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Multipolarity to Oppose the Cold War

Fyodor Lukyanov, Editor-in-Chief

The last few months have been marked by heated debates as to whether a multipolar world is now a reality and whether a new Cold War is imminent.

Actually, one option rules out the other. Within a system where there are many centers of force, a Soviet-American-type confrontation is impossible. Naturally, Moscow and the Western capitals are free to exchange criticisms and even threats between each other. But in doing so, they must bear in mind that it will be third parties that will score in this game. Such parties include international terrorist organizations, as well as ambitious nations that seek to achieve "historical justice" taking thereby their "worthy" place on the international stage.

Russian Foreign Minister **Sergei Lavrov** emphasizes the complex nature of the current world order. In an article that he contributed to this issue, Mr. Lavrov expresses his conviction that attempts to establish unilateral dominion in the world have failed. As a result, painstaking efforts will have to be made to restore the global balance on the basis of equality.

The G8 has a special role to play in these efforts. Many analysts view it as a prototype of a new global governance body. Canadian researcher **John Kirton** and his Russian colleague **Marina Larionova** write about the prospects for this group and Russia's role in it.

Is NATO able to become an instrument for ensuring global security? An official of the Collective Security Treaty Organization, **Mikhail Kokeyev**, challenges arguments that favor NATO's ability to keep peace, put forward by NATO Headquarters officers **Rad van den Akker** and **Michael Rühle**.

General **Vladimir Dvorkin** analyzes U.S. plans to deploy a missile defense system in Eastern Europe. He believes these plans do not pose a military threat to Russia; nevertheless, he views Washington's intentions as very harmful since they have the ability to destroy the very foundation of strategic partnership. Another Russian analyst, General **Pavel Zolotarev**, warns about the dangers of searching

for enemies as a pretext for beefing up defense budgets.

Professor **Sergei Luzyanin** focuses on Moscow's policy toward fast-developing countries of Asia, which play an increasing role in Russia's international relations. Europe is watching with increasing suspicion the role that the "Eastern vector" is playing in Russian policy, while trying to determine if this new course means a renunciation of the "European choice," as declared in the past by Moscow. Professor **Vladimir Pankov** weighs the pros and cons of free trade between Russia and the European Union, while economist **Vlad Ivanenko** compares Russian-EU integration with other possibilities opening up before Russia.

Russian scholar **Timofei Bordachev** reflects on the prospects of the European Union, which recently marked its 50th anniversary, and outlines the contours of its future relationship with Russia. This issue also carries an interview with **Jacques Delors**, former president of the European Commission and one of the most outstanding fathers of the United Europe, about the EU's history and future. Meanwhile, Belarusian journalist **Yuri Drakokhrust** draws an unexpected conclusion in his article. He argues that, should Belarus join the European Union, it will be a reliable stronghold of Germany, as opposed to the United States, now ardently supported by other post-Communist countries.

Georgia's ex-Foreign Minister **Salome Zourabichvili** raises one of the most acute problems of our times – the final consequences of the Kosovo settlement. She proposes that nations work together to create universal criteria for settling frozen conflicts in order to make the Kosovo case a positive, rather than negative, precedent.

Russian political analyst **Sergei Markedonov** proposes that Moscow and Tbilisi leave aside their mutual territorial problems for the present time and focus on issues that could improve their bilateral relations.

Finally, Russian scholar **Alexei Arbatov** comments on the Russian president's annual press conference. Analyzing the head of state's replies, he draws conclusions about the issues that confront the Russian state today.

In our next issue, we will continue discussing Kosovo-related problems, as well as offer analysis on Russia's federal system, the Islamic factor in Russia's foreign policy, the threat of nuclear terrorism and the global financial architecture. Finally, we will focus on Ukraine, which is experiencing turbulent times once again.

Strategic Agenda

Ogonyok magazine, the late 1940s

“We are criticized for our lack of ideology, which allegedly stems from Russia’s foreign-policy pragmatism. But pragmatism, however, does not mean a lack of principles. We just proceed from the realities of life, from the real needs of the country and its citizens. The ideology of common sense suits us completely.”

The Present and the Future of Global Politics

A View from Moscow

Sergei Lavrov

The world we inhabit is no longer the place we knew just several years ago. Many things have become much clearer; most importantly, that a unipolar world has not taken shape for lack of military, political, financial, economic and other resources required for imperial construction in the age of globalization. For many years, the "unipolar world" myth guided the minds and behavior of many states that believed in this myth and made political investment in it. Today, the realization of the real state of affairs does not come easy to them.

It seems to be an appropriate time for an unbiased analysis of the present stage in the development of international relations. After all, there has been a realistic correction – or reduction – of the U.S. role in world affairs, a clarification of the true value of the Russia factor in global politics, and the experience of the last 15 years to guide us.

Recently, a serious attempt to rethink the new international realities was made by Russia's Council on Foreign and Defense Policy (SVOP) in a report prepared for the Council's 15th Assembly (March 17-18, 2007). The report also contained recommendations on the country's foreign policy. I cannot say I share all its conclusions. In particular, its excessive alarmism and pessimism seem ungrounded.

RUSSIA AND THE WORLD WE LIVE IN

Recent developments – which include Russia's diplomacy in the last few years, as well as statements by President Vladimir Putin

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on foreign-policy matters, above all his Munich speech – leave no doubt that Russia's political leadership has a well thought-out and time-tested strategy regarding international affairs. The same conclusion follows from a review of the country's foreign policy, prepared by Russia's Foreign Ministry in cooperation with political analysts at the president's request.

It concluded that the choice made in 2000 in favor of pragmatic, multivector development, together with the firm but nonconfrontational upholding of national interests in foreign affairs, has more than justified itself. I assume that some individuals might argue that Russia decided in favor of a moderate policy and multilateral diplomacy from the position of weakness. However, even the currently strong and self-confident Russia does not renounce these fundamental principles of its foreign policy.

Our vision of the world at that time rested on common sense, together with a sober, earthly assessment of the tendencies now shaping modern development. History – if a period of six to seven years can be called history – has justified Russia's decisions. Analysts are already busy writing brief histories of the early 21st century. Thomas Friedman, for example, in his recent book comes to the conclusion that the world has become "flat," meaning that globalization has gone beyond the framework of Western civilization, and leaves no room for various kinds of hierarchical structures. Horizontal ties, which make up the essence of modern international relations, call for network diplomacy.

I would also like to quote a famous phrase by Richard Haass: "The U.S. does not need the world's permission to act, but it does need the world's support to succeed." If this is so, we must reach agreement on what is to be done – and how. Putin's Munich speech has opened many people's eyes. *The Boston Globe*, commenting on President Putin's speech, wrote: "Moscow, ahead of Washington, has come to comprehend a key fact: The world is becoming a polyarchy – an international system run by numerous and diverse actors with a shifting kaleidoscope of associations and dependencies."

I cannot agree with the opinion that a real alternative to a "unipolar world" is "chaotization" of international relations due

to a "vacuum" of governability and security. I would rather speak of vacuum in the consciousness of national elites, because, as we have witnessed on other occasions, it is unilateral reaction – particularly, the use of force – that has increased the likelihood of conflict in world politics while fueling old problems. This is how the conflict space expands in global politics.

It is understandable that many people across the Atlantic still cannot make themselves say the word "multipolar." But it is absolutely groundless to suggest that multipolarity increases the likelihood of confrontation. Yes, there emerge new centers of force; they compete with each other, among other things, for access to natural resources. However, things have always been this way, and there is nothing fatal about it.

Emerging trends of informal leadership amongst 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. It is another matter altogether that – in this case – individual pretensions to truth, be it by the U.S., the European Union or Russia, are simply ruled out.

The paradigm of contemporary international relations is rather determined by competition in the broadest interpretation of the word, particularly when the object of competition is value systems and development models. However, this is not at all equivalent to confrontation. The novelty of the situation is that the West is losing its monopoly on the globalization process. This explains, perhaps, attempts to present the current developments as a threat to the West, its values, and very way of life.

INTER-CIVILIZATIONAL DIVIDE?

Russia is against attempts to divide the world into the so-called "civilized mankind," and all the others. This is a way to global catastrophe. I am confident that the choice of Russia, and other leading states, including such civilization-forming countries as India and China, in favor of a unifying policy will be the main factor in preventing the world dividing along civilizational lines.

Globalization raises truly existential issues for mankind. It is already obvious that natural resources are limited; therefore, it is simply impossible to ensure consumption for all at the level of industrialized countries. German Cardinal Joseph Ratzinger, shortly before he would be nominated as Pope Benedict XVI, in his address at the Catholic Academy of Bavaria in January 2004, spoke of the need for self-restraint. He was also critical of manifestations of "Western arrogance," meaning claims to universality from "both great cultures of the West – the culture of Christian faith and the culture of secular rationalism."

Ratzinger put forward an idea that is very close to what the Russian Orthodox Church strongly advocates these days, namely, that the human rights concept must be supplemented with a teaching about man's duties and possibilities. I am convinced that in this way it would be possible to restore the common moral denominator of the main world religions. The harmonious development of all mankind is impossible without this.

NEW THREATS: "CHOICE OF A WEAPON"

The way the SVOP report presents the terrorist threat seems to be disputable. The report's conclusions are based on very contradictory assessments which, on the one hand, exaggerate the possibility of forming a consolidated Islamic factor in world politics, and on the other, emphasize deep conflicts among Islamic states. The main mistake, as I see it, is that this issue is considered in total isolation from the need to solve real problems – above all in the Middle East – that obstruct the implementation of the Arab-Moslem world's potential to meet the challenges of modernization.

Generally speaking, the report underestimates the ability of politics to solve crises that provide the fertile ground for extremism. The policy of force must be renounced, and measures must be taken that will help solve global problems, like poverty, for example, on a global scale.

The experience of the last six years convincingly shows that any attempts to ignore the reality of a multipolar world ultimately end in failure. Whatever examples we may take, the conclusion remains

the same: modern international problems cannot be solved by force. Attempts to do so only aggravate and throw the situation into a stalemate. The deficit of security, or a sense of deficit, also stems from stagnation in the disarmament sphere, which increases the threat of the proliferation of weapons of mass destruction.

I believe the present significance on the use of force is a temporary phenomenon. Objectively, the role of force in global politics will decrease. One can draw a parallel here with the 1992 presidential elections in the U.S., when not everyone realized the importance of the economic factor: "It's the economy, stupid!" Now, already on a global scale, nations are emphasizing ways to ensure stable economic development, as well as meeting their energy requirements. The increased economic interdependence of states serves as an important factor for maintaining international stability. These tasks cannot be solved by force, occupation, or military presence abroad.

We view reliance on force as a fundamental vice of our partners' policy. Their approach is detrimental to "soft power" options, the significance of which is on the rise. In the past, such a mentality produced a phrase attributed to Stalin: "How many divisions does the Pope have?" Now, when we propose working out a collective strategy with regard to Iraq, we often hear in reply: "Is Russia ready to send its troops to Iraq?" So, again our partners are thinking only through the prism of use-of-force scenarios. This approach dominates Washington's foreign-policy strategy.

What is needed is renouncing attempts to re-ideologize and re-militarize international relations, while strengthening the collective and legal principles in them.

RUSSIA: "TERRITORY OF FREEDOM" IN MODERN INTERNATIONAL RELATIONS

The realization that the world must be free, and that all states should be allowed to decide for themselves, in line with their own understanding of their national interests in the new conditions, is a fundamental idea today. Bloc or ideological discipline no longer works automatically, although attempts are being made to replace it with the solidarity of one civilization against all the others.

The notion of "freedom of speech," for example, which we apply to internal developments in every country, is necessary on the international scene as well. Any suppression of dissent, and sweeping disagreements under the carpet, has negative consequences for the entire international community and dilutes its intellectual resources. Naturally, everyone is free to pursue an irrational policy. But in the present conditions everybody ultimately pays for an errant policy, as is witnessed in Iraq and the surrounding region.

The primary importance of Putin's Munich speech is that it helped to foil a conspiracy of silence on fundamental issues concerning the global security architecture, that is, on issues that directly concern everyone. The president's speech outlined the borders for a "territory of freedom" – freedom of thought and freedom of speech in international relations. The present situation brings to mind the Soviet times when people discussed many burning issues in their kitchens. Unfortunately, the same situation has emerged in global politics today, where "kitchen" stands for conversations behind closed doors, behind the backs of those for whom criticism is intended. Obviously, this unhealthy and conformist atmosphere does not meet the interests of the international community.

In former times, uncertainty about the future world order was largely due to Russia's weakening phase during the initial post-Soviet period. It was easy to get the impression at the time that Russia was simply written off as material for a new territorial and political repartition of the world – a prospect Russia already faced, for example, at the beginning of the 18th century. At that time, the problem was solved by the accelerated modernization of the country, which was the main content of reforms carried out by Peter the Great. Once again, we have responded to the challenges of the times with radical political and economic reforms, which, as in the past, are in line with a European choice, but with the preservation of Russia's centuries-old traditions. As a result, Russia has restored its foreign-policy independence – as a sovereign democratic state.

Thus, for the first time in many years, a real competitive environment has emerged on the market of ideas for the future world order that are compatible with the present stage of global development. The establishment of new global centers of influence and growth, a more balanced distribution of resources for development, and control over natural wealth, represent the foundation for a multipolar world order.

These and other factors have predetermined the nascent transition to a new stage in world development; counteraction to the present challenges and threats serves as an objective basis for broad international cooperation. Meanwhile, multilateral diplomacy is gaining increasing recognition as an effective instrument for regulating international relations at the global and regional levels. The role of the United Nations, which possesses unique legitimacy, is growing. Thus, I disagree with the underestimation of the significance of this world body in the SVOP report. The course of events causes everyone — including those who are not prepared to give their due to the UN — to work with this global organization and act through its mechanisms.

ENERGY GEOPOLITICS?

It goes without saying that the international reaction to Russia's increased role in global energy supply must be thoroughly analyzed. First, no one has ever proved that the accusations of "energy blackmail" have any grounds, or that we have violated even one of our commitments or contracts. Second, there are hidden pitfalls in this rhetoric, as attempts are made to impose on Russia the dubious status of an "energy superpower." Certainly, there are those who wish to exploit this label in order to perpetuate Russia's role as an energy/raw-material niche in the international division of labor.

It is another matter that the possibilities produced by energy sale revenues, together with the strengthening of Russian raw-material companies' positions in transnational business, must be used for boosting Russia's integration into the global economy, and for steering our own economy onto the path of innovation-based development.

CIS SPACE: NEW LINE

It would seem that Russia's disagreements with Ukraine, Belarus and other members of the Commonwealth of Independent States over gas prices should have convinced the West that we have no imperial plans but seek to build normal, market-based relations with our neighbors. Meanwhile, it is the politicization of economic relations that could promote suspicions against Russia. But such politicization does not exist, yet the suspicions persist, which suggests the conclusion that this is not a case of altruism. The CIS space has turned into a sphere for geopolitical "games," which involves such instruments as "democratorship." Let us be frank, the main criterion used to measure a nation's level of democracy seems to be its readiness to follow in the footsteps of other countries' policies.

In the CIS space, in its bilateral and multilateral relations, Russia seeks to strengthen elements of objective commonality and interdependence – economic, cultural-civilizational and other. No more and no less than this. We are ready to contribute to building non-politicized relations with a view to stabilizing this region, provided the interests of local states are respected and the tactic of "harassing actions" toward Russia are renounced.

It must be understood that it is no use trying to keep Russia in a regional "shell." We have long abandoned such a possibility in the course of our development.

CRISIS REACTION: POSITIVE SOLUTIONS

We are ready to participate in the search for solutions to problems produced by unilaterally launched projects. First of all I mean Iraq, where the situation can still be saved. It is hard to argue with Henry Kissinger's words that sooner or later "Iraq has to be restored to the international community," and that "other countries must be prepared to share responsibilities for regional peace." However, sharing responsibilities presupposes the need for mutual cooperation in devising optimum solutions.

We are told that the situation in Iraq is now our "common trouble." Malignance and the wish to take advantage of someone else's misfortune have always been alien to Russia. But here our

American partners must radically change their Iraqi strategy, bringing it into line with the prevalent analysis both in the U.S. and in other countries. A multilateral conference, held in Baghdad on March 10, proceeded in the same vein. This process must be used for working out a new and collective strategy in Iraq.

Such a correction of policy must involve all of the political forces in Iraq, its neighbors, the UN, the Arab League, the Organization of the Islamic Conference, and the G8. This would help realize the objective harmony of interests between Washington and Teheran, for example, which pin their hopes on one and the same Iraqi government.

There is no doubt that real political processes do exist in Iran. But the international community can influence Iran in the appropriate spirit only through its involvement, rather than its isolation.

For all the importance of continued multilateral efforts at finding a solution to the present situation involving Iran's nuclear program, one must realize that this problem, just as with the Korean Peninsula nuclear problem, was largely caused by Washington's reluctance to normalize its bilateral relations with Teheran (and Pyongyang) on the basis of generally accepted principles. In its relations with North Korea, however, the U.S. displayed flexibility and pragmatism, withdrew its ultimatum and agreed to resume negotiations with Pyongyang without any preconditions. North Korea reciprocated with conciliatory moves of its own – and the result was soon forthcoming. The same approach is required in the Iranian issue. Then, measured pressure from the UN Security Council and the International Atomic Energy Agency will work.

At the same time, our partners should display consistency and logic. If elements of a U.S. missile defense system are being deployed near our western borders, for example, under the pretext of an "Iranian threat," or if sanctions are introduced against Russian companies, then why create a commotion in the UN Security Council? I hope our American partners will think about this, especially since they are inviting us to combat a hypothetical, "anticipated" threat, while, at the same time, creating a real threat to Russia's – and not only Russia's - security.

THE EURO-ATLANTIC REGION: A COMPREHENSIVE APPROACH

We advocate a comprehensive approach to solving problems within the Euro-Atlantic region, which may involve broad interaction in a trilateral format – amongst Russia, the European Union and the U.S. These types of frameworks for cooperation are already forming in practice – in the UN Security Council, the G8, the Middle East Quartet of international mediators, and the group of six countries dealing with Iran's nuclear program. Importantly, if the trilateral format is imparted a comprehensive and truly partnership nature, it would remove unnecessary suspicions with regard to what is happening between two other members of this "triangle."

Russia does not intend to drive a wedge into transatlantic relations. Nothing can do more damage than the disagreements over Iraq. However, we do not want to see consolidation of the transatlantic link at our expense.

RUSSIAN-AMERICAN RELATIONS: MODUS OPERANDI

Speaking of Russian-American relations, the crucial stage in building a global security architecture brings us to the main problem, namely, determining modalities for collective interaction in international affairs. This must form the essence of discussions; President Putin invited all our partners for this purpose in Munich.

Russia has no claims to any special rights in international relations, but nor should we be put in the position of being led either. Full equality, including in the realm of threat analysis and decision making, is an indispensable factor.

One distinctive feature of Russia's foreign policy is that we are beginning to uphold, perhaps for the first time in our history, our national interests in full, using all our competitive advantages. We now have enough resources for addressing various key tasks of the country simultaneously: retooling the economy, solving social problems, modernizing the Armed Forces, strengthening foreign-policy instruments, and supporting Russian businesses on international markets.

Russian and U.S. political analysts now speak of an inevitable "pause" in the development of our bilateral relations in view of the forthcoming electoral cycles in both countries. I think such a development would represent a bad choice. I would like to see the U.S. not retiring into itself in the face of the Iraqi tragedy, but participating in a renewed partnership with Russia on the basis of equality and mutual benefit. We are ready to act precisely in such a manner, thereby speeding up the transition to a "more unified and rational policy."

Opportunities for the positive evolution of Russian-American relations are opening up in many areas, including in the Global Initiative to Combat Nuclear Terrorism; there are efforts to harmonize the initiatives of the Russian and U.S. presidents for the safe development of nuclear power engineering in the world. This will provide such energy resources to all interested states, provided they observe their nonproliferation commitments. Further proof of our capacity for compromise is the signing of a bilateral protocol with the U.S. on Russia's accession to the WTO (I hope there will be no backtracking on this issue, and President Bush will fulfill his promise to support our application at multilateral negotiations). Our dialog focuses on the struggle against terrorism and drug-trafficking, the nonproliferation of WMD, the settlement of regional conflicts and, of course, strategic stability. If we fail to achieve mutually acceptable solutions to these issues, "nominal consent" would not be a bad alternative. We do not deny the U.S. a right to decide for itself on important issues, but this means acting at one's own risk and at one's own expense.

Speaking in Munich, Vladimir Putin never uttered the notorious "nyet" – a negativist approach is basically alien to our foreign policy. We have advocated and will continue to advocate a positive agenda for international relations and constructive alternatives in addressing existing problems; and herein lay the essential meaning of what the president said. SVOP Chairman Sergei Karaganov rightly commented that "in Munich, Putin voiced the bitter truth about the present and the recent past." But we go beyond this statement and propose realistic methods and joint solutions out of the present situation.

In our relations with the U.S. – or any other country – confrontation is not predetermined, which means that there are no objective grounds for a new Cold War whatsoever.

Unfortunately, criticism of U.S. foreign policy in the SVOP report suggests a degree of fatalism and messianic determinism in America. At the same time, it underestimates the pragmatism of the Americans, which, in former times, prompted them to adopt strategies of a different kind in foreign policy. By way of example, I would refer to Franklin D. Roosevelt's line within the anti-Hitler coalition. This historical example proves that the Americans can reckon with circumstances, while at the same time accepting a moderate policy and line of conduct in accord with other leading states of the world. Now, it seems those times have appeared again.

As regards anti-Americanism, it is of course dangerous and intellectually problematic. But this problem must be solved "at the source," meaning, first of all, the present line of U.S. conduct in international affairs. Globalization leaves no possibility for self-isolation (especially considering the U.S. economy's dependence on external financial injections – about one trillion dollars a year – and external sources of energy resources). In our dealings with the U.S., a broad, objective view of the issues must prevail. The fact that Washington has heeded advice from the neoconservatives should not determine our fundamental attitude to America.

EUROPEAN POLITICS AT A CROSSROADS

Russia is opposed to "strategic games" in Europe that are aimed at creating a confrontational potential for no reason; it also opposes a European policy according to the friend-or-foe principle. The implementation of U.S. plans to deploy elements of the National Missile Defense on the continent provides a perfect example. There are collective alternatives to this unilateral project – in particular in the form of a Theater Missile Defense in Europe involving NATO and Russia. Such plans were already considered within the framework of the Russia-NATO Council.

An American Missile Defense in Europe will directly affect our relations with NATO. If the alliance is unviable as a collective security organization, and if it is turning into a cover for unilateral measures that are detrimental to our security, then what is the point of our relations with it? Where is the added value of the Russia-NATO Council then? In any case, new missiles in Europe would be a bad case of déjà vu with all of the predictable consequences witnessed in the 1980s.

When the U.S. was in the process of making its decision on the missile defense system, it did not consult with NATO, nor with the European Union, which now seeks to find a role for itself in the sphere of foreign policy and security in Europe.

Russia understands the difficulties being experienced by NATO, and it is ready to help, for example, in Afghanistan where the Alliance is also undergoing a viability test. We assign great importance to success of multilateral efforts in that country, as the matter at issue is our security in a critically important region. We made serious contributions in the operation against al-Qaeda and the Taliban at its various stages, and made decisions that were not easy to make. Therefore, we have a right to expect a positive result. But if the international military presence "presides" over a situation where the Taliban may return to power, this will also have the most serious consequences for our relations with the Alliance.

We are alarmed that organizations and instruments that we inherited from the past – NATO, the OSCE, the Treaty on Conventional Armed Forces in Europe, and others – are evolving into means of reproducing a bloc policy in the present-day conditions. I am confident that such a situation cannot last for long. There is a real danger that the situation – without an overall reform of the European security architecture – may acquire a life of its own, thereby predetermining a real split of Europe for decades to come. This represents a turning-point in the present stage of European politics. An answer to this challenge can be found only in serious, meaningful discussions concerning a collectively coordinated and mutually acceptable configuration of European security.

AN IDEOLOGY OF COMMON SENSE

Russia's foreign policy fully conforms to the present stage of its internal development. The broad consensus in society on key foreign-policy principles and areas proves this. Meanwhile, the recently established Inter-Party Conference on Foreign Policy will help to preserve and strengthen this consensus. For the rest of the world we wish the same thing as for ourselves – progressive development without upheavals.

Other countries sometimes make excessive and unilateral demands on Russia and its actions on the international scene. Frankly, they want us to give up our independent role in international affairs. We are also criticized due to our lack of ideology, which allegedly stems from Russia's foreign-policy pragmatism. But pragmatism, however, does not mean a lack of principles. We just proceed from the realities of life, from the real needs of the country and its citizens. The ideology of common sense suits us completely. It serves as a firm doctrinal basis for our independent and non-confrontational foreign-policy strategy, which is greeted with understanding among an overwhelming majority of our international partners.

Russia is now in a favorable international position. But such a position is never guaranteed in an evolving international environment. We can preserve, as well as increase, our achievements only through our active involvement in international affairs.

We harbor no illusions about the difficulties that lie ahead of us. But we are convinced that the crystallization of many aspects of global politics has already taken place. In terms of foreign policy, our country is well prepared for further changes, and this gives us grounds for an optimistic view of the future.

Threats Posed by the U.S. Missile Shield

Vladimir Dvorkin

In the last few years, there have been marked efforts by the United States to deploy a strategic missile defense system. Before the end of 2007, for example, there are plans to increase the number of antimissiles deployed in Alaska (Fort Greely) from 14 to 21 (by 2011, it is projected that 40 antimissiles will be deployed in Alaska), while in California the number will increase from two to four.

In Europe, negotiations are underway on the deployment of one Ground Based Interceptor (GBI) missile base in Poland (which contains 10 interceptor missiles), together with Ground-Based Radar (GBR) in the Czech Republic. It has also been reported there are plans to deploy antimissile and radar bases in other nearby countries, including the UK, Germany, Turkey, the Caucasus, and even Ukraine.

What consequences may Washington's plans have?

COMBAT CAPABILITIES OF THE U.S. MISSILE DEFENSE SYSTEM

The U.S. missile defense system is intended to protect the country's territory, in addition to forces stationed abroad and allied forces. This system is meant to defend against ballistic missiles by intercepting them in all phases of flight (initial, middle and terminal). It is an open-ended system that can be upgraded and

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modernized by including new levels (tiers), or increasing the number of elements in each level.

An integrated missile defense system will comprise ground, sea, air and space-based information assets, as well as ICBM interception assets and combat command and control assets. The majority of these assets were developed earlier as part of the Star Wars program.

All missile defense tiers are intended for target interception with conventional assets, using either the so-called kinetic interception of missiles or high-explosive fragmentation projectiles to destroy them.

In 1975, the United States, acting fully in compliance with the 1972 ABM Treaty, deployed a strategic nuclear missile defense system at the Grand Forks ICBM Base (North Dakota), very much like the one that is now deployed around Moscow. But after four months of operation, it was dismantled by Senate decision with only the radars kept in place. The reason given was that, on the one hand, its effectiveness was generally low, since the majority of assets slated for a retaliatory strike are deployed in the naval component of the U.S. strategic nuclear triad (the nuclear triad comprises intercontinental ballistic missiles, submarine-launched ballistic missiles, and cruise missiles deployed on strategic bombers). Meanwhile, the defense of one ICBM base can ensure the protection of not more than 4-5 percent of total warheads.

On the other hand, a nuclear missile defense system is a serious hazard, because an incoming missile or warhead cannot be identified as to its type – nuclear, conventional, chemical, or a dummy. In any event, its interception can provoke a nuclear fireworks display over America's own territory with all the ensuing consequences. This must have been the most serious reason that forced the U.S. to abandon the nuclear interception option in favor of conventional assets.

Missiles in the boost phase of flight are to be intercepted with airborne lasers, as well as sea and ground-based antimissiles.

Laser weapons are far more effective against liquid propellant missiles which, compared to solid-propellant missiles, have a longer boost stage and a weaker airframe.

There are plans to deploy laser weapons aboard Boeing-747 aircraft hovering at an altitude of about 10 kilometers. The laser has a maximum range of up to 800 km and can apparently destroy missiles within 60 seconds after launch. Target exposure time is one to five seconds; the technology can only destroy a missile if the latter is under heavy thermal or power stress.

Aircraft equipped with laser weapons can be promptly redeployed to areas near enemy missile bases. This requires that several attack, cover and refueling aircraft remain ready for deployment and in combat readiness. It is unlikely that such air assets can be used to intercept missiles based in the hinterland and protected by effective missile defense systems. But deployment of aircraft in patrol areas where there are missile-carrying submarines will create a real threat to ballistic missiles launched from them.

The use of sea- and ground-based Standard-3 and THAAD (Terminal High Altitude Area Defense) interceptor missiles for destroying missiles at launch is made possible by their deployment several hundred kilometers away from missile launch centers in the sector of their flight paths, with the assistance of essential information support. In this context, submarine-launched ICBMs, as well as missiles launched from coastal areas, will be the most vulnerable to sea-based antimissiles.

Standard-3 antimissiles have a maximum interception range of 300 kilometers, a maximum interception altitude of up to 250 kilometers, and a maximum speed of 4.5 km/s. A three-stage missile has a mass of about 1,500 kilograms, and a warhead mass of 15-18 kilograms.

THAAD is a U.S. defensive weapon system primarily designed to protect troops, civilian and military facilities against missiles in their terminal (descending) phase of flight. In certain scenarios and geographic locations, it can be used to destroy missiles at launch. It has a maximum range of up to 200 kilometers, an interception altitude of 30-40 to 150 kilometers, and a maximum speed of up to 4 km/s. This one-stage missile has a mass of a mere 600 kilograms, and a warhead mass of 40-45 kilograms.

In the longer term, work could resume on the deployment of space-based laser weapons. Under the Star Wars programs, there were plans to deploy laser complexes in different circular orbits. Up to six spacecraft can be deployed in one orbit, at an altitude of about 1,200 kilometers and with the maximum range of 4,000-5,000 kilometers.

The main means of missile interception in mid-flight (the highest point of the flight path) is the ground-based strategic missile defense system with GBI missiles and GBR locators. This system has an effective interception range of up to 4,000 kilometers, at an altitude of up to 1,500 kilometers. With such specifications, a single GBI missile unit, deployed, for example, at the Grand Forks base, can ensure defense against single launches of ICBMs that target installations located virtually across the country's entire territory.

The three-stage interceptor missile has a maximum speed of up to 8 km/s; the EKV warhead has a mass of 50-60 kilograms. The payload stage has its own engines and a homing system. It is equipped with an infrared homing head. There may be three types of detectors, working in the IR, UV and optical bands. This substantially enhances the accuracy of aiming even in the presence of decoy flares. Four micro-engines ensure good maneuvering.

The effective range of 4,000 kilometers can be ensured only with complete information support, that is, when a space-based information system is deployed in a low orbit for target detection, tracking and designation. Without a space-based information component, and with only ground-based information available, the GBI will only be effective at a range of 2,000-2,500 kilometers.

Missile warheads at the descending stage of flight are to be intercepted with ground and sea-based THAAD and Standard-3 systems, as well as the Patriot Advanced Capability 3 (PAC-3) antimissile complex (interception range of 25 km, altitude of up to 15 km, minimum altitude 2 km, maximum speed of about 2 km/s), which can only intercept tactical missiles. However, it cannot be ruled out that this complex can be effectively used against maneuvering and homing ICBM warheads that have lower speeds

at descending phases of their flight, moving for a relatively long time in the atmosphere.

Maximum effectiveness of a strategic missile defense system with GBI missiles, as well as other assets, can be ensured by an information component comprising the existing space, ground and sea-based missile defense information assets and a prospective space-based missile launch-detection system with six satellites in stationary and high elliptical orbits. In the future, its key components will include the Space Tracking and Surveillance System, or STSS, comprising 24 to 30 low-orbit satellites.

CURRENT AND FUTURE MISSILE AND ANTIMISSILE THREATS

Washington claims that the main motive for the deployment of missile defense bases in European countries was the growth of missile threats posed to the U.S. and Europe by Iran. How real are these threats?

Iran has been working on ICBM complexes since the early 1980s. These programs are given high priority in Iran's military development and modernization plans. Missile building is among the country's most dynamic sectors. There are plans to create the most powerful missile arsenal in the region by 2015. At the same time, the Iranian leadership refuses to recognize the Missile Technology Control Regime.

In 1992, Iran launched the Shehab missile program, featuring several types of liquid-propellant missile systems. Its cooperation with North Korea enabled Iran to develop and adopt Shehab-3 one-stage missiles (based on North Korea's Nodong-1 missile technology), with a range of at least 1,500 km and a payload of about 1 ton. This enables Iran to effectively engage targets in Turkey, Israel, Saudi Arabia and parts of Russia (including the cities of Volgograd, Rostov on Don, and Astrakhan). If its payload is halved, the missile's range will increase to at least 2,000 km and can be increased even more by enlarging its fuel tanks. The Shehab-4 two-stage missile, based on the North Korean Taepodong-1 medium-range missile, is comprised of a Shehab-3-

based first stage and a Scud-based second stage. The project, launched 12 years ago, may soon be completed, thereby enabling Iran to target installations in Europe at a distance of more than 3,000 km.

There are also reports about the Shehab-5 ICBM project, based on the North Korean Taepodong-2 missile, whose only test launch (in July 2006) ended in failure.

Therefore, it cannot be ruled out that in the future Iranian missiles can threaten the whole of Europe. If Iran's current policy is maintained by its future regimes, eventually Iranian missiles could also reach U.S. territory.

But this may happen only in a very distant future. What are the reasons then for America's hurried actions – from putting unproven antimissiles on alert in Alaska and California, and planning to deploy them in Europe?

One reason is that the administration of George W. Bush is striving to deliver on its election and post-election pledges to protect U.S. territory against attacks from "rogue states." In the 1990s, a CIA report pointed out that missile threats to the U.S. territory from "rogue nations" could not materialize before 2015, which almost completely coincided with Russian assessments. However, such a forecast, which made the missile defense issue irrelevant, did not suit everyone in the United States, primarily those corporations that develop missile defense elements and systems. In the late 1990s, a special commission, led by Donald Rumsfeld, concluded that such threats would emerge much earlier – in 2005. That became the principal argument cited by the George W. Bush team in favor of withdrawing from the 1972 ABM Treaty (which was opposed by Russia), as well as plans for launching full-scale development, and subsequent adoption of plans to deploy, a national missile defense system.

In 2004, the decision was made to deploy the first battery of antimissiles in Alaska, even though they were still in the experimental stages of development. This was a reckless military adventure without precedent. In the Soviet Union, there were only isolated instances when missile complexes had to be put on alert

without sufficient testing. In the U.S., such hurriedness had never occurred before. Yet, U.S. officials explained their behavior, arguing that swift action was common practice both in Russia and the United States. It seems that the main reason for the U.S. haste was to appease the military-industrial lobby and make the development of the missile defense system irreversible. Thus, there is good reason to say that the existing and planned strategic missile defense bases in Alaska, California and Europe will not be combat-ready for at least the next five years.

One may get the impression that the U.S. does everything very sensibly: by the time the missile defense system is deployed in Europe, Iran will have appeared on the scene as a real missile threat. But first, the U.S. should have completed testing its missile defense systems before it started to deploy them. Second, there is already an effective and credible first tier missile defense, namely, precision-guided conventional weapons for engaging missiles and ground-based launchers. Former U.S. Defense Secretary William Perry and former Assistant Defense Secretary Ashton Carter advised using this weapon immediately following North Korea's missile launches in the summer of 2006 (True, Senator Richard Lugar responded by saying that all of the political options had not been exhausted yet). So, it is quite likely that should a real missile threat emerge from Iran, this first tier missile defense tier will be used by the United States, especially considering that Iranian long-range missiles will be deployed at unprotected ground-based stationary launchers.

DANGER FOR RUSSIA?

The extension of the U.S. missile defense system will not threaten Russia's nuclear-missile potential in the near future, that is, until around the year 2015. The flight paths of Russian strategic missiles, capable of hypothetically deterring the U.S., indeed pass outside the antimissile operation zone in Europe, especially since they are designed to destroy warheads in mid-flight, rather than shoot down missiles at the boost stage. Moreover, Russian strategic missiles are equipped with such powerful ABM defense sup-

pression systems and other assets, including hundreds of decoy targets and jamming stations, that even with "favorable" (in terms of missile defense) flight paths, as many as ten antimissiles would be needed to destroy just one warhead. Therefore, President Vladimir Putin and ex-Defense Minister Sergei Ivanov were quite right when they said that no missile defense system poses a threat to Russia's strategic missiles. This will also hold true even if the U.S. deploys ten such bases in Poland and the Czech Republic. Ditto for missile defense bases on U.S. soil.

