phase of fast modernization of industry accompanied by political empowerment of the citizenry. It looks as if groups of busy construction workers suddenly stopped building the road they had so promisingly started, switched off their machines, and went back to patch the holes that were formed while they were busy advancing the construction. (Does this not seem reminiscent of the idea of the National Projects?) In other words, Russia did not capitalize on her wealth to the

extent she could have done (as its BRIC fellow members did). For the above two reasons, the answer to the key question of whether Putin's project has hit a dead end, shall at this point be quite ambiguous. Everything depends on the government's/Presidency's next steps. The economic crisis finally made it painfully clear that the patch-work approach is not an option. Russia has no other choice than to try to reinvent itself. There are three basic ways to follow now.

DO IT OR LOSE IT:
THE RUSSIAN DEVELOPMENTAL STATE
IN (IN)ACTION

A perennial question among Russia's intelligentsia is *Chto delat?* What is to be done?

Based on our best knowledge, we can only point to the best examples known and extrapolate/adjust their experiences into the specific conditions of today's Russia. Crudely, there are three basic choices to be made (each with its nationally-shaped variations and mutations): there is the "EU way," the "developmental state way" (as in the East-Asian model) and "slow adjustment" way. Each model has some inbuilt uncertainties and contradictions; each requires strong political will and policy implementation capacity. Guaranteed success of either one is everything but certain. However, by not making a decision, Russia – willingly or unwillingly – will slide down to the junior league of states regardless of a quite possible oil price recovery.

Let me start with the developmental state option as a lot of energy, money and political capital have already been invested in it. This scenario would hypothetically look as follows: Based on the hitherto achieved pattern of accumulation/power, the Russian ruling group decides to move to the next level of developmental state evolution: a deep and systemic modernization of the country. But the initial Kremlin-elite-based trusteeship of the stabilization/consolidation period (roughly 2000-2005) is no longer enough to move ahead. They prepare a plan that will envision modernization, not narrowly defined (as the need for new technology and equipment) but as an all-embracing, staged process of legal/institutional, economic/social, technological, research/educational, and conscience/ideological change. They set in

motion reforms and then move to a clear cluster of priorities in their plan, centered on re-constructing a sophisticated industrial base linked to the innovative scientific research/implementation and pushing banks to finance it. Only those who are really competitive get the money. The Kremlin makes special efforts to make rules and procedures as clear as possible for business and supports these through a strong, corruption-free court system. Corruption at large is at least halted thanks to changes in the regulatory system, punitive actions and changing social attitudes that no longer accept it. As the Kremlin needs to find a larger pro-modernization consensus and (simultaneously) ways to convince/co-opt/neutralize powerful, interest-based opponents (located mainly in the energy sector), they make a choice of relying on the small middle class, medium-scale business, and that section of bureaucracy that is dynamic enough to implement new policies. At the same time, they launch a mass media campaign to explain to the different constituencies the benefits of going through a quite painful and unexpectedly long (five to six years) initial modernization process (and of the danger of not setting off down this path). As the process advances, the Kremlin is peacefully undermining rising social discontent (which is normal as the redistributive function of the state is becoming step-by-step diminished and increasingly targeted) and gaining enough support to make the bold move of reforming the resource and energy sectors. Finally, they move to the point of the democratization of the developmental state. Does this sound like fantasy? But is there any other choice than some form of this fantasy other than a comfortable oil-and-gas-cushioned stagnation?

The “EU way” is a second possible option. Obviously I am not advocating transposing a copy of the European Union onto Russia or her applying to join the EU. Vladislav Inozemtsev, a well-known Russian economist, made a very good point by saying that: “This path doesn’t require such a strong developmental state as the first one, but needs radical political decision to be made, ...a pro-European policy based on accepting if not European values, but EU practices. If Russia accepts the major part of the EU-wide regulations known as *acquis communautaire*, complies with European ecological, competition, trade and some social protection standards, the modernization of this country may take another direction.” Of course, it would be a revolutionary decision that would

shake the whole system. Russia is far away (institutionally/legally and strategically as far as state is concerned) from the EU. This would also mean re-shaping Russian foreign policy and some portion of the elite's mentality, but as Russian economic interests are located between Europe and Asia this might be the most sustainable choice.

The third way is to have a "status-quo modernization." Such a scenario embraces at least four components: first, some transfer of most modern technology (mainly to military industry); second, keeping the budget filled with petro-dollars (that will be quite sufficient at \$68-70 per barrel to fulfill current level of social and security obligations); third, strengthening military capacity to secure Russia's diminishing economic and social power; and fourth, implementing even more assertive international policies to hide domestic weakness. Within this scenario the Russian state can go on without any significant change for at least couple of years. The deep modernization can be postponed and reconsidered at the later stage. This is a socially risky but doable scenario (but one that might relegate Russia to the "secondary powers" club).

In the first two cases, the ruling group shall consider moving from the "trusteeship" mode of ruling Russia to a "social coalitions"-based system. As history has shown, even the most enlightened "trusteeship" cannot reorganize the system (in a longer term) without broader societal support. At this moment the game is not – narrowly defined – about technology and innovation transfer, as some members of the elite advocate; rather, it is about making Russian society and economy innovatively oriented, with the state playing a decisive role in that process.

The choice between accelerated continuity, "discontinued modernization" and "status quo evolution" should be carefully considered as the future of a huge country is at stake. What is certain is that the lack of real modernization policies of the last four to five years cannot be continued without serious, negative, long-term consequences. The only good thing about the current crisis is that no one can deny the necessity for accelerated change and the need for a larger, societal debate about the future of the country. And this in and of itself is a good thing for Russia.

Russia's Future: Nation or Civilization?

Collapse of the Soviet Union and the “Russian Question”

Igor Zevelev

The collapse of the Soviet Union did not resolve the “national question” for Russians. Rather, this event gave birth to the question. For the first time in centuries, millions of people who consider themselves Russian have found themselves separated by political borders and now have to live in several neighboring states. Since 1992, Russia’s policy towards ethnic Russians living abroad has been built as a cautious and moderate response to this challenge. Russia did not support irredentist sentiments in the Crimea, northern Kazakhstan and other places where ethnic Russians live in compact communities. Russia made the first attempt to protect its citizens and compatriots abroad by military force in August 2008 in South Ossetia and Abkhazia, where ethnic Russians make up only about two percent of the local population. Does this mean that the ethnic factor does not play a significant role in Russia’s perceptions and policy vis-a-vis the post-Soviet space? Can the situation change in the future?

The attitude to the fact that about a quarter of Russians live outside Russia, of whom more than a half live in neighboring states, may become a major factor in the development of Russia’s national identity and the system of international relations in Eurasia in the 21st century.

There are two main approaches to the “Russian question” in Russia now. The first is a radical nationalist discourse on a “divided nation,” which, however, does not have a strong impact on concrete policies. The

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second approach embraces moderate concepts of “the diaspora” and “the Russian world,” as well as the governmental policy towards “compatriots.” If we place these two approaches in a broader context of the formation of Russian identity over the last two centuries, then we can say that they reflect the traditional coexistence of two principles – ethn-national and supranational.

After the Soviet Union’s disintegration, it seemed that many factors created favorable conditions for strengthening the ethnic awareness of Russians and their leading role in the formation of a new national identity of Russia. Russians, who now make up about 80 percent of the country’s population (compared with 43 percent in the Russian Empire in the late 19th century and 50 percent in the Soviet Union), are an absolutely dominating ethnic group in the country for the first time in the last two centuries. Russian ethnic nationalism received a strong intellectual impetus from the works of Alexander Solzhenitsyn, who was the first great thinker to challenge the supranational tradition in its imperial form. The deep economic crisis of the 1990s and the difficulties faced by ethnic Russians in neighboring nationalizing states created prerequisites for political mobilization around this issue. The inflow of migrants to big Russian cities during the last decade has provoked the spread of xenophobic attitudes and extremist groups.

However, Russian ethnic nationalism has not become a serious force in Russia yet and it does not have any significant impact on the country’s policy towards neighboring states. Supranational aspects of Russian identity in various forms (imperial, Soviet, civilizational and universalist) continue to play a significant role. Why? Can the situation change in the foreseeable future? What international implications can there be in this case?

IMMATURE NATIONAL CONSCIOUSNESS

The experience of other countries has shown that it is usually ethn-nationalists that start building a nation-state on the ruins of an empire. Kemalist Turkey began its experiment with the construction of a nation-state with genocide and the expulsion of Armenian, Greek and Kurdish minorities. Austrians welcomed the Anschluss after having lived for twenty years in a small post-imperial state. After the breakup of

Yugoslavia, Serbia and Croatia began to display aggressive nationalism and tried to redraw the post-Yugoslavian political map. All former Soviet republics harbored ethno-political myths that depicted the state as the motherland of an indigenous people. In all these cases, such views grew out of traditions of historical romanticism, which suggest that humankind can be neatly divided into nations, and historically or ethnically predetermined nations have certain sacred rights.

Due to a number of historical factors, Russia emerged on the debris of the Soviet Union as an immature nation with a surprisingly low level of self-consciousness and without any mass national movement. This was its fundamental distinction from the other former Soviet republics, in particular from the Baltic States, Georgia and Armenia.

For centuries, there were no clear-cut and historically substantiated criteria in the minds of Russians that would let them distinguish between “us” and “them.” The unclear situation with the Russian people’s boundaries was an important factor that shaped the historical development of Eurasia for at least three centuries and that facilitated the construction of a giant empire.

The Russian Empire and its successor, the Soviet Union, were territorially integral entities, like the Hapsburg or the Ottoman empires: there were no natural boundaries between the center and the periphery. In Russia and then the Soviet Union, it was not some central territory but the capital – first St. Petersburg and then Moscow – that performed the function of the center. It was the geographical factor that played an important role in the formation of Russia’s national identity. Its main feature was a combination of closely intertwined ethnic and imperial components. Importantly, the Russian Empire took shape before the modern Russian national identity developed. For centuries, the Russian elite was more interested in expanding the empire’s frontiers than in strengthening the national identity.

The lack of clear-cut boundaries between the empire and its Russian core allowed some analysts to conclude that there was no dominant ethnic group in Russia: all groups, including Russians, were subjects of the imperial center. This view, which at first glance serves as a self-justification for Russians, plays a crucial role in their post-Soviet consciousness. There is no political force in today’s Russia that would view the empire

as an instrument for advancing the interests of Russians at the expense of other peoples. This factor is in sharp contrast with the ideology and official historiography of other newly independent states. More importantly, it reflects the belief, deeply rooted in the post-Soviet Russian mind, that the empire was a burden for Russians (Alexander Solzhenitsyn), or that it served the interests of all peoples (Gennady Zyuganov), or that it was an evil for all because of its Communist nature during the Soviet period (liberals).

Another factor that until recently held back the formation of mass Russian nationalism is the commonality of the cultural, linguistic and historical roots of Russia, Belarus and Ukraine and, therefore, the lack of clear-cut boundaries between the East Slavs. For centuries, this circumstance caused the Russian elite to “soften” its nationalism, just as the existence of the “home empire” (Scotland, Wales and Northern Ireland) in the United Kingdom suppressed English nationalism.

Another factor that played an important role in weakening Russian nationalism was the concept of “the Soviet people” and the realities that supported it. Children of mixed marriages, people who lived far away from their “historical homeland,” and Russians in large cities – all these categories proved to be particularly receptive to this concept. Russians took it more willingly than other ethnic groups, because to be “Soviet” indirectly meant being a Russian-speaker and acknowledging the “civilizing” mission of Russian culture and its extraterritorial nature throughout the entire Soviet Union.

Theoretically, the “Soviet people” concept in the Soviet Union and the “melting-pot” idea in the U.S. had much in common. (The American concepts of “multiculturalism” and “diversity” also had their ideological cousins in the Soviet Union – the concept of “the free union of flourishing nations.”)

Some nationalists complained that the imperial role deprived Russians of their ethnic identity. Slavophile writers expressed concern that “Soviet patriotism” destroyed Russian national consciousness and complained that residents of Russian cities increasingly often described themselves as “Soviet people.” It has become fashionable nowadays to dismiss the existence of realities that were behind the emergence of the “Soviet people” concept; however, this concept adequately reflected

some tendencies (such as amalgamation of peoples and the formation of a new community), although it ignored some other phenomena (for example, national awakening, primarily among non-Russian peoples).

State institutions facilitate nation-building. In the 20th century, nations were mostly created by states, not vice versa. Ethnic Russians viewed the entire Soviet Union as their native land, which was in sharp contrast with other ethnic groups, for whom only their own ethnic republic was their homeland. The Russian Soviet Federative Socialist Republic (RSFSR) within the Soviet Union lacked many characteristics that other Soviet republics had. The imperial center had merged with the ethnic Russian center. The RSFSR did not have its own capital, nor a Communist Party of its own (until 1990), or its own membership in the UN (unlike Ukraine and Belarus). The underdevelopment of the Russian national identity and the vague boundaries of the Russian people were largely due to the institutional weakness of the RSFSR.

Throughout the Soviet history – from Vladimir Lenin to Mikhail Gorbachev, there was a common political denominator, which significantly weakened the formation of Russian ethnic self-consciousness, erasing more and more its difference from the supranational consciousness; this denominator was the struggle waged by all Soviet regimes – albeit not always consistently – against Russian nationalism. The systematic restriction of Russian nationalism was the price that the Soviet leadership was ready to pay for the preservation of the multinational state.

Unarticulated Russian national consciousness is a key factor that explains why the Soviet Union broke up so peacefully, especially if compared with the bloody disintegration of another communist federation – Yugoslavia, where most Serbs had a clearer idea of their national identity. Perhaps, a Russia without clear-cut historical and cultural boundaries was the only peaceful solution to the “Russian question” after the Soviet Union’s breakup. It may sound paradoxical but inconsistent and muddled relations between Moscow and the republics constituting the Russian Federation, as well as moderate and sometimes highly inefficient policies towards ethnic Russians living in the post-Soviet space, proved to be favorable factors for ensuring security in Eurasia during the transition period in the first post-Soviet years. Attempts to work out a

clear approach to nation-state building could have resulted in a catastrophe, as they would inevitably have caused a revision of Russia's political borders. It should be added that Russia's political elite has often conducted unintelligible policies over the last 18 years; however, these policies have proven to be salutary – not due to the elite's wisdom but because of its utter weakness and inability to clearly formulate the country's national interests.

NATION - BUILDING IN RUSSIAN INTELLECTUAL HISTORY

Mass-based nationalism usually follows the nationalization of the elite. For a century and a half, intellectual battles over Russia's future centered on its relations with Europe.

Contemporary debates on Russian identity are rooted in 19th-century disputes between Slavophiles and Westernizers in Russia. In those years, as today, public attention was focused on Russia's relation to and interaction with the West. Problems associated with the multi-ethnic composition of the Russian Empire, relations between Russians and other peoples, as well as the boundaries of the Russian people, did not play a significant role in discussions between Slavophiles and Westernizers, which later became traditional for discussions among the Russian intelligentsia.

Characteristically, specific problems of ethnic minorities in Russia were first viewed from relatively consistent theoretical positions not in intellectual salons of St. Petersburg or Moscow but in the Kiev-based Brotherhood of Saints Cyril and Methodius. The tone in those discussions, which began in 1846, was set by Ukrainian poet and public figure Taras Shevchenko and Russian scholar Nikolai Kostomarov, who studied the history of Ukraine. Neither of them could even conceive of a separate existence of Slavic peoples. Moreover, Shevchenko and Kostomarov advocated the establishment of a pan-Slavic federation of liberal states, which would include Russia, Ukraine, Poland, Bohemia, Serbia and Bulgaria. In those times, no one viewed what is now Belarus as a separate country, even potentially.

In 1869, Nikolai Danilevsky made an attempt to combine the ideas of Slavophilia, Pan-Slavism and imperialism in his work *Russia and*

Europe. According to Danilevsky, the common Slavic culture could serve as the basis for a leading role of Russians in a future federation of Slavic peoples, with its capital in Constantinople. This concept revealed a supranational, civilizational tendency in the development of Russian identity.

There was one more significant intellectual development in the 19th century that left an important imprint on later discussions: the idea of the “universal” character of the Russian identity. Started by Slavophiles, this idea was developed by Dostoyevsky, who wrote in his famous 1880 sketch on Pushkin: “For what else is the strength of the Russian national spirit than the aspiration, in its ultimate goal, for universality and all-embracing humanitarianism?” In his deliberations, Dostoyevsky, like both Slavophiles and Westernizers, referred only to Europe: “Yes, the Russian’s destiny is incontestably all-European and universal. To become a genuine and all-around Russian means, perhaps (and this you should remember), to become brother of all men, a universal man, if you please.” Dostoyevsky expressed, with an amazing passion, some important features of Russian national self-consciousness of his time: its openness, supranational nature, and messianism. Dostoyevsky admired Pushkin’s ability to understand the whole of European culture and place it into the Russian soul. The universalism of Dostoyevsky is akin to the “chosen people” philosophy of the Jews and Americans. As a rule, it is easily combined with paternalism with regard to other nations.

Meanwhile, Russia’s policy in the 19th century was determined not by the ideas of Danilevsky or Dostoyevsky but by the “official nationalism” doctrine formulated by Count Sergei Uvarov. “Orthodoxy, autocracy and nationality” were proclaimed the pillars of the empire. The third principle of the triad – “nationality” – was the vaguest one. The main question of the times remained unresolved: Was the Russian Empire a state of Russians and for Russians, or was it a supranational entity that required from all only the same loyalty to the monarchy?

Slavophiles and Westernizers, Danilevsky, Dostoyevsky, Uvarov, and others were interested in Russia’s place with regard to Europe, Slavic unity and the universe, but not to other peoples in the empire. They held that “Malorossy” (Ukrainians), “Belorossy” (Belarusians) and “Velikorossy” (ethnic Russians) were one Russian people, while all other ethnic

groups in the empire were ignored in their theoretical studies. Obviously, the neglect of developments in the empire's western regions, especially in Poland where ethnic consciousness was growing at the time, was an intellectual mistake.

When the formation of nations began to gain momentum in the second half of the 19th century, the Russification policy began to acquire increasingly visible outlines, becoming particularly active in the reign of Alexander III. There was an obvious shift from the de-ethnicized mindset of the imperial court, which was primarily concerned with subjects' loyalty to the tsar, to ethnically colored attempts to turn non-Russians into Russians or, in other cases, to ensure the primacy of Russians over other "awakening" peoples. This shift created prerequisites for the emergence of Russians as a separate nation. Nevertheless, by 1917, when Russians' loyalty to the throne was close to zero, they still were not a close-knit nation in the modern sense of the word.

Russian philosopher Pyotr Struve wrote: "The collapse of the monarchy... showed the utter weakness of national consciousness in the very heart of the Russian state – among the masses of the Russian people." Surprisingly, like Slavophiles seventy years earlier, Struve ignored the problems of the composition of the Russian Empire's population and the place of ethnic Russians in the state as issues of paramount importance. Similarly, the leader of the Constitutional Democratic Party of Russia, Pavel Milyukov, wrote about the formation of one Russian supra-ethnic nation, while underestimating the national awakening of non-Russian peoples in the empire.

In the 1920s, after the Bolshevik Revolution in Russia, a group of young intellectuals in exile (Pyotr Savitsky, Nikolai Trubetskoi and others), who called themselves Eurasianists, made an important contribution to the discourse about Russian identity. In their search for the origins of the Russian nation, they did not limit themselves to Slavic roots and argued that Turkic and Ugro-Finnic elements played an important role in the Russian nation's development. They were the first to include non-Slavic peoples in theoretical studies into Russian identity. According to their theory, Russia emerged on the basis of common geographical space and self-consciousness; it was neither European nor Asian – it was Euro-Asian. Although members of the Eurasianist school had sig-

nificant differences with other theorists, they continued the tradition of a supranational, non-ethnic approach to the definition of “Russian-ness.”

Bolsheviks were the party that gave the greatest attention to the “nationality question.” They proclaimed the Russian Empire a “prison of peoples,” denounced “Great-Russian chauvinism” and proclaimed the right of all peoples of the country to self-determination. However, contrary to the principles they declared, Bolsheviks gradually re-established a centralized state within borders that actually coincided with the borders of the Russian Empire. The price that had to be paid for this was the suppression of ethnic Russian nationalism and the creation of national-territorial administrative units for other peoples of the former empire, who were granted various degrees of autonomy.

Bolsheviks made considerable concessions to non-Russian ethnic groups, providing them with ethnic territories and giving them the right to self-determination, in order to secure their support. They were confident that Russians, as a more “advanced” nation, shared their social ideals and did not need such concessions.

When it became obvious that a “world revolution” would be a long-term goal, concessions to non-Russian ethnic groups that populated the Soviet Union became permanent. The centralizing role of the Soviet Communist Party served as the main counterweight to the ethno-national federal system. When Mikhail Gorbachev came to power, the party’s influence began to weaken, and the state began to fall apart.

NATION - STATE BUILDING AS A POTENTIAL SECURITY THREAT

Many people in the West believe that Russia will cease to be a source of threat to the world and to itself when it gives up its imperial ambitions and becomes a “normal” European nation-state. They view the vague boundaries of the Russian people as a disturbing and threatening phenomenon which may lead to attempts to restore the empire. In contrast, they view a nation-state as a time-tested, familiar and peaceful alternative. This approach does not take into account many serious threats to international security, which may arise as a result of mechanistic attempts to put Russia on a par with its neighbors.

In the process of nation-building, the crucial questions are who should belong to the nation and what its borders should be. The most destructive features of any nation-building process were the absorption of ethnic and religious minorities or the destruction of large political entities (as a rule, multi-ethnic states). The feeling of ethnic commonality and solidarity too often was based on hostility towards others. The borders of any Western state and their nations formed as a result of numerous wars, outbreaks of internal violence, or combinations of both.

For Russia, an attempt to build a nation-state on the ruins of the empire would inevitably mean a challenge to its federative structure, which includes many ethno-territorial administrative units, and would call into question its external borders, which are based on artificial administrative borders established years ago by Bolsheviks. There is no doubt that such an attempt could easily undermine the entire system of regional and global security.

