RUSSIA in GLOBAL AFFAIRS

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Elections and Changes

Fyodor Lukyanov, Editor-in-Chief

Russia has officially entered the hectic election period, and despite the political stability that has been reached in the country, the political campaign season has not become a routine matter. Thus, President Vladimir Putin is demonstrating a creative approach to the challenge and refuses to let the political elite relax.

Few individuals will dare give detailed forecasts about further developments in the country; yet, this does not seem to be crucial since the main principles of Russia's political model will not noticeably change. Thus, contributors **Svetlana Babayeva** and **Georgy Bovt** discuss what exactly the participants in the election campaign in Russia should be thinking about — not so much about forms and rates of the country's development, as the fundamental goals of this development.

Western commentators are racking their brains about whether or not the present chill in Russia-West relations has any relation to the election campaign. The standard conclusion is that the Kremlin's tough foreign-policy rhetoric is a product for internal use only. Once the elections are over, the rhetoric will change.

Of course, one may invent whatever conclusions one likes, since power in Russia is far from being transparent. Yet, it would be an oversimplification to explain changes in Moscow's approaches to international affairs by the political situation inside the country. The outgoing year was marked by an advance in Russia's understanding of the present world order and the role this country plays in it.

An article by Foreign Minister **Sergei Lavrov** is perhaps the first detailed exposition of Russia's approaches to acute problems and, moreover, the philosophy of Russia's foreign policy. The head of the Russian State Duma's International Affairs Committee, **Konstantin Kosachev**, analyzes the underlying reasons for the lack of understanding between Russia and the West. Also in this issue, **Sergei Karaganov** provides an analysis of the state of Russia-West relations. He warns about the coming of a "New Epoch of Confrontation" brought about by the restoration of Russia's positions in the world and by the weakening of the "traditional West."

Ivan Krastev argues that the present differences between Russia and the West derive from the essence of 'sovereign democracy,' a concept that may well be described as the official ideology of Russia. In his view, Russia's approaches are rooted in the European tradition which, however, is opposite to the one that is dominant in the European Union today. This view is challenged by **Leonid Polyakov**, who interprets Krastev's arguments as a desire to substantiate a breach between Russia and the EU. **Hiski Haukkala** urges Russia and the EU to come to the realization that in our 21st-century world neither side will be able to become a global leader on their own. This is why they should open a new page in their relations and focus on integration projects, above all in the field of energy. This is the main idea of the articles by **Vlad Ivanenko** and **Vladimir Milov**. **Vladimir Feygin** and **Vladimir Revenkov** share their views concerning the idea of a "gas OPEC" which is causing apprehension among European clients of Russia's fuel/energy sector.

On a different note, **Olga Butorina** writes about the difficulties the EU faces due to its enlargement. Has this organization become too heterogeneous? Russian veteran diplomat **Yuri Dubinin** recalls the repercussions of Charles de Gaulle's slogan about a "Europe from the Atlantic to the Urals" in Nikita Khrushchev's Russia.

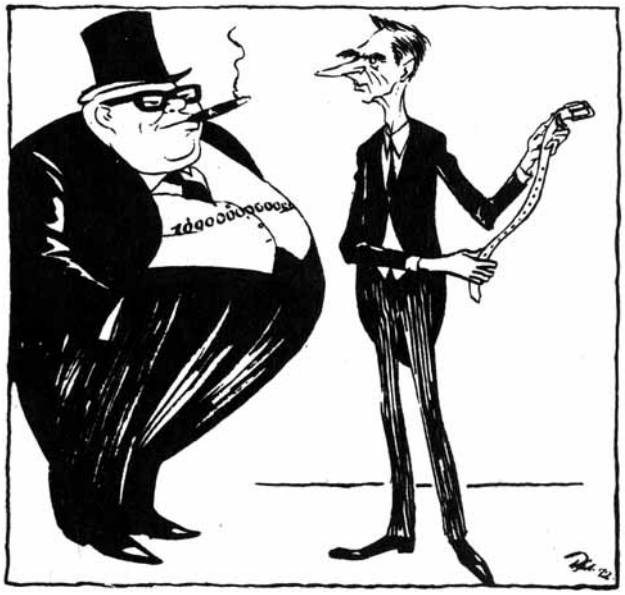
Igor Zevelyov and **Mikhail Troitsky** analyze Russian-U.S. relations through the prism of Washington's views of Russia and China. **Alek Epstein** in his article comes to a discouraging conclusion concerning the development of relations between Russia and Israel. Ten years ago, these relations seemed to hold promise, but the two countries have not made much progress in their bilateral ties since then.

The Chairman of the National Assembly of Armenia, **Tigran Torosyan**, offers an interesting view on a key problem of modern politics, namely the future of 'unrecognized states' and the relation between various principles of international law.

Finally, our Personage section provides an interview with a veteran of world politics, **Hans Blix**, the former Director General of the International Atomic Energy Agency and the head of a UN inspection commission that was tasked to verify whether Saddam's Iraq possessed weapons of mass destruction.

Our next issue will continue with discussions on European affairs; it will also focus on issues involving Central Asia, the Korean settlement, and many other subjects.

Sources of Alienation



Herluf Bidstrup, 1972

“History has pushed Russia into the center of a new competitive struggle between the liberal-democratic and authoritarian models of capitalism. Russia is a key state from the point of view of competition between political and socio-economic models, and is, moreover, capable of tipping the military-political balance in the world.”

Containing Russia: Back to the Future?

Sergei Lavrov

Influential political forces on both sides of the Atlantic apparently want to launch a discussion about whether or not to "contain Russia." Judging by the facts, this reflects real sentiments and political strategies. At this time, I would like to make my personal contribution to this discussion.

The very issue of Russia's "containment" appeals to instincts of the past. It not so much attests to the lack of imagination, but rather that for some individuals almost nothing has changed since the end of the Cold War. These people propose imposing the structure of international relations which took shape long ago in the Western alliance, to the present moment. The motives that dictated this policy of containment are making themselves felt at this new historical stage, as well.

WHAT KIND OF RUSSIA SHOULD BE CONTAINED?

What can be the goal of "containing Russia" today? A Russia that has renounced an ideology of imperial and other "great plans" in favor of pragmatism and common sense. How can a nation, which has placed emphasis on its domestic development and is now progressing remarkably well, be contained? Russia's consolidation

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Sergei Lavrov is Foreign Minister of the Russian Federation; member of the Editorial Board of *Russia in Global Affairs*. Originally, the article was intended for publication in *Foreign Affairs*, but it was never published there as the U.S. journal set editing requirements that the author found unacceptable.

through creative work has naturally been translated into the strengthening of its international positions. Russia's foreign policy is nothing more than the continuation of its domestic policy. We have realistic and understandable aspirations, namely: the maintenance of international stability as a major condition for our further development together with the natural evolution of international relations with the goal of achieving freedom and democracy.

If we analyze the ideological inertia that has led the United States to "transforming diplomacy," it will become evident that there is a wide gap between the foreign-policy aspirations of Washington and Moscow. One should assume that it is here that the problem lies, at least the larger part of it. Russia has extensive experience with revolutions – the entire 20th century. Actually, the past century was a kind of purgatory for European civilization, which overcame the evil by exorcizing its ideological "demons" – various kinds of extremist products from European liberal thought. This is why Russia refuses to subscribe to any ideological project; more importantly, it will not borrow such concepts from abroad.

It has become fashionable among certain circles to criticize the Westphalian system, which placed value differences beyond the scope of interstate relations. In this regard, the Cold War was regression. Do we really need to continue going down this same path, which can only lead us to confrontation?

Ideology, when confused with practical politics, clouds one's vision and mind. Zbigniew Brzezinski, who says that the United States provoked the entrance of Soviet troops into Afghanistan, provides a good example on this count. However, if Brzezinski is correct, this means that the U.S. had a hand in the creation of al-Qaeda to a much greater degree than is generally believed. Enthusiasm inspired by ideology brings to life the law of undesirable consequences.

What is the meaning of containing a country that is content with what it already has? It only wants to engage in trade, a field practiced – and with much success – by an overwhelming majority of our partners for centuries. By implementing our natural competitive advantages, we increase investment in human

resources, as well as our ability for steering the economy onto a path of innovative development. Today, Russia's economy is acquiring normal standards: its growth is largely based on domestic consumer demand. We also entertain the emergence of global corporations in new economies, which issue competitive challenges to "old" multinational corporations. We intend to continue integrating into the global economy on generally accepted terms, while adapting our legislation accordingly.

Unlike the Soviet Union, Russia is an open country that has no intention of closing itself off from anyone. Therefore, there is no need to "open" us. It is not we who are building walls today, both physical (between and inside countries) and political. We oppose artificial barriers in international relations and support the removal of visa barriers, including in relations with the European Union. What other action could provide a more reliable guarantee against the unpredictable development of one or another country?