It is not ruled out, however, that the U.S. will not stop at the current stage. Should laser and kinetic weapons start being deployed in space on a massive scale, the nuclear deterrence potential could be reduced. But this problem is not on the agenda yet.

At the same time, there is a potential danger that seems to have been ignored until now – the direct threat posed by the U.S. strategic missile defense system for spacecraft in low and medium orbits. As these spacecraft have permanent and therefore predictable orbits, they prove defenseless against GBI antimissiles. In his latest state-of-the-nation address to the Federal Assembly in May 2006, Vladimir Putin said, "there are still no firm guarantees of ... non-deployment of weapons in outer space." Given the anti-spacecraft potential of the strategic missile defense system, there is reason to say that as the GBI antimissile tests began, these weapons already began their deployment in space – for the first time since the closure of Soviet and U.S. anti-satellite programs.

In these conditions, Russian and U.S. independent experts immediately began to draft a code of conduct for space activities. Such a document would ban any activities designed to weaken the stability of space systems, including by deploying space weapons. This code should also ban tests, deployment and use of all assets designed to destroy space systems or hinder their operation. But because a missile defense system with an anti-satellite capability has already been deployed, at least its testing for destroying spacecraft must be banned.

BLOW TO PARTNERSHIP

Even though the possible deployment of a U.S. missile defense system in Europe does not pose an immediate military threat to Russia's strategic nuclear forces, these plans are provoking serious criticism within the Russian leadership and causing serious concern among the leaders of some "Old" European countries. German Chancellor Angela Merkel believes it necessary to get NATO involved in Russian-U.S. consultations on the problem of the U.S. missile shield in Europe.

French President Jacques Chirac also expressed concern over the U.S. plans to deploy missile defense elements in Eastern Europe. "We should be very cautious, taking care not to encourage the creation of new dividing lines in Europe or the return of past stages of history," Chirac said, referring to the period of confrontation between the Soviet Union and the West during the Cold War era. "The American project raises many questions, which require much thinking over," the French leader added. Former German Chancellor Gerhard Schroeder was even more blunt, describing the U.S. missile defense plans in Europe as not only dangerous but also absurd, urging German diplomats to persuade the United States to abandon its plans.

In Russia, the American plans have provoked a strong "asymmetric" reaction. Top military brass, starting from Sergei Ivanov, immediately brought up the question of Russia's withdrawal from the INF Treaty, retargeting Russian strategic missiles at missile defense installations in Europe.

The issue of a possible pullout from the INF Treaty was raised earlier, as well, but for a different reason: the infringement of Russia and the U.S. to possess intermediate and shorter-range missiles. Many countries have these types of missiles, whereas the world's two leading missile powers have their hands tied by a treaty of unlimited duration, which prohibits them from not only having such missiles, but developing them as well. Such missiles are not really necessary to the United States because they may be substituted with thousands of air- and sea-based cruise missiles with nuclear warheads (presently in their stockpile).

In a bid to somewhat soften the West's negative reaction to Russia's possible withdrawal from the INF Treaty, statements began to be made in favor of arming intermediate and shorter range missiles with conventional precision-guided warheads. Of course, such moves can be well substantiated, particularly by potential threats in the South and the East. But in the prevailing situation, the negative fallout greatly exceeds the apparent gains.

It is quite likely that concern in Europe over U.S. plans to deploy missile defense bases in Poland, the Czech Republic and other countries has less to do with Russia's generally negative reaction than with its possible withdrawal from the INF Treaty. But if Russia makes the decision to pull out of the Treaty, there will hardly be any state in Europe that would not insist on U.S. missile defense bases being deployed on its soil. Thus, there will emerge a strong incentive for the unification of European countries. None of them would probably object to the deployment of surface-to-air ballistic and medium-range cruise missiles in Europe as a retaliatory measure.

The ongoing crisis can trigger a further deterioration toward a Cold War-like period. For example, if Washington continues building up its missile defense system both quantitatively and qualitatively, while Moscow pulls out of the INF Treaty, Venezuelan President Hugo Chavez, for example, would be only too happy to host Russian medium-range missiles with any warheads, in addition to other types of weapons from Russia. It seems that some people in power never really learned the lessons of the Caribbean Crisis.

One of the reasons for Moscow's sharp reaction to Washington's missile defense plans is the arrogance with which the incumbent White House administration makes unilateral decisions on strategic issues. And although U.S. Secretary of State Condoleezza Rice asserted that Moscow had been informed about U.S. plans to deploy missile defense bases in Poland and the Czech Republic on a dozen occasions, apparently this is not the type of format for relations that suits Russia. Rice's statement evoked immediate reaction from European leaders, who called for

close consultations on missile defense problems in a U.S.-NATO-Russia dialogue. An even more constructive solution would be Russia's direct participation in developing and jointly using not only a European antimissile system, but also a global system.

The White House's policy undermines the possibilities for strategic partnership and trust, vital for countering new threats to global and regional security. Plans to deploy missile defense bases in Europe have already become a factor in aggravating relations between Moscow and Washington. These plans are hindering cooperation necessary for tackling the crisis of the nonproliferation regime, the war on terror and drug trafficking, averting regional crises, environmental disasters and other threats; unfortunately, given the current situation, these real dangers are receding into the background.

At the same time, Washington's recent proposals on the need for deep missile defense consultations with Russia and prospects for its participation in the joint development, in addition to the use of information and combat systems of the global and European missile defense systems, inspire some optimism. Progress in these efforts would rule out a return to any semblance of a new confrontation and would allow the parties to focus on jointly countering real security threats, among them nuclear and missile proliferation.

Russian and U.S. Defense Policies in the Era of Globalization

Pavel Zolotarev

The defense policies of Russia and the United States differ essentially, and this difference is deeply rooted. Along the same lines, the positions and roles of the two countries in the globalization processes are incommensurable: the U.S. largely initiates these processes, whereas Russia must adapt to them.

The internationalization of the American economy has not only stimulated the globalization processes; indeed, it has made the U.S. directly dependent on the success of these processes. Washington needs to create a favorable environment for globalization and, at the same time, mitigate its negative effects. The solution of these two tasks is impossible without reliance on military force, which inevitably necessitates the globalization of U.S. defense policy.

The ability to project force globally has become a major condition for ensuring national security and serves as the foundation, on which the logic of this policy is formed.

In contrast, Russia's defense policy in the Soviet era required the global projection of force for purely ideological reasons that naturally stemmed from the bipolar confrontation. It was not in the interests of the economy to exert military power, thus, the prevalence of politics was one of the causes of the Soviet economy's collapse.

Contemporary Russia has some economic prerequisites for seeking a global projection of force (in regard to the raw-material sector of the economy). However, the country's military potential,

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besides the nuclear component, is not conducive to such a policy. After the end of the Cold War, Russia ceased to be a superpower; moreover, it lacks the political, economic and military potentials of a regional power. At the same time, its nuclear might (Russia is the only country capable of "overkilling" the United States) agitates the nostalgic claims of its superpower status.

U.S. DEFENSE POLICY

Former U.S. president Bill Clinton spent his entire presidency working out a new defense policy under new conditions. But his administration usually showed restraint and avoided any impulsive moves. The Clinton administration's defense policy was gradually adapting itself to the changes of the time. There were only two major problems it faced: **the destiny of the Soviet Union's nuclear potential, and the settlement of the military conflict in the Balkans.**

The first problem required the solution of several specific tasks in the field of nuclear security. The solution was found and implemented within the guidelines of the Nunn-Lugar program.

The Balkan crisis promoted the peacemaking aspect of U.S. defense policy, and boosted efforts to make NATO a major instrument of U.S. policy in the Euro-Atlantic space. The United States obtained more opportunities for peacemaking operations, including those involving coalition groups and NATO command and control bodies. NATO's transformation and enlargement became a component of U.S. defense policy. Peacemaking turned into a foreign-policy instrument, allowing Washington to use military force in a more or less legitimate form.

Simultaneously, the United States reduced the troop strength of its National Guard and Armed Forces (approximately by 40 percent), as well as Army divisions, naval ships and Air Force wings (by about 45 percent). Also, it cut the number of troops and military bases stationed abroad and lowered the alert status of elements of the backup control system, which ensured the reliability of command and control in the event of a nuclear war.

The defense budget structure was changed as well. The purchase of arms and military equipment was markedly reduced, while spending on

research and development did not change much, although some projects were actually frozen. This approach was explained by the desire to skip a generation of technology in equipping the Armed Forces.

There were prospects at that time for building a National Missile Defense system, which would be largely linked to nonproliferation activities and the creation of a Global Defense System, possibly with the participation of Russia. Therefore, the destiny of the 1972 ABM Treaty did not cause much worry.

By the time the administration of George W. Bush came to power, there had accumulated many internal problems pertaining to military questions. The great budget surplus, inherited from the Clinton administration, let Bush solve these problems, but he needed solid substantiations for such a decision.

The Bush government did not intend to be bound by international commitments on security matters; the only superpower could afford to ignore any possible negative reaction from other countries with regard to its policy. The new administration would "proceed from the firm ground of the national interest, not from the interests of an illusory international community" (Condoleezza Rice. Campaign 2000: Promoting the National Interest, *Foreign Affairs*, January/February 2000).

Such an approach is nothing new; it has been characteristic of the U.S. since the 19th century, just as it has been with its main Messianic goal: the promotion of democracy and freedom. As regards defense policy, I would like to again cite Ms Rice from the same article, now on the need to transform the Armed Forces: "U.S. technological advantages should be leveraged to build forces that are lighter and more lethal, more mobile and agile, and capable of firing accurately from long distances."

As it so happened, the completion of the new conceptual documents in defense policy practically coincided in time with the terrorist acts of September 11, 2001.

NEW APPROACHES AND A NEW TRIAD

The new defense policy is best condensed in the Nuclear Posture Review [submitted to the U.S. Congress on December 31, 2001 –

Ed.], viewed as the new nuclear doctrine of the United States. At the same time, the NPR contains a strategy for comprehensive employment of all Armed Forces assets (both nuclear and conventional).

The NPR establishes a New Triad, in which offensive strike systems (both nuclear and non-nuclear) are only one of three components. The other two include defenses and a revitalized defense infrastructure that will provide "new capabilities in a timely fashion to meet emerging threats." All the components of the New Triad are bound together by enhanced command and control, intelligence and analysis systems within the framework of a new Strategic Command (STRATCOM).

For historical reasons, it was only by the end of the Cold War that the U.S. military-political leadership established a unified strategic command. The command was in charge of planning and controlling U.S. strategic nuclear forces that remained in the traditionally rival services of the Air Force and the Navy. At the same time, command and control of general-purpose forces was outside the Command's authority. It took about ten more years before a command and control body (STRATCOM) was established in the U.S. This body, which is similar to the Main Operational Directorate of the General Staff of Russia's Armed Forces, was given command authority over diverse services in the U.S. Armed Forces.

The U.S. Doctrine for Joint Nuclear Operations, adopted in 2005, defined very precisely the essence of strategic deterrence and the goals guiding the employment of the U.S. Armed Forces, including nuclear weapons.

Strategic deterrence is defined as ***"the prevention of adversary aggression or coercion that threatens vital interests of the United States and/or our national survival."***

Goals that guide the development of U.S. force capabilities, their development and use:

– assuring allies and friends of the U.S. steadfastness of purpose and its capability to fulfill its security commitments;

– dissuading adversaries from undertaking programs or operations that could threaten U.S. interests or those of its allies and friends;

– deterring aggression and coercion by deploying forward the capacity to swiftly defeat attacks and imposing severe penalties for aggression on an adversary's military capability and supporting infrastructure;

– decisively defeating an adversary if deterrence fails.

So, the prevention of enemy attack must be achieved not by being the first to initiate combat actions, but through military-political and diplomatic actions that are meant to dissuade potential adversaries from using military force against the United States. Therefore, only one of the four goals of Armed Forces employment involves combat actions.

The comprehensive use by one command (STRATCOM) of all Armed Forces assets is intended to achieve two goals – minimizing the need to employ nuclear weapons for fulfilling the tasks set, and preserving nuclear weapons' deterrence function under the new conditions.

NUCLEAR DETERRENCE UNDER THE NEW CONDITIONS

The Nuclear Posture Review reveals the obvious U.S. desire to reduce its dependence on nuclear weapons for deterring adversary attack. This can be done in two ways:

First, implement the simultaneous development of non-nuclear strike forces and information systems (intelligence and command and control) to a level that will allow for the delivery of strikes against targets; the effectiveness of such systems would make unnecessary the employment of nuclear weapons, or reduce the need for them to the minimum.

Second, develop defense systems capable of countering single and group ballistic missile strikes, while avoiding the need for an immediate launch-on-warning retaliatory strike.

The new security environment has made redundant the former employment of strategic nuclear forces (massive nuclear strikes). The basic plans for employing nuclear weapons have remained unchanged both in the U.S. and Russia. There is no political sense in mutual nuclear deterrence, yet we have to maintain it for orga-

nizational and technical reasons; there are no signs of universal nuclear disarmament in the near future. Moreover, the threat of further nuclear proliferation is increasingly growing, while the nature of future threats remains unknown. This calls for finding spheres where nuclear weapons could be effectively employed against a wider spectrum of threats. Deterrence may now involve single or group nuclear strikes, while classifying nuclear weapons into strategic and tactical ones begins to lose sense.

As before, deterrence is possible only if nuclear weapons are viewed in a broader perspective rather than as a political instrument only, and if everything is done to assure adversaries of the possibility of nuclear weapon employment. This calls for meeting the following basic requirements:

1. Maintaining the required nuclear readiness.

2. Holding to the position that nuclear weapon employment is a probable event, while demonstrating the political leadership's resolve to use nuclear weapons in a critical situation.

3. Preserving the balance between the transparency and ambiguousness of conditions for employing nuclear weapons.

As follows from the Nuclear Posture Review, the U.S. will meet all these requirements. The alert status of the larger part of America's nuclear forces may be downgraded, while, at the same time, preserving its launch-under-attack capability that involves a certain number of ground-based intercontinental ballistic missiles.

Planning the employment of nuclear weapons under the new conditions is rather complicated. One must ensure operational detection of new targets and work out plans for their destruction in real time. The destruction plan must be integrated, embracing the entire spectrum of possible means of destruction, including nuclear weapons as a last resort. These considerations must be behind plans to turn to adaptive planning.

The 2002 Nuclear Posture Review makes no mention of deterring Russia. It only says that Russia "maintains the most formidable nuclear forces, aside from the United States," adding, however, that "there now are no ideological sources of conflict with Moscow." The employment by Russia and the U.S. of nucle-

ar weapons against each other is viewed possible only as the result of unforeseen circumstances (an accidental or unauthorized missile launch, etc.).

This conclusion is of fundamental importance and underlies one of the goals of the new nuclear policy: "Adjusting U.S. immediate nuclear force requirements in recognition of the changed relationship with Russia is a critical step away from the Cold War policy of mutual vulnerability and toward more cooperative relations."

The U.S. declared nuclear policy does not pose direct threats to Russia's security, nor does it strengthen it. Whatever the political intentions of the United States are, its military capabilities, including in the nuclear field, steadily increase.

The U.S. 2002 National Security Strategy says: "Russia's uneven commitment to the basic values of free-market democracy and dubious record in combating the proliferation of weapons of mass destruction remain matters of great concern. Russia's very weakness limits the opportunities for cooperation. Nevertheless, those opportunities are vastly greater now than in recent years – or even decades."

The latest Quadrennial Defense Review of February 6, 2006, also expresses concern over "the erosion of democracy in Russia, the curtailment of non-governmental organizations and freedom of the press, the centralization of political power and limits on economic freedom."

Meanwhile, there remain complications in Russian-U.S. relations, and these are most probable at the regional level – where their interests coincide geographically, and as a consequence of their mutual nuclear deterrence. When these two factors coincide, the situation may become particularly critical. Thus, Russia's reaction to the planned deployment of a U.S. missile defense system in the Czech Republic and Poland.

RUSSIA'S DEFENSE POLICY

Presently, the substantive part of Russia's defense policy is more determined by internal factors than outside threats.

Since 1992, the main factor that predetermines the essence of this policy is the systemic crisis of Russia's statehood, which has

hit all branches of government. The executive branch acts without strategy, proceeding from short-term priorities of political groups struggling for power and access to property and financial flows. The legislative and judicial branches are amorphous and absolutely dependent on the executive.

The actions of the executive branch are at variance with legislatively established procedures for defining strategic priorities of domestic and foreign policies.

It is worth mentioning that the law On Security of the Russian Federation was adopted back in 1992. In keeping with the principles embraced by all modern states and fixed in UN documents, this law gives priority to the development of the human potential. The law defines security as the protection of vital interests of the individual, society and the state. To ensure such a state, the Statute on Russia's Security Council entrusted the Council with analyzing and balancing out these interests, uncovering factors impeding their realization, and finding ways to ensure the country's security. This was how the Concept of the Russian Federation's Security and its component part – the Military Doctrine – were to be formed. The law also provided for procedures for implementing the security policy, namely, through federal budget programs. In practice, however, this way of shaping home and foreign policies of the state did not materialize.

At the same time, the situation that evolved in Russia by the mid-90s hardly inspired hope for something else. Even if the interests of various sections of society had been analyzed and considered in the course of privatization, the situation would not have drastically changed. The means of production would have ended up in the hands of the former Soviet *nomenklatura* and 'chevaliers' of fortune of every stripe from the inner circle all the same.

Subsequent political developments left fewer opportunities for implementing a strategically correct policy, as the interests of an absolute majority of the population were beyond the scope of state policy. Moreover, the state security structures, including the Armed Forces, also found themselves beyond the interests of the state, which did not prevent them, however, from being used at a

critical stage of confrontation between the executive and legislature branches in October 1993.

Russia's security forces were left to the mercy of those who – at a time when the state institutions of Soviet Russia were being destroyed – were ready to undermine and destroy the defense and security potential of the new Russia.

While the top echelons were busy dividing former public property among them, control over small businesses was handed over to criminal organizations. As a result, by the late 1990s there emerged a criminal-oligarchic state in Russia. The struggle for the division of property gave way to the struggle for power. Oligarchs sought to take power from above, while criminal groups did the same from below. The state's power vertical was placed under jeopardy, thus the time was again not right for working on a strategy.

At the same time, the country's military organization hit a critical point, beyond which were irreversible processes of decay. The military-industrial complex in some aspects even passed this point. Nevertheless, due credit must be given to the country's military leaders. Despite the challenges they faced, they successfully handled myriad difficult theoretical and practical tasks. They correctly assessed the international situation and adequately chose the main areas for the country's defense policy. These were included in the Concept of Forming the Armed Forces of the Russian Federation and in the Basic Provisions of the Military Doctrine (October 1993). The doctrine said, in particular, that Russia no longer had enemies or military threats, but there were sources of military threats. The country's nuclear forces were assigned the task of deterring and preventing large conflicts, for which the Armed Forces were not yet ready because of the weakness of the general-purpose forces.

During the military reconstruction, the following tasks were laid down to meet the requirements of the time:

– transition to a mixed volunteer- and conscription-based recruiting system in the Armed Forces;

– transition from the army/division structure in the Ground Forces to a corps/brigade structure;

– formation of mobile forces capable of rapid deployment that may accomplish restricted tasks in any region of the country.

The outlined tasks that were set for completion by 1995 remain unfulfilled to this day – not through the fault of the military leadership.

As regards practical actions of the Armed Forces, in those conditions they can be described as successful. Suffice it to recall the colossal operation to withdraw Russian troops stationed in East European countries and deploy them back home, and the successful peacekeeping operations in South Ossetia, Transdnestria, Abkhazia, Tajikistan, and Bosnia and Herzegovina. It will also be fair to recognize the successful military part of the operation to restore the constitutional order in Chechnya. Despite the treacherous position of state officials, not to mention hostile actions by the mass media against their own Army, the military professionally handled their mission. The rest must be on the conscience of the political leadership.

Russia's relations with its Western partners, and the U.S. in particular, despite differences on NATO's enlargement and the Kosovo crisis, experienced a period of steadily positive dynamics. Although Russia lacked enough funds at the time, it made no attempts to solve its financial problems by hyping the military threats factor.

At the beginning of the new millennium, as a team of statists came to power in Russia, domestic policy drastically changed. The new government removed the threat of the country's disintegration and thwarted an oligarchic coup that intended to create a parliamentary republic in Russia with the help of a corrupt State Duma. Security services achieved some success in combating crime and corruption. A favorable external economic environment created the prerequisites for overcoming an internal economic crisis. Eventually, the government set its sights on the country's social problems. Rudiments of a civil society began to be formed in Russia, albeit from above, rather than from the grassroots level.

However much one may criticize Russia, it was only authoritarian-style methods of government that were capable of liquidat-

ing the consequences of the chaotic transformations of the early 1990s, stopping organized crime, which sought to take over power in the country, and reducing the level of corruption that permeated all branches of government.

Over time, high energy prices helped to improve funding of the Armed Forces. Although the share of the GDP allocated for defense (less than 3 percent) remained unchanged, the amount of defense spending in absolute terms increased. Military construction plans were consistently implemented; the structure of the state's military organization was noticeably optimized; and the system of interaction between the military and defense industries improved. Obviously, it was impossible to overcome, in a short period of time, the consequences of the protracted underfinancing of the Armed Forces. But the external situation allowed this to become a reality only gradually, without detriment to the country's development.

However, alarming tendencies, which showed once again the gravity of a situation when decisions are not based on profound analysis and goals set down by law, have marked the recent years.

There is an impression that the executive branch again chooses priorities from the positions of its struggle for power within the present alignment of forces and influences of specific political groups, rather than in security interests as they are interpreted in the law *On Security of the Russian Federation*. An obvious priority of state interests has been established over the interests of the individual and society.

The arrangement of state priorities is fully reflected in the country's budgetary policy.

Ever since Russia became an independent state, the correlation in the national budget between traditional functions of the state (administration, defense and security) and modern ones (education, public health, and other social tasks) has been at a level uncharacteristic of developed nations. In developed countries, the ratio between traditional and modern functions of the state stands at 1:6, while in developing countries it is 1:3. The law *On Security of the Russian Federation*, as well as UN documents that Russia, together with other states, has pledged to observe, established a different

arrangement of priorities. They give top priority to the individual and the development of the human potential. Giving priority to state interests over the interests of the individual and society ruins the state in the long run, as the history of the Soviet Union proves.

Naturally, tanks, aircraft, ships and submarines do not run, fly or sail by themselves; they are set in motion by individuals who must be healthy and technically educated. The persisting imbalance of priorities obstructs plans to introduce a mixed recruitment system in the Armed Forces and create a corps of contract sergeants, and has a negative impact on the entire defense policy. Moreover, the Defense Ministry assigns more importance to arms purchases than the human potential.

In 2006, defense spending exceeded allocations for education and public health by about 200 percent each. By comparison, Germany spends three times more money on education and seven times more money on public health than on defense. This ratio is typical of all developed countries. Even the warring United States, which spends exorbitant amounts on defense, nevertheless allocates more funds for education and public health, taken separately, than it does for defense.

A document on the main areas of budgetary policy over the next three years sets priority on raising the standard of living in the country. Social problems are to be solved through high economic growth rates. Adequate defense and security are named in the document as necessary conditions for achieving the goal. In real figures, however, things are just the opposite. The gap between spending on defense and spending on public health and education, far from decreasing, is only growing. In 2006, defense spending stood at 659 billion rubles, while in 2009 it is to reach 1,037 billion rubles. The respective figures for public health and sports are 156 billion and 214 billion rubles, and for education – 208 billion and 297 billion rubles.

Simultaneously, the government is pushing for increasing the share of defense spending to a level that was set but never backed by it in the mid-1990s – 3.6 percent of the GDP. The question is: How can this be achieved? It is doubtful that the government

will cut general state expenditures. It is no coincidence that emotions are now fueled over the growth of military threats. The population must be convinced that enemies are everywhere; they must resign themselves to this fact and tighten their belts.

To all appearances, the executive power has become hostage to forces whose well-being depends on defense orders. Moreover, under the influence of these forces a new defense policy of Russia has begun to take shape.

It goes without saying that the U.S. and NATO occasionally are the cause for changes in Russia's defense policy on the international scene. However, we must not forget what can result from an inaccurate arrangement of priorities. Actions by Western powers cannot pose a real military threat; suffice it to look at the results of the war in Iraq. Despite superiority in military might, neither the U.S. nor any of its allies are able to conduct a protracted war, even on a local scale. The age of globalization has introduced a new system for limiting military capabilities.

Meanwhile, the executive power, which is increasingly guided by short-term interests, has lost the faculty for strategic planning in both domestic and foreign policies.

The West does not want to see Russia strong; it fears it. However, it seems that it is not the West but Russia itself that is driving the country onto a self-destructive path.

The main legislative problem facing Russia is that the State Duma has turned into an expensive kind of Legislation Ministry under the government. The legislature is still unable to form a defense budget structure that would allow establishing civilian control over the defense sphere. This was the reason for numerous inconsistent decisions, such as the abolition and then reinstatement of the Ground Forces Command, and the inclusion of the Space Forces into the Strategic Missile Forces, and their subsequent exclusion. There are still plans to unite different arms and services of the Armed Forces according to "warfare spheres" – water, land and air – as well as to merge the Air Force and the Strategic Missile Forces. At the same time, even from the text of the existing Military Doctrine it follows that modern warfare will

not be waged separately according to spheres. On the contrary, the Doctrine calls for unifying command and control, irrespective of the environment but depending on a mission. There is no sense in destroying administrative control — such a step would be expensive and not efficient. However, command and control must be united according to mission level — strategic and regional — especially since Russia has some real achievements in this field. At the strategic level, Russia's military leaders realized and solved this task earlier than their American counterparts. The new structure of the Main Operational Directorate of the Russian Armed Forces' General Staff, which meets modern requirements, appeared on the scene earlier than STRATCOM in the U.S. Armed Forces. Russia has also launched an experimental program at the regional level, but this experiment has too many opponents who advocate traditional approaches and desire a mixture of administrative and operational control in the Armed Forces.

The judicial system in the military sphere has undergone major positive changes. Efforts to combat crime in the Armed Forces have achieved a scale incommensurable with that in the early 1990s. But the main problem — actual independence of the military branch of the judicial power — remains unsolved. The judiciary has also become a kind of judicial ministry within the executive, hence, the inevitable rendition of "expedient" court decisions. Moreover, an undermined belief in fair justice does not add to the government's popularity. Unfortunately, it is the military that often must pay for the poor work of legislators who have not yet created a clear legal field for the military's actions to ensure the nation's internal security.

All of the aforementioned factors show that Russia's defense policy largely depends on internal political processes. In an age of globalization, real threats to security (proliferation of weapons of mass destruction, international terrorism, etc.) require the joint efforts of Russia and the United States. But to this end, Russia must make its defense policy independent of subjective factors of its internal development, while the United States should show respect for Russia and treat it as an equal partner, as opposed to a loser in the Cold War.

Russia Looks to the Orient

Sergei Luzyanin

In spite of all the passions being generated by the upcoming parliamentary and presidential elections, due in 2007 and 2008, respectively, Russian foreign policy will continue to be marked by the systematic and long-term revamping of Eastern policies, which began a partial resurgence in the 2004-2006 period.

The methodologies being implemented by President Vladimir Putin will continue to determine foreign policy beyond 2008 regardless of who will be the presidential successor in the Kremlin. The key issue will remain the same, namely, what resources and levers can help Russia return to the Greater Orient in practical terms, and whether it needs this return at all. If it is decided that it does need such a return, in what capacity should it be? As a renovated liberal empire, or an energy superpower, which has already taken on an early form? Indeed, the latter concept underscores the proposed establishment of an Energy Club of the Shanghai Cooperation Organization (SCO), which will form a new Eurasian energy space embracing Russia, China, Kazakhstan, Uzbekistan, Kyrgyzstan, and Tajikistan. If the project engages SCO observer countries – Iran, India, Pakistan and Mongolia – it will serve as a counterbalance to OPEC, as well as other Western institutions and concepts (like the Energy Charter). It will also provide Russia with a podium for its new Orient-directed capabilities.

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AGENDA FOR THE MIDDLE EAST

Middle Eastern developments, which include a new surge in the Arab-Israeli conflict due to preparations for a larger war between Iran, Syria and Hizbollah, on the one hand, and Israel and the U.S., on the other – make Russia partially hostage of the ongoing events. In 2005 and 2006, Moscow established very close contacts with Palestinian and Shiite movements in the region. While the physical construction of bridges in war-torn Lebanon is a noble idea, the construction of a Russian political bridge between the Palestinians (Hamas) and Syria, on the one hand, and their opponents, Israel and its allied powers on the other, is apparently dragging its feet. Clearly, Moscow's energy-sector diplomacy in that region is not particularly fruitful while supplies of defense products to Syria and Iran irritate Israel and the U.S. Hence, it seems Russia will have to work hard for a place amongst the Quartet of international peace mediators, and for designing a new version of the Road Map peace plan.

However, the Middle East crisis proves that President Putin has obtained new opportunities to influence separate Arab countries. He has strengthened bilateral formats with several countries, including Morocco, Jordan, Egypt and Saudi Arabia. The Russian leader's visits to Saudi Arabia, Qatar and Jordan in February 2007 caused extensive response in the world. In regard to its relations with Algeria, Russia cancelled debts totaling $7 billion. Russia's energy diplomacy is having an influence that frequently materializes into concrete political results. This is naturally lucrative for Russia in many ways.

WHAT TO DO WITH IRAN?

Certain elements of the Russian-Iranian relationship are rather controversial and prone to generating conflicts. However, a number of factors, including the proximity of the two states, the mutual benefits of nuclear projects and cooperation in defense-related technologies serve to mitigate these local controversies to some degree.

In 2007 and 2008, Russia will continue to honor its relations with Teheran despite mounting criticism over Iran's nuclear programs, not to mention the possibility of UN-imposed economic sanctions against Iran. It is clear that in the event of the latter,

Moscow – as well as Beijing – will have to readjust its positions and support the sanctions at the UN Security Council. This, however, will essentially be a more tactical rather than strategic step. Besides sharing regional interests in dividing the Eurasian markets of energy resource supplies, together with nuclear projects in Iran, the two countries are also bonded by the agenda of forming a multipolar world, which might be interpreted as covertly anti-American. For Moscow, the realization of closer ties with Teheran poses bigger risks, as it has much more to lose, such as the Russian-U.S. partnership, however formal it may be at the moment, relations with the EU, and its reputation in the International Atomic Energy Agency, the UN Security Council and other organizations. Meanwhile, the Iranians long ago showed their hand as they threw down an overt challenge to the U.S. and Israel. Thus, Russian-Iranian cooperation is strictly meted out in doses, especially on the Russian side. The Bushehr nuclear project, which has been halted by financial questions, provides a graphic example. More importantly, Moscow is attempting to publicly exert influence on Iran so that the latter softens its anti-American stance. Understandably, this will not persuade Teheran to voluntarily dismantle a number of its nuclear facilities. It is more likely that the Iranians will schedule the transition of dual-purpose installations to purely defense projects for the medium-term, as the chances are high that they still do not have the technological resources to accomplish the job in the short term (2007 or 2008).

WHY RUSSIA NEEDS TURKEY

Presently, the natural gas trade makes up the core element of Russian-Turkish economic and, to a degree, political relations. Turkey is a promising part of Russia's energy strategy; Russia meets 65 percent of Turkish demand for natural gas. These supplies travel via the Trans-Balkan pipeline and the Blue Stream pipeline, which stretches across the Black Sea bed (and survived some dramatic moments while under construction). Considering the new opportunities for gas re-export to adjacent regions, Russia

now feels much more secure in this sphere. In all probability, the Turks will try to reduce their dependence on Russian gas and establish alternative channels of energy resources from other countries. Assuming that political relations will continue to improve — or at least keep at their current levels — the most promising areas of Russian-Turkish business in 2007 and 2008 will be in the supply of electric power and equipment for a number of power plants, existing contracts on gas, and the development of telecommunications.

INDIA AND THE PAKISTANI RESOURCE

Objective factors in Russia and India's mutual complementability include their willingness to set up a network of new energy and transport corridors, and this fits into the SCO's new Eurasian energy strategy. On the other hand, the lifting of restrictions imposed on India by the Nuclear Suppliers Group generates competition from the U.S. and other countries. Russia is unlikely to have the same advantages on India's civilian nuclear power market that it has in Iran and some other countries. Our economic objectives in India are localized rather narrowly. First, Russian companies must maintain their grip on individual segments of the promising nuclear market. Second, we must fortify trade, including in the realm of defense technologies. Third, cooperation must embrace the maximum number of high-tech industries, and the Indians must be encouraged to invest heavily inside Russia.

Provided all of this takes place, Russia's motivation as regards Pakistan may assume the following pattern. First, new opportunities can be tapped as Russia positions itself as a mediator in Indian-Pakistani relations. Second, we can make good use of the Pakistani resource in combating terrorists and Islamic extremists, among them Chechen and other militants based in Russia's North Caucasus. Third, there are good prospects for cooperation in the energy sector, which envisions the growing activity of Russian companies, like Gazprom, for example, on the Pakistani market. Russian Prime Minister Mikhail Fradkov's visit in Palestina in April 2007 became a landmark in relations between the two countries.

ABANDONING THE POST-SOVIET AREA? FOR GOOD MONEY, OF COURSE

Central Asia and the South Caucasus have a key role for Russia in terms of security and potential threats. An analysis of the sequence of regional events exposes the following features: First, Islamic extremism and drug trafficking in Central Asia are growing, while radical movements (Hizb-ut-Tahreer and others) are changing their tactics and shifting their activity to the legal social field, working with young people or the elderly, for example. This makes them even more dangerous for the authorities. Second, Russia's activity in the region is growing both at the level of bilateral relations and collective projects, including in the Collective Security Treaty Organization, the Eurasian Economic Community, the Common Economic Area, as well as in the realm of politics, defense, trade and diplomacy. Third, the Russian-Georgian crisis has reached a critical point. Russia is cautiously proposing Kosovo's precedent for interpretations in the possible self-determination of the breakaway Georgian provinces of South Ossetia and Abkhazia. Next, uncertainty is growing over a peace settlement in Nagorno-Karabakh, as the settlement concept of the Minsk group of mediators, which Russia is a member of, set up by the Organization for Security and Cooperation in Europe, has reached a deadlock. Finally, the energy factor has become more variegated since the Baku-Tbilisi-Ceyhan oil pipeline opened as an alternative to Russian pipeline routes. Meanwhile, new anti-Russian political projects (like the overhauled GUAM organization) are starting to take shape. Add to this GUAM's attempts to set up peacekeeping forces that would replace Russian peacekeepers in the Abkhazian and South-Ossetian zones of conflict.

To sum up these tendencies, Russia will continue to build up its political and economic presence in Central Asia (the energy sector, most importantly) in the near future, while mitigating instability in the South Caucasus (Georgia). This tendency presupposes the possibility of Moscow recognizing de jure independence of South Ossetia and Abkhazia, together with the signing of bilateral agreements on mutual assistance with these regions. However,

Russia's leadership seems to be keeping such a move up its sleeve as a last resort. On the whole, with the exception of Armenia, the South Caucasus has become a lost region for Russia, although Moscow will continue tough bargaining over it with the U.S.

INDISPENSABLE CHINA

Russia's East-Asian strategy incorporates a search for the best possible paradigm of relations with large and small countries of the Asia-Pacific region. This includes the simultaneous creation and development of "bilateral partnership nodes" with countries of Northeast Asia – China, the Koreas, Japan and Mongolia. Some of these nodes, like the Russian-Chinese partnership, for example, have solidified, while others, like the Russian-Japanese and Russian-North Korean partnerships, are experiencing rather complicated phases of development. But plans to divert 30 percent of Russia's hydrocarbons exports from the West to the East following the completion of oil and gas pipelines presently under construction will give new incentives for healthy partnerships. Already today, one can look at these projects as part of a greater Eurasian Energy Club project of the SCO. If the plans materialize as expected, the Europeans will feel the real value of Siberian energy resources, and the European Energy Charter will reduce to the status of a piece of paper that makes declarations, but fails to relieve the EU from its dilemmas. Simultaneously, it appears that President Vladimir Putin holds all the keys to the Europe-Russia-East Asia energy balance in the years 2010 through to 2012. Incidentally, although Putin regularly makes open hints, Old Europe is reluctant to comprehend the far-reaching essence of Russia's steps, while New (Eastern) Europe is unable to grasp the situation due to its overwhelming Russophobic sentiments. Moscow may eventually tire of its attempts to appease capricious and wealthy Madam Europe and do what it finds appropriate for itself.

Meanwhile, in its efforts to build relations with China, Russia tries, on the one hand, to minimize the growing risks (ecological calamities in the form of oil spills, the depletion of border rivers, migration, China's growing economic might) and, on the other

hand, to make relations as profitable as possible. A Russian-Chinese partnership will not transform into an absolute benefit or absolute evil in the nearest future. The most probable forecast suggests parallel combinations of encouraging tendencies and risks, which will grow and diversify within the structure of partnership.