The ethnic identity of Russians became more noticeable as the imperial shell fell off after the Soviet Union broke up. Russian ethnic nationalism is not a well-organized political force at the moment, yet it may rise quickly, especially if the goal of nation-building becomes part of the political discourse. The term 'nation' traditionally has a strong ethnic, not civic, connotation in Soviet and post-Soviet academia, public opinion, and politics. As it has often happened in European history, common culture may at some point be perceived as a natural political boundary, which can become a springboard for demands to unite all Russians under one political roof.

The redefinition of Russia in more specific ethnic terms, as has happened in many other Soviet successor states, may become the most dangerous undertaking in its entire history – mainly because the implementation of this project would inevitably bring about a revision of post-Soviet borders. The essence of an ethno-nationalist program may be the restoration of geographical congruence between the state and the nation, and the creation of a new political entity on the territory where ethnic Russians and some other East Slavs live. This would mean the reunification of Russia, Belarus, part of Ukraine, and northern Kazakhstan. Interestingly, Alexander Solzhenitsyn called northern Kazakhstan “Southern Siberia and Southern Urals (or Trans-Urals).”

One cannot say that such ideas were advocated only by fringe politicians. There were several attempts in the period from 1998 to 2001 to embody such ideas in legislative initiatives. The State Duma discussed several bills, including *On the National and Cultural Development of the Russian People*; *On the Right of the Russian People to Self-Determination and Sovereignty in the Entire Territory of Russia and to Reunification in a Single State*; and *On the Russian People*, but none of them was adopted. Reality put very different tasks on the agenda, and the pragmatism of the Russian elite prevailed over ideological constructs of individual political groups each time.

After the establishment of tough presidential control over parliament in 2003, the issue of the divided Russian nation and its right to reunite was marginalized. Nevertheless, the Communist Party included a thesis on the divided Russian people in its program and reiterated its commitment to this idea at its recent 13th Congress. The program of the Liberal Democratic Party still contains a demand to recognize Russians as a divided nation. Some members of the United Russia party, especially State Duma deputy Konstantin Zatulin, keep saying that the Russian people are “the largest divided nation in the world.” Numerous websites and the nationalist part of the blogosphere actively popularize these ideas.

A civic nation is an alternative to an ethnic nation. Milyukov and Struve wrote about the formation of a pan-Russian nation before the Bolshevik Revolution. Today, Russian scholar Valery Tishkov insists that a modern Russian civic nation already exists. Amid the domination of ethnocentric approaches, this discourse is highly useful. At the same time, a Russian civic nation is rather a project, a vector of the possible development, and one of the trends. There are large groups of people in the country who view themselves as citizens of the Russian Federation but belonging to a nation other than Russian – Tatar, Ossetian, and so on. The Russian Constitution codifies this situation. In addition, there are very many fellow Russians living abroad, who consider themselves to be part of the Russian nation. The development of civic identity also delegitimizes the present borders of Russia, as it calls into question the need for the Soviet Union’s destruction: Why was it believed that a democratic state could not be built on civic principles in its former borders?

To build a real civic identity, a nation must have legitimate and, desirably, historically grounded borders, as well as stable and effective state institutions. The all-Russian nation within the present borders of the Russian Federation is young, unstable and weak. Regular elections, political parties, common social and economic problems, and politics could gradually become a shell for a new political nation. However, the actual absence of democratic institutions and a host of unresolved issues between ethno-territorial entities of the federation and the center are serious obstacles on this path. The North Caucasus provides an extreme example of the difficulties that efforts to build a common civic identity may face in Russia. This is an obvious threat to the security of not only Russia but the whole world.

A nation-state is a very specific phenomenon which does not – and probably never will – exist in most of the world. Should Russia (or any other modern state) repeat, step by step, the path of Western European countries, which they covered two centuries ago? Is there an alternative to building a nation-state in today's Russia?

CIVILIZATIONAL DIMENSION

The ethnic and supranational principles will continue to coexist in Russian identity in the foreseeable future. The question is, what form will these principles take? How will they correlate with each other? And what consequences will this have for international security?

A supranational project in any form – be it an empire, the Soviet Union, a Slavic-Orthodox civilization, or Dostoyevsky's "universal" man – is always a product of the elite. The idea of a nation, ethnic or civic, is more democratic. If Russian society becomes more democratic, the balance between the two principles may change in favor of "ethnic." That would be quite in line with global tendencies. In that case, the idea of a "divided nation" may take center place in the country's foreign policy, which may have catastrophic consequences for stability in the region.

The intellectual challenge posed by Solzhenitsyn to the supranational tradition in its imperial and Soviet forms until very recently remained unanswered. However, beginning in 2008, for the first time since the Soviet Union's breakup, the Russian government began to speak in terms

of a large supranational project. More and more often, the ideological fundamentals of the foreign policy were formulated in terms of civilizational affiliation of the country. Continuing the tradition of the 19th-early 20th centuries, Russia has arrived at this understanding not through the comprehension of the “division” of Russians and their interaction with neighboring peoples, but as a result of its strained relations with the West. The failure of attempts to become an independent part of the Greater West and the realization that these plans may imply more than a momentary situation on the international arena caused Russia once again to think about its place in the world. In addition, the claim to the status of a Great Power forced Russia's leadership to try to formulate its foreign policy objectives in terms that go beyond national interests.

Ideologically, the concept of civilization has proved to be very close to the Russian authorities. In the 19th century, it was usually conservatives, above all philosophers Nikolai Danilevsky and Konstantin Leontiev, who spoke about a special Russian civilization. The late Samuel Huntington thought in similar terms. Alexander Dugin has long been arguing that Russia is not a country but a civilization. The idea of civilizations is not very compatible with liberal concepts of globalization and the universality of democratic values.

To date, the Russian authorities have formulated two possible approaches to Russia's civilizational affiliation. One was set forth by President Dmitry Medvedev in his speech in Berlin in June 2008: “The end of the Cold War made it possible to build up genuinely equal cooperation between Russia, the European Union and North America as three branches of European civilization.” Russian Foreign Minister Sergei Lavrov, however, said that the adoption of Western values is only one of two basic approaches to humankind's development. In his words, Russia advocates a different approach, which suggests that “competition is becoming truly global and acquiring a civilizational dimension; that is, the subject of competition now includes values and development models.” In his letter to a Latvian Russian-language newspaper in the summer of 2009 Lavrov used the term “Greater Russian civilization.”

However, there is an impression that the Russian authorities do not see much contradiction between these two approaches and view them not as mutually exclusive but as complementary. One approach is

intended for the West, while the other is intended for neighboring states and fellow Russians abroad. On the one hand, the concept of Russia as a separate large civilization allows it to easily parry criticism of its undemocratic polity. On the other hand, it lets Russia interpret the “Russian question” in the modern, 21st-century spirit: “The Russian civilization is our state together with the Russian World, which includes all those who gravitate to Russian culture.” In this context, the “divided nation” idea sounds archaic. The choice between the two approaches to Russia’s civilizational affiliation will ultimately be determined by pragmatic considerations centered, as always, on Russia’s relations with the West, rather than with its immediate neighbors.

In 2009, the Russian Orthodox Church joined in discussions about Russia as the center of a special civilization. Patriarch of Moscow and All Russia Kirill began to pose not as the head of the Orthodox Church of Russia and Russian people but as a supranational spiritual leader of “Holy Russia,” which comprises Russia, Ukraine, Belarus, Moldova and – on a broader scale – all Orthodox Christians. Continuing in a way Konstantin Leontiev’s Orthodox conservative tradition, the patriarch has obviously set out to preserve the East Slavic civilization, while respecting the present political borders and existing cultural differences. The latter circumstance is a new aspect in the policy of the Russian Orthodox Church. During his visit to Ukraine in August 2009, Patriarch Kirill often addressed his congregation in the Ukrainian language and called Kyiv “the southern capital of Russian Orthodoxy,” rather than just “the mother of Russian towns.” Eighteen years after the break-up of the Soviet Union, the Russian Orthodox Church is now the only institution that still unites Russia and a large part of Ukraine.

For Patriarch Kirill, Orthodoxy cannot be reduced to “Russian faith” only. This is a major change from the previous years when Orthodox hierarchs were favorably disposed towards the “divided nation” concept, which, of course, looks much more provincial than the idea of spiritual leadership in an entire civilization. Symbolically, Patriarch Kirill has ordered that the flags of all states within the Moscow Patriarchate’s jurisdiction be put on display in his Throne Room, instead of just the flag of the Russian Federation. In 2009, the Russian Orthodox Church showed itself as a major participant in the discourse on Russian identity and on

Russia's relations with neighboring states and the rest of the world. Orthodoxy has begun to play the role of one of the most important institutions for preserving supranational principles in Russian consciousness and maintaining the unity of civilizational space in Eurasia.

However, a situation when the broad and diverse Russian supranational tradition will be reduced to the activities of the Church may inflict serious geopolitical damage. Many Russians and other East Slavs are secular or only nominal Orthodox believers, and they are not ready to determine their identity exclusively by religious factors. There also arises the issue of neighboring countries that are predominantly Muslim, though often technically, but which, at the same time, belong to the Russian civilizational space – these countries include, above all, Kazakhstan and Kyrgyzstan.

For Russia to be able to “influence the surrounding world through its civilizational, humanitarian-cultural, foreign-policy and other attractiveness,” as Lavrov said, it should use the universalist, humanitarian tradition of Russia's intellectual heritage. If Russia does not offer universal human values to the world, it cannot hope that it will learn to use “soft power” in international relations.

However, historical experience shows that, even if Russia uses universalist principles in projecting its image to the international arena, it may meet with a negative reaction. Indeed, over the past three centuries, Russian “high” culture evolved within the frameworks of an empire, and “universality” was its key characteristic. On the one hand, this helped it to gain worldwide recognition. Far from being “provincial” or “narrow-minded,” it easily absorbed the achievements of other, primarily European, cultures and made outstanding contributions to humankind. On the other hand, the attempts to include “everyone and their brother” in a boundless, “universal” Russia through culture and other things have constantly come into conflict with aspirations of neighboring peoples, most of whom do not want to become “universal”, seeing de-facto Russification behind such “universalism” and perceiving it as a threat to their very existence. Historical and cultural messianic traditions stand in sharp contrast to the new geopolitical situation in which Russia has found itself today.

Russian identity will grow out of the existing historical legacies and deep-rooted cultural traditions, while at the same time adjusting itself for a new vector of global development.

Where Is the “Pilot Region” Heading?

Kaliningrad’s Present and Future

Vadim Smirnov

In the first part of this decade the problems of Russia’s westernmost region occupied a major position on the agenda of Russian-European talks, but gradually the topic moved into the “long shot” category. An idea capable of laying the groundwork for the Kaliningrad Region’s long-term development and facilitating the maintenance of the Russian Federation’s territorial integrity has not been identified to date. In spite of an array of multifarious political statements and expert conclusions, no practical solutions to the Kaliningrad problem in the format of Russia-EU relations have been found.

A DUAL PERIPHERY

The Kaliningrad Region can be called a “war child.” Eastern Prussia with its capital Königsberg would not have had such a knotty history if Germany had not lost World War II. After getting hold of an ice-free Baltic seaport, the Soviet Union turned it into a foothold for the Soviet Navy and fishing industry, which was the backbone of the regional economy for many years. The agricultural sector was added somewhat later. After the breakup of the Soviet Union the region found itself in completely new and hitherto unseen geopolitical conditions. The region had been torn away from the “mainland” and remodeled into an exclave.

Such a possibility was considered at the highest political level as far back as 20 years ago, but it was regarded as unrealistic then. According to

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Yuri Semyonov, former chairman of the Kaliningrad Region Council who now holds the post of deputy speaker in the regional legislature, met with Mikhail Gorbachev and Soviet Prime Minister Nikolai Ryzhkov in 1990 and proposed creating a 99-kilometer-long transport corridor from the region to Grodno in Belarus. The project included the construction of a major highway, railway and communication lines. Ryzhkov supported the proposal, but Gorbachev rejected it and told Semyonov not to panic. The idea of the corridor was never discussed again.

The new Russian reality put forth a different set of demands to the region's economy than those it had faced previously. At first the region got the regimentations of a free economic zone and then of a special economic zone (SEZ). The region was gradually transformed from a garrison closed to outside visitors into a big "assembly workshop" where preference was given to import-substituting production facilities. They became the Kaliningrad Region's calling card, but time showed that the model was far from ideal. Moreover, it appeared quite vulnerable to the cravings of the bureaucracy and the "mainland" lobbies. Russia's westernmost region still suffers from the so-called "dual provincialism" – being in the periphery of both Russia and Europe, although it is confident that it is Russia's most profoundly European territory.

Kaliningrad officials were not alone in contemplating the future of the exclave. This was also a headache for Moscow and the EU. To get an answer to this complicated question, one must understand what Russia, Kaliningrad and the EU are seeking and how their sometimes multidirectional interests could be matched.

A SPECIAL POSITION – IN THEORY

One might think that Russia's interest towards the Kaliningrad exclave is all too obvious. It wants to preserve the region inside the country and implement an economic model here that would prevent the region from sliding back to the position of a "black hole" and that would be advanced in the ideal. It looks like the promotion of Russia's interests at the inter-regional level in the EU (or in the format of Euroregions) is not on the agenda. Back in the summer of 2001, the Russian Security Council, chaired by President Vladimir Putin, reviewed the situation in the Kaliningrad Region and placed the main emphasis on the economy. Political

versions of untangling the problem were discussed then as well (the appointment of a special plenipotentiary representative for the region instead of a governor or creating an eighth federal district specially for Kaliningrad), but all of them were dismissed.

Eventually half-measures were chosen. In April 2001, the position of a deputy Russian presidential envoy to the northwest of Russia in charge of the Kaliningrad Region was established, and a decision was made to rely on the economy. The regional authorities were advised to work out a model of interaction between Russia and Europe. It was admitted that the free economic zone was not bringing strategic benefits, but only short-term economic effects, while leaving the task of constructing a new economy unresolved. It was planned that a special session of the Security Council would work out *The Guidelines of the Federal Policy towards the Kaliningrad Region*. However, no document of this kind has been produced so far.

Instead, the exclave has been offered a series of surrogate slogan names like a “pilot region” or a “transport hub.” They only state the presence of a problem and do not offer any political solutions. The special economic zone and *The Federal Task Program for the Development of the Kaliningrad Region* (unlike other special federal programs targeting one region or another, this one’s budgetary funding was slashed due to the financial crisis, but was not suspended altogether) make it possible only – figuratively speaking – to “repair the coaches while the train is moving.” The Kaliningrad Region’s special status is acknowledged in theory only, and the absence of a fundamental program document does not give the authorities an opportunity to raise its development to a new level. Possibly, the genuine reason for this is that Moscow fears that some regions (for instance, constituent regions located along the border and some republics) may stage a “parade of sovereignties” once the special status of the Kaliningrad exclave is confirmed by a high-level document (for example, by a federal or constitutional law). Russia has laws *On the Special Economic Zone in the Kaliningrad Region* and *The Federal Task Program for the Development of the Kaliningrad Region*, but the exclave does not receive the support (financial or institutional) from the federal center that it could count on. Various regulatory acts actually cross out the special conditions of economic activity inherent in SEZ status, and this has more than once aggravated the situation in the region since the middle of the 1990s.

The Kaliningrad problem was topical at the federal level early in this decade when the EU was getting ready to absorb Lithuania and Poland in the course of another phase of its "enlargement" (these countries envelope the exclave that does not have a land border with the rest of Russia). The visa-free travel to Poland and Lithuania that the residents of the region had enjoyed previously was no longer possible after visa requirements were introduced. A regulation for simplified visa formalities concerning free and multiple-entry visas was introduced on several occasions, but eventually it was shelved after both neighboring countries joined the EU's Schengen Agreement. Initially, the post of Russian presidential envoy to Kaliningrad was held by Dmitry Rogozin (currently Russia's Ambassador to NATO), but later this function went over to presidential aide Sergei Yastrzhembsky, who chaired an interdepartmental work group for the development of the Kaliningrad Region that reported to the Kremlin. The Kaliningrad problem was left hanging in midair when Yastrzhembsky left government. It has been called for only on certain occasions, like when the idea was voiced of deploying Iskander missiles in the exclave as a response to the U.S. third missile deployment area in Eastern Europe.

WHAT DOES KALININGRAD WANT?

The lack of a solid foundation that would determine the region's status makes the legislative regulation of life in the exclave defective. Since guidelines for the federal policy towards the Kaliningrad Region never appeared, they could be substituted with a federal constitutional law on the Kaliningrad Region's special status. Some local experts recommend that the foundation be laid by a special Russian-EU agreement on the Kaliningrad problem. However, this option seems to be unlikely, since the two parties are still at odds over a new Partnership and Cooperation Agreement (the sixth round of talks on it was held at the beginning of October in Brussels). In the meantime, a federal constitutional law (even though its adoption is possible only if political will is shown at the very top) could play the role of an "umbrella" for both the federal law *On the Special Economic Zone in the Kaliningrad Region* and *The Federal Task Program for the Development of the Kaliningrad Region*, protecting them from attacks by all kinds of lobbyists.

It has happened many times that some novelty or another conceived at the federal level caused big headaches for the Kaliningrad exclave. One such instance over the past year was the internal reform of the customs agencies. Or, take the new technical regulations for firefighting precautions that took effect in May 2009. This document actually paralyzed the operations of Kaliningrad furniture companies, as trucks carrying their products got stuck on the border, bringing the manufacturers to the brink of shutting down (note that the regional furniture-making industry, which accounts for 8 percent of all furniture made in Russia, plays a significant role in the exclave's economy). As for the solution to the problem of firefighting precautions, it had to be settled at "fire sale" speed: the situation demanded the efforts of the region's top officials who proved to the federal center that the technical regulations needed to be reconsidered as they did not take account of Kaliningrad's special conditions. It seems that the regional authorities have the permanent job of proving the region's specificity.

Regional experts see a way out of the situation in changing the region's status. Some of them promulgate ideas outside the juridical field of the Russian Federation (for instance, one local political party, now banned, wanted to declare the region a fourth Baltic republic). Others demand that the exclave be granted the status of an overseas territory similar to the French island of Reunion or the British Channel Islands. Still others are mulling over a greater presence of the federal authorities in the region (for instance, giving the regional governor the status of a Russian deputy prime minister and introducing an annual compensation of around 10 billion rubles for the exclave's isolated existence).

Kaliningrad Regional Governor Georgy Boos said in the fall of 2008 that he would ask Russian President Dmitry Medvedev to institute a position in the presidential staff of an official with the special duty of overseeing Kaliningrad affairs. He believed this might help eliminate the bureaucratic conflict of interests. A year has elapsed since then, but the absence of public statements on the issue suggests that no decisions have been made.

Generally speaking, Kaliningrad pinned big hopes on Georgy Boos. When he assumed the governorship of the territory in the fall of 2005 after resigning from his position as Vice Speaker of the State Duma, many thought that a politician from the top federal level would have

enough power to end the Kaliningrad stalemate. The past four years have shown that there is no movement in the institutional sphere, although the region has begun to get a little more finance from the center for large-scale projects – those which are often not welcomed by local residents. But the decision on the choice of the ideology for the exclave's development has been postponed – indefinitely it seems (this is not surprising since the final word always rests with Moscow whatever the strength of the regional resource).

Instead, the Kaliningrad Region has been offered an array of mega-projects which are expected to improve the economic situation there in the next few decades – if Russian-EU relations remain at the current level or even if they worsen. The list of projects includes: the construction of a nuclear power plant that would also export energy, a gambling zone, an amber exchange, a cargo air junction, an oil refinery, etc. The projects are based on the idea of turning the region's half-illicit economy into an economy of steeply rising financial gain (even though pegged to a large-scale, but solitary, project) through the optimization of internal resources and reliance on major foreign investors. Alas, all the ideas, which their initiators viewed as would-be locomotives for the local economy, are far from being implemented, while some of them have proven shallow. Meanwhile, life in the exclave is becoming increasingly more expensive. The cost of energy, housing, public utility services and food-stuffs, as well as inflation are among Russia's highest. The slogans suggesting that living standards in the Kaliningrad Region must be comparable with those in Lithuania and Poland remain only words.

A CLEAR MESSAGE IS BEING SENT

One might get the impression that the EU has gradually withdrawn from discussions about the exclave's future (although no other Russian region depends so heavily on what their neighbors do, for example, in the sphere of travel visas or transit cargo). In the meantime, the EU and Russia issued a joint statement in November 2002 where the EU pledged to render technical and financial assistance to Russia's efforts to support the exclave region's social and economic development. The commitment embraced, among other things, improvements in border crossing procedures and border infrastructures. Ideas budded then of creating a European fund for

Kaliningrad's development with an annual budget of 40 million euros, but they were abandoned. Likewise, no efforts have been taken to harmonize regional and European legislation, although such attempts were made previously. A proposal to launch a visa-free high-speed rail link between Kaliningrad and Moscow has sunk into oblivion. A special subcommittee for the region's development, which European Commission President Jose Manuel Barroso proposed setting up in the format of the Russia-EU Partnership and Cooperation Agreement at one of the Russia-EU summits, is not functioning at the level that was meant.

As a result, the EU's presence in the region is confined to administering joint projects, like the construction of sewage treatment facilities in the town of Gusev, and cultural events like movie festivals. Thus it seems that a clear message is being sent: the Kaliningrad exclave is Russia's problem and not the EU's. However, the EU is not letting the westernmost Russian region get out of the zone of its attention. For instance, Lithuania has taken on the self-assigned duty of a solicitor for Kaliningrad, something that Lithuanian diplomats have stated more than once. It is also true, though, that the soliciting does not go beyond rhetoric, as the problems of easing visa requirements and revising tariffs for transit cargo are far from being resolved.

AN EXCEPTION TO THE RULE

As a replacement for all of this, Kaliningrad residents are again offered surrogates, like the mechanism of the so-called limited cross-border travel, which means admitting the people living within a zone of 30 to 50 kilometers along the state border into a zone of the same depth in the neighboring country. All the appeals on the part of the Russian Foreign Ministry to resolve local visa problems more radically (for instance, to issue national Lithuanian visas to all Kaliningrad residents, as this does not run counter to Schengen legislation) have not found much support. The same concerns the proposals of the Kaliningrad regional Duma to introduce visa-free travel to the exclave for EU citizens on a reciprocal basis.