Russia concedes to the generally held belief that democracy and the market must make up the basis of the socio-political system and economic life. There is no doubt that we are at the beginning of this path and are still far away from an ideal situation. But the development vector has been chosen – and chosen irrevocably. Russian society, which experienced painful consequences from unprecedented transformations, has formed a broad consensus on the depth and rates of these changes. This is what brought about peace and internal political stability, together with its evolutionary development, without any upheavals. In the long run, a more mature democracy, including a developed civil society and a well-structured party system, will emerge naturally from a higher level of social and economic development. This means, above all, the formation of a substantial middle class, which cannot emerge overnight. It is only the "oligarchs" that can emerge overnight, as was the case in Russia in the early 1990s. But those times are gone for good.

GLOBAL ENERGY AND RUSSIA

Russia is often criticized for assuming its naturally large role in the global energy sector. This criticism is obviously a manifestation of

complexes from countries that cannot reconcile themselves to their dependence on external sources of energy. But energy dependence is mutual. At Russia's initiative, the St. Petersburg G8 summit in July 2006 found a balance of interests of all actors on the energy market. None of the countries that export energy resources finds it reasonable to "sit on the pipe" or on its energy resources like the tale of the dog in the manger. Like anywhere else in the world, energy is viewed in Russia as a strategic industry. This is particularly the case at the present time, as we are getting negative foreign reactions to the strengthening of our country and the growth of its role in global politics. However, Russia has not violated any of its commitments to importer countries, nor a single contract for hydrocarbon supplies.

I think it would be right to say that we view our role in global energy supply as a means for ensuring our foreign-policy independence. And it seems that it is the freedom of action and the freedom of speech – which we have acquired in foreign affairs and which, by the way, we use within the framework of international law – that comprise the main charges by those who are unhappy about a strong Russia.

Ninety percent of the world's proven hydrocarbon reserves are under state control in one way or another. Thus, the Russian government's energy policy corresponds to the general tendency toward increased state control over natural resources. But there is emerging a new balance in the global energy sector: today, state control over access to energy resources is being counterbalanced by the concentration of advanced technologies in the hands of private multinational corporations. Are these not healthy conditions for equal interaction based on competitive advantages of the involved parties united by the common goal of meeting the energy requirements of the global economy?

MULTILATERAL DIPLOMACY IN THE EPOCH OF GLOBALIZATION

Russia has started pursuing a national foreign policy that is in striking contrast to the ideologically motivated internationalism that underlay the foreign policy of the Soviet Union. Multilateral

diplomacy based on international law is becoming a universal instrument for regulating regional and global relations.

In the age of globalization, there are no objective reasons for confrontation – unless, of course, we introduce ideology into international relations and remilitarize them. As globalization has extended far beyond the borders of Western civilization, competition has become truly universal, and I am convinced this is what produced the new paradigm of international relations. Today, value benchmarks and development models have also become matters of competition. And this competition must be fair. This is a fundamental challenge for all of us.

Ages ago, French king Francis I wrote to his mother after he lost the Battle of Pavia that he had "lost everything but honor." In the same way, no one ever will make the West give up its values and way of life, unless it itself wishes to do so. Thus, it should only be natural for the West to resist imposing its values on others, but rather focus on its own competitive advantages. It is worth recalling in this connection the words of Professor Eberhard Sandschneider, director of the Research Institute of the German Council on Foreign Relations. In his view, the West's positions in this competition have weakened in recent years due to U.S. policy, which has resulted in a "tremendous loss of the West's image" in Asia and Africa. "Over the last eight years, we have done nothing, or almost nothing, to make our values attractive to people living in those regions of the Earth," he says. One may ask then, why should Russia be held responsible for such consequences?

In global politics, challenges and threats have surfaced that require a truly global response through the broadest possible international cooperation. The traditional cumbersome "binding alliances" or "sacred unions" against specific targets do not solve these tasks. The diversity of interests and possibilities for participating in various international efforts has resulted in the development of network diplomacy; this is an optimum way for national interaction in bilateral and multilateral formats. It is only logical that diplomacy is learning those network methods devised by private corporations and civil society. Using the same

methods will ensure the harmony of international life in all its diverse aspects.

Today, multipolarity is becoming the basis of the new international system. This objective reality can no longer be disputed. When Russian President Vladimir Putin said in Munich that a "unipolar world" had failed to materialize, he was only stating the obvious. The experience of recent years has amply demonstrated that no single state or group of states has enough resources for imposing unipolarity. This allegedly constructive simplification of interstate relations based on a vertical hierarchy – however attractive this may seem – is utterly unrealistic. It is one thing to respect American culture and civilization; it is another thing to embrace Americocentrism. Unipolarity, quite simply, is an encroachment on God's prerogatives.

The new system of international relations is not anarchy or some random "Brownian motion." The presence of more than two leading actors in global politics demands collective leadership to ensure the flexible regulation of international relations. This, in turn, requires an ability to reduce diverse interests of partners to a common denominator and to act in agreement with other leading nations.

In a multipolar world, confrontation is not predetermined. If I may quote the poet Anna Akhmatova, the future "casts its shadow long before it comes." The United Nations, which in the Cold War years often only cast its shadow, represents the future of international politics in the age of globalization. Today, this global organization can and must become pivotal for the entire international system. The UN Charter provides all the necessary grounds for this to be worked into reality.

INTERNATIONAL PROBLEMS: SOLVE OR DELAY THE SOLUTION?

The development of international relations has reached a point where to further delay solving the world's accumulated problems may have catastrophic consequences for all states, as security and prosperity are inseparable notions in the 21st-century world.

Unfortunately, in addition to problems inherited from the Cold War years, the international community has embarked on a path of creating new ones. The inertia of ideologically motivated unilateral responses has acquired its second wind today, resulting in "broken china" everywhere – stalemates that are impossible to resolve within the frameworks of former approaches.

Time and again, be it in practice in Iraq and Lebanon, or at the level of analysis with respect to North Korea, Syria, Iran or the Darfur region in Sudan, one will arrive at the conclusion that these existing problems cannot be solved by force. Security cannot be simply stockpiled – this is a living process, which reveals the meaning of the truth about one's "daily bread" as applied to international relations. Real security for now and in the foreseeable future can be ensured only by establishing normal relations and cooperation with all states, including the problem ones, and by involving them into dialog. It is difficult not to agree with German Foreign Minister Frank-Walter Steinmeier, who said that the modern world should be based not on military deterrence but on a readiness for cooperation. Moreover, the recent seizure of 15 British troops in the Persian Gulf has shown that the human factor, including the motivation of behavior, is not up to the tasks demanded by policies of force, and genetically resists them. So what is the use of continuing to pursue these policies and engaging in self-deception?

Let us briefly consider the Middle East. The number of personnel enlisted in the so-called "private security companies" in Iraq implies that not everything is going well in that country in purely military terms. This number has already reached 30 percent of the coalition forces' strength. But these individuals act outside the framework of international humanitarian law, misrepresent the true role of the force factor in the Iraqi settlement, and do irreparable damage to intercivilizational relations.

Complex problems require comprehensive approaches. This is particularly true of the situation in Iran. Relying only on coercion with respect to Teheran means threatening the energy security of Europe and the world at large. The problem can be solved, in part,

by the normalization of relations with Teheran, which would also help preserve the nonproliferation regime.

Now, attempts are being made to solve the Kosovo problem at the expense of the international community – that is, by creating a precedent that would go beyond the frameworks of international law. In the case of Kosovo, our partners tend to yield to blackmail of violence and anarchy, whereas in Palestine, where violence has been continuing for decades, they display indifference: a Palestinian state has never come into existence.

Absolute security for one state is absolute insecurity for all the others, as Henry Kissinger accurately acknowledges in his book *Diplomacy*. Such a policy dooms a state to isolation. But the chimera of "absolute security" is also a dangerous temptation: then, as Fyodor Dostoyevsky wrote, "everything is permitted." Putting oneself beyond international legal frameworks is tantamount to attempting to rise above the moral law, beyond good and evil.

Today's problems, including the contradictory consequences of globalization, cannot be solved without morals. The Sermon on the Mount, the Golden Rule, and humility provide the moral law for international relations, as well. The incumbent U.S. administration seemed to understand this at the initial stage of its rule: in February 2001, President George Bush said America should project its strength "with purpose and with humility." [Remarks by the President to State Department Employees, February 15, 2001 – Ed.] Only equality and universal application of international law, where "there is neither Jew nor Greek," can help restore the governability of the world's development. If we do not treat others in a Christian way, will others treat us Christian-like?