WHY JAPAN CONTINUES TO BE ELUSIVE

Any sort of romance in Russian-Japanese relations continues to be elusive, although as early as Boris Yeltsin's presidency it seemed that mutual affection was just around the corner, especially after the success of the casual summit near Krasnoyarsk. The Japanese seemed to be under the illusion that Yeltsin had some sort of covert strategy to revert the "northern territories" to their country by 2000, but Vladimir Putin, who appeared on the scene like a strict teacher in front of a class of undisciplined schoolchildren, immediately put everything in place. Illusions about open or secret plans for territorial concessions vanished. Fuel was added to the fire by a scandal involving the Sakhalin-2 offshore hydrocarbon project, although the real motives of that incident require separate scrutiny. In theory, the Soviet-Japanese model arranged in 1956 — the year of the signing of a peace treaty followed by the division of the Southern Kurile Islands along the 2:2 scheme — could offer an optimal compromise solution for Russia. Yet, in a best-case scenario, its practical enactment remains very problematic until 2010 or 2012. Russian-Japanese relations in 2007 and 2008 will remain in the format of the existing paradigm: reserved dialog against the background of internal tensions.

NORTH KOREAN BLAST CHANGES NOTHING

North Korea's underground nuclear tests place objective restrictions on political relations between Russia and the Democratic People's Republic of Korea. The situation in the region deteriorated markedly after October 14, 2006, when the UN Security Council passed the dramatic Resolution 1718; Russia and China voted for the Resolution, thus launching sanctions against Pyongyang. However, Pyongyang's declared intention to return to

the nearly ruined six-partite negotiations at the end of 2006, and the success made there, testifies to continued bargaining between Washington and Pyongyang – with a certain role played by Beijing – over the future of North Korea and its nuclear program (possibly centered on an amount of $15 billion to $17 billion). A collapse of the North Korean regime would be dangerous and unrewarding for Russia and other neighboring countries. At the same time, such a scenario would give a chance to some neighbors in the region – Japan, South Korea and Taiwan – to become full-fledged nuclear powers.

RUSSIA'S SITUATION ON THE "EASTERN FRONT"

First, Russia is bound for an intense rivalry for a place under the sun, since its closest allies (China, Central Asian countries, and India) and more distant partners (Turkey, Iran, Pakistan, Azerbaijan, etc.) all have their own notions about dividing the spheres of influence and interests. These notions occasionally conflict with those of Russia.

Second, Russia's Eastern policies will remain to a large degree discreet and impulsive in 2007 and 2008 in terms of reacting to newly appearing challenges and events. Thus, Russia will continue to implement its policy along the principle of energy resources, which will be projected on to both regional and global policies.

Third, the odds are high that the situation in the Islamic zone (the Middle East, Iran, and Afghanistan) will worsen and the region will turn into a minefield for Russia. The reorientation of Russian policies toward the Islamic world would be dangerous as both the Christian Occident and the Islamic Orient may breed contempt for Russia if given the right circumstances.

At the same time, Russia's renewed and more dynamic position in the Islamic world may theoretically provide an extra resource for strengthening itself, while providing an opportunity for regaining old niches and carving out new ones in the Arab East and Moslem areas of South and Southeast Asia.

Global Governance: G8

"The proletarians have nothing to lose
but their chains. They have a world to win."
Karl Marx, Friedrich Engels
Communist Russia poster, 1919

"As a G8 host in 2006, Russia bore an extraordinary double burden. It was asked to deliver a summit that would, as usual, address and help solve pressing global problems. But it was also expected, for the first time in summit history, to produce one that would demonstrate, confirm and deepen the host's credentials and character as a democratic polity at home. Russia met this double standard, and thus did much to shape G8 summitry in the years to come."

The Future G8 after St. Petersburg

John Kirton

On July 15-17, 2006, the Group of Eight's (G8) 31st annual summit took place in St. Petersburg. It was the first regular summit Russia hosted since it joined the club as the eighth member country in 1998. As its priority themes for the summit, Russia chose energy security, infectious disease and education, the first time that these subjects had been selected in advance as the substantive core of a summit's overall design. To the summit, Russia invited — for only the second time as a self-contained set — the leaders of the systemically significant countries of India, China, Brazil, Mexico and South Africa. And to help prepare the summit and deliver its results, Russia created an unprecedented Civil G8 mechanism that brought Russia and international civil society leaders into the summit process as never before.

Now that hosting responsibilities have passed on to Germany, which is well on the way to preparing the next summit in Heiligendamm on June 6-8, 2007, it is an appropriate time to assess Russia's contribution as a G8 host, in its own right and also as a foundation for its German-hosted successor and for the G8 in future years. Thus far the views on this subject have given rise

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to a great debate between critics and supporters of the St. Petersburg Summit and the G8 as a whole.

The critics, including former World Bank president James Wolfensohn, European Central Bank governor Jean-Claude Trichet and Bank of England governor Mervyn King, explicitly and implicitly criticize the G8, its St. Petersburg Summit and its Group of Seven (G7) finance ministers forum for their economic failings. These failings include not dealing with the mounting imbalances in the global economy, the simultaneous tightening of interest rates by national central banks and a looming financial crisis from asset inflation, general market euphoria and proliferating derivatives trading. The critics further see the G8 as obsolete in a world where economic power is rapidly passing to India and China. They even suggest an end to the G7 finance ministers forum, in favour of global economic governance through a reformed International Monetary Fund (IMF).

In sharp contrast, a second school of supporters, including former German chancellor Gerhard Schroeder and editorialists from around the world, have a much higher opinion of the G8 and Russia as its 2006 host. Some see the 2006 summit as a defensive event, with Russia using the unparalleled opportunity to showcase its economic revival and deflect criticism of its policies at home and abroad. Others more expansively conclude that Russia hosted the G8 as well as any other country ever had, and began to serve as a representative of developing countries in the club. Schroeder himself goes further, judging Russia's presidency to be efficient and successful, as President Vladimir Putin develops Russia in a democratic direction. And others even conclude that Russia will be a "hard act to follow" as Putin used his G8 presidency to reassert Russia's global role and brought it to a level not seen since 1989.

A close look at the available evidence suggests that the judgement of even the most optimistic supporters may be too modest, and too definitive as well. As a G8 host in 2006, Russia bore an extraordinary double burden. It was asked to deliver a summit that would, as usual, address and help solve pressing global problems. But it was also expected, for the first time in summit history, to

produce one that would demonstrate, confirm and deepen the host's credentials and character as a democratic polity at home. On the whole Russia met this double standard, and thus did much to shape G8 summitry in the years to come. It delivered a summit that made important advances and innovations on its three priority themes and on the burning political issue of the Middle East conflict that erupted that year in Lebanon. Russia's responsibility of hosting, its acceptance of summit conclusions that affirmed democratic principles throughout and its responsiveness to civil society at home and abroad helped to empower democratic constituencies within Russia at a difficult and critical time. And for the future, Russia helped make the G8 a global center of domestic governance, directly brought the capabilities, needs, diversity and legitimacy of the "Plus Five" powers of India, China, Brazil, Mexico and South Africa permanently into the summit, and involved civil society, legislators, youth and religious leaders to democratize the G8 itself. Yet, as the year after St. Petersburg unfolds, there remain doubts about whether Russia as host finally found the formula to ensure that the G8's often far-reaching and innovative principles are actually implemented by its members and delivered to solve real problems in the global community as a whole. It is here that action is needed to make the G8 a genuinely accountable and effective center of global governance for today's 21st-century world.

ST. PETERSBURG SUMMIT PERFORMANCE

As a regular host, Russia's first accomplishment was to set an agenda, and deliver agreements on it, that combined innovation and iteration in the delicate blend that breeds summit success. While previous summits had dealt with energy security, infectious disease and education as important topics, never before had these been identified so far in advance as part of only three central themes that constituted the core of the summit's overall design. As the first two priorities came directly from President Putin, Russia had no difficulty in getting its summit colleagues to accept and stick to this agenda. The trilogy built iteratively on

the work of the G8 summits in Gleneagles in 2005 and before. Energy security flowed from Gleneagles emphasis on climate change. Infectious disease and education were critical components of Gleneagles's concern with African development. And on all three priorities, Russia innovatively expanded and reframed the agenda. Energy security included, for the first time as an important component, physical energy security and energy poverty as link to African and global development. Infectious disease placed a new emphasis on the spread of HIV/AIDS into Eurasia. And education included the important dimension of the need for openness, migration and multiculturalism.

This agenda proved to be timely and well tailored in addressing the present and prospective needs of the G8 members and global community as a whole. Energy security was front and center in 2006, as world oil prices rose above US$77 a barrel, a level in inflation-adjusted terms not seen since the last oil big shock in 1979. And in a world where global terrorism and renewed nuclear proliferation had arrived, the concern with physical energy security was a global priority that the G8 summit, unlike the fragmented and incomplete United Nations system could and did treat as an integrated, coherent whole. The concern with the Eurasian face of AIDS arose at a time when Russia was the G8 member suffering most at home from the disease, and when India was replacing South Africa as the country with the largest estimated absolute number of citizens living with HIV. And the education agenda well matched the needs of a world in an age where human capital and innovation and aging populations were central concerns.

As a summit host, Russia proved willing, able and adept at accepting and adjusting to its partners' priorities and core interests, and getting them to adjust to Russia's in return. Faced at the start with a domestically driven German veto of any G8 mention of nuclear power as a legitimate part of a secure energy supply mix, Russia persisted with its supportive partners to get this changed. Hosting its first regular summit on the 20th anniversary of the 1986 Chernobyl nuclear explosion and the 10th anniversary

of the Moscow Nuclear Safety Summit, Russia finally got the Germans to relent. As a result, the G8 affirmed the value of safe and secure civilian nuclear power at home and was thus able to speak with greater credibility to an Iran that was considering whether to accept a G8 offer to help create such nuclear power, if that country would give up its program leading to homegrown nuclear arms.

On infectious disease, Russia added and blended the concerns of those focused on the well-known dangers of HIV/AIDS, tuberculosis and malaria with those concerned about the new danger of a rapidly globalizing avian flu, and included the need to address such new diseases with immediate, intrusive measures within the sovereign jurisdiction of the originating state. On education, Russia accepted the arguments of the United States and Canada — both federal systems where classically defined education was the jealously guarded constitutional prerogative of sub-federal states and provinces — that the subject and summit action were better reframed as human capital and innovation, as a globally oriented, forward-looking approach that would avoid domestic political difficulties for the North American members at home.

As a result of such flexible adjustment and accommodation, the St. Petersburg Summit delivered some strong results. These came across most of the summit's six functions of domestic political management, deliberation, direction setting, collective decision making, delivering its decisions and the development of global governance as a whole. Within Russia as the host country, the summit had a large imprint. It was selected by its citizens as the third most important and newsworthy international event of the year and generally received favorable acclaim in public opinion polls and the major daily newspapers. The summit set new normative directions, most notably in reframing energy security to put environmental protection and open markets in first place, and emphasizing the need for transparency, openness and the rule of law across all the three priority themes. The summit produced 317 clear, concrete, future-oriented collective decisions, the highest number in the 31-year history of the G7/8 summit. It embedded

those decisions to a considerable degree with the catalysts known to produce compliance on the part of the members during the following year. And it did much to develop G8-centered global governance, most notably by hosting many subject-specific ministerial meetings to prepare and follow up on the summit, including the third energy ministers gathering in history and the first-ever meeting of G8 ministers of health. Russia thus proved it was a fully accomplished host of a regular G8 summit, producing one with a performance well above average in most respects.

St. Petersburg also proved successful in the task of immediate crisis response in the field of political security. With a new conflict in the Middle East erupting on the eve of the summit, the Russians accepted a draft document prepared at Canadian initiative, with American support, that set forth an appropriate and novel response for coping with the immediate conflict and for laying a foundation for breaking the recurrent cycle of violence and moving toward permanent peace in the years ahead. The G8 leaders ruled on the three contentious issues given to them in square brackets by their officials, and did so in the way that President Putin as host preferred. The final document was endorsed by the UN Secretary General and by China — one of the United Nations Security Council Permanent Five (UNSC P5) veto powers — and the rest of the Plus Five countries at their meeting with the G8 the next day. This new G8 roadmap was then legally approved by the UN back in New York. It was subsequently adopted in its essence by other relevant plurilateral summit institutions such as la Francophonie.

These St. Petersburg agenda priorities and achievements are the foundation for the German approach in 2007. To be sure, the Germans are exercising their prerogative as host to set their own priorities, giving pride of place to the many financial, economic, trade and investment issues that St. Petersburg, with its full agenda, did not adequately address. But the Germans' first priority, economic growth, includes resource use as one of its five components sustainable. This component focuses on energy efficiency, climate change and the Kyoto Protocol, in which

President Putin played the critical role in bringing into force as ratified international law. Germany's second priority of African development starts with the health systems and HIV/AIDS that Russia highlighted through its priority on infectious disease. Germany's priority of African development ends with peace and security, where progress can help the peace process in the Broader Middle East and North Africa as a critical region for energy security, regional security, counterterrorism and the control of weapons of mass destruction.

DEMOCRATIZING RUSSIA AND THE G8

The even more impressive and long-lasting success of St. Petersburg comes in the realm of process, above all in democratizing the G8 at home and on a global scale.

Russia's first advance here was to invite to the summit the leaders of the systemically significant countries of India, China, Brazil, Mexico and South Africa. These Plus Five powers were critical to helping the G8 effectively address the priority of energy security, as the five were the great new demand powers straining a finite global supply. They were also key on the critical new front in the global war against infectious disease. Moreover, China's presence as a UNSC P5 member was important in the easy acceptance at St. Petersburg of the G8's new approach to peace in the Middle East, and its subsequent legal endorsement at the UNSC. The presence of these five rapidly rising powers as important summit participants showed the world that the G8 Plus Five had the predominant power to govern the global community effectively, the open inclusiveness to incorporate rising powers in a way the UNSC P5 could not, and the diversity in geography, language, religion and level of development needed to enhance its sensitivity, representativeness and legitimacy as a center of global governance as a whole. Furthermore, as all of the Plus Five but China are democratic polities, this particular set of participants deepened the democratic character of the G8. In addition, an ever-expanding, all-democratic European Union reinforced the power, democratic devotion, diversity and inclusiveness of the G8 itself.

St. Petersburg was only the second time that these Plus Five powers had been invited to participate in the summit as a self-contained set, having been invited to the Gleneagles Summit in 2005. They had been part of a much larger group invited to the Evian G8 Summit in 2003. Russia's invitation, issued at the urging of its G8 partners, thus set a precedent that meant that the old G8 would likely become the new G8+5 on a regular basis in future years. Thus Germany has invited from the start to its Heiligendamm Summit the same five powers, relabelled the "Outreach Five," or O5. Germany has further suggested to its G8 partners that these five would routinely participate in the G8 in all future years. As the partners look with favor upon this suggestion, it is clear that at St. Petersburg, as an iterative confirmation of the Gleneagles innovation, a new G8 had been born.

St. Petersburg's second democratizing innovation was the unprecedented openness of the summit process. It came in part through a new Experts Council that Russia created at home to help prepare analytic papers to advance the priority agenda. In support of the regular sherpa preparatory process, the Expert Council allowed more knowledgeable individuals from inside and outside governments in Russia and the G8 to be involved in a meaningful and influential way.

To help prepare its summit and deliver its results, Russia also mounted an unprecedented Civil Eight mechanism that brought Russia and international civil society leaders into the summit process as never before. Through Civil 8, civil society was there from the start. It had direct face-to-face contact with all the sherpas (the leaders' personal representatives) together at several times throughout the year, which had never happened before. Civil 8 successfully synthesized a large and diverse set of inputs and advice into an intelligent, coherent and helpful set of recommendations that were effectively communicated to G8 governors, including at the highest level, in the Civil 8-sponsored dialogue with President Putin two weeks before the summit's start. That hard-won direct dialogue, for the first time, brought the G8 host leader together with 700 global civil society leaders in an

open, freewheeling, two-hour public exchange. Through the free world media in attendance, that dialogue was available for all citizens of the global community to see, hear and read. President Putin not only listened politely and thanked civil society for its contribution but also endorsed some of its recommendations, promised to raise them with his G8 colleagues, frankly noted sources of resistance and identified civil society as allies in his effort to convince his G8 colleagues to do the right thing. Through him as host, Civil 8 had become a de facto ninth member of the summit itself. The depth and durability of the civil society connection were driven to new levels, including through the post-summit Civil 8 meeting with the African Partnership Forum, and through the Civil 8 meeting with the representatives of Russia's and Germany's sherpas as 2006 drew to a close.

This process of civil society participation also made a difference at St. Petersburg itself. The leading independent publication at the summit, *G8 Summit 2006: Issues and Instruments*, started with a statement by the host leader, as it had in the 2005 edition, but then followed, for the first time, with a statement by and about Civil 8. The chair of Civil 8, the exceptionally committed and talented Ella Pamfilova, gave briefings and interviews at the summit in a way equal to senior figures of the Russian government itself. And perhaps encouraged by his earlier public Civil 8 encounter, President Putin ended every day at the summit by appearing before the world's media in a lengthy, open session to discuss what had gone on behind closed doors.

Moreover, some of Civil 8's many recommendations appeared in the summit communiqués. Civil society as a relevant and valuable actor was recognized in the chair's summary far more than ever before and also throughout most of the individual communiqués. On the priority issue of energy security, when the Russian presidency had first circulated to its G8 partners its five-page concept paper in November 2005, the relevance of environmental values was almost invisible. At the first Civil 8 workshop a few months later, the energy group was dominated by environmentalists. They kept up the pressure — on paper, in speeches and in

guerilla theater T-shirts at the July civil society forum — right through to Civil 8's encounter with President Putin himself. Two weeks later at St. Petersburg, the G8 communiqué on energy security started with the importance of environmental security and spoke of it throughout. And on the road to St. Petersburg, President Putin made the expensive decision to reroute his pipeline providing energy security to the east to protect Lake Baikal, the largest body of freshwater in the world.

In all, Civil 8 participants conducted a transparent, inclusive process that brought in a large and diverse group of civil society from many issue-focused communities, G8 countries and regions around the world. No one who wanted to contribute was turned away. Russia as G8 host was able, through the Civil 8, to show the world the strength of Russian civil society, and the Russian government's respect for and responsiveness to it. Civil 8 demonstrated that a G8 that had long had a legitimacy deficit had now become more democratic by proving that there was a meaningful place for civil society's voice inside the process, as well as from the rooms, the rock concerts and the thrown rocks and shouted slogans on streets outside.

Civil 8 and its G8 connection in 2006 thus set an unprecedentedly high standard that has inspired the G8 for the years ahead. Even before her year as host started, German chancellor Angela Merkel indicated that she planned a dialogue with leaders of non-governmental organizations similar to that held by President Putin. The German sherpa team declared that the G8 dialogue with civil society pioneered by the Russians would continue on a permanent basis in their year and in those to come.

STRENGTHENING THE FUTURE G8

Despite these multidimensional accomplishments, there remains much to be done to build on St. Petersburg success and thus strengthen the G8 Plus Five as an effective center of global governance in the years ahead.

The first step is to bring Russia and the European Union in as full members of all parts of the G8 system. In the case of Russia,

this includes the G7 finance ministers forum. Here Russia's energetic hosting in the first half of 2006 of two G8 finance ministers summit preparatory meetings proved Russia's reliability and the worth of a G8 finance ministerial. It did so most notably in affirming as early as February 2006 the need for the market-oriented approach to energy security that the G8 summit leaders ultimately endorsed. With Russia now the world's first-ranked, full-strength energy superpower and one of only two G8 members with a regular fiscal surplus, with its vast foreign exchange reserves, and as an emerging contributor to development assistance, there is little on the G7 finance agenda that warrants Russia's exclusion. Russia should also be admitted to a revived trade ministers' quadrilateral, formed in 1981 by the United States, the European Union, Japan and Canada — especially now that even the U.S. has agreed that Russia should join the World Trade Organization (WTO).

The second step is to develop a full set of regular G8 ministerial meetings that would cover most of the ministries that G8 governments have, whose agendas have now migrated outside their domestic polity in today's rapidly globalizing age. This includes turning into annual events the intermittent G8 meetings for ministers of energy, development and health. Indeed, the case of health is especially important if Russia remains outside the Global Health Security Initiative, which was created in 2001 and includes only the G7 members and Mexico. There is also an argument for creating a G8 defense ministers forum to deal with issues such as peace and security in Africa and, above all, the G8 perennial issue of Afghanistan.

The third step is to strengthen the legislative, judicial and civil society institutions among the G8, so that this democratically devoted center of global governance goes beyond governing only through and with its executive branch. Here Russia took several small but useful steps forward in 2006. But a major leap could help with the German priorities of encouraging good governance and respect for the rule of law globally, including within Russia and other G8 members themselves. One concrete step, building on St. Petersburg's advance in education, would be to create a G8 schol-

arship exchange program so that promising postsecondary students from the G8 Plus Five powers could study in partner countries and thus learn at first hand about how things work there.

The fourth step is, on an ad hoc basis as dictated by the agenda, to add other countries, beyond the Plus Five, at the summit itself and to the ministerial and official-level groups that constitute the invisible, submerged body of the summit iceberg below. The Germans have made a good start here, by promising once again to bring committed African leaders to their summit in 2007. But the entire system should be assessed to see how such expanded participation could both encourage more effective problem solving and also reinforce democratic principles and practices. This thrust could well include holding a meeting of the finance ministers G20 at the leaders level on a one-time basis, both to see if this architecture works as well as has proven to at the finance ministers level and to help solve pressing global issues — such as energy, health, trade and the reform of the international financial institutions — where all the systemically significant countries are integrally involved.

The fifth step is to move toward incorporating deeply democratic, domestically diverse, globally relevant India as the ninth country member of the G8, in a way somewhat similar to the long process through which Russia was incorporated from 1992 to 2006. The success of St. Petersburg proved that the historic decisions first in 1998, to admit Russia as a regular G8 member, and then in 2002, to have it host a regular summit, were the right ones to take, even if there were doubts about the present global power and domestic democratic performance of Russia at the time. By this "Russian standard" that has now proven its worth, India stands out as the one country on the Plus Five candidate list that in the definable future will deserve a greater place in the inner G8 club.

GLOBAL GOVERNANCE: DISAPPOINTMENTS AND DOUBTS

These steps are needed not only to help with global problem solving and democracy promotion in today's rapidly globalizing world.

They are also badly needed to help with the G8's greatest outstanding defect — effectively delivering its many, often pioneering promises to its many citizens, stakeholders and the desperate people in the world as a whole. The G8 was deliberately created by its founders as a flexible, informal, "soft law" institution directed and delivered by democratically and popularly elected leaders, unconstrained by any rigidified, legally constrained, resource-short international bureaucracy that claimed to speak on its behalf. This core "constitutional" characteristic of the G8, recurrently reaffirmed by successive generations of G8 leaders, remains fundamental to the G8's success. There is thus no need for any permanent international G8 secretariat, either newly created by the G8 itself or volunteered by well-meaning existing bodies such as an Organization for Economic Cooperation and Development (OECD), to which Russia still does not belong.

To be sure, the established multilateral organizations play an important role in implementing and otherwise contributing to G8 governance. In 2006 Russia made important advances in involving those organizations in the summit's preparations and production from the start. Based on this initiative and its solid results, it would be wise for the WTO, the OECD and the International Energy Agency (IEA) to admit Russia as a full member, as a long overdue step.

But on the whole, other ways must be found to solve the G8's great "commitment-compliance gap." While members' compliance with their priority G8 commitments has been growing in recent years, it is still well short of what its citizens and their global colleagues expect and need. Moreover, the initial indications from the G8 Research Group's assessment of compliance with the St. Petersburg Summit's priority commitments six months after the summit suggest that compliance is well below the level of summits in recent years. Clearly the strong commitment of Russia and the G8 in 2006 to do a better job of ensuring compliance with their commitments, and monitoring their compliance performance, is not sufficient to meet the objectives they as G8 governors themselves have set.

There are now several exercises underway globally to assess by various methods compliance with the G8's promises and their implementation. But these exercises remain fragile and fragmented and, in the case of intra-governmental G8 efforts, very opaque. The time has come to combine these efforts, in a multi-stakeholder global "G8 compliance consortium," so that G8 governors can join with their own legislators, judiciaries, auditors general and civil society to know how well their promises at the summit are subsequently being transformed into practice on the ground. The democratically and popularly elected leaders of the G8 should be the ones who most want to know reliably whether their collective will is being converted by those below and beyond into the results they want. And because that which is measured is treasured, a more effective collective monitoring process should help convert G8 promises made into G8 promises kept.

Monitoring Compliance with St. Petersburg Summit Commitments

Marina Larionova

There may be three points of departure for reflection on the G8 commitments compliance.

First, when the forum arose in the mid-1970s to respond in a coordinated way to the problems and challenges that the existing international institutions could not cope with, its architects set a very high level of expectations on the meetings' outcome: they should treat crucial economic, financial and political issues, and they should yield results.

Second, St. Petersburg produced 14 summit documents plus the Chair's summary totaling 317 specific commitments. Although it has confirmed the tendency for increasing the number of commitments characteristic of the seventh series, this is the highest number of any summit held since 1975. Of these, 216 commitments reflect decisions on the Presidency priority issues: 52 relate to fight against infectious diseases; 114 to global energy security; and 50 to education for innovative society in the 21st century. However impressive this may seem, as Russian Foreign Minister

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Sergei Lavrov said, "the viability of the decisions hinges on the members' commitment to their consistent implementation within the systemic strategy of joint actions. Serious and multifaceted work on the St. Petersburg commitments implementation lies ahead, including the period of the German presidency of the G8." Thus, a weighted assessment of the summit performance and the leaders' commitment to the decisions made is still to come, inter alia on the basis of compliance study results.

Third, over 32 years of its history, the G7/G8 has expanded both its agenda and institutional system, and is now appreciated as an instrument of deliberation, direction-giving and decision-making on global governance issues. It has also become a subject for criticism and reform proposals. The reform proposals are well known and range from expanding the institution to G10 and G12, restructuring the G20 into L20, restructuring the G8 into G4, abolishing the G8, etc. The critique mainly focuses on the forum's representativeness, legitimacy and effectiveness.

While it is difficult to argue against proposals to expand the G8 to include China and India, or the rationale for coexistence of the G8 and the L20, it is worthwhile considering what data and instruments of evaluation are available to support, inform or refute the perception of the G8's shortcomings. It is also useful to analyze what these tools offer for monitoring, comparing and sharing, but, moreover, for communicating the G8 performance results to the wider public.

EVALUATING G7/G8

Scholarly analysis of summit results which has developed over the years includes three different methods of evaluation.

Assessing summit performance. Robert D. Putnam and Nicholas Bayne assess the summits' achievements on six criteria: leadership, effectiveness, solidarity, durability, acceptability, and consistency. The assessment is done using a grading system from A to E. According to Bayne, the first summit series (1975-1978) is considered to have been the most productive so far. The first G8 sequence, which coincides with the sixth series summits (1998-2001), has shown consistent B and B+ performance. The seventh

series (2002-) is very diverse in achievements, ranging from C+ for Evian (2003) and Sea Island (2004) to A- for Gleneagles.

Assessing behavior of the country holding the G8 presidency. A 'scorecard' approach was developed by the Foreign Policy Center in London (Hugh Barnes and James Owen), which issued the first annual 'scorecard' on Russia in 2006. The system aims at monitoring the behavior of the country holding the G8 Presidency on key features relevant for membership in the G8. They include 12 indicators: openness and freedom of speech; political governance; rule of law; civil society; economic weight in the world; inflation; economic stability and solvency; unemployment; volume of trade; protectionism; energy market conditions; and stance on key international issues.

The measure of a country's compliance with G8 norms is assessed on a five-point scale: (1) broad compliance; (2) moderate compliance; (3) sporadic compliance; (4) lack of compliance; and (5) total failure to comply. The data for analysis is drawn from the IMF, the WB, national official statistics, the WHO, various other international organizations and think tanks.

Russia's score according to this first exercise has been far from impressive. On open society the score is (5); on political governance, (4); on the rule of law, (4); on civil society, (4); on economic growth and stability, (3); on inflation, (3); on stable exchange rate and market conditions, (3); on unemployment level, (4); on trade volume, (3); on trade restrictions (protectionism, etc.), (4); on energy market conditions and policies, (4); and on discernable stance on key international issues, (4).

Assessing compliance with the summit commitments. However important to understanding of G8 effectiveness the summits' performance evaluation or the member states' compliance to democracy and economic growth – the key characteristics of monitoring – are, it would not be complete without a consistent and quantifiable assessment of the G8 member states' compliance with the summits commitments.

This assessment has been carried out by the G8 Research Group of the University of Toronto under the leadership of

Professor John Kirton and Doctor Ella Kokotsis since the 1996 Lyon summit, and has continued on an annual basis until now.

On February 20, 2007, the G8 St. Petersburg Interim Compliance Report was released by the G8 Research Group of the University of Toronto and the State University–Higher School of Economics G8 Research Group (HSE). The findings for the St. Petersburg summit demonstrate a positive average degree of G8 member states' compliance performance (33%) and, hence, testify their commitment to a wide range of decisions made at the summit. These findings thereby confirm earlier assessments of the G8 2006 meeting as a successful one.

However, before highlighting results of a new cycle of the study launched this autumn on the St. Petersburg summit commitments and its interim results, it would be useful to remind of the most essential dimensions of the study and some of the key methodology approaches.

First, it should be noted that the main objective of the study is not a cross-country comparison of the member states' performance on the summit commitments, even though this is probably its most visible and striking result.

More importantly, reflecting on the basis of empirical findings on the factors of "high and low compliance" the study aims to explore how credible and effective the institution is, namely:

1. To what extent and under what conditions does the G8 live up to the commitments and decisions reached at the summit table?

2. How does the pattern of summit compliance vary by issue area and over time?

3. What factors can enhance or diminish the commitments compliance performance of the member states?

In the course of the study, some of the factors enhancing compliance were identified: the leaders' personal involvement; the strength of their domestic positions; the presence of domestic institutional structures and an increased number of various-level working and official bodies; the use of existing regimes (such as the IMF and the World Bank) where the G8 are major shareholders and are able to exert their political and financial influence,

set the agendas, and secure agreements on the implementation;" the link of the commitment made with the domestic priorities of the member states; and the degree of consensus on the commitments and the mechanisms of their implementation.

The methodology toolkit includes:

- the definition of the concept of compliance;
- the definition of the concept of compliance performance;
- the methodology of selecting commitments for monitoring;
- the methodology of assessing the degree of compliance with the commitments.

According to the methodology, commitment is a "distinct, specific, collectively agreed and publicly expressed statements of intent, promise or undertaking by leaders that they will take future action to meet or adjust to an identified target."

In order to qualify, commitments must satisfy several criteria:

- Commitments must be distinct, meaning that each goal should represent a separate commitment;
- Commitments must be specific, identifiable, measurable and contain clear parameters;
- Commitments must be future-oriented rather than present endorsements of previous actions, that is, they need to represent a pattern for future action.

Verbal instructions to international institutions, issued at the time of the summit, are included as it is assumed that summit members will take action to move toward attaining this result.

Compliance is a conscious new or altered effort by national governments in the post-summit period aimed to implement the provisions contained in summit communiqués. In the work of the G8 Research Group, compliance occurs when national governments change their own behavior to fulfill a summit goal or commitment. Leaders legitimize their commitments by either:

- including them within their national agendas;
- referring to them in public speeches or press releases;
- assigning personnel to negotiate the mandates;
- forming task forces or working groups;
- launching new diplomatic initiatives; or

• allocating budgetary resources toward the commitment's fulfillment.

The measure of compliance is assessed on a three level scale:

1. Full or nearly full compliance with a commitment is assigned a score of +1.

2. Complete or nearly complete failure to implement a commitment is indicated by a score of −1.

3. An "inability to commit" or "work in progress" is given a score of 0. An *"inability to commit"* refers to factors outside the executive branch that impede implementation. *"Work in progress"* refers to an initiative that has been launched by a government but has not yet been completed by the time of the next summit, and whose results therefore cannot be effectively judged.

As only a fraction (not more than 10 percent of commitments made) is selected for monitoring compliance, criteria of selection are relevant for validity of the study results.

Primary selection criteria include:

• Importance for the summit, the G8 and the world. It was agreed that at least two commitments of each of the priority themes for the summit should be included.

• Comprehensiveness; the set needs to embrace the economic, global and political-security domains and incorporate at least one from each part of the traditional agenda, i.e., finance, macroeconomics, microeconomics, trade, development, environment/climate change, energy, crime and drugs, terrorism, arms control and proliferation, regional security, and international institutions reform.

• Balance by document; geographic distribution affecting the G8 members, non-G8 members and the world as a whole; contentiousness in the preparatory process; continuity from previous summits; proportionality among analysis dimensions that are most relevant for current scientific research, such as timetable, international organization, money mobilized, G8 bodies, target, remit mandates, propriety placement, specified agency, etc.

Secondary selection criteria are of practical methodological character. Selected commitments should allow individual and collective compliance monitoring; be feasible to commit fully within

the year as the compliance framework is annual; allow monitoring on the basis of sufficient and reliable information; and allow for easy construction of interpretive guidelines.

Tertiary selection criteria include significance to the summit as identified by experts in the host country.

COMPLIANCE SCORECARD SO FAR

For most part, of the 20 priority commitments selected for the G8 2006 compliance monitoring and assessment, the Russian and Canadian research teams got consistent results. However, for several commitments the teams have not been able to find concerted scores. With regard to Russia, inconsistencies relate to the final scores on three commitments: Renewable Energy, Africa – Security, and Global Partnership – Non-Proliferation. Nevertheless, the average compliance score for Russia is 25 percent according to the officially released version of the St. Petersburg Interim Compliance Report, which reports the assessment drawn by the HSE Team.

For Germany, the discrepancies between the two research teams persist on the final scores for five commitments: Health – Polio Eradication, Education – Qualification Systems and Gender Disparities, Africa – Debt Relief, and Global Partnership – Non-Proliferation. Hence, the average compliance score for Germany team is 45percent according to the officially released version of the St. Petersburg Interim Compliance Report, which reflects assessment of the University of Toronto G8RG, whereas the HSE team score for Germany was 20 percent (Table 1).

Discrepancies between the scores ascribed by the two G8 research teams mostly occur due to:

- Varying degree of comprehensiveness of the data used;
- Differences in understanding of the commitment content and interpreting of the data collected;
- Inconsistencies of interpretation of the commitments in cross-country comparisons.

Two examples will give the readers a taste of the debate.

The St. Petersburg Statement on Non-Proliferation reinforces the commitment made in Kananaskis: "We remain committed to

Table 1. Compliance with G7/G8 Summit Commitments, 1996-2006, %

	1996 –1997 Lyon	1997 –1998 Denver	1998 –1999 Birmingham	1999 –2000 Cologne	2000 –2001 Okinawa	2001 –2002 Genoa	2002 –2003 Kananaskis	2003 –2004 Evian	2004 –2005 Sea-Island	2005 –2006 Gleneagles
France	+26	0	+25	+34	+92	+69	+64	+75	+50	+57
USA	+42	+34	+60	+50	+67	+35	+36	+50	+72	+81
UK	+42	+50	+75	+50	+100	+69	+55	+50	+67	+95
Germany	+58	+17	+25	+17	+100	+59	+18	+50	+67	+88
Japan	+21	+50	+20	+67	+82	+44	+18	+42	+39	+52
Italy	+16	+50	+67	+34	+89	+57	–11	+25	+44	+29
Canada	+47	+17	+50	+67	+83	+82	+82	+83	+72	+81
Russia	N/A	0	+34	+17	+14	+11	0	+33	+6	+14
EU	N/A	N/A	N/A	+17	N/A	N/A	N/A	N/A	+72	+89
Average	*+36*	*+27*	*+45*	*+39*	*+80*	*+53*	*+33*	*+51*	*+55*	*+65*

our pledges in Kananaskis to raise up to $20 billion through 2012 for the Global Partnership, initially in Russia, to support projects to address priority areas identified in Kananaskis and to continue to turn these pledges into concrete actions."

The financial commitments of the G8 member states to the Global Partnership (not including local or associated costs) are as follows:

Canada	$743 million
France	$909 million
Germany	$1.5 billion
Italy	$1.21 billion
Japan	$200 million
Russia	$2 billion
United Kingdom	$750 million
United States	$10 billion
European Union	$1.21 billion
Non-G8 states	$1.5 billion

Thus, of the total 20 billion USD to be raised over the decade, Russia is to allocate 2 billion.

Assuming the study formula of an equal distribution of funds over the years, Russia is ahead of its obligations, having allocated $1.3 billion out of committed $2 billion (Table 2).