The latter idea, however, has problems concerning its juridical interpretation. On the one hand, the Russian Constitution provides equal rights to all Russian citizens and makes all the constituent territories equal as well, while the introduction of simplified travel regulations for

Kaliningrad residents only may put them at an advantage compared to other Russians. On the other hand, the exclave's residents have for years been living in a more difficult situation than other Russians. Their right to free travel has been infringed on (Russian officials pointed this out to the European Commissioner for Human Rights, Thomas Hammarberg, who visited the region in the fall of 2008). No Russian citizen living in the "mainland" has to cross the territory of a foreign country (Lithuania, a member of the EU), obtain a passport for foreign travel, get a travel visa or a "simplified travel document" (the issuance of which can be denied by the way) when making a trip from his or her place of residence to Moscow. Moreover, in the past Moscow was "probed" for the possible introduction of fees for the "simplified travel documents" and for compounding their issuance with requirements that could reduce the entire transit mechanism to naught.

Incidentally, exceptions for the Kaliningrad Region in federal legislation were already made before (for example, local residents were exempt from fees for getting passports) and that is why there seems to be no reasons that would prevent the government from doing the same thing again. But unless we get a clear concept of the region's development we cannot get a clear answer to the question of why we should open the border and put Kaliningrad at risk of turning into a transit base for illegal migrants. The introduction of a limited cross-border travel zone will hardly make us consider the Kaliningrad visa problem settled *de facto*, although it will provide grounds for claiming that the issue is resolved *de jure*, thus setting the stage for complications in the future. Also, it will make the lives of Polish and Lithuanian shuttle traders much easier.

THE NEW PRUSSIANS

Kaliningrad's offbeat challenges, which spread beyond the region's boundaries (and, incidentally, have not been identified or estimated in full measure), testify to the importance of a radically different approach to the situation. The exclave's problems are neither technical (as they are not confined to travel visas or transit via EU territory), or economic (since they are bigger than just questions of transit fees or the construction of the Baltic nuclear power plant), or exclusively political. It also has a socio-cultural meta-dimension.

The Kaliningrad Region was created by people who resettled from different parts of the former Soviet Union and its population is not autochthonous. Obviously, the people who moved there more than half a century ago did not accept the Prussian-German legacy – the half-destroyed Koenigsberg Castle was blown up and erased from the face of the earth in the mid-1960s, while numerous architectural monuments and churches still lie in ruins. The restoration of many of them has just begun, as the Kaliningrad Region was opened to foreign tourists in the early 1990s, which produced a surge of nostalgic tours from Germany.

This fact adds a special “flavor” to the Kaliningrad problem. The past few years have revealed a growing tendency among the locals who regard themselves to be intellectuals – especially among creative professionals – to demonstrate their solid knowledge of the region’s pre-Soviet history as a matter of courtesy. There are also people who use historical German geographic names in everyday life (and they cannot be called solitary militant Germanophiles). Does this mean that we are witnessing a qualitative break of the exclave’s population from the rest of Russia? Or will Kaliningrad residents produce a symbiotic Russo-European culture and create new *genius loci* instead of the German one?

One way or another, it is clear today that immersion in the historical and cultural heritage of one’s predecessors unites contemporary residents of the region as much as the aversion against all things German united their fathers and grandfathers. This transformation of local consciousness has not passed unnoticed by the former masters of the territory. Guido Herz, Germany’s Consul General to Kaliningrad, said shortly before accepting a new appointment that he fully realized that people had come there from all parts of the former Soviet Union and they did not have a common denominator other than the German past of that territory. Hence their willingness to put their place of residence into an unusual and more interesting light, as if it were something special, is easy to understand, the diplomat said.

COMMITTED ATTENTION

In this context, the presence of the Russian federal center through numerous official institutions in the Kaliningrad exclave and, on top of that, its committed and efficient attention to the region’s problems is of

critical significance. In the first post-Soviet years, the Russian Navy's Baltic Fleet served as tangible proof of the interconnections between the region and "mainland" Russia, but now this role is performed to a much greater degree by the Russian Orthodox Church.

Intensive development and consolidation of the Orthodox Christian faith in the Kaliningrad Region (which did not have any Orthodox churches before the mid-1980s, a fact that compelled the residents needing spiritual guidance to make trips to neighboring Lithuania) and the long personal relationships of some hierarchs of the Moscow Patriarchate (Patriarch Kirill, in the first place) with the territory creates the sensation that there is a real Russian presence in that remote place. Proof of the special significance that the Russian presence has for the region could be seen in the painful reaction from the local authorities a few years ago to the demand of supervisory agencies that Russia's national emblem be removed from the Mayor's Office in Kaliningrad and then from the building of the Baltic Fleet's Staff. It looks like the Russian Church has a much greater awareness of the uniqueness of Kaliningrad challenges than secular top-level agencies. One of the testimonies to this can be found in Patriarch Kirill's decision to keep the diocese of Kaliningrad under his personal governance. Along with this, one should not overlook the competition posed by the Roman Catholic Church (especially in what concerns claims remaining from the pre-Soviet era to church property). This certainly makes the religious factor more acute.

Still, it is the secular authorities that will have to decide on the ideology for developing the Kaliningrad Region. They will have to devise it in the absence of a strategic vision of mutual relations on the part of both Russia and the EU. This is not a simple thing to do, especially as they are not making any headway in relations. There have been numerous attempts over the past twenty years, but all of them have ended up in half-measures. Apparently, the past approaches aimed at "mending the holes" and "whipping at others' tails" (and this is what happened after Lithuania and Poland's accession to the Schengen zone) are not working and that is why we must try to make a forecast for the situation and see its prospects. The Kaliningrad exclave's problems are becoming more complicated and there is a risk that they may grow from a small bundle of contradictions into a big tangle of interstate controversies.

Twenty Years of Drifting Apart

What Brought Russia and Georgia to War

Nikolai Silayev

April 9, 1989 became a pivotal date not only for Georgia. The dispersal of a demonstration on Tbilisi's Rustaveli Avenue began the countdown for the last days of the Soviet Union. This was the first instance in which the use of the Soviet Army against ordinary Soviet citizens became a phenomenon of public politics with all the ensuing repercussions for the Communist regime. The events of 1962 in Novocherkassk or of 1986 in Alma-Ata were little known to the public at large, while the upheavals in Baku in January 1990 and Vilnius in January 1991 were still ahead.

Russian democrats happened to be the most influential allies of Georgia's radical nationalistic movement headed by Zviad Gamsakhurdia. Anatoly Sobchak, the chairman of a commission set up by the Congress of People's Deputies to investigate the events in Tbilisi, made a decisive contribution to turning the tragedy into a factor that eventually delegitimized the all-Union center, the CPSU and Mikhail Gorbachev personally.

Two years later, in spring 1991, Boris Yeltsin, then Chairman of the Supreme Soviet of the Russian Federative Republic, sided with the authorities in Tbilisi when the Georgian-Ossetian conflict was gathering momentum. Gamsakhurdia and Yeltsin signed a protocol that

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included a proposal for the withdrawal of Soviet troops from what was then Georgia's South Ossetian Autonomous Republic. Officials in Tbilisi recall that Yeltsin also insisted that the Abkhazian issue was Georgia's internal problem.

In the waning days of the Soviet Union, nothing foreshadowed that a military conflict between Russia and Georgia would erupt in twenty years, that Moscow would recognize the independence of Abkhazia and South Ossetia, that diplomatic relations between the two countries would be broken, or that a "centuries-old friendship" would decay to a point where even toasts to it would not sound convincing.

SOVEREIGNTY AND MISSION

Georgia differs from many other post-Soviet countries not only because it has a deeply rooted tradition of national statehood but also because this tradition was interrupted within a historically observable period, after the Georgian principalities had joined the Russian Empire. This factor sets a certain frame to construing the country's contemporary political identity; specifically it prompts the Georgian political class to emphasize the value of sovereignty. On one hand, state sovereignty is the main guarantee for maintaining national identity and traditions (incidentally, Abkhazians view it in much the same way), but on the other sovereignty is a rather fragile thing, vulnerable to external encroachments, that is, attacks from Russia. Limitations on sovereignty are possible, but only as part of a "love match," as the leader of the Georgian Republican Party, David Usupashvili, put it. Sovereignty cannot be a subject of rationalistic arrangements. That is why integration in NATO is desirable even though it implies some limitations on national sovereignty, while a union with Russia is ruled out.

Aside from external threats, there is also an internal threat to sovereignty. The Georgian political class inherited a poorly integrated country at the end of the 1980s and the beginning of the 1990s. Its territory was home to many ethnic minorities and noticeable differences existed within the core Kartvelian ethnos itself. The novel *Moon Stealing* authored by Konstantine Gamsakhurdia, the first Georgian President's father, shows graphically the difference between life in Tbilisi and in the highlands of Svaneti province. Georgian political unity (in contrast to

ethnic, historical or cultural unity) was a project rather than a reality at the time. Moreover, it was a project conceived by a thin layer of intellectuals and it was theoretical and excessively emotional.

In addition, the Georgian national independence movement faced the danger of symmetrical moves by the Abkhazians and Ossetes from the very start. The April 9 rally on Rustaveli Avenue began as an act of protest against the famous Lykhny appeal of March 18, 1989, in which the Abkhazians demanded that the status of their autonomous republic be raised to the level of a union republic. This bred apprehensions about the country's integrity and mistrust towards regional and local elites. It also explains why the Georgian authorities rejected so vehemently all proposals that would suggest first a federative and then a confederative status for Abkhazia. Such projects were viewed as a menace to Georgia's sovereignty and integrity. It was also during Zviad Gamsakhurdia's presidency that the authorities outlawed the setting up of regional political parties. In Russia, a country that also has traditional apprehensions for its own territorial integrity, a legislative provision of this kind appeared only during Vladimir Putin's presidency.

"I dream of a time when foreign media mention Georgia only in connection with the quality of services in the tourist industry," a Georgian politician told a group of Russian reporters once. I would venture to say he is in the minority at home. Georgia is an Eastern Orthodox country and the majority of the politician's colleagues seem to feel bored if they have no sizable and – importantly – immaterial mission to accomplish. The game that Mikheil Saakashvili led prior to the Five-Day War in August 2008 and that he seeks to continue even now had a global perspective, whatever ironic remarks Moscow may make in this connection. Making a trump card of the contradictions between Russia and the U.S., imposing on the West the idea of the "containment of Moscow," and making efforts to fit a strategy of regaining Ossetia and Abkhazia into this containment context was a very dangerous, if not irresponsible choice, and Saakashvili had to pay a dear price for it. Still, he revealed a taste for geopolitics, albeit incomparable to his country's resources. Also consider the fact that the Georgians have no propensity for minute accounting of the balance of international forces, which is vital for the Russian political class.

Tbilisi looks at Moscow's apprehensions about the prospects of NATO expansion into the Caucasus as an imperial whim of some kind, devoid of any rationale. The logic suggesting that NATO's expansion to the entire European continent, excluding Russia, will inevitably propel the alliance towards a more active policy against Moscow does not find understanding in Georgia.

One can mock the statements about Georgia being an outpost for the West, which the incumbent Georgian President does often, but let us recall that Georgia was indeed one of the first Christianized states in the world and Shota Rustaveli's works stand on a par with the best of works of his West European contemporaries. Let us also remember that the Crusaders fought under the banners of David the Builder who defeated the Seljuk Turks in the Battle of Didgori in 1121. The importance of the idea of Georgia's return to Europe, as the essence of national history for Georgian society, should not be underestimated. Russia was valuable for Georgia in as much as it facilitated this return, for instance, by opening access to university education. The potential of Russia's Europeanism, as seen by the Georgian elite, was exhausted during the Soviet and post-Soviet years, especially when opportunities arose to get an education at Western universities. This is one of the reasons for the rapid erosion of Russia's positions in Georgia over the past two decades. Whatever references one can make to the times of Irakly II, today's Georgia views Russia only as a strong and dangerous neighbor that holds controlling stakes in Abkhazia and South Ossetia.

The "longing for Europe" has but a feeble relationship to the current Georgian political reality. It is clear that Georgia differs from the majority of former Soviet republics with super-presidential political regimes, conspicuous elements of authoritarianism, nontransparent mechanisms of decision-making and subjugation of courts by the executive only in that it has a more open atmosphere of public discussion. Yet it is not accidental that Eduard Shevardnadze, a typical post-Soviet leader, and Mikheil Saakashvili, who came to resemble his predecessor very quickly, made an unequivocal and demonstrative choice in favor of a pro-Western foreign policy. One should scarcely view this as an accomplishment of U.S. secret services and Western nongovernmental organizations – they worked no less actively in neighboring

countries as well. It looks like both Shevardnadze and Saakashvili pragmatically responded to a fundamental demand of a considerable part of Georgian society as they sought to consolidate power and the ranks of their supporters.

THE TRAP OF REALPOLITIK

The conflicts in Abkhazia and South Ossetia are usually classified as ethno-political ones. However, this view leaves out the fact that each of them entwines, apart from the obvious ethno-political contradictions (like quarrels around the status and rights of an ethnic minority, limits to the right to national self-determination and the essence of that right), a multitude of other controversies variegated in terms of level and character. These range from inter-communal frictions, evidenced in the plight of the ethnic Georgian population of both republics, to geopolitical ones such as the showdown between Moscow and Washington in the wake of Georgia's attack on Tskhinval in August 2008, which encompassed issues that extend far beyond the borders of the region.

Russia's policy towards the two former Georgian autonomous regions over the past twenty or so years is difficult to interpret unless one takes account of the fact that both conflicts have become factors of both foreign and domestic policy for Moscow. The resolutions that the Supreme Soviet and then the Russian State Duma issued on Abkhazia and South Ossetia over the years make one wonder that the Kremlin recognized the two republics' independence only in August 2008 and not earlier. A significant part of the Russian political elite regards support for Abkhazia and South Ossetia as some kind of compensation for the breakup of the Soviet Union, all the more so since the titular nationalities of both republics voted for preserving the Soviet Union in the referendum of March 17, 1991. The international legal recognition of Abkhazia and South Ossetia has always been treated as a symbol of the independence of Russia's foreign policy, its ability to disregard the indignant reactions of the West, and a sign of the country's high geopolitical status. Sovereignty and a high geopolitical status have no smaller importance for the Russian establishment than the significance that the Georgian elite attach to Georgia's independence and to the European choice.

In addition, the Kremlin could not but take account of the close connections that existed in the early 1990s between the Abkhazian national movement and similar movements across the North Caucasus. The Confederation of Mountainous Peoples of the Caucasus that was set up in November 1991 in Sukhum played a crucial role in recruiting and bringing volunteers to Abkhazia. The Confederation posed a serious challenge to the authorities in Russia's North Caucasus autonomous regions and threatened to destabilize the entire region. Moscow was objectively interested in having the Confederation's supporters implement their ideas outside of Russia's borders, especially since the Russian government could not seal the border with Abkhazia reliably enough to prevent volunteers from getting into Abkhazian territory. The outcome was dubious. On the one hand, the outflow of volunteers helped reduce tensions in the North Caucasus republics with a Circassian ethnic component, but on the other hand Abkhazia became a place where many would-be Chechen warlords and field commanders received their first battlefield experience.

As for the foreign-policy dimension of both conflicts, Moscow was undermined by the lack of a strategic approach towards their settlement. It tended to defend Georgia's territorial integrity as long as it faced the problem of separatism in the North Caucasus. This period produced a set of agreements to settle the conflicts. The documents envisioned that, in one way or another, Abkhazia and South Ossetia should return to the jurisdiction of Georgia.

In the early 2000s, when Moscow succeeded in securing a breakthrough in the situation in Chechnya, its priorities changed. Firstly, by that time Georgia had begun to be perceived as a failed state in Russia and in other countries. The collapse of that state was deemed to be just a matter of time. Secondly, Moscow was running out of tools for influencing Tbilisi. This fact became obvious when the Kremlin failed to get any substantial assistance from President Shevardnadze for counteracting the Chechen militants who had deployed their bases on Georgia's territory. Abkhazia and South Ossetia then became areas where Russia could build up its influence in case the Georgian statehood collapsed, on one hand, and the critically needed levers for exerting pressure on the neighboring country, on the other. The latter

must have been the rationale behind the mass issuance of Russian passports to the residents of Abkhazia and South Ossetia.

In all these cases Russia acted on the presumptions of Realpolitik and this deprived it of room to maneuver with regard to the two republics. The population of both conflict regions consisted of Russian citizens and Moscow could neither “surrender” them nor overtly extend its protection over them, as previous agreements with Georgia forbade this. Besides, Moscow viewed its special relationship with Abkhazia and South Ossetia – and, prior to May 2004, with Adzharia – as an important instrument of control over the situation in the South Caucasus. It was not accidental that the leaders of the three former autonomous regions of the Georgian Soviet Socialist Republic gave a news conference in Moscow during the ‘revolution of the roses’ – they willy-nilly showed Georgia’s new leaders where the keys to the territorial problems were to be sought. In the summer of 2004 Mikheil Saakashvili sent troops into South Ossetia, thus making it clear that he intended to grab these keys out of Russia’s hands, and Moscow could not but view this as a threat. It responded by building up a “special relationship” with Sukhum and Tskhinval – including direct involvement in a military conflict and recognition of their independence.

For fairness’ sake one must mention the rumors in Russia and Georgia likewise suggesting that it was still possible to reach an agreement of some kind. For instance, the sides might have agreed on a gradual reintegration of South Ossetia into Georgia in exchange for the latter’s renunciation of accession to NATO. However, besides the moral aspect of such a deal (the unrecognized state and its population would have turned into a bargaining chip), its practical implementation would have inevitably run into a multitude of obstacles.

First, by 2004 mutual mistrust between Moscow and Tbilisi had reached a point where neither side could count on the other to abide by the agreements. In theory, trust might have been regained but this would have meant renouncing the strategies that Moscow and Tbilisi were implementing: Russia sought to build up special relations with the two unrecognized republics and Georgia intended to incorporate the reintegration problem into the context of the U.S. policy of deterring Rus-

sia. To renounce these strategies, in turn, the sides would have needed elementary trust in each other.

Second, the governments would have to somehow present the deal to domestic audiences. The Georgian leader would have found this difficult due to the aforesaid importance of his country's "pro-Western choice." By renouncing it under pressure from Moscow, Saakashvili would have immediately faced accusations of bartering with sovereignty. As for Vladimir Putin, he would have disappointed – at the very least – the people who deemed friendship with Abkhazia and South Ossetia to be a compensation for the collapse of the Soviet Union and a symbol of Russia's independent foreign policy.

Third, as recently as late 2003, Moscow learned a bitter lesson with the collapse of a similar deal with Moldova. The signing of the Dmitry Kozak memorandum, which envisioned the return of the Dniester region under Moldovan jurisdiction and the maintenance of a Russian military presence in the region for a period of twenty years, was frustrated – not without the efforts of European and U.S. diplomacy. There were no guarantees that the situation with Georgia would not turn out the same way, and the price of failure in the Caucasus might prove to be much higher.

Fourth, the implementation of the deal would not have been as simple for Moscow as some in Georgia think, even if all the numerous obstacles had been eliminated. Throughout the 1990s, Russia had been trying hard to settle the conflicts in Abkhazia and South Ossetia through recognition of independent Georgia within the borders of the former Georgian Soviet Socialist Republic, and these efforts particularly intensified during Yevgeny Primakov's tenure as foreign minister. But both self-proclaimed republics offered fierce resistance to this model of peace settlement. If one takes South Ossetia in 2004, there would have had to be a change of power as a minimum and the development of effective mechanisms to ensure the rights of the Ossete minority, including formal and informal guarantees of security for the leaders of the unrecognized republic were it to return to Tbilisi's jurisdiction. In other words, the deal did not eliminate the need to settle the conflict. There are virtually no historical precedents where such disputes have been settled by maintaining the territorial integrity of a

split state. Not that a scenario in this vein is impossible in principle, but its implementation would require impressive resources, many years of effort and the presence of an unwavering political will.

Fifth, it is doubtful that the sides really heard one another when they discussed the prospects of the deal (if it was in fact discussed). Making decisions of this scale solely on the basis of information that the state leaders usually exchange at negotiations is no easy matter, while the level of contacts between Russian and Georgian experts was low. The two countries did not have an unofficial authoritative channel for discussing the problems of bilateral relations. The institutions that should have considered creating such a platform were preoccupied with fostering special relationships with the unrecognized republics to exasperate the Georgian leadership. If the experience of relations with Georgia over the past 20 years can teach us anything, it should be that the logic of Realpolitik, tough force and efforts by official state agencies are insufficient for building effective relations with neighbors.

THE BOUNDARIES OF SOVEREIGNTY

Georgia met the 20th anniversary of the tragedy on Rustaveli Avenue in a condition of profound crisis. Abkhazia and South Ossetia had been lost *de jure*, the hopes for a speedy integration into NATO had collapsed, and the plans for European integration were ephemeral. The strict orientation of Georgia's foreign policy towards the U.S. turned out to be far less effective for solving national objectives than had been thought earlier. At any rate, Washington's assistance to Georgia in its standoff with Moscow was limited and insufficient for achieving any tangible results.

While economic and political reforms stalled, their social repercussions manifested themselves in full. Mikheil Saakashvili said in an interview in April 2009 that about 250,000 people had lost their jobs in the course of economic reforms and it was they and their relatives who had taken to the streets in Tbilisi waving demands for his resignation. It is difficult to say to what extent this figure reflects reality, but it definitely points to the high cost of the social upheaval that the country has endured in recent years. The President and opposition leaders failed to summon the courage to join together in honoring those who had died on Rustaveli Avenue. A societal split might be too strong a phrase for describing the sit-

uation – Georgian society is rather disillusioned and depressed than split – but the absence of a consolidated political class is obvious.