Perhaps, the collectivism of the Russian mindset makes it easier for us than for others to comprehend this. Russia's tragic history has taught us the ability to coexist. Reaching agreement – this is the way to stronger intercivilizational accord, while attempts to divide the world along civilizational lines are a repetition of the experience of Bolshevism and Trotskyism.

EUROPE: OVERCOMING THE COLD WAR LEGACY

The problem of overcoming the legacy of the Cold War is particularly acute in Europe. Bloc politics, based on the logic of containment, dominated in Europe for too long. And now we are confronted with what can only be interpreted as the restoration of a sanitary cordon to the west of Russia's borders. Favoritism in this part of Europe is generating an unsound atmosphere, encouraging the growth of nationalist sentiments, which pose a major threat to the continent's unity. Does the past imperative of ensuring the U.S. presence in Europe, while excluding Russia and blocking Germany's rise, remain valid?

Whatever the case may be, under the burden of the EU's politicized enlargement, the European project has been dealt a major setback. It turns out that the policy of containment was targeted not only against Russia, but also against Europe as one of the potential centers of the new world order. Moreover, Europe may have to face the absurd situation where it will have to finance its own division; in other words, the EU will be unable to influence the positions of some of its new members that are presently obsessed with a desire to "contain" Russia and take "historical revenge."

I am deeply convinced that the current problems of the European Union, and European politics in general, cannot be solved without constructive and forward-looking relations with Russia that are based on mutual trust. This must meet the interests of the United States, as well.

Instead, there are ongoing attempts to "contain Russia" in any way possible. Thus, NATO keeps enlarging in violation of previous assurances given to Moscow that this would not happen. Now the continuation of the enlargement policy is justified by the need to "proliferate democracy." How can democracy be promoted by a military-political alliance that, within the framework of its "transformation," has been consistently increasing the number of scenarios for the possible use of force?

Nevertheless, the idea that NATO membership is somehow a laissez-passer to the "club" of democratic nations is now pro-

claimed for members of the Commonwealth of Independent States (although only one criterion is applied to see whether a candidate country can pass the "democracy test" – namely, its readiness to follow in the wake of the West's policy). It is difficult to say whether such development of the post-Soviet territories is aimed at receiving moral satisfaction or "containing Russia."

As regards the CIS, nobody has any doubts that Russia has the capacity to maintain social, economic, and other kind of stability in the region. Moscow's renunciation of politicized trade and economic relations, together with its transfer to market-based principles, convincingly attests to its resolve to ensure normal interstate relations in this space. These are required conditions for Russia-West cooperation in this region. But this cooperation must be equal and respectful, both with regard to each other and with regard to CIS member countries as well. These nations need help in building their statehoods, not making them hostages of the notorious geopolitical "zero-sum game."

Washington's unilateral plans to deploy elements of the U.S. missile defense system in Europe are also in line with the "Russia containment" mentality. It is hardly coincidental that a missile defense base in Europe will fit into the U.S. global missile defense system, being deployed along the perimeter of Russia (and China's) borders, like a jigsaw piece falling into place. Naturally, this strategic challenge will be met at the strategic level. No one has abolished the interrelationship between strategic offensive and defensive armaments. Many people in Europe are rightly concerned that the deployment of elements of the U.S. National Missile Defense will have negative global consequences for the disarmament processes.

The Russian president's proposal to the United States for joint operation of a radar facility based in Azerbaijan's Gabala, and his recent proposals made in Kennebunkport for the creation of a regional monitoring and early warning system, provide an opportunity to find a way out of the current situation while taking into account the sentiments of all parties involved. As a starting point for truly collective efforts in this field, we are ready to conduct joint

analysis of potential missile threats (in the period until 2020) together with the United States and other interested countries, above all those in Europe. Such cooperation, as President Putin already stated, could help improve the quality of Russian-American relations in the sphere of security and elevate them to a higher level of confidence. We would thus acquire mutual trust, which our countries are lacking now. This would grant us to establish a truly global strategic alliance that will pave the way to a new multilateral system of collective security, the creation of which was bequeathed to us by the founding fathers of the United Nations.

The desire to "contain Russia" is also evident in the situation over the Treaty on Conventional Armed Forces in Europe (CFE). Russia complies with the treaty in good faith and only desires what the document was designed to give: equal security. The problem, however, is that the principle of equal security was undermined with the dissolution of the Warsaw Pact, while NATO was left intact and then enlarged. Attempts to correct the situation were met by the categorical refusal of members of the North Atlantic Alliance to ratify the Adapted Conventional Armed Forces in Europe Treaty. For any individual who has read the documents from the 1999 Istanbul conference, it is quickly understood that any pretext to justify the refusal of the accord is legally groundless. So, the matter at issue again is not law but politics, that is, the containment policy.

The levels of armaments assigned by the CFE Treaty to the Warsaw Pact members have made their way into NATO's quota. This is already not "equal security" but a desire to take what belonged to others. This situation attests to attempts to reproduce bloc instincts and approaches and to return to the "zero-sum game" logic. The situation with the CFE Treaty vividly shows that not a single element of the global or European security architecture can be stable if it is not based on the principles of equality and mutual benefit.

After all, if we cannot adapt this old instrument to the new realities, is it not time to review the situation and start working on a new system of arms control and confidence-building measures?

That is, of course, if we can agree that modern Europe needs such measures. The frank and honest discussions at Kennebunkport inspire hope that ways to put the Adapted Conventional Armed Forces in Europe Treaty into force can be found. This will be possible only if everyone fulfills their legal commitments and does not hide behind artificial political bonds.

Perhaps, it would be better to "clear" the European political scene of the entire Cold War legacy and to start building new structures for arms control and confidence-building measures, which will meet the demands of our time, since we are no longer enemies and do not want to create the false impression that a war in Europe is possible.

COOPERATION WITHOUT TRUST?

The way to trust lies through candid dialog and well-reasoned discussions, as well as through interaction that provides for the joint analysis of threats. It is this latter opportunity that Russia is denied for no particular reason. Actually, the West demands from Russia implicit faith in its partners' analytical abilities and good intentions. But in matters involving national security demanding such things cannot be taken seriously, to say the least.

We will safeguard our own security and will do this on the principle of reasonable sufficiency. At the same time, the door for positive joint actions to ensure common interests on the basis of equality will always remain open.

In his speech in Munich, President Vladimir Putin invited all our partners to meet for serious and well-reasoned discussions about the unsatisfactory situation in international relations. We believe that the dual partner-foe attitude to Russia must go. Such an attitude cannot help solve the problem of trust and cooperation. If someone intends to "give a rebuff to Russia's negative behavior," why expect cooperation on our part in matters of interest to our partners? One should choose between containment and cooperation, including in such matters as Russia's accession to the World Trade Organization and the Asian Development Bank, or the Jackson-Vanik amendment, grounds for which ceased to exist in the late 1980s.

Regretfully, even in the event of clear issues – such as the need to halt the revival of neo-Nazi tendencies and insults to the memory of the victors over Nazism – the positions of many of our Western partners take shape under the same desire to "contain" Russia.

Now that challenges and security threats are becoming global, there is a big difference between cooperation and its absence, between concerted efforts and the need for each state or group of states to act at their own risk and peril or rely on others' wisdom, dogmatically proposed as the only possible solution to global problems. We bear responsibility of our own in global affairs: no one will do that for us. We do not suffer from an exceptionalism complex, but we do not have grounds either to consider our analytic abilities and our ideas to be worse than another's. Interaction with Russia is possible only on the basis of full equality, respect for the security interests of each other, and mutual benefit.

RUSSIA-U.S.: EQUAL RELATIONS

Russian-U.S. relations still enjoy the stabilizing benefits of a close and honest working relationship between Presidents Vladimir Putin and George W. Bush. Their recent meeting at Walkers Point graphically demonstrated this. Both Russians and Americans hold to the memory of their joint victory over Nazism, and share the experience of the Cold War and their joint departure from it.

If an equal partnership prevails in U.S.-Russian relations, both countries will be able to achieve almost anything. What must be prevented is making Russian-American relations hostage to election cycles of the two countries, or worse, letting a third party to step in to do this. That would mean washing our hands of the vital interests of our peoples and the interests of global stability.

The struggle against international terrorism, organized crime and drug trafficking; the search for realistic ways to protect the climate; the development of nuclear energy, while strengthening the nonproliferation regime; the ensuring of global energy security, and space exploration. Should we sacrifice all these and many other areas of our already developing practical cooperation at the altar of the containment policy?

It would be unfortunate if the inertia of bloc approaches (which, by the way, are theoretically codified by the return to the containment policy) and the unnecessary haste in matters that can wait, provoked alienation between Russia and the United States. That would reduce the area of our interaction and produce an effect of "shagreen skin," which can determine its own dynamics in relations between the two countries, especially if ordinary Americans are told that Russia is to blame for almost all the troubles of their country.