Table 2. Russia's Performance on G8 Commitments

Project description	Funds committed (June 2002-June 2006)	Funds extended (June 2002-June 2006)
Nuclear Submarine Dismantlement	669 million USD (2002-2010)	7,760 billion RUR (approx. 267.6 million USD)
Chemical Weapons Destruction	1,316.2 million USD	28.53 bln. RUR (approx.1,000 million USD)

Source: Report on the G8 Global Partnership. http://g8russia.ru/i/Annex_to_Report - final-rus.doc

Thus, this country has registered a high level of compliance, meriting +1 in the opinion of the HSE analysts. However, given the methodology requirement that the monitoring relate to the period from one summit to another and the fact that the data available includes the period until June 2006 and there is no evidence that Russia has contributed anything since the St. Petersburg summit, the G8RG of the UoT analysts hold the view that Russia's compliance score should be 0 for the interim report.

Another example of discrepancy stemming from differences in understanding the content of the commitment and interpreting the data relates to the assessment of Germany's compliance performance on the G8 St. Petersburg commitment on Education – Qualifications (a commitment to "share information on qualification systems in our countries to increase understanding of national academic practices and traditions."

The G8RG of the UoT analysts registered full compliance by the German government with this commitment, as indeed Germany has been involved in numerous activities aiming at enhancing transparency and compatibility of qualifications. However, a caveat is due that these activities are part of a different agenda and long-term obligations of Germany as member of the EU and Bologna process, and namely, the European Commission recommendation for the estab-

lishment of the European Qualifications Framework (EQF) for lifelong learning, the SOCRATES and LEONARDO exchange programs, as well as Bologna process seminars and research. Thus, the actions represent the country's compliance with the commitments made within the EU; they have not been launched in response to the St. Petersburg commitment and in fact cannot be considered as compliance performance within the G8 setting. If they are accepted as such, given that Italy, France and the UK are active proponents of the same initiatives, their respective scores (0, −1, and 0) question the consistency of assessment across countries (Table 3).

Another contentious issue, which needs additional consideration, concerns the case of monitoring activities implemented by the EU G8 member states within the EU programs. If these are regarded as compliance of the EU-25, how valid would be reference to the same actions of each of the four EU G8 member states' compliance? And a still more difficult question is: How in this case can one differentiate and evaluate individual contribution of these states toward compliance? These questions show the degree of complexity and challenge faced by the researchers undertaking the monitoring.

However, despite all the above discrepancies, the monitoring of commitments compliance performance remains to be a useful tool for assessing and enhancing the effectiveness of the G8 as a global governance institution. It is also extremely useful in evaluating commitment of individual member states to dealing with diverse global issues that demand collective management. Two factors are essential here: ensuring validity, reliability and transparency of the monitoring methodology, on the other hand, and preparedness of the member states' institutions to use the results of these findings in their work.

To enhance the reliability and validity of the monitoring, the G8 Research Group of the University of Toronto and the State University–Higher School of Economics G8 Research Group adhere to a combination of several principles.

First, to ensure consistency and integrity of the data analysis, it is necessary to elaborate and agree upon interpretation guidelines which would take account of the commitments' content.

Second, it is crucial to ensure consistency of assessment across issues and across countries. This can be achieved through interaction in collecting and assessing data on the same commitment for different member states. This procedure puts extra pressure on the team leaders, but seems to be justified by the need for cross-country consistency. This problem has proven to be a challenge so far.

Third, the quality of the expert background materials on the content of the issues monitored is essential to build common understanding of the individual commitments' specific nature among the analysts. This demand puts extra pressure on the budget of the study. However, again this would be justified by the need for across issue data coherence and interpretation consistency.

Forth, it is essential that the data should be comprehensive and exhaustive, as these features have a considerable influence on the analysis results.

Finally, to provide for utmost integration of the various data on the commitments compliance it is vital to get a full and timely feedback from the G8 member states (this is far from a smooth and easy process, given the various pressures experienced by the structures involved in the G8 process). The most efficient way to ensure profound data consideration would be through consultations with national expert structures.

The analytical team of the HSE International Organizations Research Institute team and the G8 Research Group of the University of Toronto will continue close cooperation on the G8 compliance monitoring and assessment and persevere in enhancing its validity. Given the early date of the next summit, the final report will be released by the end of May 2007. (The Heiligendamm summit is scheduled for June 6-8, 2007, indicating as priority issues global economic imbalances, energy and raw materials, world trade, poverty, development assistance, Africa and the Middle East.) Hopefully, the partnership between the two universities' research groups will contribute to the improving quality of the analysis and assessment, and will help get trustworthy and reliable information on the G8 member states' commitments to the St. Petersburg summit decisions.

Table 3. 2006 G8 Compliance scores for Russia and Germany*

Commitments	RUSSIA			GERMANY		
	G8RG score	**HSE score**	**Report score**	**G8RG score**	**HSE score**	**Report score**
Health (Global Fund)	0	0	0	0	0	0
Health (Tuberculosis)	0	0	0	0	0	0
Health (Polio)	+1	+1	+1	**+1**	0	+1
Energy (Oil and Energy Reserve Data Collection)	+1	+1	+1	+1	+1	+1
Energy Intensity	+1	+1	+1	0	0	0
Surface Transportation	0	0	0	0	0	0
Renewable Energy	**0**	**+1**	+1	+1	+1	+1
Climate Change and Sustainable Development	0	0	0	+1	+1	+1
Education (Academic Mobility)	0	0	0	0	0	0
Education (Qualification Systems)	-1	-1	-1	**+1**	**0**	+1
Education (Gender Disparities)	0	0	0	**0**	**-1**	0
Africa (Security)	**-1**	**0**	0	0	0	0
Africa (Debt Relief)	0	0	0	**+1**	**0**	+1
Transnational Crime and Corruption	0	0	0	0	0	0
Intellectual Property Rights	0	0	0	0	0	0
Trade (Export Subsidies, Agriculture)	0	0	0	+1	+1	+1
Counter-terrorism (Energy)	0	0	0	0	0	0
Stabilization and Reconstruction (UN)	0	0	0	0	0	0
Global Partnership (Non-Proliferation)	**0**	**+1**	+1	**+1**	**0**	+1
Middle East (Lebanon)	+1	+1	+1	+1	+1	+1
Average score	*+10%*	*+25%*	*+25%*	*45%*	*20%*	*45%*

* Highlighted are those scores, for which there is no consensus between the G8RG and the HSE analysts. As it was primarily agreed, the HSE team has responsibility for Russia's scores, which are presented in the report (http://www.g8.utoronto.ca/evaluations/2006compliance_interim).

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NATO: New Horizon

"No to NATO!"
East German poster, 1957

"Against the background of the declared plans for further enlargement by including Russia's neighbors, statements such as, "Russia has nothing to fear," echo more like mantras than real arguments. Russia understands, probably better than any other state, the real causes and goals of the confrontational activities by particular governments, and knows the real worth of assurances of "eternal" allied sentiments."

Putting NATO's Riga Summit into Context

Rad van den Akker,
Michael Rühle

At the end of last November, the Heads of State and Government of NATO's 26 member countries met in the Latvian capital of Riga for their most recent summit meeting. Over the past ten years or so, NATO summits became increasingly busy two-day events, featuring meetings between the Allies as well as with their Partner countries. The Riga Summit was different, however. Unlike previous summits, NATO's Partner countries were not present. There was no meeting of the Euro-Atlantic Partnership Council, which brings together the NATO members and their 20 partners from Europe to Central Asia. Neither was there a meeting of the NATO-Ukraine Commission, nor of the NATO-Russia Council. The 26 NATO members decided to stay on their own, and their meeting took less than 24 hours.

Why was the Riga Summit, as a British defense journal put it, organized in such an "introverted" way? And why did a NATO meeting which took place so close to the borders of Russia not at least seek some high-level Russian participation? The answer becomes clear if one places the Riga Summit in its proper context, which is NATO's broader evolution from an Alliance initially founded to provide for the territorial defense of Western Europe into an instrument for safeguarding transatlantic security interests wherever they may be at stake.

Rad van den Akker and **Michael Rühle** work for Policy Planning Unit, Private Office of the NATO Secretary General. This article presents the authors' personal views only.

THREE PHASES OF NATO'S EVOLUTION

Historical categorizations often invite the charge of oversimplifying a complex story. Still, it is instructive to look at NATO's 58-year history as an evolution that has proceeded in three distinct phases: the Cold War, the decade following the end of the Cold War, and the period that began with the terrorist attacks on Washington and New York on 11 September 2001. Each of these periods posed very distinct security challenges. Each required a different set of responses. And accordingly, each of these three phases produced a different NATO.

The first phase, the Cold War, stretched well over four decades. During these 40 years, NATO's role was essentially static: preventing an attack against the territory of its member countries. Given the specific conditions of the East-West conflict, NATO could accomplish this objective by deterrence alone, which is to say by the mere threat of using force in response to an aggression.

As both sides knew what was at stake and thus exerted considerable caution in dealing with one another, the use of force to advance political aims was effectively excluded in Cold War Europe.

The second phase of NATO, the period between the collapse of the Berlin Wall and that of the Twin Towers in New York, saw NATO acting in a role that was fundamentally different from that of the Cold War. While some observers, not least in Russia, expected NATO's demise, the realities of post-Cold War Europe gave NATO a new – if very different – lease of life. As a transatlantic framework for managing change, NATO became a major factor in Europe's post-Cold War transformation. Politically, this new role of NATO manifested itself in the policy of building partnerships with virtually all countries in Europe as well as the Southern Mediterranean region. Militarily, NATO's new role was demonstrated most clearly in the Western Balkans. In trying to stop the violence and bloodshed after the collapse of Yugoslavia, NATO became increasingly involved in crisis management efforts outside its own treaty area.

Both dimensions of NATO's post-Cold War evolution reflected a changing notion of security. As the threat of invasion disap-

peared, the exclusive focus on territorial defense had clearly run its course. However, instability in NATO's wider European neighborhood could well affect NATO members' security. This instability could not be remedied by a policy based solely on the display of military strength. Security policy was to become a policy of broader political engagement and, in the case of the Western Balkans, of long-term military engagement as well.

Just like the Cold War, the second phase of NATO's evolution concluded with a certain sense of optimism. At the end of the 1990s, Europe seemed to have managed a "soft landing" from the Cold War. Advances in Europe's integration, in Russia's democratization, and the emergence of a general cooperative momentum throughout the continent had clearly put any remnants of the Cold War to rest. While NATO's enlargement process, and particularly NATO's Kosovo air campaign, had met with considerable Russian disapproval, NATO could claim to have played a constructive, indeed essential role as a framework for managing Europe's post-Cold War transformation, and for pacifying the Western Balkans.

FROM GEOGRAPHICAL TO FUNCTIONAL SECURITY

The terrorist attacks on 11 September 2001 marked the beginning of the third phase of NATO's evolution. It now became clear that the major threats to NATO Allies – and, for that matter, to many more countries – no longer emanated from Europe, as was the case during the Cold War and its immediate aftermath, but from regions outside the "old continent." In the face of international terrorism, failing states and the spread of weapons of mass destruction, NATO's traditional self-image as a "eurocentric" Alliance, which had prevailed in the previous two phases, now became obsolete. The further consolidation of Europe as a unified democratic space would continue to rank high on NATO's agenda. Yet the global nature of the new threats rendered a purely geographical approach meaningless. If NATO was to continue to provide for the security of its member states in a world of "globalized

insecurity," it had to adopt a functional approach and be prepared to tackle problems at their source.

The first indication of this new approach was NATO's first ever invocation of its collective self-defense obligation in response to the attacks of 11 September 2001. In the Cold War, this obligation had been widely understood to apply in the case of a military attack by the Warsaw Pact. However, by extending this obligation to a major terrorist attack by non-state actors, and indeed with tacit Russian support, NATO became part of a struggle that was global in essence. In August 2003, NATO assumed the command of the International Security Assistance Force (ISAF) in Afghanistan, demonstrating that it was now fully prepared to take a functional approach to security.

This third phase of NATO's evolution is clearly the most demanding. Taking the logic of engagement seriously means that the Alliance now has to cope with an ever broader spectrum of missions, ranging from combat operations to humanitarian relief. Today, the Alliance is keeping the peace in Kosovo; assisting defense reform in Bosnia and Herzegovina; patrolling the Mediterranean Sea in a naval antiterrorist mission; engaged in combat as well as in peacekeeping operations in Afghanistan; and airlifting African Union troops to the Sudanese crisis region of Darfur. In addition, NATO has provided humanitarian relief to the United States after hurricane Katrina and to Pakistan after the October 2005 earthquake. And NATO is training Iraqi security forces, both inside and outside the country. Not surprisingly, given their importance to security and stability more widely, many of these missions and operations enjoy the support of the Russian Federation – either through the UN Security Council or through the actual contribution of military forces or logistical support.

For NATO, sustaining this broad agenda poses a range of political, military and financial challenges. Not only are most of NATO's missions today long-term in nature; their ultimate success depends on political and economic development rather than military preponderance. Hence, more than ever before NATO needs to calibrate its military contribution with the work of civil-

ian actors. The long-term nature of NATO's engagements also raises questions of how to finance these operations in a way that all Allies perceive as fair and equitable. As shown by the fierce fighting in the South of Afghanistan over the past year, some of NATO's assignments have become extremely demanding militarily. Moreover, NATO's nations now face the specter of suffering casualties in missions very far away from home, which is a major challenge for democratic societies.

COPING WITH OPERATIONAL DEMANDS

Against this backdrop of mounting operational demands, the challenge for the Riga Summit was to ensure that NATO has the military, political and financial means to continue to perform as required. With respect to NATO's ongoing military transformation, Riga did indeed produce a number of significant results. The NATO Response Force is now fully operational, giving NATO a more than 20,000-strong rapid reaction capability to address new risks and threats. In addition, NATO Allies worked out arrangements for making use of American, Russian and Ukrainian large transport aircraft for NATO missions. The NATO members also agreed on new initiatives in areas such as tactical missile defense, air-to-ground surveillance, and cooperation between special operations forces. And major reforms of NATO's defense planning, force generation and funding arrangements will ensure that NATO's missions are better prepared and paid for in the future.

The Riga Summit was a major step forward as well with respect to NATO's political transformation. For example, Allies agreed to deepen their cooperation with partner countries, including those in the Middle East and the Gulf region. Work was set in train to build new relationships with countries in the Asia-Pacific region that share the Alliance's security interests and, in the case of Australia and New Zealand, already make valuable contributions to NATO-led operations. And in line with the need for a more comprehensive approach to security, it was emphasized that NATO will continue to seek closer cooperation with other international actors, such as the United Nations, the European Union,

the G-8, or the World Bank, as well as with non-governmental organizations.

All these decisions will help advance NATO's transformation into an organization that is even better able to respond to today's global challenges. But while the Riga Summit was clearly geared toward the third phase of NATO's evolution, the meeting also took a number of decisions to promote the Alliance's longstanding objective of helping to create a Europe whole, free and at peace. One such decision was to invite Bosnia and Herzegovina, Montenegro and Serbia to join the Partnership for Peace program. And NATO's Heads of State and Government also clearly stated their intention, at their next summit in the spring of 2008, to extend further invitations to those countries that are able to contribute to Euro-Atlantic security and stability. This is a strong signal of encouragement to Albania, Croatia, and the former Yugoslav Republic of Macedonia, who all aspire to become members of NATO. NATO's relations with Georgia and Ukraine will continue to develop within the framework of the so-called Individual Dialogs that the Alliance is conducting with these countries.

The operational focus of the Riga Summit should explain why that gathering was an Allies-only meeting. From the outset, however, Riga was not planned to be an isolated event. Even before NATO's Heads of State and Government met in the Latvian capital, the next summit had already been set for the spring of 2008. Moreover, NATO's 60th anniversary in April 2009 will probably be yet another opportunity for a meeting of Heads of State and Government. This rapid sequence of high-level meetings indicates the accelerating speed of NATO's transformation — a transformation that requires regular high-level political guidance and direction.

With Riga behind it and one or even two summits waiting ahead in the not too distant future, NATO is now busier than ever. In addition to fulfilling its ongoing, demanding operational engagements, the Alliance will continue to pursue longer-term, structural changes, both in terms of its own internal political and military organization, and in its relations with other nations and organizations.

A COMPREHENSIVE APPROACH

One major feature of the current third phase of NATO's evolution is the organization's closer interaction with other major institutions. The deployment of NATO forces into a crisis area may be indispensable for ending a conflict and providing a secure environment for political and economic reconstruction. However, that reconstruction – "nation-building" in the broadest sense – can only be achieved through cooperation with other actors, including the European Union, the United Nations and non-governmental organizations. This imperative of combining "hard" and "soft" power has raised the challenge of building new institutional ties between NATO and those other actors that are most likely to provide the "soft" part of the security bargain in future contingencies.

This means, first and foremost, that NATO needs to build a true strategic partnership with the European Union. Although the current NATO-EU relationship is far too limited in scope, the logic of pragmatic coordination and cooperation should ultimately prevail over petty notions of institutional uniqueness. This marriage of "hard" and "soft" security would dramatically broaden the range of political, military and economic tools at the disposal of the international community. A more structured relationship between NATO and the United Nations is another near-term aim. NATO and the UN operate in the same areas, yet daily cooperation in the field contrasts with a glaring lack of political consultation at the strategic level.

With NATO emerging as a major "enabler" of the UN, the value of a more coherent strategic relationship has become increasingly obvious. In addition to more immediate operational benefits, it would help NATO in providing training and mentoring of UN peacekeepers, or advice on planning and interoperability issues. And that kind of assistance would greatly help a currently overstretched UN to perform its role as a custodian of global peace and stability.

Another feature of NATO's "third phase" is broader and deeper political dialog. Unlike the Cold War, where the visibility of the threat made achieving consensus on a response relatively easy, the

range of today's security challenges no longer allows for the convenient assumption that the Allies will always arrive at similar answers. Building consensus will become harder, and require more regular, open debate among the Allies.

At a time when many traditional tenets of national security are being revisited, the Alliance must grapple with these questions rather than dodge them for the sake of unity. In an environment where new security players, such as the EU, are finding their role, and where other parts of the world, such as the Broader Middle East, are growing in relevance, the transatlantic community can only make real progress if contending ideas are put to the test through informed and frank debate. Moreover, where NATO troops are engaged in an operation, the Alliance must also be part of the process leading to a political solution. And this is one more reason for the Allies to debate their policy intensively – among themselves, with their Partner countries, and with other international organizations and key regional players.

MOVING NATO-RUSSIA RELATIONS FORWARD

The immediate post-Riga period should also be a time to deepen the NATO-Russia partnership. The Russian Federation is a major security actor in the Euro-Atlantic area, and following the last round of NATO enlargement in 2004, Russia shares land or sea borders with six NATO member countries. NATO and Russia have common interests in areas as diverse as the fight against terrorism and countering the proliferation of weapons of mass destruction. Russia's permanent seat on the United Nations Security Council gives her a significant voice on issues that affect the security of NATO Allies. Russia's influence in Central Asia and northern Afghanistan is important to the success of the NATO-led ISAF mission. It is clear, at the same time, that the success of that mission would significantly enhance the overall security situation for Russia and its neighbors.

Over the past ten years, Russia has already made welcome contributions to the success of NATO missions in the Balkans, the

Mediterranean and Afghanistan. In particular, since the terrorist attacks of 11 September 2001, the hesitancy that dominated the NATO-Russia relationship through much of the 1990s has given way to a less cautious and more pragmatic approach. A major step forward was the replacement of the rather inward-looking and conservative Permanent Joint Council with the more operational NATO-Russia Council (NRC) in May 2002.

Although there has been significant progress, the potential of the NATO-Russia relationship is far from exhausted. For example, the pattern of military-to-military cooperation remains uneven, with some common projects progressing well while others lack momentum. The 5th anniversary of the NRC this spring represents a great opportunity for the Alliance and the Russian Federation to reaffirm their commitment to the NATO-Russia partnership at the highest political level, and substantiate this commitment with the launch of new common projects, supported by sufficient resources. Such projects could encompass enhancing military interoperability between Russian and NATO forces, better coordination of efforts to combat terrorism and organized crime in Afghanistan, or closer cooperation in responding to natural disasters.

Although neither Russia nor NATO's other partners were present at the Riga Summit, they have every reason to welcome its results. The Riga Summit marked a significant step in NATO's evolution toward a security provider within and beyond the Euro-Atlantic area. This ongoing evolution will see NATO working together ever more closely with other nations and organizations to tackle new, global risks and threats. Russia has nothing to fear, and a lot to gain, from this evolution. It has both a strong interest and ample opportunity to play a greater part in the process. And we hope that it will.

Russia-NATO Relations: Between the Past and the Future

Mikhail Kokeyev

This issue of *Russia in Global Affairs* carries an article entitled, *Putting NATO's Riga Summit into Context*, by Rad van den Akker and Michael Rühle. The article, written professionally and demonstrating inside knowledge, is thought provoking and invites serious discussion on the matters contained in it.

Van den Akker and Rühle give a true account of areas of accord where the international community can and must advance, including in the realm of NATO-Russian relations. At the same time, the article alludes to, or totally ignores, some essential aspects of NATO's role. Due to space restrictions, I am not able to comment on all the infelicities of the commentary in question, so I will focus on the one I believe to be most important: portraying NATO as the main guarantor of global and regional security, and practically the only gate to freedom and democracy.

Writing about NATO's summit in the Latvian capital of Riga, held in late November, the authors place it "in its proper context, which is NATO's broader evolution from an Alliance initially founded to provide for the territorial defense of Western Europe into ***an instrument for safeguarding transatlantic security interests wherever they may be at stake"*** (bold italics mine). Thus, they assign primary importance to the debatable presumption of universality and the supremacy of transatlantic values, which serves as the foundation for NATO's self-nomination to leadership in international affairs.

At the same time, judging by the article, the Alliance has come

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to realize that ruling the world on its own is a mission impossible. "One major feature of the current third phase of NATO's evolution is the organization's closer interaction with other major institutions," the article says. However, the range of the Alliance's major international partners has been rather severely reduced – the authors only mention the UN, the European Union, the G8, the World Bank and nongovernmental organizations.

According to the authors, a more structured relationship between NATO and the United Nations is another near-term aim. "NATO and the UN operate in the same areas, yet daily cooperation in the field contrasts with a glaring lack of political consultation at the strategic level," write van den Akker and Rühle. It seems that the Alliance, believing in the global dimension of its mission, assumes the formats of the two organizations to be identical and now seeks to build a direct dialog with the UN leadership.

Meanwhile, the reality tells a different story. The memberships and statutory documents of the United Nations and NATO have completely different features; therefore, their functions differ essentially. For the international community, the United Nations has always been – and still is – the only universal center for coordinating international efforts in order to maintain peace and security in the world. This is why any actions taken in circumvention of the UN Charter and Security Council can disrupt these efforts and undermine the fundamental norms of international law.

In the same paragraph, the authors come out with an ambitious statement that NATO is "emerging as a major 'enabler' of the UN." Perhaps the United Nations is in a better position to judge the veracity of such a statement, but we find no such judgments in UN documents and decisions. One could only welcome the Alliance's readiness, mentioned in the article, to provide "training and mentoring of UN peacekeepers, or advice on planning and interoperability issues," but for the following phrase: "That kind of assistance would greatly help ***a currently overstretched UN to perform its role as a custodian of global peace*** and stability" (bold italics mine). In other words, the authors view NATO-UN relations "from above." As for NATO's "mentoring" on issues related to UN peacekeeping activities, NATO's practice of debarring OSCE charter bodies and member states from con-

trolling field missions of the OSCE Office for Democratic Institutions and Human Rights does not inspire much confidence that the proposed model of interaction would be efficient.

Of the numerous international regional organizations, the authors of the article mention just one – the European Union. The de-facto transatlantic OSCE is not even mentioned. If the authors avoided this subject because this particular organization is experiencing a real systemic crisis, then the omission is understandable. But the omission of all the other regional structures is symptomatic of something else.

The authors cite Afghanistan as an example of a country where NATO demonstrated that "it was now fully prepared to take a functional approach to security." However, the effectiveness of the international presence in Afghanistan leaves much to be desired, to put it mildly (which was admitted at the Riga summit). Nevertheless, for political and status considerations the Alliance continues to avoid full-scale cooperation with major regional security organizations, such as the Shanghai Cooperation Organization and the Collective Security Treaty Organization.

The case with the CSTO is particularly remarkable. In July 2004, its Secretary General sent a letter to his NATO counterpart with a proposal to establish dialog and interaction between the two organizations in combating drug trafficking, including in Afghanistan. In particular, he invited the Alliance to participate in the CSTO's annual anti-drug exercises, Operations Channel, as well as create anti-drug security belts to the north of Afghanistan. NATO would support these zones from the northern Afghan provinces, and CSTO would support them from beyond.

Incredibly, NATO only replied to the letter a year later, not in essence and only after repeated reminders, including at the highest political levels. In its formal reply, Brussels only expressed its readiness to listen to representatives of those states that chaired the CSTO in 2004-2005 at a session of the Euro-Atlantic Partnership Council. The requested reports delineated general information about the CSTO's activities and the essence of its initiatives for establishing dialog with NATO.

The Alliance has not yet responded to the CSTO's initiatives. This, of course, leads us to believe that NATO is not ready to estab-

lish relations between the two organizations, and that it prefers to use its own channels in bilateral ties. This decision fails to promote broad international cooperation in the post-conflict construction in Afghanistan. Meanwhile, Brussels' declarations about the priority of the Afghan issue, which include efforts to counter terrorist and drug threats, have not become any more convincing.

The CSTO views the Alliance's approach as a politically motivated mistake, which, sooner or later, will be replaced by Brussels' realization of the objective need to act in major global affairs in the spirit of real partnership. The spirit of such a partnership presupposes, in particular, respect for the positions, opinions and proposals of one's partners. It is to be hoped that the Alliance's hesitation in such mutuality is due to a "re-formatting" rather than overconfidence or "dizziness from success" – all the more so when we consider the present situations in Iraq, Afghanistan and Kosovo. These examples provide no grounds for arrogance.

Moreover, the contemporary world is gradually overcoming its temptations for wishful thinking in the form of summits, anniversaries and other events as landmarks of a continuous "history of success." A handful of people today use the "know-how" of the Soviet Communist Party, which proclaimed itself "the wisdom, the honor, and the conscience of the contemporary epoch." It described each of its congresses as "historic," and believed that the number of its members was a major factor of its influence. Therefore, without commenting on the colorful picture of the Alliance's evolution that is painted in the article, not to mention the process of its enlargement and adaptation to modern challenges and threats, I would rather focus on NATO's relations with the Russian Federation.

I fully share the authors' conclusions that "the immediate post-Riga period should be a time to deepen the NATO-Russia partnership," and that "the potential of the NATO-Russia relationship is far from exhausted" and NATO and Russia have common interests in diverse areas. However, I do not think that NATO's continuous enlargement – Russia now shares land or sea borders with six NATO member countries – is a factor for stabilizing cooperation between the parties and the situation as a whole, as the authors argue. Against the background of the declared plans for further enlargement by including Russia's neighbors, statements such as, "Russia has noth-

ing to fear," echo more like mantras than real arguments. Russia knows only too well the mentality and motives of its ex-allies in the Soviet Union and the Warsaw Pact. Russia understands, probably better than any other state, the real causes and goals of the confrontational activities by particular governments, and knows the real worth of assurances of "eternal" allied sentiments.

Western politicians like to repeat (fortunately, the authors of the article under consideration avoid using the cliché) the claim that Russia has no right to veto the entry of new NATO members. Russia, however, has never proclaimed to have such a right. At the same time, it cannot but be concerned that all enlargement-related issues – including the modernization of the Alliance's infrastructure on the territory of its new members – are considered behind Moscow's back. These decisions are being made without any consultations from Russia and without joint studies concerning the possible consequences for Russia's security. The latest example of such unilateral decision-making came from the U.S. administration's negotiations with Poland and the Czech Republic, which involves the possibility of constructing components of the U.S. missile defense system on these territories, and possibly in the future in the Caucasus and Ukraine. When asked whether the plan needed approval from NATO's 26 members, Lt. Gen. Henry Obering, chief of the U.S. Missile Defense Agency, said: "It's important that we get the understanding and what I would consider to be as much partnering as we can do with our NATO allies. We are not looking for approval per se." Statements like these do not improve Russia's perception of the Alliance.

Moreover, Polish Prime Minister Jaroslaw Kaczynski has explained that this missile defense system will be directed "against actions of states that do not want to obey the rules," while NATO Supreme Allied Commander General Bantz John Craddock described it as a shield that "will provide security from attacks from rogue regimes." The list of "rogue" players will be drawn up unilaterally by the system's authors and co-authors – that is, arbitrarily, and reminiscent of the obsolete Brezhnev doctrine of "limited sovereignty." Against this background, the position of the European Union, which favors broad consultations on the missile defense system, looks much more constructive. German Chancellor Angela Merkel, whose country is now holding the

European presidency, has suggested – not without grounds – that NATO "is the best place for discussing this issue."

Moscow does not conceal its concern over the increasingly aggressive nature of NATO as the bloc continues to grow. Manifestations of this aggressiveness include territorial claims against Russia, the glorification of SS members, Nazis and their local collaborators, bias against Russian-speaking populations in the post-Soviet states – who are literally branded in their passports as "non-citizens" – including other forms of infringement of their human rights. Finally, the denigration of the Yalta accords and the anti-Hitler coalition in general, etc. These "tricks" – which Brussels prefers to ignore – by the new members and candidates for NATO membership, do serious damage to the Alliance's reputation and burden Russia-NATO cooperation.

Recently, newcomers to the Alliance proposed forming an "Energy NATO," a proposal that received enthusiastic support from Washington. In a letter to the German chancellor, U.S. Senator Richard Lugar explained that, should either bloc member be forced to change its policy as a result of an energy cutoff, an Energy NATO would enforce Article 5 of the North Atlantic Treaty, according to which "an armed attack against one or more of [NATO member states] in Europe or North America shall be considered an attack against them all." Citing the termination of Russian energy supplies to Georgia and Ukraine, Lugar designated, under no uncertain terms, a potential "enemy," against which the bloc must mobilize.

In light of these developments, Russia can no longer rely on the general assurances of the bloc's good intentions. In the early 1990s, Moscow placed its faith in such promises and got its fingers burnt. Today, it has no intention of repeating those mistakes and is openly insisting on the development of a real partnership with NATO.

The article by Rad van den Akker and Michael Rühle convincingly confirms that today, perhaps as never before, that what is required is not palliative decisions and half-measures, but purposeful efforts to overcome confrontational sentiments, allay or at least reduce Russia's concerns, and elevate NATO-Russia cooperation to a qualitatively different level. This new partnership would adequately reflect the realities of the variegated modern world. This is in the interests of gradual development much more than confrontation.

European Choice

The fathers of European integration,
Robert Schuman and Konrad Adenauer.
Soviet cartoon, *Perets* magazine, 1950

“In the future, Russia may consider formal accession to an integration project that will replace the EU after it overcomes its present stagnation. Especially since a way out of this stagnation will most likely be found along traditional lines (Monnet’s functionalism and Delors’ subsidiarity) – by providing states additional guarantees of sovereignty rights and promoting new mechanisms of close cooperation.”

Sovereignty and Integration

Studying the EU Experience

Timofei Bordachev

The main lesson from the past 50 years of European history shows that a nation's involvement in the ongoing integration process does not necessarily cause it to lose its sovereignty. However, the next few decades may prove that a country outside the integration process that declares its sovereignty can in effect lose these rights.

ARE THE EU NATIONS SOVEREIGN STATES?

One of the established myths about the European integration is that a nation must surrender part of its national sovereignty before it may join the group of Old World countries. The popularity of this fallacy stems primarily from the fact that it has become almost a cliché widely used by interested parties on either side of the EU borders.

Officials at the European Commission say that the delegation of part of sovereignty to Brussels is needed to conduct negotiations with external (non-EU) partners, even though the Commission oftentimes lacks corresponding competences. For their part, national governments complain about the purported loss of sovereign rights ("Brussels has decided") in order to show their voters that they are not responsible for certain unpopular mea-

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sures. Also, this myth is often used as an explanation why a particular European capital is unable to help an external "strategic partner" tackle particularly delicate issues. Meanwhile, the threat of the allegedly omnipotent euro-bureaucracy, which regulates everything from the diameter of cucumbers to the proportion of zinc in nails – serves as an excuse to evade any discussion with outside strategic partners over the basic aspects of their relations.

Reality, however, is far more complex. An analysis of modern European politics shows that all EU member countries, without exception, retain their sovereign rights in all major areas of political and economic life. The protection of borders with EU neighbors, national defense, energy relations, justice and home affairs, migration policy, and education – all of these areas remain within the exclusive jurisdiction of the national authorities. Other key areas, such as social policy and regulation of the labor market (i.e., the entire social sector), also fall under the complete jurisdiction of national governments. In fact, this national empowerment of the EU nations remains the main impediment to the implementation of some pressing reforms. The lack of such reforms largely impedes progress in implementing the Lisbon Strategy – a plan that was to make the EU the world's most dynamic economy by 2010.

Even in foreign trade – an area that is purportedly subject to EU regulation to the maximum degree possible – Brussels is unable to take a single step without the consent of the individual EU member states. Even though the national governments say they have completely delegated the powers to regulate foreign trade relations to the supranational level, they retain every right to block any moves by Brussels that could put them at a disadvantage. Under Article 133 of the EU Treaty, the Commission's authority to approve foreign trade agreements is formalized in a mandate from the Council of the European Union, which lays down detailed parameters for the passage of documents. But even after this formality, Brussels officials must constantly report on the status and substance of their talks with the special intergovernmental Article 133 Committee, which was established by the

member states, before carrying out any new directives from the EU Council.

A case in point is the Doha Round of WTO negotiations. Formally, the European Commission, as represented by Trade Commissioner Peter Mandelson, conducts negotiations on behalf of the EU. But the approval of the outcome of these negotiations and EC powers is left to the discretion of member countries, which was stated in no uncertain terms by the French president in the spring of 2005.

Paul Magnette, director of the Institute of European Studies in Brussels, says that of the four principal functions of a modern state – territorial protection, national identity, domestic politics, and market regulation – only the last function is affected by the so-called supranational regulation from Brussels. But even in this case, economic rules are established as a result of the drawn-out and tortuous bargaining of national interests, political lineups and positions of lobbying groups. Only the common agricultural policy, economic and social cohesion and research have a budget redistributive impact, which does not exceed 3 percent of the GDP for countries which benefit the most from the community budget.

Furthermore, Alan Milword, a UK researcher, correctly points out that full-fledged EU membership has until recently been the strongest guarantee of the European states' global role, which expanded the capabilities of individual member states. Member states of the Group of Six (Belgium, Germany, Italy, Luxembourg, the Netherlands, and France), which signed the Treaty of Rome in 1957, had emerged from World War II in a state of virtual collapse. By the end of the 1950s, three founding members of the European Community (Belgium, the Netherlands, and France) had either already lost their overseas territories or, amid massive protests throughout the world, were still waging colonial wars for the remains of their former empires. Meanwhile, their partners, Germany and Italy, who had suffered a defeat in the war, received a unique opportunity to rehabilitate themselves, acquiring (thanks to Common Market institutions and policies) international clout over and above their capabilities at that time.

In initiating the integration project, the West European nations had not even theoretically pondered ceding a part of their state sovereignty. This is why the basic concept of European integration posits cooperation and pooling of sovereignties, designed to achieve a substantial synergetic effect. Also, participation in the integration project provides economic and financial clout that goes far beyond national boundaries.

But national bureaucracies, operating within the framework of this cooperation, not only ensure direct material benefits for their countries, but also stimulate the political maturation of the elites and the perfection of foreign and economic activities by each state. The EU's apparently complex decision-making mechanisms help all participants to master and hone their skills in looking after their own interests. The EU is the unchallenged leader among all other international organizations and political systems in terms of the intensity of debate and the web of intrigue that it spins. At the same time, each EU member follows not so much the established European practice, as national specifics.

According to Eurobarometer, a regular survey of public opinion that has been conducted by the European Commission in the fall of 2004, 42 percent of EU residents say they have never identified themselves with Europe as a whole, saying that they remain citizens of their own state. Another 37 percent say they occasionally have a sense of European identity, while just 7 percent consider themselves to be, above all, Europeans, followed by the citizenship of their respective countries. The poll also shows that 53 percent of Europeans are certain that EU membership is advantageous to their countries.

These figures provide a fine comment on the main goal of the integration process, which is the pooling of efforts in the interest of making each individual state more viable and competitive. Therefore, European nation-states are the principal beneficiaries of the EU integration project. They remain the sole source of legitimacy, retaining full-fledged sovereignty rights. But their approach toward the use of these rights fundamentally differs from similar practices in other parts of the world.