Generous foreign aid to Georgia is cushioning the impact of the global economic crisis. The U.S. alone has allocated a billion dollars to the country in the twelve months after the Five-Day War. This is slightly less than one-tenth of Georgia's GDP (estimated at 12 billion dollars in 2008). Also, the Brussels conference of donor countries is to allocate 4.5 billion dollars to Georgia in the next three years, which is enough to keep infrastructure projects going, support the national economy on the whole and avert the growth of tensions in society. The real trouble is that the country remains poor. It is unclear whether or not after the crisis the authorities will succeed in setting into motion the previous model of economic growth, which was based on attracting foreign investment. This model was born in the pre-crisis world and no one can guarantee that it will work in a post-crisis environment.

In essence, August 2008 witnessed the failure of the nation-state project that Georgia embarked on at the end of the 1980s and that took final shape during Mikheil Saakashvili's presidency. In a very broad sense, its contours were to be as follows: a state (ideally a unitary one) within the borders of the former Georgian SSR furnished with modern democratic institutions and a market economy, integrated into Western security organizations (NATO) and having close links to the EU. If one ignores for the time being the territorial problem and the conflicts in Abkhazia and South Ossetia (firmly rooted in symmetric nationalistic myths), the project is far from unique. A variety of East European and Central European countries, from Croatia to Estonia, have implemented it successfully over the past twenty years. Incidentally, most of these countries, too, have their ethno-political skeletons in the closet.

It is worth noting that the boundary between the countries that have proven to be successful with such projects and those which have not (so far?) coincides with the external border of the CIS. This very circumstance produces the question: Has the CIS a greater internal commonness than people think or is it more effective in promoting Russia's interests than we have come to believe?

As for Georgia (which has quit the CIS), it made a fatal error and doomed the above project to failure when it made an attempt to reinte-

grate its territory and incorporate the problem of Abkhazia and South Ossetia into the context of the Russian-American security standoff. Had Saakashvili been less impatient and had he refrained from declaring NATO membership his prime foreign policy guideline, events could have taken a completely different turn.

The main outcome of the acute phase of Georgia's internal political crisis (spring 2009) is that it has proved to be infertile. It has not brought the country to the discussion of a new paradigm of national development. The opposition's ideas boil down to the demand for Saakashvili's resignation, and the presidential team hopes for a new opportunity to recapture South Ossetia and Abkhazia by force while maintaining its previous foreign policy objectives and style of governing the country. Since such an opportunity will arise only if Russia slides into a deep internal political crisis that would push it to the verge of disintegration, Georgia seems to be living in anticipation of such a turn of events. It is not ruled out that Tbilisi is pondering options for exerting a destabilizing impact on the North Caucasus. But a collapse on such a scale is definitely not in the cards for Russia, despite all the complexities of the economic crisis and the instability in the North Caucasus territories. Furthermore, Tbilisi's calculations that Russia would be plunged into international isolation after the Five-Day War have failed.

Should the Georgian political class be accused of a lack of ideas for overcoming the crisis? There is a strong justification for this lack. An update of the national development paradigm demands answers to a set of complex, intertwined questions. How can the government eliminate the marginalization of the section of society that has fallen victim to the "social engineering" of the presidential team? And how can one ensure political representation for this constituency's interests and thereby consolidate the regime? How can a new wave of property redistribution be prevented following the inevitable change of state power? Is there a method for pulling Georgia's foreign policy out of the detrimental context of the Moscow-Washington standoff? Finally, how can the process of building the institutions of democracy be rehabilitated amid a smoldering political crisis and with an apparently weakening leader? Questions of this sort puzzle even mature political elites and Georgia has been an independent state for less than twenty years.

Russia has a limited scope of influence on the choice that Georgia will have to make. We must take due account of the fact that any Georgian politician who dares declare his pro-Russian feelings will automatically arouse the suspicions of the majority of Georgians as an “agent of Moscow” or an “accomplice of the aggressor.” Although the groups within Georgia’s political class that see dialogue with Russia as a way to solve key national problems ought to be supported, one should keep in mind that once in power they will face the very same questions that Mikheil Saakashvili cannot find answers to today. A pro-Russian political stance per se will not bring about a solution to these problems, all the more so since Moscow will be unable to change the pro-Western drift of Georgia’s policies even if it revokes the recognition of Abkhazia and South Ossetia, since this drift has very profound root causes. Russia’s interest lies more in helping the “European” side of Georgia’s political identity to gradually squeeze out the “Atlantic” side.

There are some grounds to hope for such a course of events. Nicolas Sarkozy’s mediation efforts in August 2008 and the Heidi Tagliavini mission report that was endorsed both in Moscow and Tbilisi make the EU an important player in the South Caucasus. Yet two questions remain. The first is the degree to which the EU is prepared to assume the role of a global political player and conduct a serious dialogue on security problems with Moscow. The second is how Russia will come to terms with the European side of its own identity and to what degree it is prepared to accept growing EU influence in the Caucasus.

Frankly speaking, the August 2008 conflict showed that Georgia’s sovereignty in the current international configuration will be restricted by Russia in any case – either substantively (the inadmissibility of Georgia joining military and political blocs that Moscow finds to be hostile) or in territorial terms (recognition of the independence of Abkhazia and South Ossetia, which Georgia regards as its own territories). Or both, which is essentially what is happening now. It is not that none of Georgia’s politicians realized it or that none of them was prepared to overcome the unwillingness to discuss practical aspects of the problem with Russia. Yet practically no one believed in the possibility of reaching agreement. “It’s impossible to make deals with KGB people,” an influential Georgian politician said on the issue.

Even if we leave aside the very specific view on Russian reality that is common even among the upper echelons of the bureaucracy in Tbilisi, one thing is obvious: the Georgians do not know to what degree Russia is going to restrict their country's sovereignty. For instance, does neutral status imply that all key appointments at ministries overseeing defense and security have to be vetted by Moscow – the way it was done during at least part of Eduard Shevardnadze's term of office?

This question refers more to Russia than Georgia. The logic of Realpolitik pushes Russia not towards defining for itself the limits to restricting the sovereignty of neighbors, but towards taking as much sovereignty from its neighbors as – using Yeltsin's famous metaphor – it can swallow. This approach rules out long-term agreements. In the absence of a definitive set of clear, open and attainable requirements for its neighbors, Russia's foreign policy in the former Soviet Union risks getting stuck at the level of petty tactical games and opportunistic exchanges.

Commentary

“ A difficult task does not mean it cannot be fulfilled. If successful, the significance of the new Russian-U.S. union, open to other countries under certain conditions, would be tremendous for world stability. Launching the practice of joint Russian-U.S. activity on key global political issues may become the cornerstone of a new system of international relations, one much safer, more stable and more comfortable. ”

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Once Again about a New Entente

Strategic Objectives of Russian-U.S. Relations

Yevgeny Savostyanov

After a period of political cooling in relations between Moscow and Washington, there is again hope for their improvement. However, resumption of the dialogue poses the question that the parties have failed to answer since the end of the Cold War: What are the strategic objectives of Russian-U.S. relations in the 21st century?

Presumably, Russia and the U.S. should work towards concluding a comprehensive alliance treaty. The prospects for such an agreement were discussed by Sergei Dubinin in his article “A New Entente” (*Russia in Global Affairs*, 4/2008), which largely anticipated my arguments. Yet this issue remains extremely topical and thereby deserves a detailed analysis.

RECORD OF DEVELOPMENT

There have been several periods in the history of Russian-U.S. relations.

The *first period* spans the years of the American Revolutionary War that the North American colonists fought against the British Empire. At that time Russia provided tremendous assistance to the establishment of the young North American states. Empress Catherine the Great turned down London’s request to recruit 20,000 Cossacks to fight against the colonists, which might have been a decisive factor in turning the tide of the war. Some time later, Catherine the Great’s “Armed Neutrality Act” foiled Britain’s attempts to strangle the young North American state by a sea blockade. Add to this the colonization by Russia of the Pacific coast (Russian America) and a con-

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siderable inflow of immigrants to Russia, and you get a picture of good-neighborly, even if not intensive, relations between the two large countries until the 1870s.

Occasional frictions were caused by competition between Russian and U.S. farmers (although the European market was large enough for all) and Russian frigates and corvettes that would sometimes intercept slave ships (but this only soured the mood of southern plantation owners). Also, the reprisals practiced by Nicholas I's regime against democratic revolts in Eastern and Central Europe spoiled Russia's image in the U.S. But in general, Russia-U.S. relations were free of conflicts – until oil flowed into the business life of both countries.

Almost 150 years ago, the rapid increase in oil production on the Apsheron Peninsula near Baku fueled a drop in world prices, first inflicting heavy losses on individual, poorly organized oil producers, and then damaging the strategic interests of Rockefeller's Standard Oil. There is a widespread belief that the company was complicit in masterminding and funding the strikes and sabotage (murders of engineering personnel, theft at financial organizations and the burning of wells and derricks), which swept across the Baku oil fields at the turn of the 20th century and helped make the carriers of Bolshevik, Menshevik and Socialist-Revolutionary leaders, including Joseph Stalin.

These events marked the beginning of *the second period* of relations between the Russian Empire and the U.S. The struggle for markets caused rivalry in two crucial spheres – oil and Eastern Asia (above all, China and Japan). The cooling in relations was also rooted in the sharply contrasting political systems of the two countries: the archaic absolute monarchy of the Romanov dynasty was increasingly viewed in the U.S. as barbaric, inadequate and profoundly anti-Semitic (the latter being particularly significant for the political climate).

By and large, there were no major conflicts between the two states, while their strategic interests still had much in common. It was not accidental that the U.S. provided the venue for and brokered the least humiliating peace treaty Russia could hope for when it lost its war with Japan. Later apprehensions about the growing hegemony of Germany made Russia and the U.S. allies in World War I, and then again in a brief and unsuccessful clash with Bolsheviks.

Strange as it may seem, this period ended not in 1917 when the Bolsheviks came to power in Russia, but in the middle of the 1940s. Despite a short period of U.S. participation in the Entente's anti-Bolshevik activities and the Soviet Union's anti-capitalist rhetoric, the two countries maintained pragmatic relations until 1942. A letter written in 1921 by Mikhail Kalinin, Chairman of the All-Union Central Executive Committee, illustrates the state of relations in those years: "From the very beginning of its existence, Soviet Russia hoped for the possible rapid establishment of friendly relations with the great North American Republic and expected that both republics would create close and stable ties to their mutual benefit... The Soviet Republic... does not intend in any way to interfere in America's internal affairs."

The Americans made a large contribution to Soviet industrialization that was second only to that of Germany. Curiously, the American contribution was personified by an enterprising and unscrupulous Armand Hammer.

Pavel Sudoplatov, a famous representative of the Soviet intelligence service, wrote about the Soviet Union's approach towards the U.S: "Before that time [October 1941] work on collecting political intelligence information in America was minimal as we had no conflicting interests in the geopolitical sphere." (This does not mean of course that the United States was beyond the scope of Soviet intelligence activities – the Milshtein espionage ring was formed in the prewar years. Yet the U.S. was not on the list of priorities then.)

The "conflicting interests" emerged in 1943 (the start of discussions on the division of post-war Europe), which marked the beginning of *the third period* of Russian-U.S. relations, although formally the starting point is attributed to 1946, the year of mounting confrontation between the two countries. Importantly, it was not a confrontation between the peoples, but between the countries that eventually turned into the merciless opposition on the principle of a zero sum game. This period culminated in the conventional and nuclear arms race, the fanning of local conflicts and notorious phrases like "We will bury you" (Nikita Khrushchev) and "the Evil Empire" (Ronald Reagan).

The fourth period began with the collapse of the Communist dictatorship and the breakup of the Soviet Union, and it still continues. It

may be called “a transitional period” as both countries, first of all Russia, are trying to find – by trial and error – a proper mode of relations.

TOWARDS A “CIVILIZATION OF TECHNOLOGY”
Over the last two decades Russia has failed to find an answer to the key question of its identity: What is the country’s geopolitical legacy? There seems to be two possible options.

First option: we will return to the community of countries to which Russia belonged until 1918. These are countries with a democratic political system, respect for human rights and free enterprise. Let us call this community of states a “civilization of technology” because it is characterized by technological progress and a minimal impact of abstract doctrines. Russia developed along the same vector in the first half of its post-Soviet period.

Second option: we will keep the Soviet political legacy, when the countries mentioned above are viewed as natural opponents and a source of threat. In line with this logic, Russia should look for allies among the “enemies of my enemy;” that is, countries with authoritarian or totalitarian political systems, an overblown influence of doctrines (both religious and secular), a lack of civil rights and freedoms, and depletion of internal political and information fields.

This category includes two types of countries which can be divided into a “civilization of doctrines” (China, North Korea, Cuba, many Islamic countries, and adherents to the “Bolivarian Revolution” ideology) and a “civilization of survival” (the majority of African countries and some countries in Central and Eastern Asia).

Historical experience shows that no other option is possible. The example of China as a counter-argument, where the economic system of the first type coexists with the political system of the second, can hardly apply. China has been walking along a “special path” for a mere 30 years, rising from what can be described as the bottom even by socialist standards, to which it fell due to the “Great Leap Forward” and the “Cultural Revolution” launched by Mao Zedong. Even today its per capita income is more than twice as low as that of Russia and the level of corruption is much higher, while the regional and individual property differentiation is exceptionally high. Presumably, China is approaching a

point where it will either move onto the track of one of the two aforementioned options or will face serious destabilization.

A compromise between the two options is only possible within a very limited timeframe. The ongoing economic crisis, the need to revise the “consumer society” model (to which four billion people aspire today instead of 400 million) and the risks related to resources and environment – all these factors generate new benchmarks of global division.

Humanity is increasingly moving from the East-West to the North-South pattern. This division rests on a gap in technology: the producers of the 19th century (raw materials and, partially, foodstuffs) and the first half of the 20th century (unsophisticated industrial goods) versus producers of the second half of the 20th century (hi-tech industrial goods) and the 21st century (computer and information products and services, and biotech products). The first of these groups includes countries of the South, and the second – countries of the North.

The second option, in essence, is inertial, and hence its implementation is easier – countries simply do not have to do anything. They automatically enter the ranks of autocratic regimes resting upon free hydrocarbon resources or a very cheap work force. This scenario preserves technological backwardness. The time when the role of hydrocarbon fuels in the world will begin to diminish rapidly is not far off (experts estimate in 25-35 years). This implies that Russia has little time to spare. If it is not thoroughly prepared for this turn of events, a national catastrophe will be inevitable. But even if there is no drastic landslide in development, a gradual degradation against the background of prosperous countries will bring the country to collapse sooner or later.

The first option, if chosen, gives the chance for modernization, yet it provides no guarantees. Treading on this path, we may eventually find ourselves in an environment favorable for modernization (although amid tough competition), and it is up to us to make proper use of it. This, in turn, will require a profound internal transformation.

For fairness sake we must make two important reservations.

First, there is no 100-percent guarantee that competition between ultra-conservative countries (but with stockpiles of energy) and progressive (but decaying, like Europe) countries will necessarily end in the latter's victory. Unfortunately, there is also the possibility of a decaying

West in the 21st century, which may lead to chaos and regression, like what happened with the Roman Empire after its collapse.

Second, by choosing the first option, Russia will find itself on the frontline of the above-mentioned cultural and economic division, and, taking the main burden of the expansion of conservatism, it will run the risk of confronting it all alone, as it did 800 years ago.

A UNION WITH THE U.S.

I will briefly touch on the specifics of the implementation of the first option.

Ever since the time of Peter the Great, Russian authorities have been driven by the desire to catch up with Europe and make Russia a full-fledged European country. This objective has been achieved in a number of fields. During the reign of Elizabeth of Russia, Russia played a crucial role in European affairs, while from the Napoleon wars until the 1917 Revolution the question of whether or not Russia is part of Europe was never on the agenda. Had it not been for the tragic 75-year-experiment conducted on the country and its people, Russia would have certainly taken an active part in all European integration processes.

But history played a malicious joke: as Russia was catching up with Europe and vying for its own niche, Europe itself shed the significance it had had in world politics. Today's Europe has lost its strategic thinking; it is incapable of resolving important geopolitical issues on its own and securing its own vital interests. You can trade with Europe or go there for a holiday, medical treatment or to get an education there, but you cannot rely on it. This factor is becoming increasingly obvious for the U.S. and Russia should not have any illusions about it either.

Recent developments in the world make it necessary to focus on a dramatic revision of Russian-U.S. relations on a scope not seen before. The point at issue is a course for concluding a full-fledged Treaty of Friendship, Cooperation and Mutual Assistance between Russia and the U.S. (I use the Soviet-style wording deliberately as it is better suited to convey the essence of the proposal.)

This takes us back to the beginning of our contemplation. Russia, the world's largest country with immense resources, and the U.S., the richest, most powerful and advanced country in the world, have no imma-

nent contradictions. There are no insurmountable obstacles against building a full-scale partnership.

Washington's abortive attempt to play the role of the sole global hegemon after the end of the Cold War forces it to look for ways to protect its interests in interacting with other players. Russia, which has preserved its resource, geostrategic and military potential, cannot but be of interest to the U.S. as a partner. At the same time, improved relations with the U.S. will add confidence to Russia in the coming decades when it will have to deal with ambitious rising powers (above all China) and face dangerous spots of instability (the Middle East, South and Central Asia).

As was noted above, we have a rich history of positive cooperation in various fields. The resetting of Russia-U.S. relations has several basic components:

- Recognizing each other not just as bona fide partners, but also as potential allies, and mapping out a strategy towards the establishment of allied relations.
- Specifying areas for short- and long-term interaction; encouraging the promotion and development of areas of bilateral cooperation.
- Revising the list of issues on the bilateral agenda and removing those that are of a historical-metaphysical, rather than real, nature.
- Fostering a favorable psychological climate in both countries towards each other.

There are obvious areas where Russia and the U.S. could interact. These are, first of all, measures to overcome global human-induced problems (climate change, scarcity of natural resources, poverty and hunger in countries of the "civilization of survival"). There are also security problems caused by the conflict between the "civilization of technology" on the one hand and the "civilization of doctrines" and the "civilization of survival" on the other.

The "civilization of technology" now includes only three countries that can use force to defend their values: the U.S., Russia and Great Britain (as a junior partner). Division and confrontation inside this group is a luxury that they cannot afford and would be a strategic mistake.

If something divides us, it is the speculative ideological constructs and problems which ceased to be acute after the end of the Cold War. A

way out of the situation is to create long-term, mutually-binding and mutually-committed relations – where Russia and the U.S. would be not just partners, but genuine allies. This path should take us towards concluding a treaty that would become an unshakable basis of a Russian-U.S. union for decades in the future. This path, if the relevant political decision is made, will be long and difficult. Such a goal makes sense only in the context of the path towards modernization – a political, economic and structural one – in the spirit of the “civilization of technology.”

This should not be a romantic infatuation or a reckless drive for rapprochement. It should be a precisely and realistically formulated task, with each step carefully calculated, and mutual concessions thoroughly coordinated.

We need mechanisms of guarantees against mutual aggression. Not just against nuclear weapons, but against armed conflict of any form. Otherwise, the obvious disproportion in conventional arms will become a source of justified irritation by the weakest of the parties, namely Russia.

One might of course focus again on limiting the advance of foreign contingents to Russian borders, although this issue is purely decorative. The war against Russia will not come from the European theater: Russia will still have the opportunity to cause unacceptable damage to any European country or all of them put together for a long time (I would even say forever but everything is finite). There is a very simple argument: democracies never fight each other. So the best guarantee of peace is democratic development in all the countries bordering on Russia and in Russia itself. We must agree with the need to learn much, accept much, and give up much. This is what modernization is about.

We must overcome our fear of the “civilization of technology,” the reflex of being obsessed with confrontation with the West and re-integrate into the affairs and plans of the civilization of the North, to which Russia belonged before 1917. In this sense (and not only in this particular sense) we cannot maintain the legacy of both pre-Bolshevik Russia and the Soviet Union: the first was in the Euro-Atlantic civilization, whereas the second stood aloof from it.

Despite the skeptic attitude towards the potential of the Old World, Russia’s rapprochement with the U.S. should by no means give cause for regarding it as yet another attempt to drive a wedge between former

Euro-Atlantic allies. No matter how helpless the European component of NATO looks now, Russia's joining the alliance would probably be one of the most technically expedient solutions in attaining the above task. Russia will have to join the efforts for working out norms and rules which will regulate humanity's progress in the 21st century, and monitor compliance with these norms and rules based on uniform principles.

A difficult task does not mean it cannot be fulfilled. If successful, the significance of the new union, open to other countries under certain conditions, would be tremendous for world stability. We saw it during the post-Soviet years: the aggressiveness of certain regimes decreases dramatically under concerted Russian-U.S. actions, and conversely, this aggressiveness begins to gain momentum at the first signs of discord between our countries.

Movement towards the aforesaid treaty, signing it and launching the practice of joint Russian-U.S. activity on key global political issues may become the cornerstone of a new system of international relations, one much safer, more stable and more comfortable.

Perhaps as the first step on this long path it would make sense to revive something along the lines of the Russia-U.S. Friendship Society, provided, of course, that this would be a symmetric, non-bureaucratic organization, fully focused on improving relations between the two nations, not on handling minor tasks. A significant positive factor would be the participation in this forum of representatives of the administration of the Russian president and the Foreign Ministry.

Arctic Diplomacy

History Lessons for Settling Disputes on Litigious Territories

Alexander Oreshenkov

Countries in the Arctic region are ready to start dividing the Arctic shelf. Problems pertaining to the international legal status of the Arctic have not sprung up out of nothing. In the 19th and 20th centuries, the Russian Empire and the Soviet Union had an opportunity to reaffirm or establish their jurisdiction over a much larger part of the Arctic littoral land, and yet they lost Alaska, the Svalbard islands, and the shared territory between Russia and Norway.

An analysis of the historical and legal aspects of the current sovereign jurisdiction of land surface areas that serve as points of departure in measuring the boundaries of exclusive economic zones and the continental shelf beyond them may have significance for the delimitation of maritime areas between Russia and its Arctic neighbors. For the Russian government, the Crimean War of 1853-1856 was the starting point for the loss of the bulk of its Arctic possessions.

HOW ALASKA DRIFTED AWAY FROM RUSSIA

Before the sale of Alaska to the U.S. in 1867, the Russian-American Company, not the Russian government, owned land in North America. The Russian-American Company, owned by Russian nationals, was set up by Emperor Paul I in 1799. The tsarist administration did not pass any formal acts to include in the Russian Empire the territories that belonged to the Russian-American Company. This type of ownership was quite common in the 18th and 19th centuries – examples are the

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East India Company and the Hudson's Bay Company. Still, the law of the time considered such territories as being under the sovereignty of the countries whose companies occupied the relevant part of the territory.