Anti-Americanism is not as widespread in Russia as elsewhere. And if individuals want to mention George Kennan, they should not only quote his *Long Telegram* but also heed his advice as to how the outside world should behave (without didacticism and the imposition of will) in the post-Soviet period of Russia's development. The recent establishment of a working group, named "Russia-U.S.: A Look Into the Future," which was co-chaired by Henry Kissinger and Yevgeny Primakov, could not have come at a better time. Presidents Vladimir Putin and George Bush actively supported this initiative, just as the establishment of the Vladimir Lukin-Jessica Mathews group for unbiased discussions of issues pertaining to democracy, human rights and freedoms.

Both sides should demonstrate a broad-minded and unbiased view of things. Such an approach could be provided by the perception of Russia and the United States as two branches of European civilization, each contributing its own added value. We could meet at a common table on the basis of European attitudes. Trilateral interaction in international affairs between the United States, Russia and the EU could be a practical formula for preserving the integrity of the Euro-Atlantic space in global politics. I can only agree with Jacques Delors, who believes that "future development must bring about a truly comprehensive agreement" within the framework of this troika. The former president of the European Commission is absolutely right by saying that Russia, the EU and America are "three political forces that are accustomed to disputing with each other" and that "every time they become divided by disagreements, when each party starts playing its own game, the risk of global instability increases dramatically."

Georgy Adamovich, a prominent literary figure of the Russian émigré community, once said that pessimism is generated by dealing with people about whom there remain no illusions. I am confident that this has nothing to do with either Russia or the United States.

I do not think we have lost the ability to surprise the world. Both Moscow and Washington are quite adept at doing this separately. Why not try and work more closely together – especially since we must become more concentrated in the global economy and politics? So why not be together and act in the spirit of cooperation and healthy and fair competition based on common standards and respect for international law? We have nothing to divide, but we share, together with other partners, responsibility for the destinies of the world. Thereby we would live up to the great future predicted by Alexis de Tocqueville for our two countries. At the same time, we could "contain" those who are trying to deny the present world indisputable benefits that Russian-American and, generally speaking, Euro-Atlantic partnership brings.

The July meeting between the Russian and U.S. presidents, which also involved George Bush Sr., showed what could be achieved by teamwork. Both leaders agreed to look for common approaches to the issues of missile defense and the reduction of strategic armaments, and came out with a new joint initiative on nuclear energy and nonproliferation. Symbolically, they also fished together, but they did not fish in troubled waters.

A New Epoch of Confrontation

Sergei Karaganov

Global politics, of which relations between the traditional West and Russia make up an essential part, is acquiring a new quality. Many analysts have been impatient to call the changes a "new Cold War." However, the causes and forms of the confrontation, occurring right before our eyes, markedly differ from the sources of the confrontation that ended almost 20 years ago. The new confrontation is proceeding in different conditions and, most likely, it will be less profound – although it may be even more dangerous – than the confrontation of the past.

Let us describe this stage as a "New Epoch of Confrontation" (NEC). Basically, it differs not only from the Cold War period, but also the period that began in the late 1980s and is coming to a close now. The main feature of the last 15 years was the economic, ideological and geopolitical triumph of liberal-democratic capitalism (above all, as represented by the United States), and the redistribution of labor, economic and financial resources in favor of those countries that followed this model. Now, however, the situation is changing.

EXTERNAL MANIFESTATIONS OF NEC

Russia has recently become a target of the West's propaganda attack. Paradoxically, Russia is now coming under political attack

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even more severely than the Soviet Union was, although – unlike the U.S.S.R. – today's Russia is not trying to impose its ideology on the rest of the world and is not confrontation-minded. In the Soviet years, it was the Communist regime, not the Soviet people, which was the enemy of the "free world." Now it seems that the West wants to blame Russian President Vladimir Putin, as well as the rest of Russia, for what it perceives to be intrinsic imperialism.

In the 1990s, any attempt by the Kremlin to halt the panic retreat caused by the collapse of the Soviet Union was immediately branded as "neo-imperialism." Now this label is put on virtually everything that Russia does. Things have reached the point of absurdity as Moscow is now stigmatized for expansionism and the policy of pressure when it subsidizes the economies of neighboring countries by selling them energy resources at reduced prices, and then again when it decides to switch to market prices.

Russia is not the only target of propaganda attacks; China was another target in the late 1990s. Washington, however, opted not to wage an openly hostile policy toward China (although such a possibility was discussed), choosing instead a policy of soft containment. China proved to be too strong and invulnerable and did not yield to provocations, or did so in a well-planned and very tough way. It was careful not to get involved in a Cold War that was proposed to it.

In contrast, Russia began to return the criticism, sometimes even taking the dubious lead in the verbal exchange. The desire to always respond to criticism – more effectively and in even more scathing terms – is rooted in the lingering inferiority complex, which is intensified by the geopolitical defeats of the 1990s, as well as by the apprehension that less-prominent members of the elite had toward their challenging neighbors. Some Russian politicians might have thought that an aggravation of relations was useful for forming a new Russian identity, and for restoring sovereignty and governability of political processes, including the transfer of power. We are beginning to play according to the rules that are being handed to us, thus getting involved in rhetorical confrontations that our rivals seem to be provoking deliberately.

An analysis of recent developments suggests that the United States and part of the traditional West have given up any hope of turning Russia into an allied state. There are signs of transition to a policy of "neo-containment." At the same time, Moscow realizes that it does not want, and cannot afford, to integrate with the traditional West on the terms the latter proposed just recently – that is, a kind of integration without the right to vote. The Kremlin has begun to change the rules of the game, or at least it is ceasing to play according to the old rules of the 1990s.

WHY THE NEC BEGAN

The most obvious reason for the introduction of this New Epoch of Confrontation is the increased readiness and ability of revitalized Russia to uphold its interests. Moscow's tough policy and almost total mistrust toward the West is the price for the strategic mistake made by Western powers in the previous decade. When Russia was weak, it was not invited to join the "club" of developed democracies as an equal yet junior partner. Now Russia has made the decision that it will not join this club; and if it does ever decide to join in the future, it will do so as a strong power.

Moscow has learned its lesson and has started to behave toward other nations the way they once behaved toward Russia. The West's reaction to Russia's behavior is worsened by its inculcated desire for a feeble and weak Russia, an idea that Western political elites developed over the previous decade. Yet, the causes of this resentment go much deeper.

Ineffective attempts by the European Union to shape a common foreign policy (conducted by the lowest common denominator) are increasingly weakening the united Europe. Simultaneously – after years of growth in the 1980s and the first half of the 1990s – the foreign-policy influence of the leading European nations is decreasing.

Now, Russia also must pay for the Europeans' mistakes. First, general feelings of weakness, characteristic of today's Europe, increases European suspicion about Russia. Second, the EU's inability to consolidate on the principles of common sense leaves Russia without a potentially key partner on the international stage.

In the 1990s, many people believed that the United States was destined for sole global leadership and even hegemony. However, the reckless Iraqi campaign showed that America's overwhelming military supremacy does not necessarily guarantee foreign-policy effectiveness. The "soft power" of the United States – that is, the traditional U.S. model of political and economic development – was dealt a crushing setback. Even worse, Washington's failure made democracy per se, which the U.S. had attempted to impose by force, less attractive.

Against this unexpected weakness on both sides of the Atlantic, Russia's rapid foreign-policy rise makes a particularly strong impression. It would be fair to say, however, that this rise is not only due to the revival of the Russian state, its economic growth and a competent and steadfast foreign policy, but also due to pure luck.

In the late 1990s, the geopolitical wind began to fill Russia's sails. The role of global energy supplies increasingly became a factor in global politics; long-term destabilization of the Greater Middle East began; and the governability of the international system decreased. All these factors, including the bombings of Yugoslavia and Iraq, increased the role of military force. Russia, despite its difficulties, is still the world's second largest military power; it has proved its readiness to use force and even emerged victorious in a war against Islamic radicals and separatists in Chechnya (although at a horrible price).

Even the economic and geopolitical growth of China now plays into Moscow's hand: Washington seriously fears an alliance between Russia and China. Other factors that have strengthened Russia's positions include North Korea and, more importantly, Iran's desire to acquire a nuclear potential, as these problems cannot be solved without Moscow.

European and American elites are very anxious about Russia's growing energy might, while Europe's dependence on energy imports, above all, from Russia, will only grow. This is particularly frightening for the Old World, considering Russia's new aggressive and tough policy, which often is very clumsy in form.