MINIMALIST ARCHITECTURE

Jacques Delors, who by many is considered to be the most successful president of the European Commission in the entire history of European integration, once called the European Union an "unidentified political object." Indeed, attempts to classify the institutional basis of the integration process as 'proto-federation,' 'interstate association' or 'international regime' are extremely vulnerable to criticism.

Yet from a practical point of view, this lack of distinctness is an asset rather than a liability. Unsurprisingly, the EU has often been compared to a tale about blind men and an elephant. In one version of the story, a group of blind men (or men in the dark) touch an elephant in order to learn what it is like. Each one touches a different body part, but only one part, such as a flank or a tusk. And each one concludes that the elephant is similar to various things – a wall, snake, spear, tree, fan, or rope – depending upon the spot they touched. Afterwards, they compare notes and discover that they are in complete disagreement over how to describe an elephant. Importantly, in the original story the success of the role played by the elephant is based on the blindness of the men, so it is understandable why the architects of European integration have never welcomed attempts to describe their creation from the perspective of the international relations theory.

Former Secretary of State Henry Kissinger used to lament: "What number do I call when I want to talk to Europe?" By comparison, our U.S. colleagues do not seem to have this problem anymore: in October 1999, the position of the Secretary General of the Council of the European Union and High Representative for the Common Foreign and Security Policy was established. Today, this position is held by Javier Solana, former secretary general of NATO and one of the most sophisticated diplomats of our times. Nevertheless, the emergence of "Mr. Europe" has introduced few changes to the substantive part of the trans-Atlantic dialog. This is probably just as well, since a partner may still touch the integration elephant and compare it to, for example, Venus.

The modern interest-bargaining system and the related decision-making mechanism are enshrined in the Treaty on the European Union. On February 1992, the heads of state and government of 12 countries signed this document in the Dutch city of Maastricht. This crowned a new stage in the development of European cooperation, initiated in the early 1980s by EU business elites and the European Commission, and led by Jacques Delors. The Maastricht Treaty proclaimed the creation of the European Union, and introduced the Common Foreign and Security Policy, as well as the Common Justice and Home Affairs Policy.

Most importantly, the document introduced an essential new element into the EU structure. Under the provisions of Article 36 of the Treaty, it reads: "In areas which do not fall within its exclusive competence, the Community shall take action, in accordance with the principle of subsidiarity, only if and in so far as the objectives of the proposed action cannot be sufficiently achieved by the Member States and can therefore, by reason of the scale or effects of the proposed action, be better achieved by the Community." Subsidiarity is the principle which states that matters ought to be handled by the lowest interference from state authority.

It is noteworthy that the idea of subsidiarity occurred to Delors when he was reading one of Pope Pius XI's encyclicals: "Just as it is wrong to withdraw from the individual and commit to a group what private initiative and effort can accomplish, so too it is an injustice ... for a larger and higher association to arrogate to itself functions which can be performed efficiently by smaller and lower associations. This is a fundamental principle.... Of its very nature the true aim of all social activity should be to help members of a social body, and never to destroy or absorb them."

But even in areas that do fall within its exclusive competence, such as rules of competition, monetary policy, foreign trade and the conservation of the sea bioresources, Brussels does not have the power to independently pass legislation binding on all EU member countries. In all of these areas decisions are made by the EC Council, that is, representatives of the member countries (if not unanimously, at least by a qualified majority) – after exten-

sive consideration and coordination. As is known, 80 percent of laws regulating economic activities in the EU countries bear the "Made in Brussels" stamp. This only means, however, that corresponding decisions were made by national governments at the EU negotiating table. So the allegedly intimidating bureaucratic machine is in fact both a screen and an instrument for the pursuit of national development strategies.

This minimalist architecture for integration was designed when the idea of federalism became popular, that is long before 1991. Fifty years ago, many shared the views of Altiero Spinelli, an Italian advocate of European federalism who is referred to as one of the founding fathers of the European Union. He saw the events in the wartime period of 1939-1945 as evidence that states were unable to guarantee the economic and political security of their citizens.

Nevertheless, the idea of building a European superstate did not have much impact among the majority of the population or political elites. The latter, even though extremely weakened by the war and receiving direct foreign assistance under the Marshall Plan, were not ready to renounce the rights to run their countries.

Artful Jean Monnet, unlike the romantic federalist advocates, was a pragmatist who became the real father of the integration project. He understood the futility of attempting to strip the European states of at least a small portion of their sovereign rights. So he proposed a unique mechanism, enabling the states, on the one hand, to preserve all of their rights, while on the other hand, to receive extra benefits from a synergetic effect. The numerous advantages that the countries received from streamlining and coordinating their economic policies, as well as delegating to Brussels the authority to implement the most unpopular measures, adequately compensated for any perceived losses.

Those extra benefits and solid guarantees for the national governments, which were formulated in the late 1980s by Jacques Delors, became the critical building blocks for a single Europe, the stability of which was undermined only by globalization.

THE LIMITS OF EUROPEANIZATION

The disappearance of the Soviet Union, and with it the Communist system, from the map prompted the doubling of the number of EU member countries in 1995-2004 (from 12 to 25). This increase effectively disabled the mechanism of restraining national elites from pursuing policies that might be destructive for the whole Union. As a result, EU institutions, together with the instruments for bargaining of national interests, began to wane. Today, some moves by individual member states in the field of economics, particularly involving energy policy, are perceived by their EU partners as almost hostile.

But the enlargement of the EU was not the only cause for the crisis. Another problem came in the mid-1990s, when the parties raised extremely high expectations on the integration process. The successful implementation of the Common Market, launched 20 years before, made Europe one of the world's most prosperous economies. By 2005 (a year that saw the lowest growth rates in Europe), fifteen EU countries accounted for up to 50 percent of the world's total foreign direct investment. In 2000-05, GDP per capita grew 20 percent, only 1 percent less than in the United States. In 2003, of the world's 20 largest non-financial companies, thirteen were European.

Eventually, the EU member countries began to expect more from the Union than it could physically deliver. In March 2000, the EU-15 leaders adopted the Lisbon Strategy, aiming to "make Europe, by 2010, the most competitive and the most dynamic knowledge-based economy in the world." It remained unclear, however, whether the system of cooperation, which was created in the middle of the past century, could ensure success amid global competition. The question becomes even more difficult when we remember that the EU's inability to compete with the U.S., China or other dynamic players was largely due to European (and still worse, national) protectionism.

In the sphere of international relations, some EU member states were no longer content with the status of "middle-size powers" that was predicated on the "all-European administrative

resources." They wanted the EU to become a superpower that could compete on a nearly equal footing with the U.S. At the same time, the European leaders ignored the fact that before emerging as a global superpower, Europe had to first become a power in the traditional sense of the word – i.e., a single state with a single government, military, police force, etc.

Another serious setback came in the winter of 2002-03 with the failure by France – one of the leading European powers – to mobilize its partners against Washington and its plan to invade Iraq. Despaired of the efficiency of the Common Foreign and Security Policy, Paris was forced to build a rapprochement with Russia, an outside, non-EU force. This decision dealt a crippling blow to relations with the majority of newcomers, as well as France's confidence about the EU's effectiveness and functionality.

Another example of how member states see the EU as an instrument for advancing their national interests was its "systemic failure" with respect to Poland's and the Baltic States' expectations. In joining the EU, these countries hoped that EU membership would not only ensure them subsidies from the EU budget, but would also help them to stand up to Russia. Thus, in an article published in *Cambridge Review of International Affairs* (July 2005), Estonian President Toomas Hendrik Ilves suggests that the disagreement between the "East" and "West" of the EU stems from the refusal by the majority of the EU-15 countries to include a tougher approach toward Russia in the EU agenda, which purportedly undermines the rationale behind the newcomers' involvement in the Common Foreign Policy. Ilves argues that any concessions the EU "seniors" give on the Russia issue would far outweigh the sense of gratitude that the Poles and Baltic nations have for the support that the U.S. gave them during the years of Soviet occupation.

As increasingly ambitious economic and political goals were proclaimed, the EU acquired a new image in the eyes of the public and a substantial part of the elites. However, following a 10-year application of the "stick and carrot" policy based on strict adherence to the Copenhagen criteria for EU membership,

together with incentives for the most successful post-Communist candidate members, the EU has emerged as an odd combination of an elite club and charity organization.

The main concern of the European Commission, the body in charge of membership criteria (sticks and carrots), is that the aid given to the candidate nations would not simply disappear, but would be spent on building an image befitting a member of an elite club. Thus, the Commission ceased being a political body, responsible for coordinating cooperation between the member states and facilitating the advancement of their interests on the technical level. Instead, it turned into something resembling a self-important chief accountant at a big state enterprise seeking to address global policy-making issues from the position of a low-level bureaucrat.

However, the EU is not an exclusive charity fund, but an association of states designed to attain their goals and protect their national interests. The difficulties that the organization is facing were not caused by the purported disruption of its homogeneity. As a matter of fact, European homogeneity has never existed. The political culture, traditions, and the level of socio-economic development of Greece, the Netherlands or southern parts of Italy, for example, have always been different. But this situation has never prevented them from successfully cooperating within a single Europe.

Today, the real problem confronting the European states is the declining effectiveness of EU institutions and their inability to perform their missions as stated by their founders. Richard Leming, a member of the Union of European Federalists Executive Bureau, points out that it is exactly the unreformed EU institutions that are the main impediment to the implementation of common policies designed to raise the living standards in the EU member states.

A NO-RETURN POINT

European integration, since 1992 represented on the political and legal level by the European Union, has entered a crucial state in its development. The systemic crisis, proven by the failure to ratify the

EU Constitution Treaty during national referendums in France and the Netherlands (May-June 2005), highlighted the poor state of the mechanisms necessary for interest bargaining and protecting the sovereign rights of the EU member states. As a result, there developed a common feeling that the benefits of EU membership are shrinking and the entire European project is losing sense.

The EU can only overcome this crisis by reforming its common institutions and decision-making procedures by adjusting them to the largest possible number of interested parties. In so doing, it is crucial not to violate the basic principle of supranational cooperation between the sovereign states.

It is quite likely that in the medium term, a single Europe will transform into a more flexible trade and economic association, with elements of political cooperation between individual countries or groups of countries.

But even with a purely interstate form of integration, the existing instruments for strengthening the EU member states' positions in the world will continue to be relevant. This applies primarily to a common trade policy and creation – within the framework of this policy – of international trading regimes beneficial to European economies.

Today, needless to say, interest bargaining has become far more complex as the existing mechanisms for cooperation have declined: consider Poland's veto of the EU Council's proposal to open negotiations with Moscow concerning a new EU-Russia treaty.

Nevertheless, the EU's flexibility enables Brussels to conduct foreign trade negotiations (including the formation of a free trade zone) without a comprehensive political mandate. In doing so the European Commission will proceed from the EU's foreign economic strategy (Article 133 of the Treaty) agreed upon by all member states.

The main principle of Europe's Neighborhood Policy, which – according to the Priorities of Germany's EU Presidency – includes Russia, among others, is economic rapprochement between countries located along the perimeter of EU borders, with a common EU market, by opening up their markets and de facto

extending EU norms and regulations to their territories. It should be noted that this type of legislation receives approval by EU member countries via EU internal procedures that exclude even an advisory (consultative) role for outside partners.

In any European integration scenario, EU neighbors, including Russia, Turkey and Ukraine, are confronted with a strategic choice between independent development within a single Europe, or dependent status outside it. From every indication, both Ankara and Kiev understand that the latter scenario is preferable to the majority of EU countries.

Nevertheless, both the Ukrainian and Turkish elites keep the issue of EU membership on the agenda. After all, insofar as Europe will imminently become a priority in their foreign economic and political relations, state sovereignty and independence can only be preserved through formal participation in the European harmonization-of-interests process. Otherwise, the formula that neighbors will "share everything but institutions" (proposed by former EC President Romano Prodi back in 2003) could become a reality.

Russia's situation is somewhat different. Judging by the majority of its political statements, Moscow is committed to staying out of the European integration project. At the same time, the Road Map for the Common Economic Space, adopted at the EU-Russia Summit in May 2005, highlights the need for the harmonization of laws.

It is quite possible that the Road Map will serve as a basis for a future strategic partnership treaty or agreement between the RF and the EU, replacing the 1997 Partnership and Cooperation Agreement. A considerable part of Russia's political establishment and expert community believe that Russia's gradual integration into Europe – without a formal accession to the EU – is a promising idea. Meanwhile, domestic business circles embrace both these plans and proposals for creating a free trade zone.

Such a position is largely justified. Compared to the distant United States or the ever-inscrutable China, historically and culturally close Europe is by far the most natural partner for Russia. Despite all of Moscow's statements about its intention to expand

economic cooperation with Asia, the EU's share in Russia's foreign trade, which has already exceeded 50 percent, shows no sign of declining. The European market remains by far the most attractive in terms of return on investment and protection of foreign companies' rights.

At the same time, the EU guideline for the integration of neighboring countries without granting them a decision-making role (and the EU cannot offer Russia anything else today) necessitates a certain measure of caution with respect to plans for the mutual opening up of markets.

It would be much more expedient for Russia to restore the balance between the political, economic, and legal components of these relations. The relations between the EU and the U.S., devoid of any integrationist ambitions, show that the harmonization of laws and complete opening of markets is not an indispensable precondition for constructive cooperation in the political or economic area.

In the future, Russia may consider formal accession to an integration project that will replace the EU after it overcomes its present stagnation. Especially since a way out of this stagnation will most likely be found along traditional lines (Monnet's functionalism and Delors' subsidiarity) – by providing states additional guarantees of sovereignty rights and promoting new mechanisms of close cooperation.

Free Trade Between Russia and the EU: Pros and Cons

Vladimir Pankov

The rationale for building a Common Economic Space between the Russian Federation and the European Union, the contours of which were outlined in one of the four Road Maps adopted at the Russia-EU Moscow Summit in May 2005, presupposes the future establishment of a free trade area. In 1998, both parties started joint studies on this issue in the framework of the Russia-EU Partnership and Cooperation Agreement, due to expire on December 1, 2007. Since that time, however, no practical moves have been made on this project.

Following the end of World War II, international experience was gained in building free trade areas – for example, the European Free Trade Association (EFTA), the South American Common Market (Mercosur), and the North American Free Trade Agreement (NAFTA) – by the member countries of the General Agreement on Tariffs and Trade (GATT), which later was replaced by the World Trade Organization (WTO). This experience suggests that until Russia officially joins the WTO, negotiations on a free trade area cannot be included in the political agenda between Russia and the European Union.

On November 19, 2006, Moscow and Washington signed a protocol on U.S. support for Russia's admission to the WTO. In

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a best-case scenario, procedures for formalizing Russia's membership in this organization could be completed by the end of 2007. Official negotiations between Russia and the European Union on a free trade area will doubtfully start before 2008, even if the parties display the political will for such a move.

At the same time, the Russian Federation is not economically prepared to make major steps toward the creation of a free trade area with the EU. Moreover, considering the failure of the latest Russia-EU summit in November 2006, when Poland blocked negotiations on a new long-term agreement between the parties, the free trade area issue seems to have lost its importance.

Meanwhile, the 8th Round Table of Russian and EU industrialists, which brought together the Russian Union of Industrialists and Entrepreneurs (RSPP) and the Union of Industrial and Employers' Confederations of Europe (UNICE), set down a proposal that the vice president of the RSPP, Igor Yurgens, described as a "bold breakthrough." The event, which was held in Helsinki at the same time as the abovementioned Russia-EU summit, called for a "broad-based [Russia-EU] agreement with extensive provisions on free cross-border trade." According to Western mass media reports, officials from both delegations — and at a very high level — even spent time in the lobby discussing the issue of a free trade area.

The RSPP's position, as stated by Yurgens, came as a total surprise to this author. A large proportion of Russian businesses (at least those in the manufacturing industry, let alone agriculture and the services sector) are very cautious about or openly opposed to even the prospect of Russia's membership in the WTO. However, WTO membership presupposes a much more moderate liberalization of Russia's foreign trade, especially in terms of imports, as compared with the sort of liberalization expected within a free trade area with the European Union.

THE INTERESTS AND POSITIONS OF THE PARTIES

Obviously, the European Union, as the stronger economic actor, will only gain from the creation of a free trade area with Russia.

The latter's gains will be less obvious, as its competitive positions with regard to its hypothetical partners in the free trade area are very vulnerable. Moscow can expect positive results not earlier than in the medium term, while the negative results will be felt immediately. By contrast, the EU will quickly see the benefits from a free trade area with Russia and without any risks.

The European Union will receive asymmetric competitive advantages due to the short-term exemption of industrial goods from various tariff and non-tariff restrictions. For Russia, the balance of expected consequences will most likely be negative.

As EU exports to Russia consist mostly of equipment and other finished, high value-added products, the lowering of tariff and non-tariff barriers will spark an increase in volume and cost. This will increase competitive pressure on Russia's manufacturing industry. As a result, Russia's surplus in trade with the EU will decrease and may even turn into a deficit under an unfavorable scenario (the higher growth rate of Russian imports from the European Union in recent years, as compared with Russian exports to the EU, already strengthens this trend). These developments will deliver a heavy blow to Russia's solvency, budget system and hard currency reserves.

Other negative results may come from the abolition of export duties (incompatible with free trade area rules) on Russian fuels and other raw materials exported to the European market, especially oil and gas. In addition to the reduction of customs duties, this move will markedly reduce aggregate customs revenues, which now account for about 40 percent of national budget receipts.

Russian exports to the European Union largely comprise hydrocarbon and other commodities, as well as finished, low value-added products (e.g. fertilizers and other products of large-capacity chemistry). Therefore, about 80 percent of Russian exports enter the EU duty-free or on favorable terms. Thus, given this structure of trade, Russia does not need a free trade area.

The gradual formation of a free trade area could help solve a crucial strategic foreign-economic task – diversifying Russian exports through a sharp increase of the percentage of finished

goods, most importantly high-tech and other machine-building products. At the same time, a free trade area will not provide any guarantees to Russian businesses, but only additional opportunities for development.

The greatest opportunity for increasing the export of Russian finished goods lays not in the European market, but the markets of other regions, primarily the Asia-Pacific Region. Germany, for example, the leading economic power in the European Union, has almost no prospects for Russia in this respect (there may be only minor breakthroughs into insignificant niches).

Since 1992, Germany has invariably been the world's main exporter of tangible products, which is due to its leadership in such areas as general machine-building, electrical engineering, and chemistry. Furthermore, it is one of the world's few car-making giants. For the first time over the last quarter of a century, the progress of its general machine-building production has been continuing for four years already, and experts predict its further growth in 2007. Production capacities in the country have hit 86 percent. Companies operating in this field are difficult to compete with even for contractors from other EU countries and member states of the Organization for Economic Cooperation and Development – not to mention Russian machine-builders. Although conditions for expanding Russian machine-building exports to other EU countries – especially to the post-Communist ones – are more favorable, they are still better beyond the European Union.

Russia's accession to the WTO will allegedly promote the diversification of its exports in general and to the European market in particular. In the Asia-Pacific Region, the same role – apparently to no lesser degree – will be played by a free trade area, planned to start by 2020 in the frameworks of the Asia-Pacific Economic Cooperation (APEC). Full liberalization of mutual trade is planned to start in 2010 for developed APEC member states, and in 2020 for developing members. Russia, as an APEC member, could take advantage of this opportunity.

The European Union now accounts for about one half of Russia's foreign trade. During the next 10-15 years, this figure will

gradually decrease (probably to 40 percent). Meanwhile, the share of Russia's foreign trade to Northeast Asia (China, South Korea, and Japan) may double from the present 12.5 percent.

The Asia-Pacific Region not only has more favorable conditions for the growth of Russian exports of finished goods. Energy consumption and the demand for imported energy resources in Asia-Pacific countries, such as India, China, the U.S., and others, in the next decade will be growing much faster than in the EU. This situation is largely due to the comparatively low economic dynamics of the European Union in the future, anticipated by the majority of experts. In the period from 2006 to 2017, according to a forecast made by the Center for World Economic Ties of Russia's Research Institute for Foreign Economic Ties (VNIIVS), global GDP will increase by an average of 3.1-3.3 percent a year, while Russia's growth will be 6.6-6.8 percent. Meanwhile, U.S. GDP is expected to grow 2.9-3.1 percent, while the EU by just 2.3-2.5 percent.

Moreover, in Germany, for example, which is one of the largest importers of Russian energy resources, the consumption of oil products will decrease by 1.7 percent by the year 2010, compared with 2006 (according to a forecast made by experts of the German Union of Entrepreneurs of the Oil and Oil-Refining Industries and published in August 2006). As a result, the demand for crude oil for the production of oil products will also remain at the 2005-06 levels, which will cause a decrease in the demand for imported oil (in physical volume).

Importantly, the Asia-Pacific countries attach less importance to the diversification of energy supplies than the EU, which continues to emphasize its allegedly excessive dependence on Russian energy supplies while declaring the desire to reorient itself to other suppliers. In light of these developments, Russia deems it expedient to gradually increase the share of its energy exports to the Asia-Pacific Region from the current 3 percent to 30 percent. However, these plans will become feasible economically and technically only after 2017, since such a change will require Russia to redirect to the East not less than 60 million tons of oil and 65 billion cubic meters of gas a year.

ROAD MAP TO FREE TRADE AREA

After Russia joins the WTO, it must first fulfill its obligations for the transitional (adaptation) period. As regards a hypothetical free trade area with the European Union, its formation may be completed by the end of the next decade if the parties devise, sign and ratify a corresponding agreement in 2008-2010. In other words, a Russian-EU free trade area will appear simultaneously with an APEC free trade area.

When analyzing the prospects for a free trade area, it is useful to look back at the development of the European Free Trade Association in 1961-1970. The Stockholm Convention on the establishment of the EFTA, which came into force in 1961, includes the following four major provisions:

1. The reduction and ultimate elimination of import duties (with some exceptions) in one decade at a rate of 10 percent a year (Article 3).

2. The raising of import quotas up to 100 percent by 1970, which means the elimination of quantitative restrictions on imports in mutual trade.

3. The establishment of uniform rules for determining the country of origin of particular goods. This is required to prevent the application of the Area Tariff Treatment on goods produced outside the EFTA. Goods eligible for tariff treatment include:

- goods wholly produced within the EFTA;
- certain goods produced within the EFTA that follow the qualification process;
- goods produced within the EFTA; however, the value of any materials imported from outside the EFTA, or from a place of undetermined origin, which have been used at any stage in the production of the goods, must not exceed 50 percent of the export price of the goods (Article 4).

The EFTA has no foreign-trade tariff for third countries, that is, the element of the EU's customs policy that makes it a customs union. Furthermore, the EFTA does not exceed the frameworks of a free trade area, and its member countries have full customs autonomy with regard to other states.

4. If there is a deflection of trade due to the reduction of import duties by a member state, which results in increased imports into the territory of this member state and which causes serious injury to it, the EFTA takes measures to deal with the causes of the deflection of trade (Article 5).

Other important provisions of the EFTA's Stockholm Convention involve the reduction of export subsidies on agricultural goods (Article 24); the mutual granting by the EFTA members of the freedom of operation of economic enterprises by nationals of other member states (Article 16); the elimination of fiscal charges applied to imported goods so as to afford effective protection to like domestic goods, and of any effective protective elements in internal taxes or other internal charges, as well as the prohibition of export duties in mutual trade (Articles 6, 8); and the reduction of restrictions on competition within the Area of the Association (Article 15).

Any EFTA member state may temporarily restrict imports in cases when the decrease in import duties or the elimination of quantitative restrictions on imports has a damaging effect on the balance of payments or results in an appreciable rise in unemployment (Articles 19, 20). In the area of agriculture, the Convention provided for working out special provisions (Articles 21-28).

If Russia and the EU follow the EFTA's positive experience, it may result in the creation of a preferential trade area between the two parties within the first few years after their free trade area agreement comes into force. This preferential trade area will serve as a forerunner of a free trade area. Commitments under the free trade area agreement will have to be harmonized with Russia's commitments under the Russia-Belarus Union Treaty and those stemming from its membership in the Eurasian Economic Community (EurAsEC) which is moving toward the establishment of a customs union.

All international legal documents on free trade area status, adopted after World War II, provided for a stage-by-stage transition to free trade only in tangible industrial products, while establishing special rules for liberalizing mutual trade in "sensitive"

items (textiles, ferrous metals, etc.). Those documents did not apply to trade in agricultural products.

It would seem logical that Moscow and Brussels will inevitably take the same path in building a free trade area. The most Russia could hope for in the field of agriculture is preferential trade, with due coordination of issues pertaining to state support for agriculture.

PROSPECTS AND POSSIBLE CONSEQUENCES

A so-called "tariff disarmament" that would necessarily accompany a Russia-EU free trade area would probably last 7 to 10 years and, as was the case with the EFTA, will proceed through annual gradual reductions in tariffs on finished goods. Also, as in the EFTA in the 1960s, the free trade area agreement must provide for a possible temporary freeze on – or possibly even an increase in – tariffs if there emerge imbalances on individual goods markets, thereby jeopardizing national production and employment. The same action must be taken in case of serious disproportions in the balance of payments.

If the free trade area brings positive results with regard to industrial goods, eventually there will arise an issue of mutual liberalization in the movement of services. This will take much more time and will require stage-by-stage conclusion of corresponding agreements for each specific kind of services (transport, insurance, tourism, etc.).

In estimating the customs value of goods and determining the state of goods' origin, the EU abides by the rules of the World Trade Organization and has not yet introduced any specific regulations in this field. The future Russia-EU free trade area must be a realm where corresponding WTO rules are applied. Russia's goal is committed adherence to these rules, which, to date, has not been fully achieved. It would be expedient to borrow from the EFTA's experience in applying uniform rules for determining the state of origin of goods.

If in the course of building a free trade area, Russia and the European Union liberalize their mutual trade, the parties in many cases will have no other way to protect their national production,

markets, employment and social stability than by taking measures that involve non-tariff regulation. Therefore, any future agreement between Russia and the EU must include rules for taking such measures by the parties in the spirit of consistent trade liberalization.

In the field of non-tariff regulation, the EU, as a rule, also abides by WTO international legal norms. If the proposed Russia-EU free trade area agreement has references to corresponding WTO documents that would suffice. However, the agreement must contain special instructions and regulations on some non-tariff restrictions where the European Union applies its own norms and rules. This concerns anti-dumping measures, technical and ecological standards and norms, and measures of sanitary and phytosanitary control.

If a free trade area does become a reality, the EU will eventually demand equal conditions for participating in competitive biddings, along with Russian companies; this would include Russian state orders for the supply of goods and services and for construction projects in Russia. If this issue arises (which will happen most likely in the long term), Russia must address it on the basis of the principles of reciprocity and mutual benefit.

International free trade experience, above all in the EFTA, shows that the liberalization of trade in finished goods – especially machines and equipment – in the course of building a free trade area promotes specialization and cooperation in research and production between the parties. On this basis, there is a stimulation of investment cooperation, mainly in mutual direct investment. The liberalization of trade will also provide the EU with cheaper direct investment in the Russian Federation when establishing branches of European companies and joint ventures, and will reduce their production and marketing costs (including in the area of components supply).

At the same time, however, opening up the Russian market will mean the direct export of products – via European firms – produced in other countries, which will weaken interest in investment in Russia as a way to penetrate its domestic market. But on the whole, the formation of a free trade area will increase direct

investment from the European Union, most importantly in the manufacturing industry.

To this end, Moscow will need to conduct active negotiations with the European Union. The EU will start deriving immediate benefits from the free trade area, while Russia will first have to overcome difficulties caused by economic restructuring. Therefore, Moscow has all grounds to expect commensurate concessions and privileges from Brussels. This would include investment cooperation, as well as the introduction of a visa-free regime that would provide easy access for Russian manpower to labor markets in EU member countries on the basis of temporary contracts.

It must be emphasized that immigration restrictions and the strict Schengen regime apply to Russian citizens in full measure. The usual allegations by leading European politicians and high-ranking officials from Brussels and Strasbourg, which say that Russia is denied visa-free travel due to its so-called instability, are absolutely unconvincing considering Russia's real situation. Meanwhile, the EU offers visa-free entry to citizens of about 60 other countries, including much less stable states than Russia (for example, Argentina). Such discrimination contradicts the very idea for creating a Russia-EU free trade area and, moreover, a Common Economic Area.

From the very beginning of the free trade area negotiations, Russia should have sought a framework agreement on the regulation of labor migration in the future Common Economic Area. On the basis of such a document, Moscow would be in the position to conclude corresponding bilateral agreements with participating countries. Such agreements must ensure equal rights for Russian labor migrants – at least with labor migrants from third countries (Turkey, etc.). They also must regulate their employment, employment quotas, social issues (such as remuneration of labor, health services, pension schemes, and unemployment insurance), and the duration of labor contracts. Full account must be given to Russia's interests.

The formation of a Russia-EU free trade area is impossible without the free movement of Russian citizens and shipments

across "European" land, that is, between the Kaliningrad exclave and mainland Russia. It is important that this movement be essentially simplified already at the initial stage of the future free trade area negotiations.

In international practice, rules for transit between two separated areas of the same state are based on international legal precedents. The Alaskan Highway, for example, which is 2,394 kilometers long, was made possible through a bilateral agreement between the U.S. and Canada. The highway, which was opened on October 25, 1942, provides free transit via Canadian territory between mainland America and its exclave state. The Russian Federation has as much right to access its Kaliningrad exclave.

* * *

Throughout the entire post-Soviet period, the European Union has been Russia's main partner in trade and economy and will remain so at least until 2015-2020. The further expansion of trade with the EU is necessary for Russia in developing its entire complex of foreign-economic relations (already now it accounts for not less than 35-40 percent of the country's GDP).

Russia is ready to guarantee that it will provide for the energy needs of the European Union; Moscow is interested in consolidating this strategic partnership. The European Union, we believe, shares these same interests.

At the same time, by virtue of the aforementioned circumstances, the creation of a free trade area between the Russian Federation and the EU cannot be a top priority, the more so an immediate task in improving Russia's foreign trade and implementing its foreign policy.

In drafting a free trade area agreement, both Russia and the EU must avoid both unjustified pessimism and excessive expectations, not to mention euphoria. The drafting of such an agreement is going to be a long-term process, which Russia should enter only after careful and intensive preparations.

Russia's Search for a Place in Global Trading System

Vlad Ivanenko

As Russia searches for its place in the global system of trade, what options does it have? An analysis of Russia's trade composition and bilateral relationships with its partners reveals several alternatives that it can use for integrating into global world markets.

RUSSIA'S NATURAL STRENGTHS AND WEAKNESSES

Russia is a country richly endowed with mineral deposits (hydrocarbons, metal ores), renewable resources (forests, water) and fertile land. These natural strengths are somewhat offset by its harsh climate, lack of transportation routes, and an underdeveloped public infrastructure, which has not been historically tailored to the needs of a trading country.

The composition of Russian exports (see Table 1) reveals that this country is globally competitive mostly in products whose value can be attributed to its natural advantages: energy resources (crude oil, gas, coal), timber, diamonds, and non-ferrous metals (platinoids, copper, nickel, and aluminum). These resources account for 45-55 percent of total Russian exports. Semi-processed goods, which stand at 19-23 percent, make up the second most important group. Its composition (motor and heating fuels, iron and steel products, fertilizers and processed wood) shows heavy dependence on the availability of domestic raw materials and cheap

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energy with low value added. While there is some residual influence of Soviet investment preferences (for example, the Soviet Union developed Siberian gas and oil fields with pipelines leading to external markets), the products of pre-1991 industrial projects do not enter the shortlist of top export groups. The latter observation indicates that modern Russia is able to compete globally only in extraction and rough processing of natural resources.

Table 1. Top 15 Export Product Groups at HS 4 Level by Annual Value of Export for 1997-2006, in million U.S. dollars

Description	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	HS 4
Coal	821	622	436	1,137	1,201	1,151	1,722	2,755	3,756	4,342	2701
Petroleum (crude) oils	14,808	9,456	13,467	23,644	24,563	27,445	36,841	55,099	79,216	96,675	2709
Petroleum oil products	7,836	4,163	5,359	10,712	9,402	11,140	13,927	19,144	33,677	44,218	2710
Gaseous hydrocarbons	15,844	13,407	11,532	16,991	17,882	15,473	17,580	18,621	27,496	42,816	2711
Mineral fertilizers, nitrogenous	1,060	380	296	533	573	544	660	981	1,413	1,510	3102
Fertilizer mixtures in packs of < 10kg	598	667	662	641	633	680	803	1,133	1,278	1,362	3105
Timber	1,026	937	1,204	1,338	1,388	1,648	1,802	2,333	2,856	3,259	4403
Wood sawn, cut lengthwise, processed	654	542	627	733	685	869	1,177	1,510	1,899	2,311	4407
Diamonds, unmounted	1,386	1,353	1,267	1,371	827	1,485	1,742	2,351	2,993	...	7102
Platinum or palladium, unwrought	1,701	2,514	3,218	6,048	5,207	1,807	1,790	1,746	1,830	...	7110
Semi-finished products of iron or non-alloy steel	2,073	1,145	1,421	1,789	1,807	1,897	2,123	4,636	4,752	5,265	7207
Hot-rolled products, iron/steel, width>600mm	1,599	1,590	1,044	1,424	885	1,351	1,621	2,896	3,079	4,355	7208
Refined copper, unwrought	1,126	878	953	1,080	880	711	657	887	1,066	1,711	7403
Unwrought nickel	1,496	1,102	1,217	1,702	1,088	1,720	2,201	3,171	3,548	5,893	7502
Unwrought aluminum	3,798	3,780	3,613	4,142	3,632	2,893	3,318	4,093	4,836	6,803	7601
Memo: total export	85,889	72,276	72,885	103,093	100,653	106,712	133,656	181,634	241,244	301,976	

Source: Comtrade (UNSD, 2006) and FCS (2007) preliminary data for 2006; groups 7102 and 7110 are recalculated using import statistics of recipient countries

Historically, European trade routes dominated the geographical structure of Soviet exports and, as Table 2 indicates, Russia has not done much to diversify its exports since then.

Table 2. Top 15 Export Destinations Ranked by the Average Annual Value for 1997-2005, in million U.S. dollars

Description	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	HHI 2005	Top product
Germany	6,531	5,721	6,202	9,231	8,376	7,600	6,345	8,768	18,826	24,493	2,843	Crude oil
Netherlands	4,553	3,994	3,673	4,341	4,470	6,935	8,253	14,829	24,482	35,862	3,752	Crude oil
Ukraine	7,240	5,563	4,792	5,024	6,854	6,788	6,266	9,102	12,254	14,979	1,529	Crude oil
Italy	3,564	3,222	3,755	7,255	6,973	7,067	5,788	8,931	18,473	25,111	3,601	Crude oil
Belarus	3,153	4,623	3,767	5,535	5,249	5,922	7,602	11,219	10,186	13,084	1,769	Crude oil
China	3,981	3,200	3,527	5,235	3,878	5,310	7,815	8,376	11,217	15,751	1,209	Crude oil
USA	4,486	5,138	4,714	4,648	2,876	3,026	3,074	5,490	5,115	8,922	906	Iron and steel
Poland	2,515	2,780	2,608	4,452	4,106	3,692	3,719	4,897	8,467	11,479	5,168	Crude oil
Switzerland	3,752	3,256	3,479	3,976	1,473	3,089	3,561	5,158	7,810	12,068	1,001	Oil products
United Kingdom	3,055	3,025	2,886	4,669	3,115	2,944	3,905	4,399	7,578	10,362	1,934	Oil products
Finland	2,774	2,076	2,414	3,104	3,165	2,931	3,727	5,222	7,561	14,377	1,884	Crude oil
Turkey	1,983	1,937	1,631	3,098	3,027	3,136	3,131	5,551	10,381	9,201	1,790	Natural gas
Kazakhstan	2,472	1,967	1,226	2,247	2,671	2,569	3,096	4,507	6,446	8,969	427	Crude oil
Japan	2,935	2,194	2,125	2,763	2,021	1,743	2,250	3,171	3,521	4,670	1,159	Aluminum
France	1,626	1,456	1,218	1,914	1,995	2,381	1,686	2,233	5,402	7,602	2,334	Natural gas
Memo: total export	85,889	72,276	72,885	103,093	100,653	106,712	133,656	181,634	241,244	301,976	1,598	Crude oil

Source: Comtrade (UNSD, 2006) and FCS (2007) preliminary data for 2006; HHI is calculated by the author using 120 main groups (HS 2 and HS 4 for energy and machinery) for 2005.