Before the sale of Alaska to the U.S., the number of Russians living there fluctuated between 600 and 800. This was not enough to defend the peninsula even against a small enemy fleet, given the peninsula's area of 1.5 million square kilometers. For the sake of comparison, let us recall that the Aland Islands, a small archipelago in the Baltic Sea between Finland and Sweden, was defended by a 2,000-strong Russian garrison during the Crimean War. It was outmatched at Bomarsund by a Franco-British task force of 10,000, which drew on support from a Franco-British naval squadron.

The Crimean War depleted the Russian treasury and exposed the vulnerability of Russia's Far Eastern and American territorial possessions to British naval attacks. Alaska might have become easy prey for either Britain or the U.S. At the time, the Russian leadership viewed Russia much more as a continental than a maritime power and it believed that strengthening the country's positions in the Far East was a priority task. The potential risk of Alaska's seizure by the rapidly-developing United States became the main official argument in favor of selling Alaska.

Count Nikolai Muravyov-Amursky was the first Russian official to propose, even before the Crimean War, selling Alaska and using the money from the sale to consolidate Russia's positions in the Far East. Grand Duke Konstantin, the 30-year-old brother of Emperor Alexander II who had returned to Russia in 1857 from a vacation in southern France, strongly supported this idea right after the war.

The issue was studied for several years until December 16, 1866, when a decision on the transaction was taken in strict secrecy at a conference that Alexander II held in the Foreign Ministry. The list of participants included Grand Duke Konstantin; Foreign Minister Prince Alexander Gorchakov; Finance Minister Count Mikhail Reutern; Naval Minister Nikolai Krabbe; and Russia's minister to the United States, Eduard de Stoeckl. The arguments cited in favor of selling Alaska were: to prevent the loss of Alaska through British or American aggression; to rule out future territorial conflicts with the U.S. given the absence of a practical opportunity to defend the territory; and to bring in at least some money for developing the Russian Far East. The last, but not least, argument was the importance of normal and even friendly relations with the U.S. that might be a counterweight to Britain in that part of the Pacific Ocean.

In establishing Alaska's selling price, the issue of potential economic benefits from possessing the peninsula was substituted with calculations of financial gains from the operation of the Russian-American Company. Practically all of Alaska's territory was still unexplored in terms of natural resources, and that is why the selling price was based on the small dividends that the company's shareholders received rather than on the resource potential of that part of the Russian Empire.

As a result, the U.S. paid Russia \$7.2 million for Alaska, or less than \$5 per square kilometer of the peninsula's mainland. Compare this to the \$15 million that the U.S. had paid shortly before to Denmark for the St. Thomas and St. John Islands, which have an approximate total area of just 200 square kilometers.

The greater part of the revenue was meant to replenish Russia's state treasury. The Russian-American Company was entitled to about \$1 million and Minister de Stoeckl received \$165,000 for "undeclared expenses," including bribes. De Stoeckl spent the money entirely at his own discretion. Incidentally, only the latter portion of the revenue was spent appropriately. As for the first two lump sums, they never reached the designated addressees.

Russian sources differ as to the plight of that money. Some of them indicate that the money is still somewhere on the American continent, but others suggest it was loaded in gold bullion onto the ship *The Orkney*, which sank in the Baltic Sea after an abortive hijacking by a group of conspirators. One more version suggests that people close to Grand Duke Konstantin used the money to purchase equipment for building private Kursk-Kiev, Ryazan-Kozlov and Moscow-Ryazan railways. Other objectives put forth at the meeting where Alaska's fate was decided – the consolidation of positions in the Far East and the development of friendly relations with America – remained unachieved as well.

HOW SPITSBERGEN "SAILED AWAY"

Russia had lost opportunities to expand its land possessions in the Arctic part of continental Europe even before the Crimean War. I am referring to the part of Scandinavia and the Kola Peninsula located between Russia and Norway, populated by the Sami people. At various times starting from the ninth century, the region paid tribute to the Norwegians, Swedes, Finns, Karelians and Russians. Gradually, this "shared territory" of multiple tributes, as the Norwegians called it, shrank to the status of dual tributary and came under the territorial sovereignty of Russia and Norway.

The Convention on the Borders Between Russia and Norway in Lapland, which the Russian Empire and the Swedish-Norwegian Union signed in 1826, put an end to the centuries-old division of the region. On the Russian side, Lieutenant Colonel Valerian Galyamin chaired the demarcation commission. Although a part of the litigious area was to be incorporated into Russia's Archangelsk Province, its representatives were not invited to join in the commission's work, which resulted in Russia losing this land. Practically all the "shared territory" fell under the sovereignty of the Swedish-Norwegian Union.

Galyamin's brief biography on the website of the Decembrists' Museum says that "he received [from the King of Sweden] 2,000 rubles, the Order of the Sword and a diamond-strewn snuffbox for the perfect execution of these instructions." Archangelsk Province officials were not satisfied with the results of the land dealings and insisted on its revision, but a Russian attempt to revise the convention in 1830 was not successful, prompting the Swedes to sign an agreement with Britain and France during the Crimean War that guaranteed for the kingdom the preservation of its borders in the North as stipulated by the convention's provisions.

Svalbard is an archipelago in the Arctic Ocean that covers over 61,000 square kilometers. In the 17th and 18th centuries, Russian *Pomors*, settlers from the White Sea coast, frequently stayed on Grumant, as they called the archipelago. Vasily Lomonosov, the father of the renowned Russian scientist Mikhail Lomonosov, made five voyages there. The number of Russians on simultaneous wintertime sojourns to Svalbard would reach 200 or more, thus testifying to the effective occupation of the archipelago. According to the Ukrainian scientist Leonid Timchenko, this fact made it possible for Russia to claim sovereignty over the archipelago. The Pomor villages were devastated by a British-French naval squadron during the Crimean War and the Pomors never returned to the archipelago after that.

Sweden made a perfect ploy of this, as it proposed in the early 1870s to transfer sovereignty over Svalbard to Norway. Although a number of Western powers treated the proposal favorably, Russia objected to it and proposed, on its part, declaring the archipelago a "no-nation's land." Norway resumed attempts to bring Svalbard under its sovereignty after gaining its independence from Sweden in 1905. Russia was the first to recognize an independent Norway, but it did not support its aspirations regarding Svalbard.

A total of three conferences were held from 1910-1914 in Kristiania (the official name of Oslo from 1624-1924 – Ed.) on designing a Con-

vention for Svalbard and on giving the latter the status “of a territory of common use exempt from the sphere of state sovereignty.” The convention would also specify an international legal regime for the archipelago. However, World War I frustrated the completion of the process.

The issue of Svalbard’s status was finally resolved at the Paris Peace Conference. In spite of objections from a number of countries that had numerous reasons to believe that Norway’s acquisition of sovereignty over the archipelago had nothing to do with the results of World War I, a treaty recognizing the sovereignty of the Norwegian Kingdom over it (the Spitsbergen Treaty) was signed on February 9, 1920. Russia was not present at the signing.

Under the treaty, the signatory countries agreed to recognize Norway’s sovereignty over the islands on certain conditions. The toughest ones requiring the development of a supplementary international gentlemen’s agreement on the Mining Code for Spitsbergen were introduced in the text at the urging of Great Britain. The current text of the treaty contains them in the original form, although the Norwegian Justice Ministry considers them to be incompatible with the dignity of a sovereign country. As a result of Britain’s proposals, the fate of Svalbard’s legal status ended up in the hands of two English “law officers of the Crown” who resolved these issues – for unknown reasons – in favor of Norwegian companies rather than English ones.

The young Soviet Russian state desperately needed international recognition after the end of its Civil War (1918-1921). Britain recognized the Soviet Union on February 1, 1924 and Italy followed on February 7. It was also at this time that the Soviet Plenipotentiary Representative Alexandra Kollontai demanded that Norway recognize the Soviet government in exchange for recognition of Norway’s sovereignty over Svalbard.

Norway recognized the Soviet Union *de jure* on February 15, 1924. Kollontai handed the Norwegian authorities a note on February 16 that stated: “The Soviet government recognizes Norway’s sovereignty over the archipelago of Spitsbergen, including Bear Island, and in connection with this it will not raise any objections in the future over the Spitsbergen Treaty of February 9, 1920 and the Mining Code appended with it.”

Article 8 of the treaty envisioned sending out draft mining regulations to the signatory countries before they took legal effect, but after the treaty came into force. If at least one of the signatories raised objections to the regulations, Norway would be obliged to convene an international conference to refine the text and approve the document. Although the signatories

did make objections, the Norwegian government did not call a conference. Norway settled the dispute on a bilateral basis instead and enacted the Mining Code as a piece of national legislation on August 14, 1925 (simultaneously with the Spitsbergen Treaty) and not as an international accord.

In this connection, the legal foundations of the Soviet government's note regarding the Mining Code has remained an open question for more than 80 years. Why, in fact, did it make a pledge to refrain from making objections against the Code, which was not fully drafted, let alone endorsed, at the time, and why did it overlook the duplicity of that document's juridical status (a national legislative act or an international agreement)?

Article 10 of the Spitsbergen Treaty envisioned the possibility that the Soviet Union would join the Treaty after all the signatory countries had recognized the Soviet government. The U.S. was the last country to extend its official recognition, and the Soviet Union undersigned the Spitsbergen Treaty on February 27, 1935. An analysis of the terminology of its official translation into Russian induces the conclusion that some of its key provisions were mistranslated, which complicates the understanding of legislative realities pertaining to the activity of foreign parties on the archipelago.

There is no qualified translation of the Mining Code into Russian to date. The lack of a translation does not allow practical workers to build a proper line in relations with the Norwegian administration of the archipelago so as to take account of all the specific traits of Svalbard's regime. Questions about the legal character of the Mining Code also remain unanswered.

The foreign policy committee of the Storting, or the Norwegian parliament, found it necessary to issue an explanation in 2001 that the Mining Code is an act of Norway's national legislation and not an international accord. This provides one more piece of testimony to the absence of legal transparency in Norwegian legislation stipulating the legal regime for Svalbard, as well as the adjoining maritime and shelf regions whose area totals about a million square kilometers.

HOW THE BORDERS WERE DRAWN

Russia's continental shelf covers an area of 6.2 million square kilometers, of which about four million square kilometers conceal potential oil and gas riches. If the UN Commission on the Limits of the Continental Shelf grants Russia's request to extend its continental shelf, the latter will

expand by another 1.2 million square kilometers. If an international legislative foundation existed for the affirmation of Arctic countries' sovereign rights to regions within the Arctic sector, the sea territory under Russia's control would grow by another 0.5 million square kilometers. In this case, the history of establishing borders for polar sectors during the delimitation of territory in the Arctic Ocean is of definite interest.

Durham University researchers have compiled a map showing lines that were established in the Arctic area back in the 19th century and that are still taken account of in the process of territorial delimitations. For instance, the border between Russian Alaska and the British Dominion of Canada was determined on the basis of an Anglo-Russian convention signed on February 16, 1825 (or February 28 according to the Gregorian calendar). Article 3 of the Convention says the line delineating the Russian and British possessions in the Arctic Ocean stretched from the Beaufort Sea along the 141st meridian northwards "as far as the Frozen Ocean." The U.S. and Canada refined the delimitation of their mainland territories by signing conventions in 1903 and 1906, in which the above-said line was not corrected.

The same line of demarcation is mentioned in Article 1 of the March 18 (30), 1867 Russo-American Treaty concerning the Cession of Russian Possessions in North America to the United States. The article specified the line of delineation of Russian and American possessions in the Arctic that stretched from the Bering Strait to the North Pole.

Article 2 of the June 1, 1990 U.S.-Soviet Maritime Boundary Agreement specifies: "From the initial point, 65° 30' N., 168° 58' 37" W., the maritime boundary extends north along the 168° 58' 37" W. meridian through the Bering Strait and Chukchi Sea into the Arctic Ocean as far as permitted under international law."

This means that the delimitation lines between the U.S. and neighboring nations were established at the international legislative level back in the 19th century thanks to Russia. This may be part of the explanation for why the U.S. did not find it necessary to pass national legislative acts that would define the status of internal territory within the U.S. Arctic sector, although officials might raise the problem occasionally.

Another reason for this is to be found in the regimen regulating the U.S. Arctic maritime territory. Russia played a definite role in the resolution of that problem too. In 1821, an Imperial decree was issued on imposing a Russian 100-mile nature conservation zone in the Bering

Strait and prohibiting sea-hunting by foreign ships. The decree was subjected to a meticulous examination by an arbitration tribunal on August 15, 1893 with regard to seal hunting in the area. The tribunal's rulings set a precedent for future approaches towards the delimitation lines drawn up in the 19th century. The arbitrators' decision implied that the Russian-U.S. treaty of 1867 applied to land surface areas only.

The border between the Russian and Canadian Arctic sectors was established in the 19th century and only on one side. In 1926, the Soviet Union and Canada passed national legislative acts finalizing the status of land territories within their national sectors and, correspondingly, their western and eastern borders. A rectangular depression stemming from the geographic coordinates featured in the Spitsbergen Treaty emerged on the western border of the Russian Arctic zone.

The Spitsbergen Treaty is based on the drafts of a convention which Norway, Russia and Sweden drew up before World War I. Article 1 of a draft convention proposed by Russia in 1910 at a conference in Kristiania spoke of the islands between 10°/35° E. and between 74°/81° N. The Paris Conference mechanically transferred the Russian proposals to the text of the treaty and the Soviet government replicated them later in its decisions.

The Russian draft convention contained a proposal to extend the environmental conservation measures developed for the land surface area of the archipelago to the sea areas surrounding it. However, it was not supported by other countries, as it ran counter to the common international practices of the time, so it was not featured in the final draft.

After World War II, the international community realized the importance of the international legal settlement of issues related to littoral countries' rights to the sea areas adjoining their shores, and this realization was reflected in the 1958 Geneva Conventions on the Law of the Sea. However, neither the Geneva Conventions, nor the 1982 UN Convention on the Law of the Sea solved the problem of the division of the Arctic Ocean's ice shield into national sectors. The rapid thawing of the Arctic icecap may push the issue of the Arctic's status off the international agenda altogether.

The U.S., which has not joined the UN Convention on the Law of the Sea to date, now has the most advantageous position (including within the limits of its Arctic sector) among the Arctic countries from the point of view of freedom of maneuvering as regards access to the continental shelf. When it comes to delimitating the water areas in the

Beaufort Sea with Canada, Washington insists on applying the median line principle, while the Canadians insist on abiding by the line featured in the 1825 Anglo-Russian convention.

At the same time, when the maritime border with Russia in the Bering Sea is concerned, the U.S. finds it more advantageous to apply the border delineation line stipulated in the March 1867 convention. Russia believes the median line to be more appropriate. The latest research shows that the median line principle might also be quite advantageous for Russia if applied to border delimitations in the Arctic Ocean. This controversy explains why the U.S. Congress quickly ratified the June 1, 1990 U.S.-Soviet Maritime Boundary Agreement (the so-called Baker-Shevardnadze line), while Russian MPs have not done so to date.

Russian experts on the Arctic, few as they are, think that Russia lost rather than gained from the signing of the 1990 agreement. Political scientists believe the document was underpinned by the Soviet government's willingness to consolidate relations with the U.S., while experts specializing in international legislative regulations for the Arctic zone say Moscow thus sought to exert influence on the progress of talks on the division of sea territory with Norway. Neither hope came true, however.

The Norwegian government firmly espouses the median line principle in its approach to the delimitation of sea territories with neighboring states. For instance, this purely mathematical approach, coupled with a more beneficial geographic position, gives the Norwegians an advantage. Norway's Varanger Peninsula, which serves as the starting point for the delimitation line, "moves" this very line into the Russian sector. Moscow argues that the delimitation line should be drawn according to the principle of fairness, taking due notice of the existing special circumstances and the use for this purpose of the western boundary of Soviet Arctic possessions as stipulated by the April 15, 1926 resolution of the USSR Central Executive Committee's Presidium.

The same principle should be used in the zone covered by the Spitsbergen Treaty where Norway pledged to introduce fair regulations, which imply equal rights to engage in trade and research for Norwegian nationals and for private individuals and companies from foreign signatory countries likewise. At the same time, taxes levied there should be used for the archipelago's needs instead of replenishing the Norwegian budget. To bypass these "awkward" provisions, the Norwegian government uses extravagant legal techniques. As a result, an international

agreement and national acts derived from the Spitsbergen Treaty and regulating relations between different parties in the Svalbard zone do not have the necessary legal transparency.

The signatories to the Spitsbergen Treaty recognized Norway's sovereignty only over the land surface territory of Svalbard and Bear Island and, as specified in Article 8 therein, the application of the Mining Code is limited to these areas as well. Still, back at the beginning of the 1960s, long before the establishment of the territorial sea boundaries around Svalbard (1970), Norway took a unilateral step to spread the legal embrace of the Mining Code to the islands' geological shelf. Officials claim that the shelf legislation effective for the country's continental part was applied to Svalbard as of 1963. Meanwhile, none of the signatory countries has taken notice of the unilateral change of the sphere of legal effectuation of the Code, while the Norwegians should have obtained their consent to it.

Norwegian legislators thought the above-said very special extension of the Spitsbergen Treaty's territorial application to the territorial sea around the islands was sufficient. As they drafted the 1985 law on oil and gas production, which established Norway's jurisdiction over its shelf, they excluded Svalbard's territory and the geological shelf within the boundaries of its territorial sea from the territorial application of this law.

By doing this, Norwegian MPs evaded the commonly accepted procedure for extending the jurisdiction of a littoral state to the adjoining water areas, substituting it with claims that the Spitsbergen Treaty's application is limited only to the territory of the archipelago. However, when the Paris Treaty was signed in 1920, there were no international legal norms yet that would allow the signatory countries to exercise their sovereign rights beyond the limits of territorial waters.

Britain's Foreign Office made an attempt in June 2006 to clean up this political mess. It brought together foreign ministry experts of the Spitsbergen Treaty signatory nations (minus Norway), but the meeting did not produce any results.

The UN Commission on the Limits of the Continental Shelf in 2009 unanimously endorsed recommendations on establishing the outer boundary of Norway's shelf. It did not consider the regime of shelf areas around Svalbard, however. Following the Norwegian motion to file an application with the UN Commission in 2006, Russia made a special declaration to the UN Secretary General stating that Norway's actions

should not damage issues related to the delimitation of the continental shelf between Russia and Norway, while the Commission's recommendations should not contradict the 1920 Paris Treaty and the regime of the maritime areas adjoining the archipelago.

Official press releases on annual Russian-Norwegian talks on the delimitation of territories in the Barents Sea and the Arctic Ocean only provide scant information. Furthermore, Russian and Norwegian leaders have spoken publicly about the possibility of different approaches to delimitation.

The Norwegians have factored contemporary norms of the Law of the Sea into their position on how to draw boundaries between contiguous areas of the sea. They meticulously seek to avoid a concurrence of historical, political and economic aspects of the problem. As for Russia, the feeling of historical justice prompts it to shelve recollections of plans to change Svalbard's status which the Soviet Union harbored at the end of World War II (the plans suggested that the archipelago's main part, including the island of Spitsbergen, should be governed jointly by Norway and the Soviet Union as a condominium, while Bear Island should go over to Soviet jurisdiction). Moscow also wanted to establish its sovereignty over a territory stretching to the Norwegian river Tana so as to rectify provisions of the 1826 convention that the Soviet Union found cumbersome.

The Norwegians were the first to take practical steps towards combining the economic, political and legal aspects of bilateral relations linked to Svalbard and Barents Sea hydrocarbon resources in a key advantageous to themselves. On the day that Norway's StatoilHydro corporation joined a consortium for developing the Shtokman offshore gas condensate deposit in 2007, Norwegian oil and gas authorities invited bids for blocks in the zone covered by the Spitsbergen Treaty. Gazprom retaliated with a refusal to include the Norwegians, previously viewed as the favorites, in the list of Shtokman developers, and the problem of who would supply services and products hung in midair. The Russian reaction triggered doubts inside StatoilHydro about the rationality of its participation in the project, but they were quietly suppressed by an order from the political level.

THE BENEFITS OF INTERNATIONAL LAWSUITS
Russia may follow the U.S. example in defending its interests in the East and West. The Americans use variegated principles for delimitating territory with their Arctic neighbors. Also, it might make sense to turn to interna-

tional courts. But before turning to them for assistance in the West, it is important to get a clear understanding of the doctrinal essence of the Spitsbergen Treaty and a wide scope of other, unexplored issues linked to it.

Russian companies have a purely practical interest in this. If the demarcation line crosses a deposit located on the Russian shelf and on the shelf embraced by the Spitsbergen Treaty, the developing companies will have to pay part of the taxes to the Russian government, while another part (amounting to one percent of the cost of the hydrocarbons produced) will be paid to meet Svalbard's needs.

In addition to the negotiations that have been going on since the Soviet era, a transfer of litigious problems to international courts would reaffirm once again Russia's commitment to the use of international legal norms for resolving problems around disputed Arctic territories. The importance of this approach is featured, for instance, in the decisions of a conference of foreign ministers of five Arctic states who met in Greenland in May 2008.

Importantly, it is not necessarily the UN International Court of Justice in the Hague that should resolve issues related to maritime territory around Svalbard. The signatory countries are debating the geographic limits to which the treaty should apply, but they disregard private individuals and companies, whose rights Norway encroaches on by its unilateral actions.

The countries that signed the Spitsbergen Treaty agreed to recognize Norway's sovereignty over the islands, and Norway agreed to accept it on condition that it would create a favorable environment for citizens of the signatory states. If the Norwegians do not observe this stipulation, then they violate the rights of private individuals and corporations, and violations of this kind are examined by international arbitration courts, rather than the International Court of Justice which considers only interstate legal disputes.