Energy competition is perhaps the main reason for the anti-Russian pressure. If the Europeans agree to a historic deal proposed by the Kremlin – namely, permitting Russian companies to energy distribution networks in Europe in exchange for permitting Western companies access to hydrocarbon fields and extraction facilities in Russia – then the differences that derive from this competition could be overcome to mutual benefit. Thus, a single energy complex would be created on the European continent, which would greatly strengthen both parties and allay many fears. Officially, Brussels has rejected the Russian proposal, although individual transactions are already being implemented. A mutually advantageous compromise is still possible unless political circumstances – for example, from the United States – disrupt the discussions.

A unified energy complex throughout Europe is not in the interests of the U.S. If the European Union reaches agreement with Russia and reduces its dependence on non-European energy sources, it will reduce U.S. influence in Europe, as well as Europe's dependence on America. The United States alone has the political and military capabilities to guarantee access to resources for itself and its allies.

Washington continuously opposes any possible deal between Russia and the EU. This situation resembles the fierce struggle that Washington waged in the late 1950s until the early 1980s against the development of energy cooperation between the Soviet Union and West European countries. The U.S. lost that struggle, and export-oriented gas and oil pipelines were built from the Soviet Union to Western Europe. Now America is struggling not only against Russia's rise, but also against the strengthening of Europe, or rather against the weakening of its own positions in the Old World, and there is little hope that differences with the U.S. on this issue will subside.

The bitter rivalry over energy is due to fundamental changes that have taken place in the world over the last 8 to 10 years. Until recently, the bulk of the world's energy resources were owned or controlled by Western companies. Today, a greater portion of the

world's energy resources, beyond the borders of North America and Europe, are owned or controlled by national states or state-run companies. The rules of the game are changing before our eyes. The era of the "Seven Sisters," when the oil giants had total access to energy resources, is coming to an end. We are witnessing the defeat of a major element of U.S. and Western policy of the last 60 years: ensuring control over energy-producing countries in order to gain unimpeded access to cheap energy resources from the Third World, where the bulk of these resources are concentrated.

Many analysts in Moscow argue that the political and propaganda pressure being exerted by the West on Russia is the result of Russia's growth. This conclusion is only partly right. "To be sure, mounting Western concerns about Russia are a consequence of Russian policies that appear to undermine Western interests, but they are also a reflection of declining confidence in our own abilities and the efficacy of our own policies," wrote Thomas Graham, until recently a senior advisor on Russia with the U.S. National Security Council, in *Russia in Global Affairs* (July-September 2007).

This Western pressure is more of a counterattack against Russia than a direct attack, intended to prevent a further weakening of the West's positions and possibly win them back. This counterattack is an important constituent feature of the NEC.

Russia has found itself on the frontlines of this new redistribution of power and influence in the world, and thus in the field of fire. Moscow's rejection of strict control over its energy resources, followed by their privatization in the 1990s, created the impression that the West's energy security had been drastically strengthened. However, over the last few years, Russia has restored control over its resources in one way or another, thus becoming the most visible part of the new redistribution. Moscow, now feeling much stronger, has wasted no time trying to win back some of the positions it lost or abandoned in the 1990s. However, the West, which is seeking to prevent any further weakening – a weakening that has been caused by its own policies, not Russia's – has countered its counterattack.

ECONOMIC FOUNDATION OF NEC

There is yet another aspect to this bitter global rivalry, namely, the emerging struggle between two models of development – liberal-democratic capitalism of the traditional West, and "authoritarian capitalism" led by the Asian "tigers" and "dragons." The West considered the rapid economic progress of the Southeast Asian countries and South Korea to be an exception rather than a rule. However, China's rapid growth, despite predictions over the past 20 years about its imminent collapse, does not permit indulging in escapism anymore.

The victory of liberal-democratic capitalism in the Cold War created an illusion that this victory was final. The "end of history," predicted by Francis Fukuyama, has not materialized, but not simply because the collapse of the bloc system has brought about growing chaos. As it turned out, competition is not over: the defeated planned socialist economy has been replaced by a new model, which potentially is very attractive, especially to the former Third World countries – that is, the majority of humanity. This model is authoritarian semi-democratic capitalism, effective economically and acceptable politically.

Unlike Communism, capitalism ensures the growth (albeit an uneven growth) of the wellbeing for the majority of people; and unlike totalitarian Communism, authoritarianism – or limited democracy – ensures an acceptable level of personal freedom for the same majority.

The rivalry between the two varieties of capitalism was analyzed by Israeli strategist Azar Gat in the influential U.S. journal *Foreign Affairs*. "Authoritarian capitalist states, today exemplified by China and Russia, may represent a viable alternative path to modernity, which in turn suggests that there is nothing inevitable about liberal democracy's ultimate victory – or future dominance," he wrote. "A successful nondemocratic Second World could then be regarded by many as an attractive alternative to liberal democracy."

It may well be that "authoritarian capitalism" is only one stage in the development toward a more liberal model. After all, before

the second half of the last century, many countries in Western Europe and the United States had features that are now characteristic of those states that have so-called authoritarian capitalism.

Nevertheless, the liberal-democratic victors now see that they are beginning to suffer defeat. The "mission" in the Middle East has weakened the global position of the United States, which in turn has made democracy per se less attractive. Furthermore, the mostly unsuccessful 'color revolutions' imported to former Soviet republics was a less noticeable, yet substantial, blow to the idea of democracy. Meanwhile, the democratic elections in Palestine have plunged the country into a civil war. Lebanon, which is quite democratic, has been set on fire, while its neighbor – the authoritarian Syria – is developing quite well.

The competition of models is not just a struggle for the sense of moral superiority. In the long run, the victory of a particular model will be translated into a redistribution of manpower and other resources in favor of those states that support such a model. The period from the late 1980s to the beginning of the 2000s saw a huge redistribution of resources in favor of the United States and Western Europe. Now the process may reverse itself, especially as the success of authoritarian capitalism and the weakening of the positions of democracy have coincided in time with another tectonic shift: the center of the global economy and geopolitics is moving away from the Euro-Atlantic to the Asian space.

States that are liberal-democratic yet economically weak must automatically orient themselves to the West and follow in the wake of its policy. However, if another model proves successful, some states will have an opportunity to reorient themselves, or at least have more room for maneuver.

Russia, for example – by demonstrating to the post-Soviet and developing countries that they can successfully organize their economies in other ways, and not only according to the dependent liberal-democratic model of Central and Eastern Europe – is restoring, albeit very slowly, its ability to attract medium-developed societies and countries. Many neighboring societies, tired of poverty, chaos and uncertainty, are eager to emulate the sovereign

system of Russia, which is showing growth and is better governed. In addition, authoritarian rulers of many states prefer to have a tough yet predictable Russia that would not encroach on their sovereignty as their neighbor.

History has pushed Russia into the center of a new competitive struggle between the liberal-democratic and authoritarian models of capitalism. Russia is a key state from the point of view of competition between political and socio-economic models, and is, moreover, capable of tipping the military-political balance in the world.

Mistrust toward the authoritarian development model largely explains European suspicion about Russia's energy policy. An authoritarian state finds it easier to manipulate its energy and other assets for foreign-policy purposes. In this sense, democracy, especially weak democracy, is more convenient for partners, as it is less suited for such manipulation.

So, Russia is now in the midst of two new competitions at once, which will largely determine the future of the world. These are competitions between energy producers and consumers for control over energy resources, and between different varieties of capitalism. Moreover, Russia is situated on three critical divides – between radical Islam and Christian civilization, between the rich and the poor, and between Europe and Asia.

In the past, the latter divide was a choice between modernity and backwardness, freedom and tyranny, individualism and collectivism, and capitalism and feudalism, and in the long run, between progress and stagnation. Today, however, the rapidly growing East has actually become a new West.

SOME CHARACTERISTICS OF NEC

The introduction of new elements into the present competition has made it more complicated; at the same time, the world's evolution less predictable. In the face of new challenges and rifts, the American and European poles of the traditional West, which have diverged after the Cold War, may attempt to achieve a new rapprochement. However, their relative unity would be possible only if systemic military confrontation is restored in one way or another.

The United States will continue relying on NATO to retain its positions in Europe and, possibly, to encourage a new military-political confrontation. There is an unrealistic but consciously provocative plan to transform the North Atlantic Alliance by including other countries, such as Japan, South Korea, Australia and New Zealand, thus transforming the bloc into a political-military foundation of a global "union of democracies."

The very idea of establishing a community of powerful and responsible states that could lead the struggle against new threats to world order is quite reasonable. But in the new epoch of an all-against-all competition, such an idea is not only highly unlikely, but also simply harmful, as it may sow the seeds of a new ideological divide and systemic confrontation.