A closer look at the composition of exports to individual states shows that Western routes are conditioned on trade in hydrocarbons delivered through sea terminals and pipelines. In general, crude oil, oil products and natural gas weigh heavily in total exports. Applying, somewhat loosely, the Herfindahl-Hirschman Index (HHI) of monopolization to Russian trade with individual countries reveals that the HS group 2709 (crude oil) accounts for 40-50 percent of

total export, or 1,600-2,500 points on HHI scale, to most states, especially the EU countries. The dominance of crude oil in trade structure illustrates the degree of Russia's reliance on this product. The lack of alternative exportables is particularly evident in Russia's trade with former socialist countries such as Poland. Russia sells a greater variety of products to post-Soviet states (Ukraine, Belarus and Kazakhstan) but even here crude oil is its main staple.

An analysis of trade statistics reveals several facts. First, the composition of Russia's exports indicates that this country is heavily dependent on its natural resources and little on its labor and capital endowments. Second, former Soviet investment in the transportation infrastructure determines Russia's dependence on two groups of trading partners.

The first group comprises European countries, with Turkey – thanks to a gas pipeline that was built in 2005 – as the latest addition. These importers treasure trade with Russia primarily because of their dependence on Russian hydrocarbons. Currently, the growth in energy prices has increased Russia's attraction for the region. However, given that energy prices are volatile, the existing situation seems to be fragile and hardly suggestive of durable Russian-European or Russian-Turkish trade integration. It is a marriage of convenience, at best.

The second group comprises post-Soviet countries. Here the situation is different. Due to historical circumstances, these states continue to purchase a wide variety of Russian products, which results in relatively low values of HH indices. This is especially characteristic of Kazakhstan. The pattern of trade with Belarus is somewhat distorted, however, leading to high HHI value. The bias is explained by Russian oil companies' delivering crude oil to their refineries in Belarus with the consequent sale of resulting products in the EU.

Finally, Russia is a significant exporter of certain non-energy products to some countries outside Europe and the post-Soviet space, such as Japan, the U.S. and China. The slow growth in the export of non-staple products beyond traditional markets suggests that Russia searches for ways to diversify its trade, yet at this point it would be premature to say that it is succeeding.

RUSSIA'S "ORBIT OF GRAVITATION"

Oftentimes, in order to define the strength of countries' bilateral relationships, economists use the so-called 'gravity model' of trade. The model represents an economic analog of the Newtonian theory of gravitation and assumes trade to be positively related to countries' economic "weight," which is measured by the gross domestic product (GDP), and is negatively related to some measure of "distance" between countries' ceteris paribus. Since the concept of distance is undetermined (it includes all potential trade costs, including transportation expenses), it is expedient to use the inverted form of the model, with distance represented as an unknown parameter. The distance (Dist) is computed as the product of the countries' GDPs divided by the product of their export and import, or

$$Dist_{ij} = \frac{GDP_i \cdot GDP_j}{Ex_{ij} \cdot Ex_{ji}}$$

Then, a "short" distance reveals partner countries with which a state trades relatively more intensely than with other partner countries of similar economic "weight."

Table 3 shows that the intensity of Russian trade is the highest with several post-Soviet countries and some European states. This confirms the above observation that Russia belongs to two trade groups – the post-Soviet core and the EU. The gravity test also provides additional information, in particular, that the post-Soviet core comprises Russia, Ukraine, Belarus and Kazakhstan. Among EU countries, Finland shows the strongest link, with Germany, the Netherlands and Italy rapidly approaching the level of Russia-Finland trade integration. On the other hand, the Baltic States and Moldova are slowly drifting away from Russia. Table 3 covers a rather long period, but it does not include data on the recent growth in trade between Russia and such non-European countries as Turkey and China.

Since the unit of account for "distance" is not insightful, it would be appropriate to compare the data shown in Table 3 with information available for other countries. Globally, the shortest "distance" in 2005 was registered between the pairs Singapore-Malaysia, Belgium-

Netherlands and the U.S.-Canada, which have values ranging between 50 and 250. Thus, the shortest "distance" between Russia and Belarus is far behind the values shown by global leaders in trade integration. To achieve a similar level, Russia and Belarus should expand their trade turnover – which currently stands at $20 billion – to total $45-105 billion. Still, Russia-Belarus cooperation is comparable with that of Spain and Portugal (1,285 and 1,272 respectively in 2005), or Australia and New Zealand (2,261 and 2,549).

Table 3. Fifteen Top Countries Showing "Attraction" to Russia According to Gravity Equation*

Description	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	Average for 1997-2006
Belarus	3,340	1,734	3,432	2,466	2,809	2,826	2,146	1,370	2,054	1,507	2,368
Ukraine	5,901	8,840	14,549	11,690	9,955	13,583	13,072	8,255	6,254	4,462	9,656
Kazakhstan	7,986	13,863	33,751	14,755	18,808	23,545	19,383	11,335	10,139	6,780	16,035
Finland	19,131	33,619	49,962	46,346	38,061	38,308	28,290	18,703	11,942	7,905	29,227
Germany	40,563	55,113	74,353	63,840	53,150	55,542	60,254	38,355	22,977	9,764	47,391
Moldova	16,187	27,544	77,318	85,150	67,725	98,482	132,836	102,505	75,613	72,381	75,574
Lithuania	39,264	72,926	183,700	104,544	101,080	81,039	74,441	52,364	35,895	30,162	77,542
Netherlands	60,914	92,203	151,980	142,413	134,937	75,665	59,673	34,851	17,263	9,227	77,913
Poland	86,126	102,102	215,653	126,960	115,233	103,486	90,565	60,461	38,670	22,821	96,208
Estonia	74,300	138,563	228,171	124,284	134,734	115,829	156,534	115,819	71,860	45,932	120,603
Italy	124,209	196,277	294,110	172,566	144,227	118,161	149,449	83,422	41,091	20,350	134,386
Hungary	56,271	107,889	228,906	138,319	157,255	163,663	231,292	164,929	77,312	26,147	135,198
Latvia	35,763	86,466	161,970	129,316	203,059	239,707	212,843	163,472	143,761	82,093	145,845
Switzerland	81,823	113,551	165,445	194,070	413,712	203,145	154,487	101,543	56,157	26,759	151,069
Uzbekistan	33,412	96,741	295,299	216,358	213,190	334,768	263,450	149,111	108,036	63,720	177,409
Total	5,783	10,376	16,839	12,785	11,982	11,461	8,557	5,672	3,794	2,653	8,990

* The "distance" is calculated as the product of a partner's and Russia's GDPs at PPP prices divided by the product of the countries' value of bilateral exports, in billion U.S. dollars.

Source: IMF (2006) and CIA World Factbook (various issues) for national GDP at PPP prices; Comtrade (UNSD, 2006) and FCS (2007) preliminary data for 2006 for Russian export and import; author's calculations.

The gravity model can be used to chart the borders of actual or potential unions of trading countries, which are often construed sim-

ilarly to "hub and spikes" structures commonly used in the optimization of transport routes. Large countries and popular city-states play the leading role in forming a hub through which member countries of such a union – potentially informal – pass trade flows in multilateral trade. For example, it comes as no surprise that the U.S., having the highest "gravitational mass," dominates in NAFTA, while the other members, Canada and Mexico, trade between themselves predominantly via the "hub." Germany is the center of gravity for several Central European countries (Austria, Italy, Switzerland, Poland and Hungary), but the structure of this union is more complex. The German hub overlaps with a smaller center, Belgium, which shows a "shorter" distance to France, Luxembourg and the Netherlands. Sweden dominates in Northern Europe where it draws such countries as Norway, Finland and Denmark into the Scandinavian group. Singapore stands as the main destination for trade routes within ASEAN. Similarly, the United Arab Emirates finds itself the center of the Middle East group of countries.

Russia generates a weaker gravitational power than the top trade leaders but, nevertheless, it has sufficient "mass" to attract Eurasian states. Apart from Belarus, Ukraine and Kazakhstan, which definitely belong to its orbit, Uzbekistan and Turkmenistan weakly gravitate toward Russia. In their turn, Kazakhstan and Uzbekistan are local centers of attraction for Kyrgyzstan and Tajikistan respectively, while Ukraine is the local center for Moldova. Thus, all of these post-Soviet states form a chain that connects them to a potential Eurasian union.

The Caucasian republics conspicuously fall out of the above picture. Georgia, Armenia and Azerbaijan form a separate group that is only weakly attached to the outside world. Azerbaijan shows the greatest "gravitational mass" among the three and some outward pull toward Turkmenistan. Russia's presence in Transcaucasia is "somewhat visible" due to the transit of Central Asian gas and export of electricity.

Similarly, the Baltic countries form a compact group on Russia's western border, but their cohesion is one degree stronger than that existing between the Caucasian countries. Here, the

chain connection among Lithuania, Latvia and Estonia leads to Finland, which, in its turn, belongs to the orbit of Sweden. The pulling attraction of Lithuania – the most distant country in the group – to the southern centers (Poland and Belarus) is about equal, but these countries do not generate trade flows sufficient to compete with the Nordic direction of Lithuanian orientation.

RUSSIAN OPTIONS IN GLOBAL INTEGRATION

If one ignores specific sectors where domestic producers achieve global clout due to the uniqueness of their position (for example, in titanium alloys used in aviation or palladium for car manufacturing), Russian trade integration involves two groups of partners: Europe and post-Soviet states. However, the two groups differ in export and import structures and, consequently, provide dissimilar forms for such integration.

Option 1: EU-Russian integration. The lack of products other than energy weakens European interest in Russia as a partner. For most EU countries, Russia is simply an energy supplier. Consequently, many EU members limit their vision of Russian-European integration to the sector of energy and, desirably, without cross-sectoral linkages. Virtual disengagement is particularly popular among East-European states that are still resentful of former Soviet dominance. At the same time, while minimizing imports from Russia, these countries find themselves to be heavily dependent on hydrocarbon deliveries from this country. For example, Poland and Lithuania have extremely high HHI scores for import of crude oil (9,446 and 9,903), implying that Russia is practically their only supplier. Unsurprisingly, these countries demand that Russia sign the Energy Charter to ensure unrestricted access of Central Asian producers to its pipelines and, preferably, admit European producers to its oil and gas fields. However, such a proposition is not acceptable for Russia as it reduces its export and transit revenues. Other European importers are less concerned with Russian energy clout as they have diversified networks of suppliers. For example, German HHI in crude oil equals 1,672, with its largest supplier, Russia, accounting

for 30 percent of the import. Thus, while Poland is bent on hard bargaining with Russia, Germany can afford a more accommodative stance if Russia reciprocates in other areas. Meanwhile, Russia resolutely shows no inclination to sign the Charter, which is understandable given its heavy dependence on hydrocarbon trade.

Currently, the EU-Russian dialog on deepening trade relationship seems to be stalled on two counts: first, Russia is unwilling to compromise on the energy front as it is its only trump card in trade negotiations and, second, the EU lacks consensus on negotiating anything else but energy. Under current circumstances, talks between Russia and separate EU members may prove to be more fruitful and, at least initially, to sustain momentum in integration. Two countries, Germany and Finland, now serve as major points that connect Russia economically to the EU: Germany provides a potential link to the Central European cluster of business activity and Finland links Russia to the Nordic group.

Let us consider what would happen if the EU lets its members define the speed of eastward integration individually. Germany and Finland are already disproportionably involved in bilateral trade and they will choose fast integration. However, given that trade between them and Russia is disproportionate, a concessionary *quid pro quo* approach cannot work if economic sectors are treated separately. Thus, to agree on concessions, several sectors should be involved simultaneously. This constraint rules out the possibility of natural integration that takes place on the level of individual enterprises and requires government interference to coordinate the process. Let us consider what mutual concessions might look like.

Both German and Finnish companies export a large amount of machinery and electronics to Russia. The latter reciprocates predominantly with energy products. These three sectors can form the core of integration activity, particularly through mergers and acquisitions, but also with direct investment in new assets. The economic benefits of such integration — the economy of scale gains — are obvious; yet to become politically feasible the parties should agree on the national division of such gains. Since Russian machinery and electronics makers do not wield political clout

compared with the national energy lobby (Gazprom or Rosneft), and German and Finnish energy companies do not have serious interests in oil and gas extraction, it is expedient to condition Russian energy expansion westward on German and Finnish access to Russian machinery or mobile telephony markets. The resulting expansion of mutual trade can be large: for example, if Germany and Finland raise their level of integration with Russia to the current level of Germany's integration with Poland, total Russo-German and Finnish turnover will rise to $82 and $20 billion respectively from current $41 and $15 billion.

Facts indicate that some German, Finnish and Russian companies have identified the potential of this strategy. German carmaker Volkswagen has announced plans to develop a €400 million technopark in Kaluga. AMD has sold its Dresden microchip facility for estimated $250-300 million to Russian company Angstrem in Zelenograd. A mulled merger of telecommunication assets of Russia's Altimo and the Swedish-Finnish concern TeliaSonera would be a step in a direction that the Russian government is likely to approve. However, the process of integration is proceeding in a haphazard way as other moves lack an inter-sectoral *quid pro quo* approach. Moreover, they may provoke discord because they resemble foreign attempts at hostile takeovers. Russia has been right not to demand a place on the EADS corporate board as it has little to add to the EADS value at the moment. European companies seem to be less sensitive to such considerations. Siemens, for example, attempted to get a controlling stake at the main Russian power plant maker Silovye Mashiny. This raised Russian suspicions that this firm was attempting to define its domestic energy renovation program. Similarly, it transpired recently that Finnish utility Fortum might not be allowed to take a controlling stake in the St. Petersburg-based generating company OGT-1 for strategic reasons.

The observation above shows that attempts at unsolicited cross-border mergers are self-defeating in the long run because they provoke economic nationalism, which seems to be incompatible with true partnership. Responding to popular pressure, the political authorities deign to protect the jewels of the domestic economies;

their destiny is to be guarded jealously. In order to progress, the sides should be willing to compromise on their dominance in those sectors where their comparative advantages are indisputable. After all, the total of bilateral gains is what matters most, while the national distribution of gains can be adjusted through further negotiations.

Interstate negotiations can enhance the process on two counts. First, inter-state agreements reduce the risk of opportunistic behavior of national companies. Second, government intervention solves the potential problem of market failure due to the unequal distribution of integration gains. To achieve Pareto-style efficiency, governments redistribute gains from winners to losers. For example, the Russian government may find it expedient to compensate losses or invest in the public infrastructure, supporting local machinery producers using additional energy revenue. Finally, governments — notably that of Russia — can be tasked with the objective of reducing red tape and other obstacles to order to fill formal agreements on real partnerships. It is an open secret, documented in many surveys, that the business environment in Russia contrasts negatively in comparison with conditions that German or Finnish enterprises face at home. The feeling of alienation that this difference creates makes formal pledges of cooperation ring hollow.

Option 2: Eurasian economic union. In another geographic area, the Eurasian space, Russia remains the local center of gravity for a number of countries. Moreover, because Russian and other Eurasian markets have been historically intertwined, there is strong demand for a wide range of goods produced locally. Thus, regional integration has sufficient momentum to develop into a full-fledged joint market.

Five countries — Russia, Belarus, Ukraine, Kazakhstan, and, to a lesser degree, Uzbekistan — form the core of the group. The core attracts smaller European countries (Moldova) and Central Asian states (Kyrgyzstan, Turkmenistan and Tajikistan) that have attraction to the union. The longevity and strength of such a union depends on the net benefits that its members derive, such as gains from utilizing economy of scale, which are particularly large for capital-intensive industries, and greater bargaining power that the

would-be group would have vis-à-vis the rest of the world. To realize the latter (redistributive) benefit, the countries need to coordinate their moves in dealing with outside consumers and producers. A greater coordination, while not necessarily increasing global efficiency, empowers the prospective bloc to charge higher prices on their wares and to purchase imports cheaper than when they are competing against one another.

Given the existing structure of Russian trade with other post-Soviet countries, the energy sector takes the central stage in integration efforts. However, to become an engine of inter-state cooperation, several hurdles should be overcome. The first problem involves the unequal energy pricing at home and abroad that provides implicit subsidies to domestic energy consumers but distorts the nature of integration. The sorry state of the Russia-Belarus "single economic space" is a case in point. Being separate countries in everything but energy pricing, Belarusian enterprises received Russian oil and gas subsidies of about $4 billion in 2006. Naturally, Minsk realized that it received all perks and no obligations from the "union" and refused to go further. When Russia expressed its displeasure and suggested to re-introduce a customs border between the two countries at the end of 2006, a full-fledged trade war broke out, destroying the minimal goodwill that still existed between the two countries. Similar discontent is now brewing in Kazakhstan, which argues it cannot get the "fair" price for its gas, which is sold at the Russian border at almost Russian (subsidized) domestic prices. Another complication concerns Western energy majors, which signed production-sharing agreements (PSAs) with the former Soviet republics at the dawn of their independence. Russia was the first to stop this practice (currently Russia has only three PSAs projects, retained under pressure, which are to be brought in line with Russian general legislation), but Kazakhstan still relies, albeit with increasing reluctance, on foreign partners in what many see as PSAs deals. Since PSAs are not renegotiable in principle, regional integration in the energy sector cannot proceed without gaining the consent of foreign energy companies.

Both problems are technically solvable if there is goodwill. To prevent conflicts associated with the distribution of energy gains with-

in the union, the future members can swap stakes in national oil and gas companies. This may be calculated by the amount that matches their relative contribution in the joint development and transit of energy resources, minus subsidies they receive due to lower domestic prices. Furthermore, to facilitate the process of bargaining and monitoring, prospective members can establish a 'coordination and conflict resolution energy committee' similar to the International Energy Agency (IEA) that comprises 26 OECD countries. Coincidentally, such an organization, in charge of streamlining national practices that inhibit regional energy cooperation, can provide a "Eurasian" solution to the problem of stalled negotiations regarding the Energy Charter of 1994. If Eurasian oil and gas producers and transit countries agree on a common stance, their voice is more likely to be heard by the IEA.

Apart from multilateral agreement on energy, Russia may initiate a series of bilateral integration projects. This particularly concerns the iron and steel sector where Russian and Ukrainian interests intersect; both countries are large steel exporters and competitors on the international market. A common agreement to combine efforts in domestic projects, such as the construction of trunk pipelines, and matching export plans, will provide for greater specialization within the countries. These steps will increase aggregate profits for both countries, however, at the present time, the two countries are moving in opposite directions. The accumulated force of mutual distrust pushes Russia to substitute Ukrainian steel products: for example, it initiates the construction of several mills that produce large-diameter pipes. If implemented, these plans will drive the large Ukrainian producer, Khartsyzsk Pipe Mill, out of the Russian market with great losses for the latter. To prevent such mutually destructive trade wars, both countries need to reach a common agreement on cooperation in the area, which is vital for the development of a common Eurasian steel market.

Cooperation in agriculture and agriculture-related industries offers another field where the interests of the five countries overlap enough to warrant a negotiation. Russia, Ukraine and Kazakhstan are significant exporters of grain, while Belarus and

Ukraine have strong positions in dairy products. In addition, Belarus has retained its agricultural machinery plants whose output – tractors and trucks – found a ready market within the former Soviet Union. All these states want to revitalize their agro-industrial sectors, but their plans remain uncoordinated at the moment. These internal plans can be enhanced if complemented with interstate agreements on cooperation in agricultural production and trade. Unfortunately, the national authorities continue to rely on confrontational measures aimed at solving short-term problems. This confrontational atmosphere leads to the inefficient use of available resources. For example, it has been reported that after Ukraine introduced export quotas on grain to keep the domestic price of bread low, a significant amount of its crop was destroyed and disposed of to the detriment of national producers.[11]

Food processing is a sector where cross-border mergers allow for the rapid realization of advantages offered by economies of scope. The process is already underway, for example, in the beverage sector where breweries like Baltika (Russia) and Obolon (Ukraine) are large exporters to each country. Other joint projects can involve, for example, large-scale production of pork, poultry, sugar and vegetable oils.

Option 3: Trade with other countries. Russian potential for integration with other countries is limited to individual projects. Currently, Russia offers few products that have international appeal apart from energy. Because such projects have no economy-wide linkages neither for Russia nor its partners, there is little rationale for state activism. Some Russian companies, such as Norilsk Nickel or Rusal, expand aggressively in other countries as they have become "too large" to be content with regional leadership. Given their global clout and expertise, they are able to take initiative on their own. In this situation, the role of the state is reduced to logistic support and mediation among national players.

There are indications that the Russian government understands its role. For example, in October 2006, the Kremlin weighed in favor of a merger among domestic aluminum majors Rusal, Sual and trading firm Glencore from Switzerland after being asked to

mediate. The very next month, the Kremlin resolved a commercial conflict among Severstal, Bazel and Renova, which competed for the right to develop the Tavan-Tolgoi coal field in Mongolia. In the latter case, public support was indispensable as the project proceeded within the tentative framework of Russo-Mongolian agreement on state cooperation.

* * *

Ongoing globalization and the logic of economic prosperity prompts Russia to search for ways to realize its comparative advantages in the international division of labor. After the country has completed its economic restructuring and accumulated international reserves and expertise, Russia will continue to grope along, navigating through hidden reefs while exploring tempting possibilities.

Russia today is a staple economy, with mineral and natural resources comprising the largest share of its exports. Energy products dominate trade with many countries, creating a one-sided view of Russia as the pure supplier of oil and gas. Russian imports are more diversified, however, suggesting that there are many possibilities for strategic interaction that other countries can exploit.

Several EU countries have developed relatively strong bilateral links with Russia. Judging by the force of attraction, Germany and Finland are key countries that link Russia to Europe. These links, if enhanced, can introduce Russia to larger integration areas developed in the Nordic and Central Europe. If that happens, EU countries can gain from stronger linkage to Russian energy resources, thereby enhancing their energy security. On the other end, Russia may expect a gradual improvement in the machinery and electronic sectors, benefiting from greater exposure to European technologies.

Russia may also form the backbone of a regional union for several post-Soviet countries. The union can be built by employing multiple channels of cooperation in the energy, steel, and agro-industrial complex.

Belarus: An Outpost of "Old Europe"?

Yuri Drakokhrust

Some people are beginning to ask the questions: What role will Belarus play in the European Union? Will it end up among the countries that former U.S. Defense Secretary Donald Rumsfeld dubbed "New Europe," or will it become an eastern stronghold for such states as Germany and France? The very question sounds bizarre since Belarus, which is referred to as "the last dictatorship of Europe" on both sides of the Atlantic, has slim chances of becoming a EU member in the foreseeable future.

Yet the world today is changing so rapidly that nothing should be taken for granted. The dramatic turn in relations that occurred between such close allies as Moscow and Minsk in late 2006 and early 2007, as well as Alexander Lukashenko's warming to the West, only shows that nothing can be ruled out.

EAST OR WEST?

Many Russian authors tend to describe the ongoing political struggles in Belarus in terms of an age-old confrontation between Rus (Old Russia) and Poland. Numerous studies are devoted to the analysis of "Polish intrigue" – i.e., Warsaw's dream about the restoration of *Rzeczpospolita* to its former glory. These writers demonstrate a good knowledge of history. Indeed, they observe that in the early 20th century, Polish cultural and ideological influence on Belarus was as strong as Russian influence.

A recurring theme in *Tuteishya* (Locals, or Natives), a play by Belarusian classic playwright Yanka Kupala, is the confrontation

Yuri Drakokhrust is a Belarusian journalist.

between East and West, personified by two respective scholars. The Eastern scholar, dressed in a *poddyovka* (a Russian light tight-fitting coat), and a *kosovorotka* (a Russian shirt with collar fastening at side), writes in his notebook that "the natural resources of Russia's Northwestern Province are vast and abundant, but as for the province's political borders, native Russians living here have a very vague idea about them; still, there is a pronounced desire to extend them in the direction of the West."

The Western scholar, dressed in a *konfederatka* (Polish national headgear – rectangular cap with no peak) and *kuntush* (kind of coat worn by Polish noblemen), writes that "natural scenery on the eastern outskirts of *Rzeczpospolita* is diverse and luxuriant, but as for the province's borders, native Poles living here have a rather vague idea about them; still, there is a pronounced desire to extend them to the East."

The playwright's sarcasm is understandable, but the symmetry of the characters' perceptions shows that their cultural influence, at least, is approximately the same.

It is noteworthy that even now, Polish authors seem to take no issue with the theory advanced by some of their Russian counterparts about Poland's powerful influence on Belarus. Although no one dreams about *Rzeczpospolita* from coast to coast, Poland's role as a guide to Europe, mentor in the art of democracy, and a kind of "big brother" for the Belarusians, appears to be desirable and even necessary.

History, however, has played a nasty trick on Belarus's two great neighbors: Both forget that since Kupala's play [*Tuteishya* was written in 1922 – Ed.] the Belarusians have changed considerably.

To understand the specifics of the Belarusian mentality today, it would be appropriate to consider the following excerpt from an article by Ales Chobat, which centers around a conversation between a Belarusian nationalist and a group of peasants soon after the country proclaimed its independence in 1991:

"Alexei," one of them asks, "who will be our master now?"

"What do you mean, 'master'?" the artist asks. "We'll be on our own. Independent."

"Oh come on," the man replies, losing his patience. "There are no questions about independence or being on our own. Surely no one is going to feed us. But who will be our master now?"

"And what do you think?" the artist asked laughing. He liked the naivety of these simple people.

"Ah, that's why we came," the villagers said. "Some people say that we will be under the Poles whereas others believe we will be under the Germans."

"Which would you prefer?" the artist asked.

"It's all the same to us," they said. "But it looks like it will be the Germans after all."

"Why Germans?"

"Well, how many Poles are there? But the Germans, they are a great force."

THE POLISH TRAIL

The writer's argument may not be very compelling, but even such an objective source as the census (1999) shows that Polish influence on Belarus is problematic, to say the least.

Table 1. Distribution of the Population of Belarus by Nationality and Language, 1999

Population		Language spoken at home, %		
		Belarusian	Russian	Other
Total population	10,045,000	36.7	62.8	0.5
Belarusians	8,159,100	41.3	58.6	0.1
Russians	1,141,700	4.3	95.7	–
Poles	395,700	57.6	37.7	4.7
Ukrainians	237,000	10.2	83.6	6.2
Jews	27,800	3.8	95.7	0.5

Source: (http://www.polit.ru/research/2004/10/15/population_print.html)

Why more than one-half of Belarusians speak Russian at home is a separate and rather uncomfortable subject. What is really striking about the figures given in Table 1 is that the share of ethnic Poles

speaking Belarusian at home is higher than the share of ethnic Belarusians. At the same time, the vast majority of ethnic Russians speak Russian at home. If an ethnic minority is assimilated even more than an indigenous ethnic group, there is little cause to say that this minority has a particular strong cultural influence.

During the 2006 presidential campaign in Belarus, many Russian publications repeatedly reminded their readers that Alexander Milinkevich, the main opposition candidate, was a Catholic. The record was never set straight (Milinkevich is a Russian Orthodox Christian) partly due to the strange position adopted by many Russian media outlets during the election campaign and partly due to the aforementioned tunnel vision: all things pro-Western in Belarus come from Poland and Catholicism.

This may be how the situation is seen from Moscow, but the Belarusian reality is somewhat different. Even the relationship between Belarusian Catholicism and "Polishness" is far more complex than it might appear to an outside observer. It may be recalled that the Belarusian national-democratic opposition, in the early 1990s, was the first to demand that the number of Catholic (Polish-born) priests in Belarus be reduced.

Here is another revealing passage in an article by Piatrus Rudkouski, a well-known Belarusian journalist and member of the Dominican Order: "It has to be recognized that the consensus between the Grodno clergy with respect to the mission to defend 'Polishness' is rather strong, while any attempts to introduce Belarusian at Roman Catholic churches are rebuffed by the uncompromising fighters for the status quo." Carrying on the polemics with Roman Dzwonkowski, a Roman Catholic priest and professor at Lublin Catholic University, Rudkouski writes: "Does Dzwonkowski not know about the atmosphere of disdain for and discrimination against all things Belarusian that exists among the Grodno clergy? Or has the respected professor never heard Polish Catholic priests quote with relish the admission made by one old woman: 'Belarusian can be spoken in a cow-house or a pigsty, but never in the Catholic church'?" [http://arche.bymedia.net/ 2005-1/rudkouski105.htm].

According to Rudkouski, "most of Lukashenko's opponents are members of the pro-Belarusian Catholic movement. At the same time, local Catholics who identify themselves as 'Poles' are strongly attached to 'collective farm ethics,' which provides an excellent refuge for those unable to join broader cultures – Polish, Belarusian or Russian. These are mostly elderly, poorly educated people who promote an environment of 'Polishness' in the Grodno Region. For these people, Lukashenko represents a guarantor of an accustomed lifestyle, while to Lukashenko, they are the most reliable part of the electorate."

The general tone of Rudkouski's article is that nationalism, Catholicism, Poland and Europe are concepts that are not exactly identical, to say the least. Furthermore, the Belarusian Catholic intelligentsia is oftentimes especially wary of attempts to expand Polish influence in Belarus. Unsurprisingly, the problem as to which language is spoken in the Belarusian Catholic Church worries Rudkouski, who is a Catholic, more than it worries his Orthodox soul mates.

It would be appropriate here to provide some general statistics about the "faith structure" in Belarus. The majority of the population is Orthodox Christian, falling within the jurisdiction of the Belarusian Exarchate of the Russian Orthodox Church (between 73 percent and 80 percent). Roman Catholics are in second place (13-15 percent), and finally the Protestants, accounting for about 2 percent, more than half of them Christian Evangelists. According to the Committee for Religious Affairs at the Belarusian Council of Ministers, as of 2002, there were 1,224 Orthodox parishes, 432 Roman Catholic parishes, 35 Old Rite parishes, 491 Christian Evangelist communities, 270 Christian Baptist communities, 61 traditional Evangelist communities, 51 Seventh Day Adventist communities, 25 Judaic communities, 11 Progressive Judaic communities, 26 Jehovah's Witness communities, 27 Muslim communities, 20 New Apostolic communities, 14 Greco-Catholic communities, and 13 eastern religious communities.

One-half of Roman Catholic communities are concentrated in the Grodno Region, which has the highest proportion of ethnic Poles in Belarus (about 25 percent). But simple calculations show that Belarusian Catholics are not only and not even so much eth-

nic Poles (the latter account for around 4 percent of the country's population, as compared to 13-15 percent of Catholics).

But if being "pro-European" in Belarus does not mean being "pro-Polish," what does it mean then? An answer to this question is partially provided by Table 2, based on a poll conducted by the Independent Institute for Socio-Economic and Political Studies in May 2006.

Table 2. Distribution of Answers to the Question, "Do You Approve or Disapprove of the Political Course of the Following States?" (%)

States	Approve	Don't Approve	Index *
Russia	74.8	15.9	+0.589
Germany	70.8	16.4	+0.544
Belarus	72.0	22.3	+0.497
Sweden	67.3	17.9	+0.494
France	64.4	20.6	+0.438
Czech Republic	61.9	21.9	+0.400
UK	56,5	29.9	+0.266
Slovakia	53.8	28.0	+0.258
China	53.2	30.3	+0.229
Kazakhstan	46.6	36.5	+0.101
Poland	46.0	39.1	+0.069
Estonia	39.6	43.5	-0.039
Israel	37.5	45.9	-0.089
Cuba	36.0	45.1	-0.091
Lithuania	35.0	48.9	-0.139
North Korea	31.6	48.9	-0.173
Latvia	33.3	51.2	-0.179
Moldova	31.3	50.2	-0.189
Turkmenistan	30.2	49.6	-0.194
Ukraine	26.9	59.2	-0.323
U.S.	25.2	61.7	-0.365
Georgia	22.8	61.2	-0.384
Iran	20.4	61.6	-0.412
Iraq	16.8	65.4	-0.486

** The index is calculated as the difference between the percentages of "Approve" and "Don't approve" answers, divided by 100.*

PRO-GERMAN

Needless to say, the figures given in Table 2 are largely the result of massive state propaganda blackening certain countries that are especially disliked by the Belarusian ruling authorities. But it would be wrong to reduce everything to the manipulation of public opinion: Germany's high ratings as compared to Belarus's, for example, are clearly at odds with the objectives of state propaganda.

Germany's high approval ratings are also confirmed by other polls: Respondents generally see the country as a role model for Belarus, while German leaders (Helmut Kohl, Gerhard Schroeder, and Angela Merkel) appear to be more popular than leaders of East European countries or the United States. Germany is among the top five countries in terms of "friendliness of foreign policy" with respect to Belarus – together with Russia, Ukraine, Kazakhstan, and China.

This 'Germanophile' attitude is all the more amazing given that Belarus lost one in four of its citizens (according to some sources, one in three) in World War II. The war is still a crucial element of Belarus's state ideology.

The Belarusians' geopolitical preferences were confirmed by a recent poll that was taken in May 2006.

Table 3. Distribution of Answers to the Question, "Toward What Groups of Countries Should Belarus Orient Itself If It Became an EU Member?"

Answer options	%
"Old" EU member countries (Germany, France, Spain, etc.)	41.4
"New" EU members (Poland, Lithuania, the Czech Republic, Hungary, Slovakia, etc.)	12.9
The UK	5.1
Undecided/No answer	40.6

There are several points worth considering in Table 3. In polls conducted over the past few years, about one-third of Belarusians say they think the country should join the EU. But the actual number of latent pro-EU Belarusians appears to be higher: about one-half of respondents give preference to "Old Europe" (on the assumption that Belarus becomes an EU member).

In another poll, respondents were asked what ethnic groups they were prepared to see as their sons-in-law, daughters-in-law, co-workers or neighbors. Belarusians seem to feel the strongest affinity for ethnic Russians, while the runners-up are Ukrainians and Poles. West Europeans ranked next (Britons, French, Germans, etc.), together with people from Central Europe (Czechs, Slovaks, Hungarians, Serbs, etc.). Next came Lithuanians, Jews, Latvians, and only after them, Americans, natives of Central Asia, Arabs, Caucasians, and so on.

On the one hand, ethnic Poles and Ukrainians rank second and third in terms of their affinity with the Belarusian people. In this respect, Belarusians differ greatly from Russians, who do not regard Poles as one of their own.

On the other hand, West Europeans rank ahead of all other nations, while the reason for this is hardly their apparent affluence alone: the Americans, for example, are at least just as well-off economically, but the social distance between the two people seems to be considerably larger.

Poles remain one of the closest nations to Belarus, but Poland's powerful ideological and cultural influence is history now. Today, Poland is not much of a role model for the pro-Western minded Belarusians who are oriented mostly toward "Old Europe," primarily Germany. At the same time, the obvious political distance from the U.S. is the result of official propaganda, among other things.

Changes in Belarus's political situation and its ideological guidelines may alter these geopolitical preferences but can hardly do so in a radical way.

But if these guidelines remain essentially unchanged and Belarus becomes a member of the European Union, its role in Europe will differ substantially from that which is played by the "newcomers" (those admitted in 2004) today: Belarus will be on the border on "New and Old Europe," an outpost of "Old Europe" in the east of the European continent.

Personage

“The dialog between President Putin and the European leaders is far from complete. It would be an exaggeration to say that Europe is tied to Russia. In politics, like in the course of commercial negotiations, one can sometimes see a veritable theatrical performance, with elements of tragedy and farce. Oftentimes, one party plays arrogance, and then the other party responds in kind.”

“Many Countries Are Sliding into Nationalism”
Jacques Delors
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"Many Countries Are Sliding into Nationalism"

Jacques Delors

The history of modern Europe has produced a handful of individuals who played a truly outstanding role in the unification of the Old World. One of those remarkable figures is French economist and politician ***Jacques Delors****, who was behind the latest major breakthrough in the integration process. During his presidency in the European Commission (Delors was the only person who served two terms as the Commission's president – between 1985 and 1995), the European Community was reorganized into the European Union with a single market, the groundwork was laid for the introduction of a common European currency, and criteria were formulated for the EU's enlargement. Delors made a major contribution to the integration theory, introducing the principle of subsidiarity, meaning that decisions must be made at the lowest possible level. In the last few years, the patriarch of the United Europe (he is about to turn 82) has been critical of what is transpiring in the European Union. Delors gave the following interview in Paris to* ***Vera Medvedeva****, where he speaks about the past and the future of European integration.*

– Twenty years ago, you tried to convince skeptics of the need for European integration. Would your former arguments in favor of integration be the same today?

– With regard to the specific tasks and methods for European integration, there would be no changes to my arguments because the globalization processes had already fully manifested themselves at that time. The only major changes that have taken place over the years were the fall of the Berlin Wall and the collapse of the

Communist system. But those events only made the need for a united Europe more urgent.

– Europe has united, but this factor has not put an end to predictions about its "decline," which have been echoed since the early 20th century. The initial euphoria seems to have disappeared, and the European integration process has begun to raise a number of uncertainties and doubts about its success.

– You are right to some extent. As a rule, people have short memories and lack a global vision of the situation. Not everyone remembers that the period between the beginning of World War I and the end of World War II witnessed colossal human tragedies in the very heart of Europe, together with civil wars and numerous conflicts. Nationalism raised its head everywhere, and people refused to respect the rights of others.