Courtroom settlement of disputes with neighboring states over litigious territories and over the regime of the areas adjoining Svalbard is a game worth playing for Russia, since the disputed Arctic shelf territories encompass more than 200,000 square kilometers and hypothetically contain more than two percent of global oil and gas reserves. The skillfulness of military commanders would have predestined the fate of such territories in wars of the past, but now it is experts in international law, politicians and diplomats who must play first fiddle in the process of the delineation of Arctic territory by Russia and its neighbors. Canada and Denmark can be our natural allies in these efforts.

Commentary

“If hopes for capitalism’s quality growth are not futile, it should be based on the understanding that the world should no longer be viewed as a trivial raw material for action or as a theater which stages a play of interests of virtual personages.”

Financial Architecture: Urgent Repair

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Financial Architecture: Urgent Repair

Discussions and Reality of the Global Crisis Era

Leonid Grigoriev and Marsel Salikhov

The world began to talk about the necessity to overhaul the global financial architecture long ago: debates have been running for a decade, and hundreds of books have been written, including in Russia. In the late 1990s, the international community intensively discussed the causes of the crisis in developing markets and the role of the International Monetary Fund. The Meltzer Report, drawn by the U.S. Congress, went as far as to offer to reduce the IMF's role to extending short-term loans to countries with stable finance.

In the autumn of 1999, U.S. Finance Secretary Lawrence Summers (who currently chairs the National Economic Council in President Barack Obama's administration) summed up the results of the Asian crisis in the following way: countries should determine their fate themselves; there is no alternative to a strong national economic policy; fixed currency rates without a tight fiscal policy is a direct way to complications; "informal" relations between governments increase the risk of crises in the globalizing world; and the coordination of the private sector may play a crucial role in restoring confidence.

This guideline for the reform of the world economy implied its liberalization, together with the establishment of order in developing markets with the view of cutting the Western business's losses from frequent financial crises. Today, the world speaks about "soft nationalization" as a cure for the financial sector's groundwork and the state's "salvation"

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role in financial crises in the heart of the world liberal economy – the United States.

Earlier, disputes mostly focused on the role of the IMF and other Bretton Woods institutions in developing markets. At present, analysts, governments and central banks have become aware that these problems are essential, and – most importantly – that they actually involve developed countries and their markets. Whereas previously the analysts considered a safer liberalization outside of the core of the world's private financial system, today the world economy is facing the challenge of saving the very core from “awkward liberalization.” In the past years, nothing drastic was happening in this sphere, because the status quo suited the G7, by and large. The tremendous financial crisis in the U.S. and the global recession in 2008-2009 broke the impasse for this issue.

The world financial system is inherently liberal and will seek – as it pulls out of the crisis – to expand the opportunities for a free movement of capital. But the process of shaping its new architecture is extremely complicated and contradictory because of the conflicts of interests that tend to break out between all the participants. The G20 mainly discusses projects in terms of the global assessment of risks and the monitoring of financial institutions, but it has postponed the revision of approaches to IMF countries' quotas until 2011. The current recession has been facing resistance from national regulators and some direct coordination by governments. The latter includes a higher level of the protection of deposits, soft nationalization in the banking sector and prevention of protectionist wars. In finance, we see non-confrontational, but independent lines of reform in the United States and the European Union, as well as some original moves made by the BRIC states (Brazil, Russia, India and China).

The G20's intention to implement international cooperation remains rather general and vague. For example, no practical accords were reached during the Washington summit (November 2008), which took place at the height of the financial crisis. At the London summit (April 2009), the parties agreed to boost IMF resources, but failed to find accord on principles to modernize the global financial system. The summit in Pittsburgh (September 2009) and the meeting of the finance ministers and governors of central banks in St. Andrews (November

2009) yielded certain tactical accords, such as the commitments to toughen the capital requirements for banks, restrictions on trade of OTC derivatives, etc. But the fundamental issues related to the persistent global imbalances were not fully addressed, and their solution is yet to be found.

Table 1. Objectives and results of the London summit (April 2009)

Objectives	Initiators	Result
Increase in government spending	USA, UK	No concrete obligations taken
Tighter regulation of finance sector	France, Germany, Russia	Obligation to tighten regulation
Increase in IMF reserves	Practically all IMF	Four-fold increase of capital
Revision of quotas in IMF	Developing countries	Concrete decisions postponed until 2011
Funding of international trade	Brazil, UK	250 bln USD of allocations proposed
Fighting protectionism	UK, USA, South Korea, India	Recital of the Washington statement against protectionism
Fighting offshores	France, Germany	Accord to draw lists and exchange information
Revision of reserve currencies	China, Russia	Issue not put on the agenda; Russia published a separate statement

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In many issues, the participant countries hold opposite views (see Table 1), so the new architecture will emerge as a result of long competition between various options. The proposals that are being voiced today provide for a compromise and take into account, to a certain extent, the demands of Germany, France and large developing nations. Anglo-Saxons found themselves at an advantage during the acute phase of the recession: they avoided the necessity to take serious obligations, and no supranational control threatens them. Renaming the Financial Stability Forum as the Financial Stability Board (even with granting membership to Russia and other countries in it) has not changed the practice of international financial organizations or national regulators. The role of finan-

cial institutions will inevitably grow in each country, risky foundations will be kept in check with accountability requirements, and the number of offshore companies will decrease. After the crisis, the world will resemble its pre-crisis version, although many objective processes have been unfolding regardless of the success or failure of G20 consultations.

KEY PROBLEMS OF THE GLOBAL FINANCIAL SYSTEM

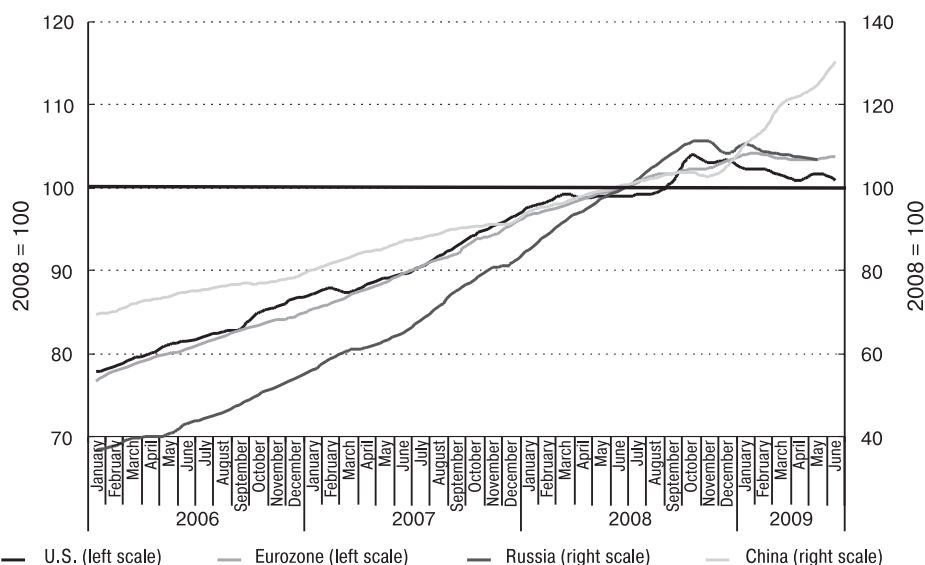
The excessive leverage (ratio of loan capital to funds at one's disposal – Ed.) of the financial system in general and of developed states in particular shows the basic imbalance between the capital of financial institutions and the size of assets they are managing. In the first place, it concerns the high risk components, such as complex derivative financial instruments. The writing-off of huge volumes of “bad” assets in 2008-2009 was a still larger drain on the financial system.

The U.S. government measures have not been very effective so far: during the “credit crunch” the disorientation of banks and investors is an obstacle to a smooth start of the traditional mechanisms that provide for liquidity and availability of loans. Further financial upheavals after the beginning of the industrial depression are a normal thing; it was the financial shock prior to the industrial recession that was unique. In the course of the crisis, loans are shrinking gradually as the cumulative volume of credits also suffers complications: the overall (nominal) volume of bank loans tends to stagnate (except in China), but banks are forced to extend loan terms. They would be happy to have their money back, but they have to extend the repayment periods to avoid the risks of default or losing their clients in the future (see Graph 1)

As the U.S. economy draws out of the crisis, it is likely to keep relatively low growth rates. An increase in the U.S. population's savings (to 5 percent of the available income, as in the 1990s) will provide additional resources to the national financial system – provided the increase is steady. President Barack Obama's fiscal stimulus may prove to be very expensive and create a record high budget deficit in the next few years. But in a longer term there is a chance that the U.S. economy will not require that much external funding. The net decrease in the obligations of households may become the fundamental factor in deleveraging the

entire economy, i.e. the population's savings can secure a relative decrease of the future demand for capital inflow.

Graph 1. Cumulative volume of bank loans in the U.S., Eurozone, Russia and China (2006-2009, 2008 average = 100)



Source: Bank of Russia, U.S. Federal Reserve System, Institute for Energy and Finance

In a bid to countervail the outgoing offer of commercial loans, the state has sharply expanded its obligations. A decrease in the government's obligations and its withdrawal from the funding of the economy will be a drawn-out and hard process. The crisis has proved that the presence of a limited number of huge financial institutions is an inherent system risk.

The increased level of financial globalization in the past two decades has not been counterbalanced by a relevant increase in the level of control and regulation. Despite the seeming abundance of information, the financial players have been displaying an extremely low level of information transparency. The crisis has revealed a dangerous tendency: hedge funds, private equity funds and investment companies give grudgingly information which could be helpful in evaluating risks. The risks in the system began to accrue faster and on a greater scale than ever, and became increasingly difficult to identify. This resulted in painful consequences,

unexpected for regulators (especially in small countries with large banks), which have not yet found ways to rectify the situation. There was no sufficiently authoritative body to assess system risks outside of the network of the established institutions. A change of the model and format of the banking system (more complicated operations, investment banking and securitization) will require entirely new regulating capacities.

The failure of national regulators and international financial organizations at the early stage of the crisis in the summer and autumn of 2008 was one of the reasons behind general mistrust on the markets. The immediate result was the investors' loss of confidence in financial authorities, institutions and a majority of instruments except for state securities of the U.S. and some other countries. The problem aggravated on negative news about the global industrial recession. Among other things, the current crisis is marked by a global scope and a lack of a "safe haven" for investors.

The financial globalization and gradual removal of regulatory requirements facilitated the concentration of the financial sector on a global scale. The number of financial institutions, regarded as too large to go bankrupt, became too big even for such major economies as the United States. In some small states (Ireland, Iceland, etc.), the financial institutions that were relatively small by world standards appeared to be disproportionately large compared with the sizes of their national economies. The advantages from the enlargement of such loan institutions have proven to be quite illusory, because running such large bodies and full-fledge risk management become more complicated. Also, large financial institutions have a considerable political influence and can change the rules of the game in their favor – something they practiced not only in developing markets, but also in the markets of developed economies.

The market of credit derivatives, above all credit default swaps (CDS), became one of the main factors which destabilized the world financial markets. The positions on these instruments resulted in the bankruptcy of Lehman Brothers and the de-facto nationalization of AIG. The high concentration of contracting parties and the asymmetric information, stemming from complex patterns of inter-relations and cross-hedging between the actors is the main problem of the market of credit derivatives. Although the key function of credit derivatives is to

lower risks, the overall level of system risk has increased. Furthermore, the speculative change of the CDS value, which occurred due to the market's specifics, may be regarded as a worsening of credit worthiness, and become a separate cause of financial panic.

The markets of derivatives have come under particularly harsh criticism, and therefore their de-regulation has become a thing of the past. Now we can expect a decrease in the volume of derivative financial instruments and more transparency of the related financial obligations – certain moves have been made or are currently under consideration. Additional collateral requirements and centralized trade make these instruments less attractive for investors, which may result in the shrinking of these markets.

In general, derivatives increase the effectiveness of the financial system, but they should be subject to separate regulation and control. This measure helps to lower risks and meets the interests of the world financial system as a whole. The practice of the so-called 'securitization' and creation of 'structured' financial products in general made a negative contribution to the current crisis. 'Securitization' was viewed as a universal pattern for eliminating risks, speeding up the financial turnover and deriving quick profits. The rapid expansion of securitization decreased the incentives for monitoring the initial credit risks and the actual quality of high-rating securities.

It is necessary to change the criteria for regulating banking, because the Basel Standards no longer reflect the changes in the activity of the major banks. Globalization has erased the boundaries between various types of banking operations. In addition to the traditional functions of financial mediators, banks act increasingly often as operators on the stock and currency markets both in their own interests and at their clients' instructions. The Basel Standards are obviously pro-cyclic: during an economic boom, the fixed norm for capital sufficiency contributes to the buildup of both capital and assets. During an economic recession, it aggravates the crisis because it is necessary to cut assets in order to comply with the regulators' requirements.

The decreased dependence of financial markets on ratings and assessments by international rating agencies has become the topic of the year. The experience of the recent years has shown that in awarding their ratings, the agencies do not take into account the increased scope of the

use and diversification of financial instruments. Since investors and regulators in the whole world rely on ratings by international agencies, their quality must be dramatically improved.

The establishment of an international regulator is hot on the agenda, but the proposal is unlikely to materialize for political reasons. The U.S. program (June 2009) envisions “coordination,” but the United States does not intend to let a supranational body to supervise its financial markets and institutions. In practice, the functioning of financial institutions involves higher risks, because the terms of assets and liabilities in a financial institution always differ. The operation of national central banks aims to lower the degree of risk due to the central bank’s position of a “creditor of last resort,” with the right to turn on/off the money press. Since no such creditor is available at the supranational level, it is one of the factors behind the increasing system risk. Financial markets are playing an increasingly larger role and can become a source of panic, which can be prevented by a supranational creditor only.

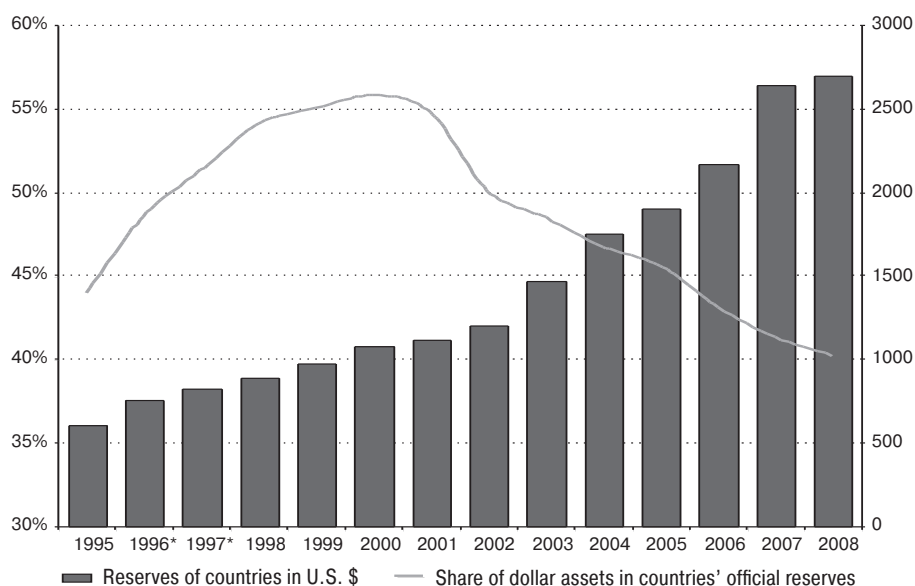
As yet, there is no system of international regulation of the financial sector harmonized between the key players, in the least. In various financial sectors, there is a set of standards and codes that are developed by international organizations and supported by the IMF and the World Bank. They are the reference points for national regulators and three international rating agencies. But the established system does not ensure a real regulation of the financial market and institutions at the global level, or a rapid response to crises. The activities of such organizations as the Basel Committee on Banking Supervision, the International Organization of Securities Commissions, the International Association of Insurance Supervisors, the Committee on Payment and Settlement Systems, the Financial Accounting Standards Board are still disjointed.

There is a need for a body with supranational functions, which would work out uniform approaches to the regulation of various segments of the global financial market. There has been much talk about it recently, and the G20 noted it among their objectives. By a twist of fate, the U.S., whose financial system came under the bulk of criticism, has become the leader of new trends. At the same time, it is already obvious that the leading countries are not ready to give away part of the regulatory, supervisory and controlling functions and powers to a supranational body.

In our opinion, the decrease in the U.S. role as a financial center will be the inevitable consequence of the crisis of the international financial system. The crisis shows that the excessive concentration of finance – when one country consumes the greater part of free global savings – is unstable by definition.

We are far from agreeing with those who say that the prognoses about the quick end of the dollar era and of the U.S. as a financial center are beginning to come true. The role of the U.S. dollar in the world is foremost based on the huge supply of reliable dollar assets to private and state investors. As a reserve currency, the dollar has traversed the boundaries of its country, providing for not just securities for private investors, or cash for settlements by countries with unstable currencies, but also huge volumes of official reserves. Even the decrease of the dollar-denominated reserves at central banks to 40 percent from the record-high 56 percent in the early 2000s, leaves the holders with a growing mass of over \$2.5 trillion of dollar assets (see Graph 2).

Graph 2. Official reserves of countries, U.S. dollars, and share of dollar assets in reserves, % (1995-2008)



Source: COFER

The U.S. financial system did a “great Swiss service” to the rest of the world, giving it the opportunity to keep savings in reliable assets. Thereby, the country attracted rather cheap resources for its development under quite sensible principles of reliability. This had a positive influence on the stability of the global system, as it ensured the transfer of risks in time and space. The inflow of foreign capital to the U.S. played a major role in the economic development of the country in the distant and recent past. Those who wish to see the “funeral” of the dollar might count on a lesser role of the U.S. currency in international settlements and central banks’ reserves in the medium-term perspective. But it is difficult to conceive a scenario where the dollar would lose its key role at least in the next decade. A flight from the dollar might become a drawn-out trend, remaining extremely susceptible to the situation on currency markets, especially as the common interests of the holders of dollar assets prevent the “catastrophes” that the mass media predicts so willingly.

Is the G20 capable of functioning effectively? Such a format was designed a decade ago to discuss the reform of the financial architecture. The legitimacy of this group is insufficient, because world problems should be either resolved at the UN or on the basis of a set of measures approved by national parliaments (or, rather, both ways).

We are actually witnessing informal coordination of political vectors and their subsequent implementation by individual countries or groups of countries such as BRIC or the Franco-German coalition. The level of the current recession lets us say that the leaders have coped with the famous maxim of physicians “First, do no harm!” Even if the positive dynamics of the stock markets after the summits is the result of different, much deeper economic trends (which is probable), nothing prevents us from believing that the summits have a therapeutic effect. The very discussion about the reform of the international financial architecture acts as a stabilizing factor. After all, the G20 summits send the correct message about the importance of international coordination and prevention of protectionism.

Following the crisis, there have appeared two plans to overhaul the world financial architecture instead of one: American and European. The U.S. plan, presented in the Department of the Treasury’s report, *Financial Regulatory Reform – A New Foundation: Rebuilding Financial Supervision and Regulation*, aims to resolve five key problems.

First, traditional regulation is targeted at the activity of certain institutions, not the system as a whole. Regulators did not pay enough attention to the system risk. Solution: higher requirements across the board and extra requirements for large players, as they create the system risk. Also, it is proposed to boost the responsibility of the Federal Reserve for exposing system risks. Our opinion: the main problem which led to the crisis was not the banks' not meeting the norms but the fact that compliance with these norms did not necessarily show the capability of the financial institution to resist the crisis.

Second, securitization and distortion of incentives amidst greater securitization of bank loans. Solution: demand to disclose information, increase the level of inquiries to keep part of loans on the balance of the issuer, and transfer the greater part of derivative financial instruments to exchange floors to study the related risks. Our opinion: many banks kept the larger part of assets in "toxic" securities as it is, and it is difficult to give a quality assessment of disclosed information.

Third, a low level of the protection of investors' and consumers' rights. Solution: setting up an agency to protect consumers' rights, to regulate the financial sector at the retail level. Our opinion: politically, it is the most understandable and attractive part of the plan, which should be implemented accurately.

Fourth, the regulators have no necessary instruments for taking actions in critical situations. Solution: authorize the FRS to provide support to any financial company (not just to loan institutions) if its collapse can jeopardize the stability of the financial system with risks. Our opinion: this will merely give legal backing to the solutions that were realized through administrative procedures.

Fifth, the availability of international regulatory arbitration allows financial companies to operate in the most convenient jurisdictions, which lowers the effectiveness of any measures at the national level. Solution: coordination of actions at the international level. Our opinion: in practice it means an increased U.S. pressure on offshores and jurisdictions with low taxes and regulation. There has been no coordination of a more substantive level thus far.

The purpose of the plan is to make regulation more sophisticated and precise, that is, to complicate it. In our view, it is necessary to give more

authority to the regulators (they have all the required instruments, but they do not use them) and streamline regulation. The more complex the regulating system is, the more ways there are to circumvent it.

The initiatives of the European Union have been indeterminate so far, they are behindhand the American proposal and are eclectic due to the tremendous – and currently insurmountable – contradictions within the European Union. There is a visible bid to limit the freedom of action and tax havens in offshores. The key issues for the EU, related to the regulation of banks operating in several countries, have not been resolved either.

The progress in pan-European regulation has been insignificant so far. For example, there are plans to form a new European Council for system risks, but its decisions will be recommendatory. The plans actually concern the structure of the European Central Bank, that is, they will practically change nothing. It is planned to set up a European System of Financial Supervisors to regulate the institutions operating in several countries, but in essence it is a pool of national regulators trying to regulate large institutions along uniform, but not yet formulated principles. The main problem of the financial sector of the European Union is that the institutions are regulated at the national level, while the greater part of operations is done on the pan-European market. Some small states (Belgium, Ireland and even Switzerland) do not have enough financial resources to bail out their large banks.

The recession has hit hard all the 12 East European EU members, so any system measures on a pan-European scale would immediately require a considerable overflow of resources from the “old” Europe-15 to the “new” Europe-12. But the European solidarity in the conditions of recession does not stretch that far, especially amidst the suspicions regarding the economic policy pursued in Central and East European states.

WHO WILL PAY FOR DEVELOPMENT?