Ivo Daalder and James Lindsay forwarded this very idea late last year in an article published in *The American Interest*. The authors argue: "The world's democracies possess the greatest capacity to shape global politics. They deploy the greatest and most potent militaries; the largest twenty democracies are responsible for three-quarters of the resources spent on defense in the world today." Then they ask the question: "Can a Concert of Democracies succeed if it excludes large countries such as China and Russia?" The answer: "Of course it can." The authors then attempt to allay possible fears that "the creation of a Concert of Democracies might encourage China and Russia to create an alternative organization."

The momentous changes in the global economy and politics, together with the rapid redistribution of forces and resources, increase the perception of unpredictability of the external environment. This is why the NEC will most likely be marked by the continued remilitarization of international relations, and even an arms race. NATO's further enlargement will be more likely if Russia takes the bait and starts adding fuel into the fire of global remilitarization.

Bitter multi-level competition – economic, geopolitical and ideological – will become another characteristic of the NEC. Russian Foreign Minister Sergei Lavrov has formulated this pecu-

liarity of the new world in the following way: "The paradigm of contemporary international relations is determined by competition in the broadest interpretation of this notion, particularly when the object of competition is value systems and development models. The novelty of the situation is that the West is losing its monopoly on the globalization processes. This, perhaps, explains attempts to present the current developments as a threat to the West, its values and way of life."

We may expect to see renewed attempts to limit the economic expansion of the authoritarian capitalist countries and their affiliated corporations. Many liberal states are now borrowing protectionist practices from the newly authoritarian capitalists and introducing limitations on foreign investment in "strategic industries." Meanwhile, the desire to use antiquated international organizations as instruments in the new competition may undermine their importance. The influence of the International Monetary Fund has drastically diminished; the World Bank is losing its positions; and destructive attempts are being made to use the World Trade Organization in the interests of its founders – countries that are representative of "old" capitalism. It is important to note that the increase of protectionism, in addition to trade and investment conflicts, has often preceded military clashes in the past.

Competition will intensify in the ideological domain, as well, where the democracies have already launched a counterattack. The United States needs to restore its own attractiveness. Unfortunately, the fierce competition will most likely turn the struggle for lofty democratic values into geopolitical confrontation. This factor may delay the potential for liberalization in those countries that have shown allegiance to authoritarian capitalism, including Russia. One should not forget the Cold War lessons. At that time, strong pressure from abroad strengthened the positions of reactionaries and conservatives inside the country. Like in the past, those who seek reforms in the country will now be easily labeled as agents of rival states.

The most unattractive consequence of the new multifactor competition will be the lower intensity and quality of internation-

al cooperation in countering global challenges, among them the proliferation of weapons of mass destruction, environmental degradation and the growth of Islamic extremism.

The time frame for the NEC is predictable. In five to seven years, Europe will most likely start overcoming its current systemic crisis, and its economic development will accelerate. America will leave Iraq, overcome its "Iraqi syndrome," and return to a more rational multilateral policy. Russia will come down to earth after its present euphoria and will conduct a more cautious, although not less active, policy.

There will emerge political and economic prerequisites for overcoming the current irrational confrontation over energy supplies, as well as for establishing an Energy Union in Europe.

Energy consumers will probably adapt to the new situation caused by the redistribution of resources from private and foreign ownership into state hands. However, nor can a wave of reprivatization be ruled out, either. History has known many examples when governments, having received the required incomes and witnessing the inefficiency of state-run companies, gave the management of natural resources to private businesses. Some form of partial reprivatization may possibly happen in Russia too.

The ideological foundation of the new confrontation and competition between the two models of capitalism can also be partially overcome, as these models are not as incompatible as "real socialism" and capitalism.

Global challenges, which are currently not being countered due to the acute competition of the NEC, will require close cooperation. A new round of such cooperation may be more stable than it was in the 1990s. In those years, interaction between states was conducted according to the rules dictated by the victors in the Cold War, which doomed those efforts to failure.

But an epoch of closer cooperation will arrive only if the global community, including Russia, avoids a systemic mistake, that is, structuring and militarizing the new competition. Furthermore, there must be no new military confrontation, which would most likely occur in the Greater Middle East. The evolution of the

competition to the point of systemic confrontation may ultimately bring about a series of large wars and even a new world war.

What should Russia do in this situation?

First, Russia's arrogant faith in success, which is quite understandable after years of losses and humiliation, must be given up. All forecasts about the development of the global economy indicate that in the foreseeable future Russia will not be able to rise above the current 2.5 percent of the world GNP; and if we do not achieve a sustainable growth of 8 to 10 percent a year, our share will tend to decrease. In addition, most of the factors that in the past few years predetermined Russia's achievements (these factors range from the general decline of global governability to China's success) may bring about serious problems in the long term.

Second, the new epoch of competition requires the transition to a knowledge economy; advantages based on energy resources are transient. The continuous modernization of the political system is required in order to prevent a slide into stagnant authoritarianism. If Russia does not take avail of the favorable economic and geopolitical situation, and fails to use semi-authoritarian and state-capitalism methods for moving to a new development model, the country's decline in the next epoch will be predetermined.

Third, the world is growing increasingly complicated. Compared to the Soviet Union, Russia's dependence on the outside world has increased dramatically. Therefore, it must sharply increase investment in the study of the current international environment. It must also invest in personnel training so that new specialists could use new methods to protect the positions of Russia and its corporations and to advance their interests.

Fourth, all efforts must be made to prevent the remilitarization and institutionalization of the new competition, which would be disadvantageous in terms of medium and long-term interests. Hence a policy is required for preventing NATO's further expansion and consolidation, while caution must be used when entering into alliances and conducting disarmament negotiations. Previous experience has shown that these may be used for remilitarizing politics.

Countering remilitarization does not mean giving up efforts to rebuild the armed forces on a new basis; nor does it mean that Russia should avoid the modernization of its military doctrine. At the same time, a reasonable restoration of military power must be based on unilaterally identified needs, rather than on asymmetrical responses to the actions of others.

Fifth, cooperation with all responsible forces is necessary to prevent a further proliferation of nuclear weapons and new large-scale conflicts, especially of a nuclear variety, which can provoke the uncontrolled deterioration of the international political environment.

Sixth, there is no sense for Russia to make concessions to the West during an acute phase of the New Epoch of Confrontation, which would be marked by a fierce counterattack by a losing West. Concessions would be taken as manifestations of weakness. However, Russia should avoid unjustified demonstrations of strength, which Russia will be provoked into and which will only make Russia waste its emerging strength.

Russia is no longer a losing country that is trying to make up leeway. Thus, it is important that we must once again smile politely, rather than in a scoffing or arrogant manner.

Russia and the West: Where the Differences Lie

Konstantin Kosachev

Now that there is little positive left in Russia-West relations, it would perhaps not be appropriate to focus too much on the differences between the two parties. Rather, it would be better to nurture the seeds of our positive qualities.

Russia pursued this line until recently – to be more precise, until President Vladimir Putin's speech in Munich. For quite some time, Russia tried to ignore negative developments that had been increasing (not on Moscow's initiative) in its relations with the West. We cherished all constructive moments in our relations with the United States and the European Union and refrained from making dramatic moves in order not to destroy what had been achieved.

Of course, it could be argued that Russia was simply too weak to afford a confrontation with the West, but now its "energy muscles" enable it to carry out its old plans. U.S. Democratic Congressman Tom Lantos recently expressed this view, widespread in the West, in scandalous fashion. Such logic reveals the true approach to our country: the West benefits from a weak Russia because a strong Russia will always challenge it.

Well, what is the real cause of the differences?

Of course, there are natural geopolitical, economic and other interests that may not entirely coincide. Russia sells energy resources, and the West consumes them. Russia is in the process

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of restoring its influence, while the West is seeking to retain influence of its own. Most often, however, differences between the two sides are explained by an alleged mismatch in their value systems. However speculative such an approach may be, it is the most dangerous since it makes conflict a permanent feature in our relations; something that exists almost at the genetic level, so to speak.

In interpreting Moscow's position, the West demonstrates its lack of understanding of the true nature of the processes and sentiments that have been prevailing in Russia's government and government agencies over the last 20 years. Neither Mikhail Gorbachev, nor Boris Yeltsin or Vladimir Putin viewed Russia's openness to the West as a manifestation of their country's weakness. All three leaders believed that the Soviet Union/Russia and the West were to meet each other halfway. The Soviet Union – followed by Russia – covered its half of the road, despite the fact that many particularly sensitive stops along the way presupposed real responses, as opposed to mere promises.

By the beginning of the new century, Russia had reached the halfway mark in its rapprochement with the West. At this point, any sort of further unilateral movement by Russia would have meant the following:

– the establishment of external control over Russian resources;

– the construction of European and global security systems patterned after NATO and without Russia's participation in it;

– continuous loss of Russia's influence in the area of its strategic interests (former Soviet republics); this would have included the adaptation of political, legal, economic and other systems to European standards, and the ensuing loss of regulatory functions of the federal center, in addition to the inability to uphold the country's interests (actual de-sovereignization).