Common sense suggested to the Europeans that those tendencies could have grave consequences. It was obvious that the epoch of internal European conflicts must be stopped. It was no accident that the fathers of a united Europe included many of those who had gone through that painful period in European history.

The unification of Europe was not only a political and economic undertaking, but also a spiritual and philosophical movement. People who had survived the Nazi and other dictatorships were able to reconcile themselves to their past and look into the future. Naturally, forgiveness does not mean forgetting. This experience would be helpful to contemporary Russia, as well: it should accept its history, without forgetting anything.

After World War II, the youth of Germany needed to understand that they were part of a single European community, despite the horrors that Germany was responsible for. That would mean establishing genuine peace in Europe.

Policymakers were to help translate that spiritual European mood into real political action. Peace and mutual respect between peoples, the formation of solid European ties and, finally, a system of legislation with which European countries could commensurate their actions (naturally, within the powers

established for the European Union bodies) – all these objectives still remain vital.

There was a time when mutual integration developed very fast – for example, during my presidency at the European Commission. We started building a single European market, increased the amount of aid that poor European states received from rich countries, established the main principles for the social policy, and launched technical cooperation. Finally, we formed a single economic space and laid the foundation for a monetary union.

Now the integration process has slowed down. Those individuals who were always opposed to European integration are repeating their former arguments. But what do they suggest instead? Nothing! Do they really want to return to the traditional game of national sovereignties and then live in fear of local accords between large states? This would hardly deliver peace and prosperity, especially since such compromise agreements are short-lived and they ignore the role and historical destiny of smaller nations.

Look at the East European countries. For centuries, they repeatedly fell victim to treachery and were pawns in big games. The European Union gives these nations hope for peace and recognition. It helps them to embrace the political and social values that are important to many people even beyond the EU, for example in the former Yugoslavia. Yes, we are now experiencing a difficult period, but this is not the first trying time in the development of Europe.

– Many people believe that the European Union should slow down its enlargement at this stage and take a pause before admitting new members. Do you agree with this point of view?

– Europe's enlargement per se does not create a problem. Difficulties arise when we try to answer some important questions, such as, what exactly do we hope to achieve in the united Europe? How should the 15 or 30 members interact in order to avoid overbureaucratization of the European institutions and their excessive concentration on legal aspects? Receiving answers to these questions requires a clear idea of united Europe's objectives, shared by all the member countries.

In the postwar years, the idea that Europe would never again allow an armed confrontation between its countries deeply inspired the youth, and many young men and women actively supported policy-makers' efforts to translate this dream into life. Today, we have the Europe they believed in. Has it lived up to their hopes? I think it has.

Europe has gone through three difficult ordeals, in which it proved itself to be quite viable. The first moment came in the early 1970s when Britain joined united Europe. Despite London's special position on many issues, and its close ties with the United States, on the whole we coped with the difficult task of integrating the United Kingdom.

Second, I must mention the time when three European countries – Greece, Portugal and Spain – returned to democratic rule after years of dictatorship and also became part of united Europe. I took part in the completion of the negotiations on the admission of Spain and Portugal. Should we have refused the entry of these countries only because their integration seemed to be very difficult and could pose internal problems for other members? Despite the difficulties, we lent a helping hand to these countries – and look at the remarkable achievements they have made today!

Finally, there was the fall of the Berlin Wall and the collapse of Communism in the East European countries. Should we have told these nations that, since their economies were too weak and their mentality differed too much from ours, they needed to wait another 20 years to become members? We thought such an attitude would be against European values, and therefore we admitted them into our union. Perhaps, their admission could have been better organized, but in any case, it was necessary.

– You talked about the need to set objectives. What objectives do you think Europe should have today?

– I see three major objectives. The first is maintaining peace and accord among nations in every way possible. Another is making every effort to develop mutual European solidarity, which must help to balance the development levels of countries and regions. The third objective is preserving the cultural differences between the European nations.

– Preserving the differences? Doesn't integration have the opposite goal?

– In my opinion, a united Europe means unity in variety. Every language is a reflection of a nation's soul, while the people that integrate into a united Europe do not discard their own history. This is a major condition for Europe's genuine greatness.

If a limited number of the EU member countries wish to advance along the path of integration, developing economic or monetary ties, creating joint technological zones or acting together in the spheres of foreign policy or defense, they certainly can do that. The number of participating countries does not matter here. Other countries can later join them, if they wish.

But we must differentiate here, because the present generation of politicians and leaders are confusing two things: united Europe per se, and various collective actions. This confusion is particularly incorrect when we speak of joint actions by countries of the European vanguard. There is always a gap in countries' development rates, and of course it makes itself felt in various collective actions.

For example, should the EU have waited for the consent of all its 15 members before introducing the euro? At that time, as it is now, only 12 EU states were ready to use a single European currency. Should we have waited until the other three member states finally agreed? In that case, the single currency might have never been introduced. We must tolerate the fact that some states may participate in joint actions, while others may decline.

Unfortunately, I failed to convince my opponents that Europe could be really united only by the three objectives that I mentioned earlier. Perhaps, they do not look very attractive from the political point of view or, to use contemporary language, they are not very sexy. Setting only three objectives may be simplified, yet it is a realistic approach.

– Your answer to the question about the EU's enlargement was poignant, but I would like you to specify: What is your attitude to the present enlargement of the European Union?

– Do you think a poignant answer cannot be specific?

– Your answer was so elegant that it may have been easy for you to hide your personal position behind it. It is still unclear to me: Do you support or oppose the continuing enlargement of the European Union?

– I can tell you that I personally am against fixing any certain boundaries for the European Community. I proceed from the important problems that Europe is facing and I have told you about those.

– I guess you won't be surprised to hear, after such an answer, a question about Turkey, Ukraine and, with certain reservations, Russia. What about these countries?

– Although I do not outline the final boundaries of a united Europe, three cases stand apart. These are the former republics of Yugoslavia, Russia, and Turkey. Let's leave Ukraine and Belarus aside for a while. There must be a place in the united Europe for those states that have emerged on the territory of the former Yugoslavia. This is the only thing that can prevent ethnic conflicts between them. I do not mean making their people forget everything, but rather stopping conflicts and pushing into the background the mutual claims that divided these countries in the past. This will help to avoid dramas like the one that is taking place in Kosovo, for example.

Speaking of Russia, it is a very large nation – and takes pride in this. But it is too large to be integrated in the same way as with Poland or the Czech Republic. The EU should sign partnership agreements with Russia, clearing up in advance the issue of how much we share opinions with regard to the objectives of our coexistence and forms of cooperation. Work in this direction is already underway. But it is a difficult process, equally difficult for both parties.

As regards Turkey, it represents an extremely symbolic case. Symbols play an important role in the development of societies, in particular the European Community. Turkey is a Moslem country; meanwhile, the growth of Islamic extremism is threatening the whole world. Moreover, there are Islamic fanatics who deny our right to existence only because we, they say, dif-

fer from them. These tendencies can easily bring about local religious wars – or even a war of civilizations. Against this background, I say yes to negotiations with Turkey in order to demonstrate that Europe is not a "Catholic ghetto" or "Catholic empire," and to emphasize: Despite Islamic fundamentalism, we are lending a hand in order to try and understand each other. But, of course, I cannot say whether these negotiations will be crowned with success.

Citing the factors that I have mentioned, some European politicians categorically oppose Turkey's admission to the European Union. I do not think they are right. We must act as a community of people who, without being naïve and boundlessly credulous, still want to have a dialog with others – those who renounce their tunnel vision and are willing to cast sectarianism on the garbage heap of history. I hope I have answered your question, if not so beautifully, but quite sincerely.

– Your answer was specific enough. But the "Islamic factor" poses a great danger to the contemporary world. Your political views aside, don't you, a believer brought up in a Catholic family, worry over the present growth of Islamism in Europe?

– We have maintained coexistence with Moslems in each European state. Living side by side with people of different beliefs and even different philosophies of life, we try to follow a principle of mutual respect and the observance of the laws of each country. Of course, this is not easy. But difficulties are not a sufficient argument to refuse Turkey's admission only because of our mutual dissimilarity.

Coexistence may take different forms, and laws regulating it are not identical in every country. This is due to a whole range of problems, many of which are still a long way from a solution. Nevertheless, one should not respond to a negative with a negative, hatred with hatred, and force with force. If we enter into this vicious circle, we will not be able to live together anymore. If we prove unable to keep the peace with people of other creeds inside the European Community, what can you expect from the rest of the world? What signal would we send to other countries then?

– Theoretically, this is right. But if we recall the outbreak of violence in the suburbs of Paris in 2005, there arises the question: Why do Moslems seem to create so many problems while demanding that other people have a special attitude with them? No one has ever seen similar disorders in, for example, the Chinese neighborhoods in Paris.

– Indeed, the roots and mentality of these two ethnoses differ. But you cannot say with absolute certainty that even the Chinese that have settled in France will necessarily turn into ideal French citizens over time. This is particularly true of some Moslems. Some politicians have oversimplified views, and due to these public figures the public has acquired the illusion that there is a certain machine for turning out law-abiding citizens – like, for example, a sausage-making machine: minced meat at one end, and finished sausages at the other. But the reality is much more difficult. One must realize and accept this fact.

Yes, we have problem neighborhoods, but the difficult situation there is caused not only by ethnic peculiarities of their residents but also by social factors. And the more actively we address social issues, the lower the ethnic tensions will be.

– In 1996, when Russia joined the Council of Europe, Moscow did not rule out the possibility that eventually it might receive membership in the European Union. Today, this idea has long been forgotten. Moreover, there is the impression that Russia, instead of getting closer to Europe, is becoming increasingly estranged from it.

– I know the history of EU-Russia cooperation very well. During the preparation of agreements with Moscow, I headed the European Commission, and I had many contacts with Mikhail Gorbachev, and later, with Boris Yeltsin. Those were impressive times – first of all, because despite the huge dimension of the events of 1985-1994, we managed to avoid tragedies, which does not happen very often in history. That period showed that mankind can be trusted – there were situations when very serious friction between states was removed thanks to the wisdom of the leaders involved. In those years, we signed the first agreement with Russia.

The main distinction between the present situation and the former is that Russia has again started to view itself as a great nation. It has demonstrated this desire very often, starting from the tragedy in Yugoslavia. I repeatedly said that we Europeans tried to close the door on Russia, yet it entered through the window. I made that comment following the events in Yugoslavia.

If Russia really wants to be a great nation again, why deny it the right, or why put obstacles in its way? Especially since it no longer acts at the bidding of the International Monetary Fund. We know very well that Moscow seeks to take an active part in international affairs and to show solidarity with its allies.

Building relations with Russia reminds me of the process of integrating Europe. We began by establishing direct ties — first within the framework of the European Coal and Steel Community, and later the European Community. Today, we continue to develop European solidarity and integration. So if tomorrow Russia and the EU come up with a good agreement that suits both parties from the point of view of oil and gas supplies, this will lend credence to their declarations that they are pursuing mutual forms of cooperation and joint responsibility.

As regards everything else, I believe the EU-Russia dialog may take various forms — with some reservations, of course. Perhaps an agreement will only require negotiations between the parties' top leaders, instead of numerous meetings of large committees with their continuous discussions.

But since we have not yet agreed on many basic principles, it is difficult to resolve specific issues. These are classical relations between two great powers. Other peoples only gain from our disagreements. Therefore, our major task today is to show our mutual ability to solve problems that confront us — and the whole world — through negotiations and agreements. But relations must be allowed to take their course. One should not put the cart before the horse, as my grandfather, who was a peasant, used to say.

— One often reads today in Russian newspapers that Europe cannot do without Russia, whereas Russia can do without Europe. Do you agree with this statement?

– It would be an exaggeration to say that Europe is tied to Russia. In politics, like in the course of commercial negotiations, one can sometimes see a veritable theatrical performance, with elements of tragedy and farce. Oftentimes, one party plays arrogance, and then the other party responds in kind.

The dialog between President Putin and the European leaders is far from complete. This means that some important issues have not been resolved yet: What exactly can we do together? Will we lose part of our independence and freedom of maneuver if we act in concert? How do we see the world in twenty years? Can our present line of conduct bring about positive results?

– Politicians do not like questions that ponder what might be in store for us in the future. But since you yourself have said that different countries may have different visions of the future, I would like to know your own opinion on that score.

– First of all, I would like to emphasize that I do not believe in imminent catastrophes that will lead to the end of the world. Of course, globalization brings about many problems. We must seek to regulate the globalization processes more effectively, which means better global governance. For example, rapidly developing countries, such as China, India and Brazil, must be obliged to respect and observe at least basic rules concerning environmental protection. Furthermore, they should introduce certain social norms for their population, instead of orienting themselves only to gaining commercial benefits.

Undoubtedly, the world is moving toward greater interdependence, with more attention being given to social and natural factors. However, at the same time, deviations from the general line cannot be avoided. Economic development may destroy Mother Earth; preventing such a scenario will take more than the efforts of the Europeans alone. China and Russia, for example, must also make more efforts to counter this threat.

In the sphere of politics, there are many alarming factors. First, there are the so-called war of religions and various manifestations of extremism. Many countries are sliding into nationalism or seek to play some special role on the international scene. We have

already witnessed such behavior in the past. Take, for example, the history of the Middle East before the Second World War when large powers, in particular Great Britain, posed as peacemakers. But at what price? There was constant conflict between the Sunnis and Shias, and between national interests of various Arab states. These factors brought instability into the world, which could no longer make progress, except on a purely economical basis.

I believe that future development must bring about a truly comprehensive agreement between Russia, the European Union and the United States, which will proclaim their common goals and show their common wish to enter into dialog and look for compromises. It does not mean, however, that these three parties will dominate in the world – one must also take into account China, India and the Latin American countries, especially Brazil.

Nevertheless, Russia, the EU and America – three political forces that are accustomed to disputing with each other – will play a very important role anyway. Every time they become divided by disagreements, when each party starts playing its own game, the risk of global instability increases dramatically. Our conflicts are a fertile ground for nationalism and serve as an excuse for integrism [In France, this term is used to describe the ideology of Islamic extremism. – Ed.].

– Everyone is afraid of forgoing one's independence. In Europe, too, there are incessant discussions to the effect that the EU countries have delegated too much of their sovereignty to the European Commission, and now this overly bureaucratic structure is unable to see the real problems that beset ordinary Europeans. What can you say about this from the position of a man who for almost ten years headed the European Commission?

– First, I would like to emphasize that the European Commission only puts forward proposals, while the Council of the EU and the European Parliament make the final decisions. These matters should not be confused. You are simply under the influence of dubious European sentiments that have seized many countries, including France. The European Commission has the rights it was given. In keeping with the basic principle,

it has the right of initiative, the right to make proposals. But these are adopted either on the basis of mutual consent of the Council and the European Parliament, or by decision of the Council alone.

If Europe is viewed as isolated from the vital needs of Europeans, this is only because national governments do not sufficiently explain to their citizens why a particular decision has been made. Unfortunately, such things happen all the time. Often, national governments avoid upholding pan-European decisions before the public opinion of their country. But they must do this! The European Commission must not be made into a scapegoat. For the European institutions to function better, they should return to their original nature. The European Commission is not a body that must explain to people in various countries the need for this or that decision, nor is it a body that imposes its will on other politicians. It is simply a place where representatives of the EU member countries meet and plan their decisions. Explaining to citizens how justified are its decisions is the duty of each individual country (or rather, its national parliament).

– You are an economist by training. Do you agree with those who believe that a high rate of the euro undermines European competitiveness?

– Absolutely not! This is a false idea. What is not questioned today is that the weakness of the Chinese and, to some degree, Japanese, currency, has become a serious monetary problem. Honestly speaking, we would prefer the euro rate to be 1.20; but even the present rate of 1.30 is not at all catastrophic for the European economy. Germany's global leadership as an exporter serves as the best proof of this.

So all the talk that a strong euro prevents economic development is no more than a small lie, which is accompanying the present presidential campaign in France. And if we do not renounce it, we will have a painful awakening. It's like as if you sleep in silk sheets and are told that tomorrow you will grow rich and meet the love of your life. The next day you wake up and see nothing of the

kind. And then you are given an explanation as to why the promise has not been fulfilled.

– Many of the pre-election slogans seem to be frightfully unrealistic. Do you agree that France is gradually losing its main distinction, namely its dynamism?

– Things in France are going much better than it seems at first glance. Take, for example, such an important factor as the demographic situation. The birth rate in the country is very high, and even from this point of view it is in a much more advantageous position than the majority of other European states. The birth rate is always an indicator of dynamism. But, of course, the situation could always be better.

As regards the presidential campaign, at times like this you can always hear many promises. The blame for unfulfilled hopes will be placed on the "malicious" euro. There is still enough time left before the first round of the presidential elections to return to the real state of affairs.

– And what do you think France really needs?

– France, which now looks overly restless and often discontent, must regain its self-confidence. To this end, it must realize what exactly it cannot do well and why. It also needs a more optimistic view of its strengths. Once the country succeeds in those efforts, France will restore its former dynamism.

– The presidency of the European Council is currently held by Germany. What do you expect from this leadership?

– I have much confidence in Germany's presidency. This state possesses features of both West and East European countries – thus its special striving for mutual understanding through dialog. The German economy is developing very well today. Furthermore, the coalition government of Germany is, actually, a coexistence of two parties – the Christian Democratic Union and the Social Democratic Party, which started the unification of Europe. And, of course, one should not forget the personal qualities of Madam Angela Merkel.

Georgia and Beyond

"Georgia has flourished as part of the U.S.S.R."
Illustration from the album
Twenty Years of the October Revolution, 1937

"The reality is that Kosovo's Albanian and Serbian population will see Kosovo's independence as the triumph of ethnicity over statehood. Such a new model, if applied, will raise the statehood threshold both vertically (with the possibility of endless deconstruction of any state) and horizontally."

Kosovo as a Positive Precedent

Salome Zourabichvili

Fifteen years after the implosion of the Soviet Union and its republics gaining independence, Russia and its former dominions have been unable to find a *modus vivendi*. The best example of this inability is witnessed by the ongoing crisis between Georgia and Russia, which continued through 2006 and has spilt over to 2007; despite some easing of tensions, there have been no prospects for normalization so far.

Georgia is not the only example: similar tensions have erupted between Russia and Ukraine (despite Victor Yanukovich's return to power) and between Russia and Belarus (despite Alexander Lukashenko's efforts to maintain a relationship with Moscow). Judging by Vladimir Putin's comment that the dissolution of the Soviet Union was one of the biggest tragedies in modern history, and the fact that he won't change anything to meet the challenges of the new realities in this part of the world, the Russian president seems to be still entertaining some nostalgia for the old system. Yet what has passed should remain in the past. Either the new neighboring states will find a way to deal with each other or they will all lose; instability and unpredictability cannot serve anyone's long-term interests. The current facts underscore the depth of the losses.

THE BITTER FRUIT OF THE OLD POLICY

Moscow's reiterated attempts to revert to the elements and instruments of its 'from the position of strength' policy have only result-

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ed in its further alienation from the newly independent republics. Today, Russia does not have a single ally that it could fully trust: Belarus is no longer its best friend, while Armenia feels it was not given friendly treatment when Russia decided to close the Georgian-Russian Lars checkpoint in 2006. This move actually disrupted Armenian trade, especially since the Azeri boycott and the closed Turkish border had made Armenia totally dependent on the north-south transit route through Georgia. Furthermore, Moscow's desire to hurt Georgia was so great that it prevailed over common-sense reasoning to spare Armenia as it announced the closure of this checkpoint – "for reconstruction work" – until the end of 2008.

As a result of such policy, the Kremlin is not only losing power, it is losing the most crucial factor in the contemporary world – influence. The Russian language is no longer *lingua franca* among the former Soviet republics, while going to Russia is no longer a dream for periphery residents or eligible students. In the energy sector, Moscow only encourages its neighbors to seek alternative gas transportation routes and new partners by cutting gas supplies haphazardly while pushing prices higher everywhere. It should be no surprise that one fundamental feature in the post-Soviet space today is the warming up of relations between Ukraine and Georgia on the one hand, and Georgia, Azerbaijan and Turkey on the other. Meanwhile, in the western part of the post-Soviet space, the Baltic States are displaying steady support for their "small ex-Soviet brothers" by promoting their interests in the EU.

In the east, the Central Asian republics are showing more and more of a propensity for self-assertive policies. They are realizing that there is no point in getting stuck in long-term contracts with Russia and selling cheap gas only to have Gazprom draw big benefits by reselling it to its European consumers. The first signs of self-assertiveness became apparent when Turkmenistan attempted to renegotiate its contract with Russia, and there are reasons to believe that this trend will persist in the coming decade. Thus, horizontal solidarity – that the Soviet Union failed to create – seems to be flourishing on the new grounds.

A DRAG ON DEVELOPMENT

Meanwhile, none of the newly independent post-Soviet states – including Russia – have fully benefited from the new status quo, or been able to use all of their potentials. And there is only one major reason for this state of affairs: conflicts – once hot and active and now frozen – continue to impede the internal and external development of these countries, particularly Georgia, Armenia, Azerbaijan and Moldova.

First and foremost, these conflicts block the economic development of each affected country. One can only imagine what the Caucasian region – possessing huge energy, transit and water resources – would be like if it were ridden of these conflicts and free to develop a regionally integrated transit policy that would fully exploit the opportunities of all transit routes – east-west and north-south.

Secondly, these simmering conflicts are hindering democracy, which is a peculiar type of government that cannot be divided or torn apart: its success depends on sharing. If democracy is not fully enjoyed by the entire population across the region, with some territories continuing to escape law and order, these lawless regions will work like leeches, eventually destroying democracy in the entire region the way cancer cells damage an otherwise healthy body.

This is particularly true of Georgia with its two conflict zones, Abkhazia and South Ossetia. Unfortunately, time is running against Tbilisi. Displaced people from these regions, who for 15 years have been living without decent shelter, compensation or any real hope, now feel that they have been victimized twice. They can neither go back to their homes without risking their lives, nor can they share the relative prosperity of their fellow Georgians.

The conflict also affects Abkhazia's development. What future awaits Abkhazians when the rules of demography are running against them? Today, as a result of past policies, Armenians and Russians are growing in number in Abkhazia, and are presumably overshadowing native Abkhazians and Georgians in their own land. (For an objective analysis of this sensitive and commonly

politicized issue, see: International Crisis Group Report No. 176, *Abkhazia Today*, September 15, 2006, Brussels.)

So, the question remains: Who has gained from these policies? Certainly, not Abkhazians; they cannot feel much confidence about their future if this future means a "closer relationship with Russia," especially given the latter's record in dealing with Caucasian minorities.

Nor have the conflicts in Abkhazia and South Ossetia in any way served Russia's interest. Russia's holding to these regions, as if they were valuable instruments for keeping a grip on Georgia, can only give it a false sense of security.

Has Moscow ever asked itself what Russia has lost by playing this irrational game? Because of these lingering conflicts it must finance and maintain an army, which is utterly corrupt and mostly occupied with arms sales and drug trafficking, in the southern part of its territory. Military action on Georgian territory has not only made a solution in Chechnya impossible: it has negatively affected the stability in Dagestan, Ingushetia and North Ossetia. The French philosopher's saying that "truth on this side of the Pyrenees cannot be a lie on the other side," definitely applies to the Caucasus. Stability will have to be found by all or there will be stability for nobody.

Finally, Russia's toying with conflicts has deeply affected its international credibility. Its capacity to lead and be listened to beyond its borders has plummeted.

IS KOSOVO A PRECEDENT?

The 'Kosovo precedent' remains a blackmailing issue for Moscow: "If you move down the road of independence in Kosovo, we will have to recognize the independence of the separatist regimes in the Caucasus." This position, although right in essence, is wrong in form, because it sounds like the childish plea: "Hold me back or I will be forced to take action!"

It is noteworthy that in this context the Kremlin does not evoke Karabakh's independence, nor Chechnya's. These regions would naturally follow in the footsteps if the Kosovo precedent, to

quote Russian leaders, "is to become a precedent for the whole of the Caucasus and for all frozen conflicts."

Russia knows it cannot afford to play with fire in this region. Recognizing the independence of South Ossetia or Abkhazia would instantly spread instability to Chechnya and prove very dangerous for friendly Armenia, not to mention Georgia's military reaction. It would mean taking the risk of igniting new wars in the Caucasus in a new situation; such a strategy would be plain madness.

Russia cannot ignore that the balance of forces has drastically changed in the region. After more than a decade of intensive U.S. training and financing, the Georgian army is no longer the disoriented, underpaid and poorly trained army of the 1993 conflict. Azerbaijan has been actively using its oil money to rebuild and enhance its military power. Armenia can no longer receive Russian support via Georgia as the ongoing dismantlement of Russian military bases in Georgia has limited their operational capacity. Today, Russia delivers its support to Armenia directly by air. Moreover, Russia cannot be sure what the American reaction would be in the future, especially if it continues to regard Georgia as an ever more strategic region.

At the same time, Russia's reaction toward the Kosovo issue is understandable. While Europe and America talk much about promoting Russia as a normal European power, no one listens to Russia when taking decisions that are crucial for Europe. Russia may in fact hold a reasonable position, if only it were expressed in a positive manner and not as a threat. Opting for threats instead of offering constructive proposals is the tragedy of contemporary Russia.

But let us consider the underlying argument of Russia's position on Kosovo. Why do we accept organization of European territories in the 21st century along ethnic lines as an uncontested value and goal? Have we considered what will happen next when the Serbian minority in Kosovo demands the same rules to be applied? Are we ready to defend and support the idea of an autonomous or independent Mitrovica region? And if not, why? It is one thing to restore the independence of nation-states that once existed and were suppressed, but it is quite another thing to create *ex nihilo* ethnic states, following the "Russian stacking doll" model.

The Ahtisaari plan talks a lot about multi-ethnicity and stresses that the new authorities should not only respect this principle but also enshrine it in a new Constitution. However, it is apparent to everyone that these are just words. The reality is that Kosovo's Albanian and Serbian population will see Kosovo's independence as the triumph of ethnicity over statehood. Such a new model, if applied, will raise the statehood threshold both vertically (with the possibility of endless deconstruction of any state) and horizontally (What country in Europe, Africa or Asia would not feel unchallenged by the new rule of the game?).

The ethnical approach, previously known as the 'minorities policy,' has already been applied in the past but with no happy results: the democratic 'Woodrow Wilson model' caused wars and tragedy in Western and Central Europe, while the totalitarian Stalinist 'minorities policy' paved the way to frozen conflicts that erupted immediately after the breakup of the Soviet Union. Unless my memory fails me, the ethnical approach has never yielded benefits for any of us. So we have to admit that Russia has a point: Kosovo is a precedent.

But Russia is wrong in the conclusion it draws, namely, that Kosovo is a *bad* precedent. We must recognize that there is a real issue there, and we must try to think how we could make it a *good* precedent – one that offers a viable solution, an answer to the basic claims of all protagonists.

UNIVERSAL RULES REQUIRED

First, Kosovo should become a precedent for involving *all* interested parties in drafting a solution to this crisis. Personally, I believe that Moscow should be one such party. Involving Russia in working out an acceptable solution would serve as recognition of its European status and place. Moscow would have an opportunity to have its say as regards the future of Kosovo, instead of just using its veto power in the Security Council, or threatening from the outside that everyone will lose.

Kosovo should become a precedent for creating a set of generally agreed principles to solve similar conflicts elsewhere. In other

words, if a peace settlement is to be eventually monitored by an international peacekeeping force, this force should have a truly international composition (and not just be composed of soldiers from one country, as is the case in Georgia where Russian soldiers are disguised as CIS blue berets).

If we agree that the "widest autonomy possible" includes limited diplomatic capacities, those should be granted to all, including Chechnya. If we agree on the necessity to repatriate displaced persons to their homes, we should devise universal rules for property restitution or compensation.

Whatever decisions we make about the use of minority languages, cultural rights and religious freedoms, they should be applicable to all. If the same rights and constraints were applied to Abkhazians, Ossetians, Karabakhians, Transdnestrians and Kosovars, none would feel discriminated. It would have been easier for them to accept that they would be denied full independence, at least in the immediate future; the sense of sharing an equal fate could lessen any sense of injustice.

At the same time, an increasingly heavy burden of commitments and obligations — that would ensure the autonomies' secure functioning — will fall on the shoulders of the authorities of Georgia, Azerbaijan, Serbia, Moldova and Russia. None of them could then feel victimized or singled out. Feelings of justice and injustice, which underlie all unsolvable conflicts, would be minimized.

This approach will provide a chance to involve outside powers as well, and thereby put an end — pragmatically and once and for all — to the thrust of big powers gaining exclusive positions in particular regions. Thus, the EU and the U.S. would no longer enjoy exclusive rights in solving the Kosovo issue, while Russia would have to equally accept that the era of its exclusivity in the post-Soviet space is over.

A peace conference — and that is what we should eventually get to as a result of the aforementioned process — should involve the European Union, which cannot endlessly contemplate its navel and reflect about its "enlargement fatigue" while doing nothing to solve nearby conflicts. The EU must start taking responsibility for peace and stability in the neighboring newly

independent states, regardless of whether they will one day become part of an enlarged Union or not.

It is obvious that this process should involve Russia, thus recognizing once and for all that it is a European power, as well as a global power, with the rights and duties that are bestowed upon every European state. But it also means that will Russia be henceforth accountable for its new responsibilities to the European and international community. What price Russia will have to pay for being recognized as a full-fledged European power? It will have to accept the essential rule about Europe: nobody can claim exclusivity on any "backyard." That is the key to an increased international presence and global role that has been escaping Russia since it ceased to be the Soviet Union.

It is no less evident that this process should involve America. Whether Russia – or any other state – likes it or not, the U.S. has become a power in its own right in the Caucasus, and it will remain as such.

Such a process should, most importantly, involve all states that have separatist conflicts on their soil: Georgia, Armenia, Azerbaijan, Moldova, Serbia, and Russia. These states should be involved not as mere objects of negotiations, but as direct participants.

It should also involve interested neighboring countries, such as Turkey, Romania, Ukraine and possibly Iran, that is, if the latter decides that a regional role is more important than playing breakmanship. Furthermore, it must show that it is willing to resume its positive role in a region that still remembers how civilized, tolerant and influential the ancient Persian Empire was.

Finally, in a move that might be the key to success, the process should involve the separatist leaders in order to hear their arguments and take their views on board. That is an absolute necessity if any proposal is to be acceptable by all sides.

Thus, instead of pre-eminence, exclusivity and new "ethnic ghettos" – like the one that is now being created in Kosovo – we propose universality and conformity to truly European values of tolerance, coexistence and power sharing. It is time we look beyond bureaucratic schemes and think wider, see farther and dare invent new approach-

es to addressing problems because the old approaches have brought us nowhere. And this time we should listen to Russia, not to her empty threats, but to the right intuition that stands behind them.

Remarkably, as I was preparing this piece, I came across an article by Vladislav Inozemtsev entitled, *A Uniform Approach Is Possible* (*Nezavisimaya Gazeta*, March 6, 2007– Russ. Ed.), which echoes some of the ideas presented, albeit with slightly different emphasis. "Both Brussels and Moscow are doubtful about the Kosovo precedent," the author writes. "Russia is in no hurry to use the Kosovo precedent and announce the independence of post-Soviet autonomies... It would be more reasonable to find *a common principle* [italics added – S.Z.] for solving the problem of all territories with unclear status that fall under the EU's and Russia's 'zone of responsibility'... and to postpone the final solution for 20-30 years... This would create a precedent of solving an essentially European problem within the boundaries of Greater Europe... Europe could then lay a claim to a role in the global political game, without which its political identity will remain unclear..." What the author fails to mention is that the proposal would also allow Russia to benefit in the same way by asserting its global role.

AN OUTLINE FOR A WIN-WIN SOLUTION

If all of us, that is, in Russia and among Russia's new neighbors, recognize that nobody will benefit from the present stalemate, we should also agree that we have no alternative but to actively search for new approaches.

Now that the European Union has become a Black Sea power (after Bulgaria and Romania entered the Union), and has to share an insecure maritime border with Abkhazia and its "black holes," it should also share new approaches toward the territories lying beyond its eastern borders. What we all need today is imagination, flexibility and adherence to one fundamental principle: nobody should lose from a new deal. Looking for a "win-win solution" is indeed the only answer to the dead end in which we have all found ourselves.

Both the EU and Russia will benefit by proving that they can introduce peace and stability without resorting to their favorite strate-

gies – that of enlargement (the EU) or the use of force, domination and pressure (Russia). Brussels and Moscow will then discover that they do have a real and legitimate subject for substantial dialog.

The United States will get recognition for its legitimate and stabilizing presence in the Caucasian region. However, Washington will be forced into collective negotiation and not allowed to jeopardize reached agreements by making additional requirements, or putting strains on the relationship with new projects such as antimissile shields. Instead of acting on its own, it would be obliged to seek solutions through negotiations with all actors involved.

This does not mean that NATO will be outcast from the region. Russia's renouncing its exclusivity in the region will also mean that it will have to renounce using threats to counter other countries' aspirations to join NATO – the only security organization in Europe. Both the EU and NATO could and should be involved in peacekeeping operations, together with regional forces (Russian and Ukrainian, for example).

Finally, old partnership formats that have never been really enacted (NATO-Russia Cooperation, NATO-Russia Council and ESDP-Russia) could be put into practice and given a new impetus. Such partnerships, based on the joint and equal involvement of the parties in the decision-making process, could represent a markedly new model of cooperation. This will help dispel superfluous fears about NATO's presence in the Caucasus.

This approach could also revive such ideas as a NATO-Russia-Georgia joint antiterrorist trilateral axis, or a NATO-Russia joint force in the Black Sea, or EU-Russia joint operations. The EU will then get a real chance to prove that its defense policy can be put to use to consolidate stability in territories lying in the immediate proximity to Europe.

The countries concerned with the conflicts will benefit by achieving national reconciliation before reunification, as it will open the path to full-fledged democratic and economic development.

The population of separatist ethnic regions will at last get what they have been long striving for: peace, development, guaranteed rights to survival, and preservation of their national, linguistic and

cultural identities. They will have the opportunity to enjoy their share of prosperity which they have been denied due to the exorbitant ambitions of their leaders. The separatist leaders will receive insurance of a peaceful transition of power and of their own physical – and may be even political – survival.

This might sound like a very distant goal since there are many obstacles and long negotiations on the way. Yet, we have no alternatives; this is the only way to build normal relations between newly independent states. Russia has to understand and accept that the independence of its neighbors is irreversible and cannot be a matter of bargaining.

Unless we put an end to frozen conflicts and find a solution that would be acceptable to all interested parties, there will never be normal relations between Russia and its neighbors. Georgians will always regard every Russian move as one aimed at reinforcing disruptive processes and weakening our independence and territorial integrity. Even if there is no such intention, Georgia might be tempted to invent one, in order to use fear of the enemy as an instrument of internal or external consolidation.

Finding a win-win solution to frozen conflicts is critical for normalizing Russian-Georgian bilateral relations. But it is also critical for Russia to be able to become a "normal," modern power that feels ambitious about its enhanced development and status in the world, but seeks to achieve these goals through constructive influence without the help of threats, disruptive actions and destabilization. As long as Russia's neighbors view it as a disruptive force causing mistrust, it will fail to gain real influence, attraction and respect among the Caucasian nations. Furthermore, within Russia there will be a growing feeling of isolation – a feeling of being surrounded by hostile forces – that has always afflicted the Russian mind and never put it at rest.

Modern challenges (terrorism, China's unprecedented economic growth and influence, climate change) require that we put an end to anachronistic conflicts, devote our energy to major issues and substitute disruption with cooperation.

The Paradoxes of Russia's Georgia Policy

Sergei Markedonov

Relations between Russia and Georgia are going through their worst period since the breakup of the Soviet Union. Even during the Georgian-Ossetian (1990-1992) and Georgian-Abkhazian (1992-1993) armed conflicts, Moscow did not impose an economic or transport blockade. Moreover, the information wars were far less pitched than they have been in the past two years.

The once "brotherly" republic has become the most difficult and uncooperative CIS member state with respect to Moscow. In a review of Russia's foreign policy published in March 2007, Georgia was "awarded" the most negative value amongst *all* of Russia's international partners.

PAST AND PRESENT

Many Western experts are perplexed by Moscow's perseverance to preserve its domination in this part of the post-Soviet area.

Indeed, in the early 1990s, Russia effortlessly abandoned territorial claims to Ukraine and Kazakhstan, although in the ethnocultural respect, northern and eastern Kazakhstan, or the Crimea and Donbass in Ukraine, are considerably closer to Russia than Georgia. The Kremlin's Baltic policy seemed far more passive than its policy in the Caucasus, even though Latvia and Estonia have large ethnic Russian communities.