One may discern another discussion unfolding behind the disputes over the future financial architecture – that of the sources of funds and forms of global development after the crisis is over. In general, the shaping of common strategies of developing nations remains the

monopoly of international financial institutions. The instruments of influence are the measures to support fiscal budgets and current accounts, as well as assistance to large projects, including the development of power generation, infrastructure, and the financial sector. The developed states can use the International Monetary Fund and a system of development banks to influence the policy of many countries (including countries of Eastern Europe and Asia), and this influence is disproportionate to their expenditures.

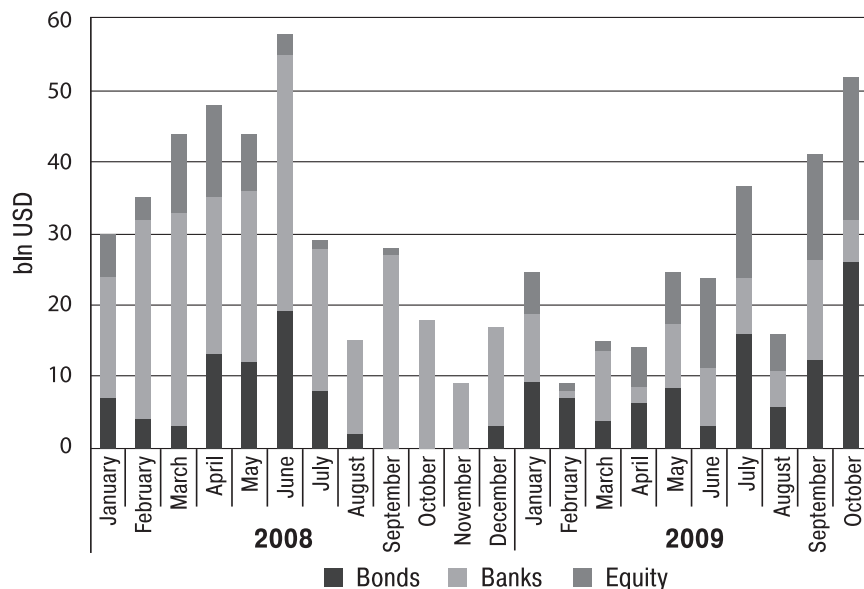
Graph 3 shows the dramatic decrease in the overflow of financial resources from the Western private financial system to developing countries during the acute phase of the crisis. In the first half of 2008, overall funding exceeded 250-260 billion dollars, whereas during the same period of 2009, it hardly exceeded 100 billion dollars. The financial system was at a standstill for several months in late 2008 (it seems that part of the money flows went to/from offshores). In such a situation, the developing countries find themselves almost in complete dependence on international financial institutions. A certain increase in overflows in the autumn of 2009 reflects a number of sovereign borrowings and a certain revival after oil prices increased to 75 to 80 dollars per barrel. This phase of the crisis is marked by the issuance of equities, as borrowing appears difficult. The growth of equity capital flows occurs amidst the depressed state of the world banking system, which has not yet recovered from the 2008 shock.

It is necessary to seek possible answers to both threats: on the one hand, the loss of funding for long-term projects in Asia, Europe and Latin America, and, on the other, the recurrence of dependence on international financial institutions controlled by the G7. Further development will be influenced by the countries and forces which will be able to offer clear strategies, effective projects and long-term low-interest funding of such projects.

The global financial system does not correspond to the new structure of the world economy, in which the role of the largest developing countries (BRIC plus hydrocarbon exporters) has increased both in terms of the size of their economies and their accumulated gold and forex reserves. As a result, reinvestment of national savings by many countries, including Russia, turned out to be mediated by external financial cen-

ters, which has proven to be a serious threat to development in the conditions of instability.

Graph 3. Gross capital flows to emerging markets, 2008-2009, bln USD



Source: World Bank

Curiously, BRIC states have shown great interaction and certain practical moves in the reform of the financial architecture. A revision of the quotas and voting rights at the IMF and the International Bank for Reconstruction and Development has been postponed until 2011. But it turned out that amidst the liquidity crisis and a huge shortage of funds the BRIC states received the status of major “creditors,” not “shareholders” at the IMF. China has contributed 50 billion dollars to the IMF; Russia and Brazil, 10 billion dollars each, as a two-year loan in the form of bonded debt. Therefore, fresh liquidity for the solution of urgent problems (including the Ukrainian crisis) came from BRIC. Accordingly, the decisions to use it have one important feature: they should be harmonized with the approaches of these “new creditors” to solving world problems, otherwise it will be difficult to refund the above 70 billion dollars in two years (the IMF might fail to have free funds in 2011). So the world architecture has actually begun to change for yet another reason –

under the influence of recession and in favor of large developing countries with a positive balance of payments.

We can state that the American and European ways of revamping the system are complemented by a not very large, but extremely important component in the IMF. In the long term, there will remain the question of how (and at whose expense) global problems will be addressed. These problems include climate change, reaching the millennium goals, the struggle against poverty, and sustainable development of many countries. We are yet to see if new (regional) currencies and financial development centers will appear, how independent they will be, and if they will be able to take responsibility for ensuring world economic growth and stability. Yet these are objective trends, which they will gradually gain momentum as international life goes on.

During the crisis, the world financial system served as the strongest destabilizing factor of internal development of developing countries. The deepening recession, the restructuring of the U.S. and EU financial systems, the steps by Russia and other BRIC states to realize their own interests will shape a new financial architecture more actively than theoretical debates or agreements.

Russia's role in the world financial architecture is unlikely to be as significant as many would wish it to be, but given sensible alliances and compromises, it may become quite sufficient for protecting its national interests. The current situation should be used to modernize Russia's own financial system, increase its resistance to external shocks, and, most importantly, its ability to convert internal savings into domestic investments in development, without the risky dependence on external financial markets and institutions.

The Road Map of an Anti-Crisis Strategy

Vyacheslav Kopiev

Among many scenarios envisaging a post-crisis world, one depicts the world economic system collapsing under the blows of protectionism, retaining only ties in the energy and tourism sectors. Despite the fantastic nature of this prediction, noteworthy are the invariants of the economic system, chosen by experts, which resist even global challenges. Apparently, it takes some extreme circumstances to make obvious the factors that ensure the functioning of the world social and economic system. In any case, it is not often that tourism is assigned the main role in the struggle for influence on geopolitics.

Meanwhile, the degree of freedom and the intensity of human migration have long been the main characteristics of human capital, which is one of the most important resources of any economy. The development of an anti-crisis strategy implies not only the settlement of global contradictions but, more importantly, the definition of a format for the future development of social and economic structures.

GLOBALIZATION AND TRUST

An unbiased system analysis shows that the present global crisis is rooted in the fundamental concept of national economic development – “differentiate or die.” It is time to change this concept for “integrate or die.” It should be remembered, however, that integration processes do

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not rule out differentiation and even increase it: the value of any element of a community depends on its uniqueness and difference from others which increase its overall effectiveness. And this is what integration serves to facilitate.

However, there are big difficulties with implementing these principles. The main prerequisite for integration is the globalization of production systems which, in turn, requires maximum openness of the economy. Answering questions from members of the International Business Council at the recent World Economic Forum in Davos at the height of the global crisis, Russian prime minister Vladimir Putin emphasized this factor as a measure aimed at overcoming its consequences in Russia: "We will make our economy and our country open to the world."

Experts have named many factors that provoked the crisis, yet they all boil down to one thing: loss of trust. It only seems that this is a purely humanitarian and psychological concept that cannot be measured. The significance of this seemingly ephemeral feeling for the regulation of market relations is yet to be studied in depth; on the other hand, volatility has long become a recognized characteristic of the financial market, which conceals the incompleteness of the technical analysis of the current state.

Nevertheless, we can already say that trust belongs to the rare set of characteristics that are equally inherent in the mega-, macro- and micro-levels of interaction between states, nations, regions, groups, businesses and individuals. In this sense, tourism acts as a mediator of these relationships, and as such it is unrivaled.

Remarkably, Francis Fukuyama, who has a subtle perception of latent tendencies in historical development, dedicated one of his books to the phenomenon of trust. One of the main conclusions which he makes in *Trust: The Social Virtues and the Creation of Prosperity*, where he analyzes world history from the perspective of social and economic mechanisms of trust, is that "capital today is embodied less in land, factories, tools and machines than, increasingly, in the knowledge and skills of human beings" as well as in "people's ability to associate with each other." Tourism creates social and cultural prerequisites precisely for the development of this ability.

If we speak about trust at international level, then the example of Russia and the European Union, which are looking for acceptable terms for signing a new bilateral treaty to replace their Partnership and Cooperation Agreement, shows that focusing attention only on economic interaction issues, such as energy, leads into a deadlock. It would be much more promising to focus on other outstanding issues, for example, cross-border migration. Solving these problems would contribute to the establishment of a regime of trust as much as traditional, albeit conflict-laden, issues would.

Obviously, the failure of attempts to quickly overcome the deep crisis is rooted in the gap between the globalization of the consumer market and the globalization of the production of goods and services. Meanwhile, it is consumers that are the engine of the economy. About 60 percent of global GDP is spent on the purchase of goods and services.

The cynicism of economic nationalism is manifested primarily in appeals to buy domestic products. Meanwhile, the ability of domestic manufacturers to produce products that would meet the growing requirements of buyers directly depends on their involvement in the international division of labor.

RUSSIA'S GROWING POTENTIAL

Tourism services are the only economic sector where national differentiation plays a positive role. Moreover, the more intense the internationalization of production, the higher the demand for special products.

Contemporary tourism is an industry that satisfies people's social and communication needs, which have a clear and distinct tendency to increase. Therefore, the proposal of Russia's Ministry of Sport, Tourism and Youth Policy to provide tax deductions to citizens who have bought travel vouchers to visit places in Russia is a real anti-crisis measure which has a serious cumulative effect.

According to research by Euromonitor International, the attractiveness of Russia to foreign tourists is increasing: in 2008, Moscow ranked 18th in Euromonitor International's Top City Destinations Ranking, leaving behind such cities as Amsterdam, Vienna and Prague. Unfortunately, Russia's ratings in other categories are not as good. In a recent *Travel and Tourism Competitiveness Report* published by the World Eco-

conomic Forum, Russia ranked 59th among 133 countries. Russia's tourism industry accounts for slightly more than one percent of GDP and one percent of all jobs. This economic sector requires radical changes, especially with regard to the promotion of tourism services to the world market. To this end, Russia has already launched a TV channel named Russian Travel Guide. A feasibility study showed that the costs of this project will be highly repaid.

Tourism deserves special attention as an industry with a great, yet little-tapped, export potential. The present volume of national exports is enough to ensure a favorable balance of payments and state budget revenues, and the accumulation of foreign exchange reserves. However, the export structure is still imbalanced in favor of energy products, which makes Russia highly dependent on the situation on the world market and which works towards continued dominance of industries with low value added in the Russian economy.

Tourism is an industry where the demand for products is stably high on both domestic and foreign markets. This factor opens opportunities for Russia (under certain conditions) to join the ranks of niche leaders on the global market.

However, achieving this goal requires immediate measures to improve the export regulation and encouragement system in general and the tourism industry in particular. These measures should include changing the functions of export duties from fiscal to structural ones and the development of an effective export crediting system. Despite the recognition of the role that foreign-trade crediting plays in promoting exports of developed countries and countries with economies in transition, the system of state support for export crediting in Russia remains undeveloped and access to it is very limited. The level of administrative costs in obtaining export credits is actually prohibitive for travel companies of any size.

In addition, the Russian government must provide direct support for export-oriented travel companies. In particular, it should oppose discriminatory practices of partner countries, provide political support for contracts concluded by Russian exporters, and provide information services concerning the situation on export markets. The Ministry of Economic Development, in cooperation with Russian diplomatic missions abroad, should inform Russian tour operators about export opportuni-

ties in concrete national and global markets. This information is essential for rapid response to possible growth in exports, especially for small and medium-sized businesses. In case Russian exporter companies make requests for specialized reviews, these information services could be provided free of charge.

Tourism as a sector of the economy needs a radical revision of its organizational and economic foundations. At present, the tourism industry is linked with many other sectors, such as transportation, communications, trade, construction, the utilities and food sectors, social and cultural institutions, and services. Performance in each of these areas is directly linked with the consolidation of businesses, which most often is done through mergers or takeovers.

The consolidation of travel businesses has a limited and a purely professional nature. Integration processes in this sector must rest on other organizational forms that would be best suited to using governmental support. Tourism has a stimulating effect on industrial, construction and services sectors of the national and regional economy and thus becomes an important factor of social and economic development. For example, the decrease in sales in the travel sector due to the crisis caused a downward revision of aircraft production plans, which resulted in the closure of several aircraft companies.

The mechanism of this effect inevitably comes into the view of the state policy. Considering that tourism is not confined to national borders and that the openness of the economy provides equal opportunities to foreign agents as well, the competitiveness of domestic producers of tourism services is becoming a target of the economic policy. In particular, it would be wise to evaluate the recreational potential of regions of the country, allowing to reasonably hoard profits from tourism. Indeed, the treasures of museums are not only material values – people wishing to admire them create financial flows.

Hoarding is not a formal way of artificial capitalization of producers of travel products; it creates additional conditions for attracting bank loans, including long-term ones. In fact, such attempts are already being made in an exclusive way to justify the establishment of special recreational zones for tourists. They are intended primarily to improve the investment attractiveness of a given region and promote the develop-

ment of the tourism industry. For example, the presentation by Russia's Krasnodar Territory of 27 tourism investment projects worth more than 2.7 billion euros at the MIPIM-2009 exhibition has direct relation with plans to create such a recreational zone.

TRANSFER OF HUMAN INTERACTION

At the state level, support for tourism can be provided within the framework of cluster policy. This conclusion was drawn by experts from EuropeAid working on measures to support the state policy aimed at improving the competitiveness of the Russian economy (2008). They have proposed working out a program for creating territorial and sectoral clusters intended to ensure international transition, i.e. providing universal services in the tourism industry. It should be noted that the idea of such universality is in the air. The president of Kazakhstan, for example, proposed introducing a new currency, which he called "transital," as a sort of Noah's Ark of capital for rescuing assets in a new, post-crisis world.

The global economy needs a global transfer of not only capital, labor, technologies and goods but also of human interaction. International transition performs such important social functions as cross-cultural diffusion, the formation of tolerance in society, verbal and aesthetic conversion of leisure, informational and cognitive discourse, and the rehabilitation and restoration of manpower. Losses from the poor condition and the lack of integrity of the system that must ensure the fulfillment of these functions are incommensurable with the costs of its creation and functioning. One might as well launch another national project!

Now crisis management and post-crisis development programs are being drawn up. Various recipes are being proposed for supporting demand and creating new jobs. Tourism has a high multiplicative potential in this respect. Its great advantage is its focus primarily on domestic demand. As the world's largest country, abundant with its own natural resources, Russia can orient its development to the domestic and regional division of labor. If given strong government support, the travel industry can become an engine that will drive the entire national economy. Years ago, the automotive industry and road construction played the same role in the United States, but let us not forget that the economy and the social and political systems in those times were not as open as they are now.

The present dependence of the Russian economy on raw materials exports, which the government seeks to overcome, is primarily due to the high external demand for metals, oil, timber and fertilizers. But the success of efforts to change priorities largely depends on the compensation of the external demand for goods and services with internal demand. One can hardly hope for an accelerated development of innovation sectors of the economy now, and in any case this is a long-term task, whereas the travel industry is much more receptive to development impulses and, due to its multiplicative effect, can moderate the development of socially oriented sectors of the national economy.

Special importance should be attached to the involvement of regional economies in the modernization process. The easy-to-use quality of travel products facilitates this involvement. In fact, the main demand here is for information technologies, and it is precisely these technologies that have been developing fast in recent years.

However, words alone about an essential role of tourism are not enough. The state economic policy needs to be drastically changed in order to make the tourism industry a backbone one and thus deserving special attention and support from the government. The first steps have already been made: the so-called special recreational zones for tourists have been given special status. Yet, much more needs to be done.

Economists propose creating additional conditions for developing and managing state-private partnerships in tourism. To this end, it has been proposed including the tourism industry in the All-Russia Classifier of Types of Economic Activity as a separate branch of the national economy; making a register of state and municipal property which can be used as tourist attractions within the framework of state-private partnership projects; and establishing a dedicated federal agency that would work out and propose new areas and methods for developing the tourism industry with a view to implementing a coherent state policy in the sphere of tourism, aimed at improving the quality of life.

Another proposal includes establishing a Coordinating Council for Tourism under the Russian government. It may have the following managerial functions:

- ensuring the balance of interests between businesses and the government by means of federal and regional programs for social and economic development and tourism;

- organizing inter-agency and inter-branch interaction between municipal authorities and travel businesses; managing a data bank regarding joint projects; and identifying demand for tourism services and products in Russia and abroad.

In state-private partnerships, the state should pay more attention to and allocate more funds for the development of infrastructure, primarily the construction of hotels, roads, and hubs for rail, road, air, sea and river transportation.

In accordance with its political and economic status and in line with its policy for expanding its influence in the world, Russia is actively participating in international development assistance (IDA) programs. This country is engaged in a wide range of efforts to build a respective national system. According to Russia's Foreign Ministry, about U.S. \$500 million will be allocated for this purpose annually in the next few years. The implementation of the Concept of Russia's Participation in International Development Assistance, approved by the Russian president on June 14, 2007, will help Russia strengthen its positive image, open new opportunities for investment in promising sectors of the world economy, and make Russian companies more competitive in the world market.

IDA programs cover national health, social security and educational systems. Russia's IDA system could provide for measures to develop tourism as a multifunctional sector of the national economy. Within the frameworks of these programs, Russia could assist domestic producers of travel services and joint organizations established with countries involved in the IDA processes.

The specification of a generally outlined route towards the established goal is what we call a road map. With regard to tourism, this formula has a literal meaning.

While the 2009 World Economic Forum in Davos focused, among other issues, on the environment, Russia could propose devoting the next forum to tourism as a road map towards a common civilizational space. Let us not forget that the European Union grew out of the European Economic Community. Similarly, a Common European Space can begin with a Common Travel Market.

Who is to Blame?

The Cultural Nature of the Global Crisis

Fyodor Shelov-Kovediayev

The global crisis has given a new lease on life to an archaic view suggesting that the past 150 or so years represent a play of ambitions by several business groups (industrial monopolies, financial clans, banking empires, etc.). These groups ostensibly possess the necessary sufficient resources to manipulate international processes out of their petty egotistic objectives and which misuse national interests, political ideals, social institutions, governments and nations, using them as instruments to cover up their own disastrous designs.

This yet another edition of the conspiracy interpretation of history was thrown to the public by retired intelligence officers who have a tendency to over-exaggerate the effectiveness of total control over unfolding developments. The fact that they have taken part in some successful local special operations adds weight to their extrapolative views in the minds of certain groups of the public at large.

These misconceptions grow out of a false interpretation of actual events. The evolution of capitalism beginning in the 1850s was a chain of crises from which the leading players (Britain and later the U.S.) would recover with the help of extensive use of external sources. This happened because their status and reputation let them mobilize the resources of other parties involved in the same events and reap the maximum profit in their own petty interests.

The sporadic search for possible optimal models for overcoming and preventing the crisis phenomena was interrupted by wars, launched in the hope of cutting the Gordian knot of problems. Attempts to manage

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crises in periods between the wars were invariably opportunistic – they would smooth out the rough superficial contradictions without getting deep into the root causes. The theories that aspired to offer some new strategies were always frustrated by reality. This was precisely what happened to the emission/liability type of economy that rested on theoretical mathematical premises of its functioning.

The tensions of the second quarter of the 19th century erupted into a series of revolutions in Europe which persisted in the second half of the same century and eventually led to the Crimean War, the Franco-Prussian War and the Paris Commune. Since they did not entail any radical changes in the dominant economic order, the deficiencies inherent in it triggered not only the turmoil in Russia in 1904-1907, but also the crisis of 1907 in the U.S. The Russian and American upheavals did not untangle the skein of contradictions and Europe slid into the First World War, which did nothing to eliminate the economic discrepancies of the capitalist system and could not even escape them. That is why it was followed by the Second World War, forerun by the pan-European crisis of the 1920s-30s and the Great Depression in the U.S.

The tragedy that raged from 1939-1945 was also an attempt to dodge difficulties rather than eradicate them, and this unleashed a series of social cataclysms in the 1940s until the end of the 1960s, bringing about the dramatic crisis of 1971-1975. The ensuing renunciation of the Bretton Woods system was actually the continuation of the same vicious practice of estrangement from efforts to address the snowballing challenges. After several shocks of variable intensity that occurred in the 1990s, this practice eventually ended up in the current systemic global crisis.

While evading the solution of essential problems, the capitalist system expanded its consumer market after each new tectonic shift. During the Great Depression, millions of Americans got highly paid jobs at construction sites in the Soviet Union; in World War II they earned big revenues at home thanks to Lend-Lease contracts; later the U.S. economy grew thanks to the Marshall Plan. This inherent ability of the market to convert everything into benefits for itself gives the deceptive impression of the existence of a conspiracy.

What we said above proves the importance of coming up with a correct diagnosis for the current global crisis. Many of its symptoms may

testify that the mechanistic proliferation of capitalism has reached its natural limit and that it requires profound modernization. Unfortunately, an adequate diagnosis of the unfolding events is lacking. Economists have shown a fatal slowness in identifying the problems that befell us. When it was already clear that the crisis was an economic one, they continued branding it as “financial.” And when protests in Iceland, France, Germany, Spain, Greece and Italy gave it an unquestionable social dimension, they reluctantly admitted that it was “economic.” By the middle of the spring of 2009 some experts began to talk about the social and humanitarian threat, although contrary to the plainly evident facts they discussed only Eastern Europe and Central Asia in this context. Yet even if used broadly, this definition has outlived itself. If we put together factors that are separately admitted without reserve, we will see that the case in hand is an in-depth cultural (civilizational) crisis.

If, according to the general conviction, the crisis reveals a systemic nature, then it is only culture that represents a full-fledged self-sufficient system, while the economy – viewed beyond purely scientific analysis – is only a subsystem devoid of all-sufficient significance. (Obviously, any combination of facts can be called a system within the scope of narrow research, but this approach will be of exclusively academic value.)