The Russian leadership stopped at this point; there was simply nowhere else to go, except beyond the frameworks of national sovereignty. In this sense, Putin was less fortunate than his predecessors who had had more room for maneuver, and who had received large personal political dividends from their grand gestures.

WHO HAS DEFEATED WHOM?

By the beginning of the century, one thing had become clear to Russia: we thought that we were covering our part of the distance, while our partners/opponents in the West believed that our conduct was natural for the loser in the Cold War.

Judging objectively, however, it was the Russians who really won the Cold War – they not only freed themselves from totalitarianism, but they also delivered other peoples from it. For a period of time, we considered this subject closed, regarding any discussions as to who was the winner as absolutely unimportant. We attached primary importance to our "bright ***common*** future." However, Europe and particularly the United States were still very serious and sensitive about the issue of who won the confrontation between the two systems. We obviously underestimated the significance of what victory in the Cold War meant for the Western (especially U.S.) establishment. Meanwhile, here lies the key to understanding many of today's problems.

The Western powers view their Cold War victory not just as a historic event, but as an event that adds moral and political legitimacy to all of the policies of the West over the last decade and a half. Indeed, if the end of the bipolar confrontation is not considered to be a victory for one of the parties, there arises a reasonable question: By what right does a group of states, even powerful and highly developed states, dare to reshape the world order according to their own ideas, without taking into account the views of other countries?

The West viewed Moscow's unilateral moves solely as an act of capitulation, which, of course, did not require any counter-obligations. Promises (not to enlarge NATO, for example, or not to deploy armaments in Eastern Europe) were rather given to let Russian politicians save face at home. This is why the strengthening of Russia's positions, together with it declaring its own interests, is viewed in the West as inappropriate behavior for a vanquished state – or, even worse, as the revival of an old enemy into an even more dangerous form (following the German scenario after the First World War).

Viewed from this standpoint, the anxiety of the West is quite understandable. Soviet people experienced similar sentiments

when, for example, they saw manifestations of a revanche policy in Germany in the second half of last century. However, given that ***Russia has never acted as under capitulation***, nor viewed its unilateral moves – even in the most sensitive areas – as forced and painful concessions, the picture changes dramatically.

Meanwhile, the West, which believes it won the Cold War, fails to behave toward Russia as a strong and confident winner – that is, magnanimously. Nor can it show weakness because this is not typical of it. Thus, the result is an unproductive mixture of fear and arrogance, when the West has to interact with Russia exerting pressure on it and fearing it at the same time. These actions are camouflaged by the alleged existence of "systemic" differences, which could be overcome by some "constructive moves" (that is, new concessions) on the part of Moscow.

However, if we put aside the root cause of our present problems – that is, an adherence to winner/loser logic – and thoroughly examine the key points of our differences, we will find that none of them are truly systemic (that is, of course, if the West does not have a systemic desire to counter Russia under any circumstances).

At this time, we will delineate the three major groups of differences – security, values, and the situation in the post-Soviet space – that are not insurmountable if their causes are correctly established.

SECURITY

The differences between the two sides flare up when the West begins to impose its security agenda on Moscow; invariably, this is topped by threats from "rogue countries." The West takes it for granted that "suspicious" political regimes, with their nuclear programs and international terrorists (not all terrorists, incidentally, just those that struggle against Western nations), are primary threats for Russia as well.

However, when Russia offers its own understanding of security (for example, when it expresses concern over NATO's approach to its borders, the deployment of weapons in countries of Central and Eastern Europe, or over dangerous activities in the Caucasus

and Asia), the West prefers to see no problem at all. It took some good jolts, like the Russian president's Munich speech, or a moratorium on the implementation of the Treaty on Conventional Armed Forces in Europe (CFE), to make the West pay at least some attention to this factor. The West, however, insists that some actions should be taken with regard to Moscow – either by ignoring it, convincing it, or reassuring it – depending on the situation, that is, on how strong Russia happens to be.

In the eyes of the West, NATO is the main, if not the only, universal and irreplaceable security structure in the world. This attitude explains the tendency to deliberately devalue the UN role in security matters, and the desire to place all the eggs of the OSCE into one humanitarian basket. Other security structures, for example, the Collective Security Treaty Organization, are not viewed as potential partners, since any alternative collective security systems are out of the question. All non-members of NATO are invited only to decide on the degree of their interaction with the North Atlantic Alliance, and on how far they are ready to go toward rapprochement with it. Non-members are almost automatically ranked in order from potential candidates to outright "rogue states," that is, potential enemies.

The problem lies precisely in the automatism, which affected Russia, as well, as soon as it became obvious that it did not fit into the Alliance's format. As they say, nothing personal: if Moscow suddenly wishes to obey the West's common principles (naturally on Western terms), it will be ranked "friendly." But until then, the system, guided by its own inherent logic, mechanically reacts to Russia as if it were a potential threat, surrounding its perimeter and taking various measures to neutralize it. The fact that Moscow may have interests of its own, not to mention solid grounds not to trust NATO because it has failed to fulfill its promises on too many previous occasions, is simply not taken into consideration. The implied essence of statements made by NATO Secretary-General Jaap de Hoop Scheffer during his meetings in Moscow in June was, "join if you want; but if you don't want to, you will have to endure this type of treatment. There is no alternative to NATO anyway."

However, the problem is that ***NATO does not live up to the description of a "universal" organization***. And there are no signs that it will be able to replace the security instruments and forums inherited from the last century. The Alliance was conceived as an instrument of a global fight against preponderant opponents, whereas networked terrorism cannot be ranked as such an opponent. If serious opponents cannot be found, they are either invented or designated. NATO, which claims universality, in practice demonstrates its inability to undertake a global mission that is sought by its leaders. It is common knowledge that the North Atlantic Treaty Organization is experiencing a very serious conceptual crisis, as it is simply unable to adequately react to the real, as opposed to imaginary, threats of the 21st century. The difficult situation that the Alliance now finds itself in Afghanistan is an illustrative example of that.

With the exception of the United States, Britain, and to some extent Poland, the majority of NATO member states are not ready to address real problems of military security – especially in places far away from their own territory. It seems that the Old World is most of all afraid of becoming involved in America's strategic games in the Middle or Far East. At the same time, Europe does not have a security agenda of its own, while feeble attempts to formulate such an agenda are thwarted by the "postmodernist" outlook of the leading European states and – let's put it boldly – skillful counteraction by Washington. The United States is not interested in Europe becoming an independent military-political center.

This impasse can be overcome only by strengthening the role of the United Nations and the Organization for Security and Cooperation in Europe, and by developing a strategic partnership among various security organizations. NATO, as a military-political structure intended to protect the interests of its members only, rather than the whole of mankind, can only serve as one of the partners, albeit the mightiest one, in any collective security system.

Those European politicians who propose various ways to reform NATO feel the ambiguity of its current position and the contradiction between its claims and the reality. And although such views do not yet prevail, the situation is not hopeless.

The abovementioned factors do not mean that Russia must patiently wait for the situation to change. Russia's diplomatic aggressiveness, based on the proposal of creative ideas aimed at achieving end results, is more than manifest. The contours of this basically new foreign policy emerged in the summer of 2007 when Russia invited the United States to jointly operate a radar system in Azerbaijan's Gabala; it followed up on this proposal with initiatives made public at a Russian-American summit in Kennebunkport, Maine.

Moscow's position on the deployment of elements of a U.S. missile defense system in the Czech Republic and Poland has not changed. Yet, Russia has departed from its habitual behavior pattern typical of the last century, when it rejected any unified position of the West. Then, as a rule, there only emerged a new field for confrontation, while the desired result failed to be achieved.

This is not the first move of its kind: some time ago, Russia made a strong move by proposing to establish international uranium enrichment centers. In view of Iran's nuclear program, this initiative was supported even by the United States. Regrettably, Teheran declined to cooperate; yet the initiative has not been removed from the agenda.

Approaches of this kind not only strengthen Russia's international authority; they demonstrate its willingness to look for ways to overcome differences, thus cutting the ground out from under the feet of those (both in the West and Russia) who – for political and ideological motives – feed on latent or open conflicts.

Russia should continue to accommodate its new international policy with more specific ideas. It may take an inventory of all of the accumulated problems – for example, in Ukraine, Georgia, Kosovo, and the Baltic States – and search for Gabala-style ways to solve them. This does not mean, of course, that Russia should back off or damage its own national interests. But it is in our power to make such proposals to our partners and opponents that will throw them into a dilemma: either cooperation and the desired solution, or admission that the problem is actually rooted in their biased attitude toward Russia. This would help materialize a diplomacy of new quality, and we have resources for that.