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Moscow is involved in Central Asian political processes much less than it is in the South Caucasus. In 2001, Russia gave the go-ahead to America's penetration into the region, and today does not particularly object to its "development" by the Chinese. Although Russian-Moldovan relations also leave much to be desired, Moscow, at least in word, is ready to revise its policy of sanctions against Chisinau. Moreover, it does not rule out the involvement of other countries in the settlement of the Transdnestrian problem.

Georgia is an utterly different case. Here, Russian diplomacy is the least inclined to make concessions or compromise. The Kremlin is also striving to preserve its exclusive role in resolving "frozen conflicts" and to exclude other "honest brokers" from the process.

Russian-Georgian relations are rather paradoxical. On the one hand, there are traditional – primarily socio-cultural – ties. As is known, for over 200 years Georgia had been part of the Russian Empire. Its political class was incorporated into the Russian establishment (from the Bagrationi Dynasty to Eduard Shevardnadze). The Georgian elite (primarily Georgian generals and officers in the Russian Imperial Army) were highly instrumental in establishing Russia's domination in the Caucasus. Without such an imperial outpost as Tiflis (now Tbilisi), Russia's successful operations in the Caucasus War (1817-1864) would have been impossible; ditto for the quelling of the 1866 uprising in Abkhazia, not to mention wars against Persia (1804-1813 and 1826-1828) and the Ottoman Porta (1806-1812, 1828-1829, 1853-1856, and 1877-1878).

For almost one and a half centuries, Georgia and Georgians were associated in the minds of the North Caucasus peoples with Russian imperial policy. Even in the lead-up to the Georgian-Abkhazian armed conflict, the Confederation of Mountain Peoples of the Caucasus, in its numerous declarations, regarded the "little empire" (Georgia) as a natural ally of the "great empire" (Russia). Historically, the key role in the South Caucasus belonged to Georgia: unsurprisingly, the residence of the Russian viceroy in the Caucasus was located in Tiflis.

But on the other hand, there is a burden of mutual claims and contradictions inherited from the *perestroika* and post-Soviet period, which seems to prevail now. The April 1989 events in Tbilisi (when Transcaucasian Military District forces were used to break up a demonstration) marked a turning point for independent Georgia, becoming a catalyst in the disintegration of the Soviet Union. The acquisition of sovereignty was accompanied by a rise of anti-Russian sentiments in Georgia. Meanwhile, in the eyes of Moscow's military-political establishment in the 1990s, Eduard Shevardnadze was seen primarily as an associate of the "contemptible Gorbachev." Therefore, any actions by the Georgian leader were viewed as potentially hostile.

It would have seemed that the ouster of the former member of the Soviet Communist Party Politburo and the advent of Mikhail Saakashvili should have substantially changed relations between the two countries. But the policy pursued by the leader of the "rose revolution," designed to consolidate the Georgian lands, began with a search for an external enemy who could be blamed for the Transcaucasian republic's failure to become a viable state. With such an approach, post-Soviet Georgia's responsibility for the interethnic conflicts in South Ossetia and Abkhazia was laid at Russia's doorstep. Thus, the Georgian-Abkhazian and Georgian-Ossetian conflicts effectively turned into Russian-Georgian conflicts.

In Georgia's political establishment and expert community, the idea of "fleeing the Russian Empire" (virtually no distinction was made between pre-1917 Russia, the Soviet Union, and the Russian Federation) became the keynote of its foreign policy, as well as a precondition for its liberalization and integration into the community of "civilized states" and the "Western world." Therefore, according to ideologues of "nascent Georgian democracy," it could only emerge victorious in a confrontation with Moscow by placing a bet on full-scale cooperation with the United States, European countries and international organizations (primarily NATO). The general expectation was that the "Western choice" would bring Georgia internal stability and peace. This

position has naturally provoked a strong reaction from Moscow, which is resentful of any extra-regional players appearing in the post-Soviet era.

Today, it seems that the array of mutual charges and claims has been exhausted. The question arises: Will the entire positive experience in Russian-Georgian relations be limited to historical recollections? If politicians in both states are not being disingenuous when saying that good-neighborly relations between the two countries are in the national interests of both Russia and Georgia, where is the potential for breaking the deadlock and restoring trust?

AN OBJECTIVE APPROACH

Today, like never before, analysis of Russian-Georgian relations requires an objective approach. Objectivity is not synonymous to impartiality: it would be naXve to believe that the ethno-political problems of the Caucasus today can be studied on the basis of the "without anger and bias" principle.

First, all talk about hidden motives behind Moscow and Tbilisi's actions will remain pure speculation until researchers gain access to essential documents and archives. What were the circumstances in which the Georgian authorities made the decision to "march on Tskhinvali" in 1989, or to bring troops into Abkhazia in August 1992? What was really happening in the Pankisi Gorge in the late 1990s, and who stood behind Ruslan Gelayev's raid in the Kodori Gorge in 2001? What unidentified flying objects appeared in the zones of the frozen conflicts? Finally, who in Russia prepared and issued the orders to deport Georgians in the fall of 2006? All these questions can only be answered after the relevant archival materials have been studied. In the meantime, we will have to make do with memoirs, eyewitness accounts, sociological surveys and anthropological studies.

Second, no matter how much Russian and foreign analysts talk about their objectivity, it is unavoidable that the researchers' level of "impartiality" will be minimal. For most analysts of Caucasian affairs today, concepts such as militants,

refugees, terrorists or advocates of the national idea and religious revival are not abstract notions.

So what is an objective analysis of Russian-Georgian relations? Today, post-Soviet politics have become extremely personified. We say 'Georgia,' when we actually mean Mikhail Saakashvili. We say 'Russia,' when we are really talking about Vladimir Putin. Oftentimes, there are attempts to limit the tensions in the Caucasus (disputes between Russia and Georgia, the ongoing conflict between Armenia and Azerbaijan, the problems of the unrecognized states) by explaining them as confrontations between particular personalities, be it Putin and Saakashvili, or Ilham Aliyev and Robert Kocharyan.

Meanwhile, an in-depth analysis of the situation in the region leads to the following conclusion: even the highly influential leaders of the Caucasus countries (among them Russia, which includes seven Caucasian and four "near-Caucasian" administrative entities of the Russian Federation) have to act within the narrow corridors of opportunity. The leadership of the Caucasian administrative entities is tied hand and foot by objective circumstances, and taking these circumstances into account is essential for strategic policy planning in the Caucasus. An objective approach would help avoid both illusions and inadequate assessments concerning the prospects for the evolution of a particular ethno-political crisis.

Today, the Georgian president (whoever he might be now or in the future) cannot abandon political claims to Abkhazia or South Ossetia without putting his position at risk. Therefore, attacking Mikhail Saakashvili for excessive Russophobia is a serious over-simplification of the situation. Likewise, the assertion that Saakashvili is a "U.S. puppet" is too sweeping of a generalization and categorical. In striving to "consolidate Georgia," he is acting like a pragmatic politician. If Russia's political resources were used to attain this objective, he would become pro-Russian. But since Moscow rules out the possibility for a unilateral withdrawal from Abkhazia and South Ossetia (without fully resolving the conflicts in these trouble spots), Saakashvili opted for a strategic partnership with the United States.

The Georgian leader is not an easy partner to deal with. He is prone to populism and ethno-nationalism. Yet, one cannot ignore the fact that he enjoys considerable popularity in his country (this is even acknowledged by his opponents in Georgia). Nor can one disregard the consensus on Abkhazia and South Ossetia that has evolved within Georgia's political and expert community. Today, the president is being criticized for his antidemocratic and populist policies (voiced by the Republican Party and the New Right Forces of Georgia), for shortfalls in Georgia's social policy and extreme "Westernism" (voiced by the Labor Party, led by Shalva Natelashvili), and his insufficient stance in dealing with Russia and the CIS (voiced by the Republican Party). At the same time, all of these parties completely support the president's approach toward Abkhazia and South Ossetia. Even Igor Giorgadze, former security minister and now leader of the Justice party (who is seen in Georgia as a Russian spy), in his policy speeches, says that Abkhazia and South Ossetia are inalienable parts of a single Georgia.

Not even Eduard Shevardnadze was ready to give up Abkhazia, although the former first secretary of the Central Committee of Georgia's Communist Party was linked to Russia (both formally and informally) much closer than his successor is now. It was on Shevardnadze's watch, in 1994, that Georgia joined the CIS, acceded to the Collective Security Treaty, gave the go-ahead to a peacekeeping operation in Abkhazia, and started demonstrating a pro-Russia mood. In 1993, the former Transcaucasian Military District Force was reorganized as the Group of Russian Forces in the Transcaucasia. A year later, Moscow and Tbilisi signed a treaty on military cooperation, and then the Group of Russian Border Forces in Georgia was created. During the first half of the 1990s, the Russian military bases in Georgia became a target of critical attacks by the opposition, but not by Tbilisi.

Shevardnadze hoped to regain control of Abkhazia with Russian assistance, but to no avail. The short-term resumption of the Georgian-Abkhazian conflict in 1998 pushed Georgia toward the United States, but Shevardnadze could not be

blamed for that. Any Georgian leader in his place would have done the same or almost the same.

THE SOUTH CAUCASUS AND THE SECURITY OF THE NORTH CAUCASUS

The Russian position is also clear-cut. Russia's interests in Abkhazia were formulated by Boris Yeltsin, who at first was not ready to support Abkhazian leader Vladislav Ardzinba. Shevardnadze, Yeltsin's former colleague at the Soviet Communist Party Central Committee, was closer to him in many respects, but objective circumstances compelled him to distance himself from the "White Fox."

Those circumstances included the Adyg-speaking parts of Russia (Kabardino-Balkaria, Karachay-Cherkessia, Adygeya, and the Krasnodar Territory). These are regions with complex histories and a long list of complaints against Russia — from the Caucasus War and the resettlement of Abkhazians to Turkey after the Russo-Turkish War of 1877-878, to cultural assimilation. Had Russia just "ditched" Abkhazia, Russia's "internal Abkhazia" could have caused serious problems. Against the backdrop of Chechnya and Dagestan, such a move would have been dangerous to Russia's internal security.

A similar situation is developing in South Ossetia, as distinct from Adzharia, another breakaway region in Georgia (Russia has no ethnic or cultural links with the Adzharians, thus, the striking contrast between Moscow's reaction to two events in 2004: the ouster of Adzharian leader Aslan Abashidze and an attempt by Georgia to lay a siege on Tskhinvali). Tbilisi continues to dramatize the problem of Georgian (or rather, Megrelian) refugees from Abkhazia, but keeps silent about the exodus of Ossetians from Georgia in the early 1990s. In pre-war Georgia, about 100,000 Ossetians lived outside South Ossetia, whereas in the former South Ossetian Autonomous District they numbered 63,200 (according to 1989 statistics). Ossetians were the fifth largest ethnic community in the Georgian Soviet Socialist Republic, after Georgians, Armenians, Russians, and Azerbaijanis, while their overall number

exceeded the number of Abkhazians who lived in concentrated settlements (according to the 1989 nationwide poll, there were 93,000 Abkhazians). Before the 1990-1992 hostilities, Ossetians lived mainly in Tbilisi (33,318), Tskhinvali (31,537), Gori (8,222), and Rustavi (5,613).

Today, there are about 30,000 Ossetians in Georgia. It is very difficult to make judgments about their real situation since no monitoring has been conducted for the past few years. However, there is no reason to trust Tbilisi's statements that the rights and freedoms of Georgia's ethnic Ossetians are fully guaranteed. Meanwhile, almost all refugees from Georgia's inland regions (including South Ossetian residents) have settled down in North Ossetia, which is a part of Russia (including in the Prigorodny District, which is being claimed by neighboring Ingushetia). This category of North Ossetia's population became the susceptible to the nationalist rhetoric of North Ossetian political leaders in the early 1990s.

During the Ossetian-Ingush conflict of 1992 (the first armed conflict on Russian soil), residents of Georgia's inland regions and South Ossetia played a rather active role. This accounts for the strong reaction from Russian leaders whenever there are any indiscrete actions or militarist rhetoric coming out of Tbilisi (for example, the statement by former Defense Minister Irakly Okruashvili about 'celebrating the New Year in Tskhinvali'). New waves of refugees to North Ossetia would only serve to worsen Ossetian-Ingush relations.

The majority of ethno-political problems in the south of Russia are closely linked to conflicts in the former Soviet Transcaucasian republics. This refers not only to open but also latent conflicts. The forcible ouster of Kvareli Avars from Georgia in the early 1990s created trouble spots in the north of Dagestan. The Avars, who were moving to the Kizlyar and Tarum areas of Dagestan, came into conflict with ethnic Russians and Nogays, which caused a substantial outflow of Russians from northern parts of Dagestan. The settlement of the "Chechen issue" is to a considerable degree contingent on the settlement of the situation in Georgia's

Akhmeta District (Pankisi Gorge). Therefore, security in Russia's Caucasus is impossible without stability in Georgia.

Russia can be criticized for supporting Abkhazian separatism, but the pro-Russian mood of the overwhelming majority of the Abkhazian community (as well as of Abkhazia's other ethnic communities – Armenians, Russians) and their reluctance to see anyone but Russian troops as a peacekeeper is a fact that cannot be ignored. Unsurprisingly, there are simply no pro-Georgian politicians in Abkhazia – this, given that the Abkhazian "government-in-exile" is led by ethnic Georgians. The situation in South Ossetia is somewhat different. There are pro-Georgian politicians there (e.g., Dmitry Sanakoyev and Uruzmag Karkusov), while both Sanakoyev (the current "alternative" president of South Ossetia) and Karkusov fought against the Georgians in the 1990-92 conflict.

Whereas Tbilisi is ready to negotiate the high status for Abkhazia as part of Georgia (although the Abkhazian authorities today are striving for full independence), its position with respect to South Ossetia is different. Presently, officials in Tbilisi use the term "Tskhinvali District" in reference to the area, and refuse to revoke a decree, dating back to the days of Zviad Gamsakhurdia, on the abolition of the South Ossetian autonomy (1990). In effect, they still adhere to the formula devised by Gamsakhurdia himself: "there are Ossetians in Georgia, but there is no Ossetia."

This explains the popularity of Eduard Kokoity, the leader of the de-facto state of South Ossetia. Ethnic minorities in Georgia are interested in the Russian presence in Georgia and regard Russian peacekeepers as a guarantee of their security. And whereas the withdrawal of Russian troops from Georgia is a foregone conclusion, it is premature to push for the pullout of peacekeepers from South Ossetia or Abkhazia. Especially considering that they ensured the repatriation of about 60,000 Georgian (Mingrelian) refugees to Abkhazia, and also prevented further Georgian-Abkhazian conflicts – in the spring and summer of 1998, the fall of 2001 and the winter and summer of 2006.

As for Russian operations in South Ossetia, in the early 1990s they helped protect Georgian villages there.

The overriding priority for Moscow today is not to acquire new territories. Russia has to show to the Georgian elite, as well as to the international community, that rejection of Russian peacekeepers is bound to revive conflicts, jeopardizing the security of Russia's North Caucasus – consider the events around Tskhinvali in 2004-05 and the Kodori Gorge in 2006. But the build-up of Georgian military might and militarist rhetoric with respect to South Ossetia and Abkhazia can destabilize Russia's border regions, which would be more than just a "loss of face" to Russia.

So, improvement in Russian-Georgian relations can only be expected in areas that are not directly connected with South Ossetia or Abkhazia. For Georgia to leave Abkhazia or South Ossetia means to admit the failure of the "Georgian independence" project, which started in April 1989. To Russia, that would mean further destabilization in the North Caucasus. But what are the alternatives for ending the stalemate?

Today, Russia and Georgia have different views on the causes and character of these interethnic conflicts. Tbilisi and Moscow differently assess the "Westernization" of the South Caucasus and the post-Soviet area as a whole. In Georgia's estimation, European and North Atlantic integration is a criterion of civilization and democracy; for Russia, it is an encroachment on her special interests. The two also disagree on Russia's military-political presence in the Caucasus. Whereas to Moscow, it is primarily an issue of security in the North Caucasus, to Tbilisi, it is imperial ambitions and the threat of annexation.

IN SEARCH OF A NEW "MENU"

The list of contradictions, claims and counterclaims made by the two countries could be continued ad infinitum. Unfortunately, it is far more difficult to "inventory" possible areas of rapprochement and harmonization of interests. Meanwhile, such areas do exist, as Moscow and Tbilisi have stated repeatedly. It is another matter that such areas of overlapping interests have not been systematized. Experts from both countries have not taken it upon themselves to prepare a new "menu" of Russian-Georgian relations.

There is some experience along these lines in Eurasia. In the early 1990s, Russian-Azerbaijani relations dramatically plummeted. Bilateral relations were plagued by the problem of Nagorno-Karabakh, which Azerbaijan lost in 1994. But by excluding the autonomous area from the Russian-Azerbaijani agenda and concentrating on other issues, which earlier had seemed secondary (cross-border cooperation, the problem of "divided people," cooperation in the Caspian, economic relations, and the fight against Islamic radicalism), the two countries brought their positions considerably closer to each other. The fruit of the efforts were quickly forthcoming: two official visits by the Russian president to Azerbaijan, a deal with Baku on the future of the Gabala radar in Azerbaijan, active cooperation between the countries' business elites, and the recognition of Moscow's role as mediator in the Armenian-Azerbaijani dispute.

Incidentally, the statement about the need to deploy peacekeepers (quite possibly from Russia) in the zone of the Nagorno-Karabakh conflict was first proposed not by Yerevan but by Baku. During his first visit to Azerbaijan, in 2001, Russian President Vladimir Putin visited the burial site of Baku residents who were killed in a police operation in January 1990, which was perceived as a positive signal. Unfortunately, later, during a breakdown in energy negotiations between Russia and Azerbaijan in late 2006, critically referred to as a "gas attack," practically wiped out the achievements that Moscow had made in its relations with Baku in the previous six years.

Constructive development of Russian-Georgian relations today requires a similar "Azerbaijanization."

First, the Ossetian and Abkhazian issues should be excluded from the political "menu." They should be transferred from the category of propaganda provocations to the pile of diplomatic problems.

Second, emphasis should be placed on tackling problems affecting the national security of both countries, primarily the joint protection of the Chechen, Ingush, and Dagestan sections of the state border. Incidentally, the U.S. administration no longer pro-

vides Georgia effective assistance in guarding its borders. Russia could assume this responsibility, also enlisting the support of the international community and clearing itself of charges of pursuing an anti-Georgia policy.

The security of areas bordering Georgia is a key to stability in Russia's North Caucasus, especially considering that politicians and experts in Tbilisi still shudder at the memory of "free Ichkeria," with many Georgian officials stating off the record that the "self-determination of the North Caucasus" would be a nightmare for their country. Georgia needs Russia as a strong and viable state, capable of effectively controlling its southern borders. Further destabilization of Dagestan will not be limited to a "Pankisi scenario" for Georgia. In the event of a full-scale crisis in this Russian republic, Georgian territory will quickly become a place of missionary activity by the Salafis (Wahhabis), already fraught with a rise in sectarian problems and interethnic conflicts.

The next important step in improving our relations should be revisiting the idea of creating joint anti-terrorist centers. Nino Burdzhanadze, Gela Bezhuashvili and many other high-ranking state and government officials in Tbilisi put forward this idea. Russia could thus preserve, in some form or other, its military-political presence in the region and also help Georgia create effective anti-terrorism forces. Today, Tbilisi would probably make this plan contingent on a number of conditions. However, it must be said that this idea was much closer to its practical implementation in 2004 than it is now – at least there was no "Abkhazian" or "Ossetian" linkage then.

Finally, our two countries cannot ignore the subject of economics; Kakha Bendukidze (economy minister) and Salome Zurabishvili (former foreign minister who is now in opposition to the Georgian presidential team) drove home this point. Privatization of Georgian enterprises by Russian business would be a sure guarantee of Georgia's successful development without any confrontation with Russia. The United States and the EU consider the South Caucasus a high-risk region, whereas Russian business, supported by the Russian and Georgian states, could also be

useful in expediting Georgia's economic recovery and economic diversification.

To jumpstart the deadlocked relations, it is essential to abandon the phantoms and delusions that have affected the minds of politicians and diplomats on either side of the Caucasus Ridge.

It is time Moscow realized that economic blockades and "wine wars" can only strengthen Mikhail Saakashvili's regime. Meanwhile, internal discontent with his populist policies and authoritarian methods recedes in the face of the looming threat from the north, which strengthens national solidarity. The fear of the Russian Federation unites people with different political views around the Georgian president.

If the Kremlin has a problem with Saakashvili and identifies Georgia's policy with him, betting on such politicians as Igor Giorgadze is not a very good way of forcing a regime change. It seems that the experience with Raul Khadzhimba (Russia's protege at the presidential elections in Abkhazia in 2004) has taught it nothing; betting on "reliable people" only because they belong to the "intelligence community" does not seem to work. Giorgadze – unlike Salome Zurabishvili, a strong opposition figure, or Kakha Bendukidze, who is slightly critical (in particular, on the issue of Georgia's CIS membership) – does not enjoy much support in Georgia and is rather reminiscent of an ordinary political émigré. Today, Russia needs "reliable Georgians" – not at well-guarded facilities near Moscow – but in Tbilisi.

At the same time, Georgia's hopes for Western assistance seem naïve at best. To the Americans, the Caucasus is important primarily as an element in their complex geopolitical schemes (Iran, the Middle East). To the United States, which is seeking political domination in the Middle East, the reopening of ethnic conflicts is something it would obviously want to avoid. Washington, which is becoming bogged down in Iraq and Afghanistan, as well as in the standoff with Iran, will not want to get involved in some war for "great Georgia."

Europe, with its "policy of good-neighborliness," also has a different agenda. The EU is interested in building bridges to

hydrocarbon-rich parts of the Caspian and Central Asia, while the Caucasus is a transit territory whose stability is crucial for these plans. Resolving ethnic conflicts and spreading the European system of values is the EU's priority in the Caucasus.

But when the EU takes stock of the situation in the Caucasus from a political perspective, factoring in the problem of unrecognized states, it will see the possible implications – e.g., Tbilisi's military revenge in South Ossetia and Abkhazia, accompanied by a surge in xenophobia and military hysteria, casualties, and a flow of refugees. After the trouble it had in the former Yugoslavia, the EU will hardly want to take responsibility for resolving the problem of Georgia's territorial integrity. Especially considering that in the foreseeable future, the EU will have too much on its plate to get involved in external problems. Furthermore, judging from its experience in Yugoslavia, the EU is more likely to recognize new states than fight for somebody else's territorial integrity.

Thus, U.S. and EU presence in the South Caucasus, so desired by Tbilisi, would only complicate rather than facilitate the "consolidation of Georgian lands." Moreover, Moscow's position will continue to toughen as Georgia moves toward NATO. Attempts to bypass Russia by way of the Western flank will be to no avail. Therefore, there are no alternatives but to identify those "points of convergence" between Moscow and Tbilisi.

Comment

The power vertical Soviet style.
Smekhach magazine, 1923

Soviet bureaucracy was confined to a non-cash command economy: there were few financial incentives but significant perks (however modest by present standards). By contrast, Russian bureaucracy today is sponging off the privatized/over-monopolized economy with its astronomical profits.

Bureaucracy on the Rise

Alexei Arbatov

In the Soviet era, major statements by state leaders instantly became a subject of tedious Party and trade union meetings, with the servile "endorse and support" reaction. Compare this to modern Russia. Just a couple days after President Vladimir Putin's news conference on February 1, the media and public quickly switched their attention to other events. This fact points to the great changes that have occurred in Russia's political system, but personally I wish the president's replies to the reporters' questions had been more thoroughly discussed. Considering that most of the answers were extempore, they better revealed the leadership's political approaches as opposed to carefully vetted official speeches. Putin's statements provided much food for thought on various aspects of the country's domestic and foreign policy.

As for his general form, Vladimir Putin should be given his due. He demonstrated a good knowledge of various pressing problems, quick response, and a sense of humor — characteristics that would be envied by any one of the current G8 leaders. Putin's position on many of the issues that were raised was quite convincing. His comments fully conformed with PC standards, specifically on issues such as Operation Successor, energy security, market-based relations with neighboring states, the formation of a Union state with Belarus, NATO expansion, Iran's nuclear pro-

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gram, deployment of U.S. missile-defense installations in Poland and the Czech Republic, etc.

It is another matter, however, how the state machine – with its "vertical chain of command" – implements such pragmatic considerations and approaches. Today, a poorly controlled conglomerate of agencies has merged with big business clans in order to develop their own financial/bureaucratic interests. As Putin said sarcastically, "The depths of the government are as deep as the oil and gas reserves of the Russian Federation, and it is certainly true that things sometimes vanish there."

Indeed, strong legislative or judiciary branches, local government, independent media or public organizations do not counterbalance the mammoth bureaucracy on the federal level. Bureaucracy, which in the Soviet Union was at least to some extent controlled by the Party apparatus, in modern Russia has become a self-sufficient force in its own right. It easily and imperceptibly substitutes its own objectives and interests for national objectives and interests.

Putin can with the stroke of a pen fire any government official or the Cabinet as a whole, dissolve the State Duma or a local legislature, or put the squeeze on an oligarch. However, the president is powerless to get rid of a whole class of the Russian post-Communist nomenklatura, or compel them to act contrary to their corporate interests. Meanwhile, other state and civil society institutions, which could give the head of state more room to maneuver, have been seriously weakened in the past few years both on the legislative and political level. They now find themselves in a rather dependent position.

This is Russia's fundamental national problem today, and it creates serious difficulties for the country's development, preventing effective resolution of many other outstanding problems.

Consider, for example, the definition of 'national development priorities.' In real market economies and democracies (as opposed to "sovereign democracies"), mainstream political parties with their think tanks and media outlets formulate national objectives. Subject to electoral approval, their programs enable these parties to

win representation and control the bureaucratic apparatus. Of course, this system is not fault-free: it is enough to consider the problems that now confront the United States, for example. However, it provides good feedback about policy failures, thereby helping to correct mistakes without destructive consequences.

In Russia, however, the opposite type of system prevails: top bureaucratic structures create political "parties of power" and use their administrative resources to ensure them the majority in legislatures on all levels across the country, while executive officials – both on the federal and local level – jump on their bandwagon. Needless to say, such parties do not have independent political programs or a chance to control the executive. On the contrary, bureaucracy uses these "parties of power" to control the legislative branch. These parties cannot represent the interests of society as a whole. Even if some competent and honest deputies wish to act otherwise, the system is so organized that the wellbeing of the "parties of power" depends not on the electorate but on federal or local authorities. Therefore, their positions change in accordance with the positions of the executive (consider the citizenship law, and the infamous Law 122, which replaces healthcare, transportation and other benefits for low-income groups with cash payments).

Of course, any party is free to call itself anything it likes – social democratic, liberal, national patriotic, whatever it sees fit. But its real identity and role in the country's political discourse is defined not by the ruling establishment but by the electorate, whose interests it represents and defends – if need be – against the establishment. In this respect, the president's reply to the question about the status and differences between United Russia and Just Russia was not very convincing: as a matter of fact, he was obviously ill at ease at handling that question.

The contrived two-party system looks good, is loyal to the establishment, but utterly dysfunctional. It creates the illusion of broad representation, stability and cooperation between the different branches of government, but is in reality divorced from socio-political life. As a result, public dissatisfaction, fueled by endemic cor-

ruption, crime and ethnic problems, vents itself through spontaneous street protests, which immediately become an object of manipulation by political extremists. Meanwhile, the ruling establishment plays on the public's mood in a bid to win over this "electoral resource" to its side. Apart from a handful of large parties vying for a "pro-presidential" status, other parties have either been pushed out of parliament by restrictive electoral laws and administrative regulations, or call upon society to move "back to the Soviet future," or even "farther back to the imperialist Great Russia's future."

Thus, in practice, Russia's national priorities are formulated as an aggregate of bureaucratic interests at all levels – from the federal to the local. The president inadvertently confirmed this when he described the decision-making procedure for a priority national project: "While we were drafting the demographic program, we held 15 or so meetings," he said. "Almost all positions were harmonized, but there were a few loose ends to be tied up, and then they said to me: 'We cannot come to terms on these three issues. We've got to see you.' I so said, 'Okay, let's have another meeting.'"

Meanwhile, experience shows that whatever compromise solutions may be reached between different state and government agencies, they are at best a common denominator for bureaucratic interests and have nothing in common with the real needs of society. Thus, "harmonization" as such rejects all innovative, progressive ideas that may be crucial for resolving the country's pressing problems, but fail to respond to the interests of narrow-minded departmental, bureaucratic interests.

History shows that bureaucracy has never produced any breakthroughs or original solutions. The only exceptions may be found perhaps in the realm of foreign policy due to the specifics of this sphere. Otherwise, innovative ideas have always been forwarded by "outsiders" – political pundits, independent experts, public figures, etc., and successfully pursued only when such people were granted broad executive powers, always working hard to overcome bureaucratic resistance.

For example, who would object to the four great national priority projects that were entrusted to First Deputy Prime Minister

Dmitry Medvedev (healthcare, education, housing and agriculture)? But what was the underlying principle in defining the volumes of funding that would be required and the mechanism of the projects' implementation on the departmental and local levels? In theory, these and other related functions should be performed by the legislative branch, public organizations and, if necessary, the judiciary. But in reality, from every indication, their role is close to zero. The same applies to Russia's three national priorities that Medvedev formulated at Davos: economic diversification, a modern economic infrastructure, and investment in human capital. This is a fine concept, but it is not reflected in the 2007 federal budget or in the three-year budget plan. The main big-ticket items for government spending remain national defense and internal security.

The term "executive branch of government" presupposes the execution or implementation of decisions and programs adopted by other branches, but not the formulation of national priorities. If the executive office is bloated beyond all reason, suppressing everything around it, then the top political leadership becomes hostage, not the master of events. Only the ruthless terror, typical of a Stalin or Hitler type of regime, can keep such bureaucracy in check. But then the entire country becomes hostage to the arbitrary rule of a single individual and his timeserving, bootlicking favorites, which can eventually lead to a national catastrophe.

This scourge provoked many of Russia's most outstanding and pressing problems. This includes a one-sided economy that remains dependent on the export of raw materials. Meanwhile, society struggles against social stratification, high crime, ongoing terrorism in the North Caucasus, demographic decline, and ethnic conflicts. There are also critical problems involving the housing and utilities sector, the educational system, technological backwardness, stagnation of the defense industry, and so on. All of this is exacerbated by massive corruption. This problem has almost become a way of life, which erodes society and the state, and distorts and perverts good laws, projects and initiatives.

Deep-rooted, pervasive corruption is an inherent element of the prevailing system. It is a byproduct of an immature market

economy (furthermore, one that is awash in petrodollars) and an over-centralized model of power.

Soviet bureaucracy was confined to a non-cash command economy: there were few financial incentives but significant perks (however modest by present standards). By contrast, Russian bureaucracy today is sponging off the privatized/over-monopolized economy with its astronomical profits.

With no checks and balances, modern bureaucracy is bursting at the seams, consolidating its hold on society and expanding its turf by churning out convoluted laws and regulations, thus making the life of all other citizens — from oligarch to pensioner — simply unbearable. However, any and all difficulties can be smoothly negotiated with the help of bribes, kickoffs, payoffs, etc.

Thus power at all levels is converted into money, while money plus corporate loyalty is converted into even more power, and so on. Institutionalizing harsher punishments, or increasing the number of supervisory, oversight and controlling agencies, cannot defeat this system. Worse, these agencies, including the law enforcement and judiciary bodies, are in their turn also affected by corruption. Therefore, they are unable to fight corruption or crime on their own.

Putin's comments about the need to strengthen the administrative structure, the continuity of power, and the fight against corruption (remember his much touted concept of "separating power from business") gave the listener the feeling that too much was left unsaid.

First, what exactly is meant by the need for more intense "consolidation of power" (during his February 1 news conference, the president referred to such a need on three occasions)? If this is about stopping the fight between different clans within the presidential staff and the Cabinet, which indeed may be intensifying as the next presidential election draws near, then "consolidation" is indeed necessary. But this objective can only be attained when a new party comes to power as a result of electoral victory with an action program and a team to replace at least the top 100 positions. Then the executive works more or less efficiently and effectively as

a single unit, especially if it is consolidated by pressure from the independent legislative branch, strong opposition and free media.

In any country, there are contradictions between different groups in administrative structures, but this struggle does not affect fundamental issues of development or even statehood. If the executive is formed on the basis of compromise between different interest groups within the state-monopoly elite, fierce struggles between bureaucratic clans are inevitable. This is especially the case when very big money is at stake and lobby groups do not petition their demands before a weak and servile parliament, but appear before the government ministries and agencies where decisions are made.

But could more intensive "consolidation" mean the further subjugation of all branches of government to the executive, not excluding the system of Siamese-twin parties of power? This is inconceivable. This behemoth could possibly slip out of control, thus leading to serious upheavals. The main objective today is not to strengthen the "vertical chain of command," but to establish effective control over it, making it more governable, and restoring feedback mechanisms between society and the state. Administrative reshuffles, personnel changes, or "public assemblies" established from above (e.g., the State Council or the Public Council) can achieve these objectives no more than Baron Munchhausen was able to lift himself out of a swamp by pulling himself up by his own hair.

There is only one way of solving the problem within an open market economy and a non-totalitarian political system; it was not devised by Russia nor is there any need to reinvent the wheel (through "sovereign democracy," for example). It involves the reasonable and balanced separation of powers with an independent judiciary, arbitration and electoral commissions; fair elections, ensuring that legislative institutions, despite their constitutionally limited powers, adequately reflect public interests and check and control bureaucracy; regular replacement of all top state and government officials without exception; and free media and law-abiding public organizations (NGOs).

Needless to say, we are living in a world that is far from ideal. Moreover, we are not starting from scratch, but with the hard legacy of the 1990s, as well as the upheavals of the preceding decades of Soviet power – not to mention the legacy of our more distant past. So the development and expansion of civil and political institutions cannot be allowed to drift; there can be no freewheeling here, which may threaten social stability. This process should be gradual and based on a steady improvement in living standards, acceptance of the norms of political tolerance, responsibility and respect for law and human dignity. The vector of social development, however, is of crucial importance here. Thus, the thesis about a "further consolidation of power" raises more questions than answers.

All of the above is also crucial for curbing corruption. Media campaigns, new oversight agencies and tougher penalties (something that the president spoke about at his news conference on February 1) alone cannot do this. The reason: the dominance and omnipotence of state monopoly in the economic and political system.

The cure involves economic diversification and a transition from a one-sided model, which is based on the export of raw materials, to an innovative path of development. Only through such a change can Russia assume a stable position in the world, independent from oil and gas prices – a position as an equal among the great powers and centers of force. Administrative reshuffles and personnel changes alone cannot turn around the economy. Nor can the military-industrial complex, which is oriented not toward the end user in a free market economy, but toward state orders and the overpoliticized system of the international arms trade.

A real reform of the Russian economy is impossible without reforming legislation, specifically establishing clear and immutable property rights which, in turn, can only be guaranteed by a clear separation of powers, an independent judiciary, arbitration rules, and effective law enforcement; transparent and well-defined relations between power and business, including antitrust law; modern and transparent banking, insurance, and mortgage infrastructure (rightly defined as a national priority); and viable civil organizations protecting the interests of employers, employees, and consumers alike.

Without the creation of these basic needs, it will be impossible to attract major domestic or foreign investment into the high-tech sectors of the economy, which is key to long-term economic growth. Furthermore, state direct investment, which is something in demand by the Communists, will be partly appropriated and partly used to build giant enterprises producing expensive, yet low-quality and uncompetitive goods. The export of raw materials, in cooperation with the banking sector, will remain the engine of the Russian economy for some time. However, an energy superpower is a lot like "hot ice": they are unknown in history, and it is highly doubtful that one will exist in the future. What does exist, however, are raw-material appendages to industrial and technological powers and coalitions such as the United States, the EU, and Japan, as well as China, India, and Brazil, the ASEAN countries, and East Asia's 'little tigers.' None of these countries built their power on the export of raw materials, nor should we hold out hope for a "unique Russian path."

While taking rightful pride in the economic upturn of the past few years, we must not forget that Russia's GDP is thus far only double the budget of the U.S. military (whereas Russia's own defense budget is 25 times less than that of the U.S.). At the same time, doubling Russian GDP – the ambitious task set by the president – must not come at just any price. If this is achieved by further bloating the raw materials sectors of the economy, the consequences will only be comparable to those of the 1970s-1980s, when the Soviet economy, saddled with an unbearable military burden, collapsed under its own weight.

Unsurprisingly, the president noted with regret that the positive changes in the real sector of the economy "are far more modest" (a growth rate of about 4 percent a year). Meanwhile, only those high-tech sectors, including small- and medium-sized businesses, can ensure effective employment, close the gap between the rich and poor, drive technological advancement, ensure modern and credible defense, stimulate the export of high value added products, and free Russia from the bondage of world commodity prices.

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