What is more, when practical experts speak about a crisis of the dominant economic concept or about formational or tectonic shifts, they use the semantics of culture, not economics, while some of them make direct references to it. Allusions to culture are also made during discussions of newly-exposed moral risks, the crisis of trust, the importance of toughening the rules of conduct on the market and even about religion that is destined to play a key role in the control over the direction of reforms so much needed by capitalism (since religion is the main source of moral values). Trust underlies relationships even in the most primitive societies and it is older than economics. The latter does not produce ethics and that is not its objective. All of these notions have been borrowed from the system of culture.

THE DEFICIENCY OF POSTMODERNISM

Since this is a cultural crisis we should understand what type of culture is experiencing it. Cultural crises have occurred many times in the past

and all of them represented the decline of a separate type of culture. The current crisis is not an exception.

To my mind, the world has come to grips with two major interconnected sets of crisis phenomena in contemporary culture.

The first set encompasses a variety of aspects of postmodernism as a cultural type.

First, postmodernism has long lost the main reference point: genuine art was replaced by mass culture and variety shows, which signaled the start of the breakdown of civilization in the West. Then the same happened to politics, which manifested itself in the spread of dictatorial regimes in the 20th and 21st centuries, the proliferation of fashionable Western concepts about the end of democracy, and neglect of public opinion in post-Soviet countries. Economic agents resisted the post-modernist virus much longer than others. Still, it eventually hit the economy and grew into a mechanism that triggered economic destruction (since the circulation patterns of both derivatives and futures only have a formal link to the basic value which they have been derived from). It has become obvious that postmodernism poses a fatal danger as a worldview and as a strategy.

Second, the ideologeme of a “civilization of means, not objectives” that Western European intellectuals took pride in fairly recently has proven bankrupt. One could suspect that this philosophy was disastrous long before, but only now we are beginning to realize that humankind will not survive if it is not guided by eternal values and places ideological and material values above them.

Third, the “civilization of speed” has proven deficient. After the collapse of stock markets, referring to speed as a major achievement of an informational and post-informational economy has become inept. Apart from this, there are at least three more negative consequences of the passion for speed, although this factor has received little attention from analysts so far. Speed is especially dangerous for society as it kills normal communications between people and deprives them of the spiritual comfort that is essential for their personal progress; speed also overshadows eternal values.

Remarkably, acceleration for the sake of stimulating consumption and constantly bringing new brand name products to the market has

yielded the same results for the liberal economy as it did for the planned economy – a decline in the quality of goods. However paradoxical this might seem, producers see no sense in manufacturing durable commodities, as they become morally outdated increasingly rapidly. The deterioration of quality has gradually embraced all things offered, including ideas and solutions, as more and more of them are promoted without due account of even their medium-term impact.

Another pitfall lies in accelerating the rate of innovation. The time between the development of technological novelties to their marketing, which would previously take years or decades, has been cut to several months and may fairly soon shorten to just several weeks. And when, in the long run, this timeframe is reduced to just a few days (due to the unending desire to optimize profits), innovative activity will lose all sense, as innovations will become morally outdated before people have an opportunity to use them in full. This may result in a crash worse than the current one.

THE DOWNFALL OF ECONOMIC CENTRISM

The second set of crisis phenomena in contemporary culture involves the crisis of concepts rooted in Marxism and related theories (since even those who reject Marx's predictions and practical advice tend to recognize him as an outstanding sociologist and economist). Marx was the first to make economics absolute, turning an ordinary instrument for serving the interests of society into a self-reliant entity that ostensibly has an imperative power over man. Naturally, he has been extolled to the skies by those who appeal to the chimera of the supremacy of economic needs.

The *first* factor of the crisis of Marxist conceptions is the psychological deficiency of economic centrism that dominated, in one way or another, the entire world over the past 150 years.

Generally speaking, this is far from the first instance where humankind initially defies man-made things and then starts worshipping them. Religious concepts known as fetishism were an initial form of this fallacy. In subsequent eras, the public would hold ideologies, governments, etc. as idols. This practice has always had a lamentable finale, so today's evolution of the economy into a routine fetish is quite logical. It looks like the time has come to part with this idol and start treating it as a trivial instrument – the way it was conceived. We should realize that it

is not people that must work for the economy, but the economy that must work for people.

The *second* factor is the deficiency of the expansion of market relations beyond their legitimate borders, which again stems from Marx's economic centrism. Many outstanding minds agree with Adam Smith's postulation: even if the market is efficacious in the sphere of private interests, it is absolutely ineffective in the sphere of the public good. Although the crisis dealt a blow to the economy of consumption, the blame for the situation goes to the consumer society, which emerged as a result of ignoring Smith's warning.

The two notions are confused so often that they require a special note: there is nothing bad about consumption per se; the evil hides in the extrapolation of the principles of material (economic) consumption to the spheres where they are completely inapplicable (human contact, arts, etc.). This extrapolation forms a society where consumption suppresses everything else. When people start treating each other as consumers, they lose genuine mutual responsibility. The transformation of education, science, culture and medicine into simple services perverts their import. Infatuation with pragmatism turns education and science into trivial craftsmanship, culture stops cultivating recipients and regresses to their level, and medicine undergoes cynical commercialization and starts neglecting the Hippocratic Oath.

Third, the bluntly mechanistic approach to regulating social processes, which also sprang from 19th-century socialism, has outlived itself. While a similar method in economics was fathered by the utopianists Owen and Fourier, various types of social engineering were conceived by Saint-Simon, one more predecessor of Marxism whose disciples – exclusively engineers from the Ecole Polytechnique in Paris – inspired Marx to work out the prescriptions for universal happiness. Although the ideas predominant today have largely deviated from Marx's recommendations, the habit of looking at individuals and society as simple mechanical devices – not really more sophisticated than ordinary machines – persists.

The work of governments, corporations, consultants, experts and researchers at all levels began to be dominated by the technological constructs of society that overshadowed its real appearance. This phenomenon has prompted the famous Horngren's Observation: "Among

economists, the real world is often a special case” (that is, of their conceptions). Administrators and managers have developed a habit of trusting the efficiency of artificial patterns that totally disregard the diversity of the natural world. This practice, which was made absolute in the second half of the 20th century, is far from harmless, since the vitality of all forms of everyday activity – and the crisis has made it clear as day – hinges exactly on their superfluous diversity.

Fourth, the vulgar interpretation of the rational choice theory that was a logical extension of Marxism and that was unconditionally spread to all players and segments of the market has been discredited by reality. Its stipulations fall short of describing the behavior of all the participants in retail trade where women constitute the majority of buyers and their preferences do not fit into the Procrustean bed of rational motivation. Nor does the theory help model the situation on exchange markets. The volatility of financial and stock markets, the dynamics of which depend to a greater degree on the swift emotions and moods of exchange gamblers rather than on the real situation in the economy or on information about it, has manifested itself the strongest during the current crisis and it clearly points to the limitation of its applicability.

Fifth, the era of the Marxist political economy is over. Marx analyzed the economy of a classical type based on the production and sale of physical material values, and his adversaries and followers have been doing the same thing ever since. Although the situation changed dramatically at least a quarter of a century ago, the power of inertia has kept everyone on the track of applying the old rules, suitable only for days gone by, to the new reality, and this partly explains the unexpectedness and depth of the global crisis.

The policy of an unnatural whipping up of growth (i.e. consumption) and speculative markets that was launched in the U.S. in the 1970s had brought up a new type of economy by the mid-1980s. It can be tentatively labeled as an emission/debt economy. Its hallmark is the transformation of the markets of all commodities – from wheat to metals to crude oil – into exceptionally financial or speculative markets (through a system of trading in futures and derivatives).

Today the exchanges trade not in the real volumes of products with precise dates of delivery but in securities issued against these products.

The securities are nothing more than a financial instrument existing in the virtual world, since neither of the parties is interested in the availability of physical commodities at any stage of the transaction. This explains, for example, how the bubble of the food crisis appeared out of nothing several years ago. As it turned out, it had nothing to do with the threat of famine, which was fanned in the interests of exchange gamblers. This means that commodity markets have turned into analogues of stock markets and trading there abides by the same logic of financial speculation.

The same thing has happened to the capitalization of businesses, the parameters of which are used almost entirely for speculative considerations. The current situation stands in dramatic contrast to the one known to Marx and his opponents. This new reality calls for a new assessment and old instruments do not fit the purpose. No adequate methods of curing the hitherto unknown disease will be devised and one will not be able to claim the evidence of a steady revival from the crisis until this urgent intellectual work is done.

Unfortunately, this moment is far ahead and the global crisis is unfolding against the background of a chain of crises in specific spheres that further complicate it. Most of them offer extra confirmation of the cultural character of what is happening, as none of them has a purely economic source.

SPECIFIC CRISES

First among them comes *the crisis of economic science*. Theoreticians and practical economists as different as Robert Zoellick, Joseph Stiglitz, Nouriel Roubini, Martin Gilman and Warren Buffett are all lost in reasoning on when the current upheaval may end. Ben Bernanke demands that U.S. banks continue to get support at any price. U.S. President Barack Obama says that the economy is beginning to move out of the recession, and Alan Greenspan warns that a fall of the mortgage loan market by another 5 percent (a realistic prospect) would kill the U.S. economy.

This dissonance of opinions is easy to understand, as scholars are unable to say anything definite about the nature of the global crisis. All of their answers reflect their negative knowledge: the ongoing crisis is *not* cyclic and not related to overproduction, in which lowering interest rates results in a shrinking money supply, a drop in demand, falling prices

and, subsequently, a new reduction in the rate. The research community has no consensus even on the origins of the crises of the distant past, which adds to the general pessimism and breeds apprehensions about the scientific incapacity of previous concepts. There is no clarity about the further course of the economic crisis, which is based on artificially boosted consumption, is divorced from the gold standard, and is characterized by volatility and speculative commodity markets.

Although all markets have actually turned into financial ones, there is no reliable theory that would explain how they function; even the leaders of the financial world do not have much of an idea about the specificity of the new financial instruments. It appears that the theory of long-term economic cycles has become outdated, while the theory of real cycles does not have a practical value. The existing models of business cycles do not guarantee that computations and the results presented in them are realistic and this makes them a pure play of mind. This fact was brilliantly proven by the gap between the results of mathematical calculations and the true market performance of derivatives.

Then comes *the psychological crisis*. The enthusiasm caused by the gains on derivatives and the financial sector on the whole has given way to a deep pessimism. After yet another mirage vanished, many people began to bid a final farewell to capitalism as such and to curse the greedy bankers.

The third factor exerting a most profound impact on the events is *the crisis of the liberal economy* when its actors remained unaware of the threats coming from the absence of alternatives to it. There was no need to compete for a place in the sun and this quickly stripped that economy of its self-control. The West's victory came to an abrupt halt because, amidst overblown euphoria, it lost the basic idea of liberalism – personal responsibility for the results of one's own actions.

This lost value should be urgently regained in a situation where blows are dealt to the very core of freedom with a rare unanimity that deserves a better application. Voices from the left and the right of the political spectrum propose giving up freedom. They obviously do not understand that freedom is not to blame and that the root causes lie in its internal monotony which everyone took for granted. This is a wily trap as it conceals the danger of reviving “the socialist paradise” as an

alternative (attempts have already been made in Latin America) and spreading it globally.

The sad thing is that the fourth crisis, namely *the crisis of philosophy* lies in wait for world leaders exactly in the sphere of ideas which is so much needed now. At best, the leaders confine the entire reform of capitalism to the ritual confirmation of their banal dislike of its Anglo-Saxon model. At worst, they themselves foster socialism and thus are pushing the world towards a new disaster.

The fifth crisis is *the crisis of action* which stems directly from the four previously mentioned ones. Since no one understands the paradigm of the global cataclysm, the moves being taken are measures to cure previous upheavals, not the present one. The tightening of the state's control over the rules of market relations, the growth in a number of global and/or regional currencies and financial centers, or redistribution of quotas and votes in the IMF may be really needed, but the problem is that all of these measures do not relate directly to the circumstances of the current crisis. That is why the efficacy of time-tested regulatory mechanisms and the designing of new mechanisms based on old logic remains highly questionable. In other words, the therapy seems to be correct, but only if applied to a different disease.

NEW CHALLENGES

Meanwhile, humanity is facing challenges that are far from ordinary. The first challenge consists of whether or not capitalism will show a capability for intensive development. This sounds like a paradox, since everyone is accustomed to drawing an equation mark between the two phenomena. Yet it appears that this applies only to technological progress, while the capitalist system itself has been developing extensively on its own. It explored new markets with the aid of the same methods that had been tested in the old markets. At present, it has reached the geographic limits of its mechanical expansion. Of course there are still the poorest countries of Asia and Africa and it is still possible to move deep down into India and China with their billions of people. But the development of these regions will require new and massive investment which would not inspire anyone, except for China and Arab countries. And it will only mean a continuation of the same extensive way of development.

The same logic was behind the so-called innovative financial technologies. The regularly surfacing novelties, like futures and derivatives, were instruments (types of securities that did not exist before), while the method of their circulation (the technology) remained the same as in Theodore Dreiser's *The Financier*, which describes the events of a century and a half ago.

If hopes for capitalism's quality growth are not futile, it should be based on the understanding that the world should no longer be viewed as a trivial raw material for action or as a theater which stages a play of interests of virtual persons. The world has really become our common and very compact home and our behavior must consider that fact accordingly.

The second challenge is closely linked to the previous one and revolves around whether or not economic science will be able break out of its incipient descriptive condition where there is no consensus even concerning past events and arrive at working theories like botany and zoology did, which later merged into biology.

The third challenge has to do with China. Will it become the main beneficiary of the crisis or will it decline into chaos because of the crisis? Whatever the outcome, it will have a profound impact on the situation in the entire world. Beijing already knows everything about the transactions and financial flows of foreign companies working in China through a network of Communist Party committees based there. China has clearly stated that it does not intend to help anyone (hundreds of thousands of foreign businesses that used to operate in China have gone bankrupt) or to share its reserves with anyone. With reliance on Moscow (which expects who knows what), China is demanding a reform of the IMF. China is confidently moving towards making the yuan a reserve currency, simultaneously buying up Africa's mineral resources and territory (along with the Persian Gulf Arabs). If everything works out well for the Chinese, this will be something bigger than a mere return to the 17th century situation when the East had a clear technological lead over the West. China will then have all the opportunities to become a global dictator. In the reverse case, it may slide into an abyss, and the information it possesses makes it quite capable of pulling all the developed countries down with it.

No Easy Path to Constructive U.S.-Russian Relations

Thomas Graham

Stephen F. Cohen. *Soviet Fates and Lost Alternatives: From Stalinism to the New Cold War* (New York: Columbia University Press, 2009), 308 pp.

The last twenty-five years have been among the most eventful in Russia's rich, tumultuous history. Soviet leader Gorbachev launched an effort to reform and revive the Soviet Union that led to its demise. Russian President Yeltsin followed with a similar effort – only more radical in its ambitions – that led to the deepest political and socio-economic crisis suffered by a great power not defeated in a great war. And Putin engineered a recovery, aided by favorable commodity markets and a huge expansion in global liquidity, that returned Russia to the world stage as a major power but with grave vulnerabilities now laid bare by the global economic crisis. During this period, Russia experienced two cycles of great expectations for partnership with the West followed by profound disappointment at the results. With the arrival of the Obama Administration in Washington,

Russia might be at the beginning of a third such cycle.

It is difficult for any analysis to capture the full complexity of this quarter of a century, to elucidate the range of the possible as well as the constraints on action facing Russian leaders, to recapture the true tenor of the times and cut through the myth-making that the (temporary) victors have used in self-justification – in short, to pass a cogent and credible historical judgment. We are too close to events. Instead of analysis, we often get advocacy. In the United States, there are two major schools of analysis/advocacy – one sees Gorbachev as the great reformer who opened up a possible path towards democracy and capitalism in Russia qua the Soviet Union from which Yeltsin strayed; the other, the dominant one, sees Yeltsin as the father of democracy and capitalism in Russia, bold enough to move forward where Gorbachev hesitated. (Neither school champions Putin, in large part because he put an end to the grand project that has animated U.S. policy and American com-

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mentary since the Gorbachev period, that is, the integration of Russia into the West on the West's terms. Both schools see Putin as an authoritarian leader, and the only question is whose democratic opening he betrayed, Gorbachev's or Yeltsin's.)

Stephen Cohen belongs to the Gorbachev school, and his writings over the past twenty-five years have moved from praise of Gorbachev in power to ardent defender of his legacy and acerbic critic of those in Russia and the United States who have soiled that legacy. This allegiance grows out of Cohen's academic study of the Soviet Union. Early in his career, he gained fame for his seminal biography of Nikolai Bukharin (*Bukharin and the Bolshevik Revolution: A Political Biography 1888-1938*, 1973), a Bolshevik leader Cohen portrayed as a humane alternative to Stalin. In his work and writings, in contrast to the dominant totalitarian school of Soviet studies, Cohen highlighted evidence of pluralism and genuine politics in the Soviet Union. In a sense, the rise of Gorbachev – who drew inspiration from Bukharin – proved Cohen right and enhanced his stature as a scholar and commentator.

Soviet Fates and Lost Alternatives is the latest installment of Cohen's defense of Gorbachev, collecting essays that focus on Bukharin, Gulag returnees, the end of the Soviet Union, Gorbachev's lega-

cy, and U.S.-Russian relations. It is a joy to read. Cohen is provocative and iconoclastic. He writes with great verve. His polemics are at times sparkling. But his analysis is less than satisfying.

Was the Soviet system reformable? Cohen asks, for example. He identifies six basic components – the official ideology, the authoritarian nature of the CPSU, the Party's dictatorship buttressed by the political police, the system of soviets, the state's monopoly control of the economy, a unitary state dominated by Moscow in the guise of a multinational federation – and shows convincingly that Gorbachev initiated significant reform in each of those areas. This is good as far as it goes.

But the issue is not whether the Soviet system could be successfully reformed in theory but whether, given the realities of the 1980s, the system could be reformed so that the Soviet Union could survive as a great power well into the 21st century. Here Cohen is less convincing. He finds the cause for Gorbachev's failure and the demise of the Soviet Union in human agency – the sharp struggle between Gorbachev and Yeltsin – abetted by the nomenklatura's abandonment of the system in order to secure private property for itself. This is too facile an explanation.

Cohen does not acknowledge the extent to which the various component parts of the system were inextricably bound

together. As a result, it could not be reformed piecemeal, but only as a whole. And he overlooks the challenges confronting the Soviet Union in the 1980s, both international (Afghanistan, a resurgent America under President Reagan) and domestic (captured under the rubric “stagnation”) that imparted a sense of urgency to Gorbachev’s reforms. In his quest for rapid progress, Gorbachev fell victim to the system’s inherent contradictions. The close intertwining of the economy and politics meant political reform was a prerequisite for modernizing the economy. But political reform – both glasnost and democratization – necessarily robbed an ideologically-based, pseudo-nationalist regime of its legitimacy and unleashed potent centrifugal, largely nationalist, forces that threatened the country’s unity. Meanwhile, the corruption and cynicism that pervaded the late Soviet elite sapped its will to power and its conviction that it has a right to rule (as the failed August putsch demonstrated). The dilemma was clear: The reform necessary to revive Soviet power undermined the union, but Gorbachev wanted both power and union. In this sense, Gorbachev’s Soviet system was unreformable and his effort doomed. Nevertheless, Cohen is right in arguing that Gorbachev, while he failed in his ultimate goal, did effect a grand opening up of the political system that

Yeltsin in many ways narrowed. Today, it is difficult to recapture the hope and exhilaration that marked all but the last year or two of Gorbachev’s rule (which even foreign diplomats in Moscow, such as I was, experienced second-hand). As perestroika unfolded, people lost their fear and began to say in public what they had once reserved for a tight group of trusted friends around the kitchen table. The “blank spots” in Soviet history were rapidly filled in as a vigorous public debate erupted over the meaning of the Soviet past. And then there was the first Congress of People’s Deputies in May/June 1989, which riveted the public’s attention for a solid two weeks with sharp political debate and unprecedented criticism of the leadership. What Russian over forty years old now was indifferent to the Congress then, no matter what his attitude toward the demise of the Soviet Union or assessment of the post-Soviet period? The Yeltsin years witnessed a rapid fading of hope and a pervasive disenchantment with politics, as Cohen argues, in the midst of a time of troubles. Yeltsin’s economic “shock therapy” impoverished the professional Soviet middle class, which had formed the backbone of the reform movement. Yeltsin’s penchant to rule by decree because of the popularly-elected Duma’s resistance to his policies undermined an institution critical to democratic development.

Unbridled personal ambition and poorly veiled disdain for average voters among so-called democratic leaders thwarted efforts to build a pro-reform party that could capture substantial popular support and govern effectively. Whatever else one might say about Yeltsin, it is clear that he failed to consolidate the democratic possibilities he inherited from the Gorbachev era. Cohen also argues that subsequent leaders forfeited the great promise offered by Gorbachev's success in ending the Cold War. But here Cohen faults American, not Russian leaders. His bill of particulars reflects the dominant view in Russia today: American triumphalism ("We won the Cold War!"), manifested most graphically in the decision to expand NATO to Russia's borders and the refusal to acknowledge any legitimate Russian interests in the former Soviet space, made a mockery of U.S. claims to want genuine partnership with Russia, and Russia had little choice but to push back. Cohen is not so much wrong as too simplistic. Objective circumstances created formidable obstacles to partnership.

Lingering mutual mistrust and suspicion between U.S. and Russian elites, hardly unexpected after forty years of bitter global rivalry, could not be overcome quickly. At least during the Yeltsin period, a vast asymmetry in power and fortune between Russia and the United States, Russia's profound sense of vulnerability, and the Kremlin's inability to clearly articulate Russia's national interests all precluded a genuine partnership of equals. Political anxiety in Central/East Europe threatened the region's stability and had to be addressed by the West, even if NATO expansion was not necessarily the wise choice. There was – and remains – no easy path to constructive U.S.-Russian relations, contrary to Cohen's adumbrations, and improvement will come only with a concerted effort on both sides. In the end, Cohen himself suffers from the fault he sees in his opponents: an overly selective reading of events to prove a point and defend a position. That said, he is challenging the conventional wisdom about Russia in the United States, and that can only be welcomed.