VALUES

Regarding the "values" dialog, allegedly full of discord, Russia does not see any real grounds for conflict here. Oftentimes, we seem to be at odds with each other when actually we are in accord. The West prefers to point to the situation inside Russia, while we tend to raise other issues, such as the controversial practice of "exporting democracy," and the real situation in countries that like to criticize Russia. As a result, instead of a dialog we have two monologs, and both fail to reach the other party's ears. But if we do not listen to each other, conflict will always seem inevitable.

We must completely rethink the role that values play in Western politics. It is time to admit, as difficult as this may be, that democratic messianism simply does not work. It is not only undemocratic to force people into a "bright future," but it may also bring about serious internal conflicts. Democracy imposed by bayonets has proven ineffective in Iraq – much to Washington's surprise. With regard to Ukraine, the European Union wonders why the "liberated" people in that country are unable to overcome their domestic crisis. Both examples prove that artificial "democratization" does not work.

The "export model of democracy" contains a genetic defect: as a rule, it contains elements of desovereignization of the target country. And it cannot be otherwise, because "democracy exporters" seek to complete several missions at once. Apart from introducing their standards in the field of rights and freedoms (which would cause the least rejection, but such introduction never takes place without other kinds of interference), outside forces seek to increase their influence, carry out geopolitical reorientation, neutralize competitors, take control over resources and major economic assets, and create footholds for the deployment of military facilities.

Since impulses for democratization do not derive from truly universal and generally recognized organizations, like the UN, but from states – with all of their inevitable self-interests – there inevitably emerge internal contradictions and double standards. Sometimes these impulses take the form of undisguised and even gross interference. Meanwhile, the people who fall victim to such

"experiments" do not reject democracy – they reject what is found inside the democratic wrapping. There is no "values" conflict here, nor is there one between Russia and the West.

Yet ***the illusion of conflict will arise each time Russia declares its interests***. When Russia stands firm in upholding its interests, or shows evidence of its independence in conduct and thinking, it is treated in the West as a signal for ideological attacks. Conflict of values is a matter of propaganda, rather than ideological, civilizational or psychological realities; so the issue should be resolved from this point of view, instead of using this sensitive topic as a political weapon.

Recently, especially after the events in Estonia, the issue of values has taken a new turn in the Russia-West dialog. However, Europe, carried away by the demonstration of its internal solidarity, has not realized this in full measure yet. Formerly, many people in the West – and even in Russia – believed that Russia was not yet ready to fully embrace "positive" Western values. But now people are questioning why these values easily include the ideology of the Baltic elites. Why do these values comfortably co-exist with travesties against the memory of the fallen heroes of the anti-Hitler coalition, which includes a tolerant attitude toward the revival of Nazism. There has also been a revision of the political results of World War II, together with the massive deprivation of rights on ethnic grounds. These developments, and many others, are not at all associated with the true conception of democracy. Perhaps the Western countries think that by blaming Russia for the developments in Estonia they achieved some sort of subtle victory; but Russian society experienced a real culture shock.

It cannot be ruled out that we are witnessing a new phenomenon that can be described as the "Bolshevization" of democratic consciousness: ***progressive and positive ideas are becoming dogmatic in essence and aggressive in form***. This impression underlines the fact that some of the world's major "progressors" – i.e., American neo-cons – originate from Trotskyism.

Interestingly, Russia has handled the democratic idea almost in the same way as the Western Social Democrats, stigmatized years

ago by Bolsheviks, handled the socialist idea. Russia has borrowed the constructive aspects of democratic principles, but refrains from falling into the democratic hysteria that increasingly accompanies public discussions on humanitarian issues in Europe and the United States. For example, it is easier for Russia to understand that the processes underway in Ukraine, Belarus and Central Asia are much more complicated than the primitive debate over "democracy or non-democracy." Moscow's refusal to participate in the collective harassment of the "last dictators," and in other passionate "crusades for freedom," is explained not by the absence of democratic views. Rather, Russia is guided by sober realism and its own bitter experience of imposing the "only true teaching" on others. This is why the die-hard Western "revolutionaries" attach harsh epithets to Russia and accuse it of betraying "cherished ideals" – just like Vladimir Lenin did a century ago vis-à-vis Karl Kautsky and Co.

Hence, the notorious "conflict of values," the essence of which lies not so much in the peculiar perception of democratic ideas in Russia (where they have been developing independently for centuries), as in the transformation of ideology in the West.

Is it not strange that the public West-Russia "dialog," if judged by mass media reports, proceeds under bombastic headlines, such as, "Stop Russia" or "Let's Say Enough to Russia"? As if it is Russia that admits former Western allies into its military-political bloc and deploys strategic armaments on their territories. As if it is Moscow that provokes controlled political upheavals, bringing anti-Western regimes to power, or forces competitors out of the market, and blocks negotiations with strategic partners.

To ease such tensions, the West should look for other ways to consolidate its ranks than the habits of the 20th century. Today's world is a far cry from the highly ideological realities of the last century; Ronald Reagan's emotional speeches would be as appropriate now as Alexander the Great's chariots would be on today's battlefields. There is no "empire of evil" or "bad" Russia and "good" West. However, there are normal countries, whose interests are close and compatible if their leaders and elites have the will and sober mind to understand this.

POST-SOVIET AND POST-COMMUNIST SPACE

The subject of the post-Soviet space has broadened of late, and now it makes sense to speak of a post-Communist space. The range of these issues includes not only the conflict of influences in the Commonwealth of Independent States, but also problems pertaining to the Baltic States, Poland, as well as to some countries of Central and Eastern Europe (the issues that require immediate consideration in this region involve the deployment of armaments, an understanding of the "Soviet occupation" and the revision of history, the war against monuments, the status of Russian-speaking minorities, neo-Nazi marches, etc.). Many of the above-mentioned factors overlap, among them the redivision of spheres of influence, security problems, the struggle for Eurasian resources, and the use of post-Soviet countries as proving grounds for testing democracy-export technologies.

This space is now a scene of changes that directly concern Russia. As was mentioned above, the "export model of democracy" has begun to fail; not all people enjoy "living well but under control" as opposed to real democratization. The situation at the present time is that every country has problems of its own, which cannot be solved by "all-out collectivization."

Those representatives of the Ukrainian elites, for example, who pinned their hopes on the West and Euro-Atlantic structures, believed that by embracing socio-economic standards of the European Union they would ensure national unity and overcome their dependence on Russia. Instead, Ukraine is now deeply divided and gripped by a stubborn political crisis. Furthermore, it has no chances for gaining membership into the EU, while it must pay world market prices for Russian gas.

In Georgia, its pro-Western leaders cherish hopes that they will restore their country's integrity all at once, believing that the West will do anything to achieve its goals. Strangely, Tbilisi's convictions are based on the way the United States and the European Union are handling Kosovo. However, it is Georgia most of all that should oppose Western plans to separate a part of a state by

breaching international law. This illusion only adds fuel to the conflicts over the unrecognized republics.

Meanwhile, the Asian republics of the CIS are becoming increasingly convinced that the price for Western protection may turn out exorbitant and simply destructive for their sovereignty; moreover, it will not add stability to these countries nor improve the wellbeing of their societies.

In light of these factors, Moscow's role in the post-Soviet space has been highlighted in a new way, and many view it as almost a revelation. For many years, Russia subsidized the economies of its neighbors – without transforming its decisive role into solid geopolitical dividends. The CIS was rather viewed as a "civilized divorce." No one is now compelled to join new structures, while the economic dependence card is not played in order to consolidate one's sphere of influence. Russia has not even insisted that the rights of its Russian-speaking minorities in post-Soviet states be ensured – a subject where the West's democratic concern always stops.

The consequences of the "divorce" began to be seriously felt only after Russia made the decision to stop subsidizing energy prices; there are no more guarantors of independence left in the world that do not demand anything in return.

The differences that exist between Russia and the West in the post-Soviet space can be removed. Of course, conflicts of interests are inevitable while states exist. But we must call a spade a spade rather than mislead people by uttering false alternatives, such as, "Are you for Russia or for democracy?" ***Russia is as interested as the West in genuine democratization of the vast region***, and no one in this country wants to see peoples' views on momentous issues ignored, or decision-making processes usurped by elite groups.

However, it is clear that if Moscow only passively watches other countries propose their models for settling conflicts and solving problems in regions that are vital to it, no one will guarantee that Russia's interests will be met. This is why a passive position is absolutely detrimental for us.

Russia and China in the Mirror of U.S. Policies

Igor Zevelyov, Mikhail Troitsky

The image of Russia and China as seen by the American political elite has become increasingly similar over the past two to three years, and the process has developed in two directions.

First, the Russian Federation and the People's Republic of China are now predominately viewed as large countries that have market economies and authoritarian regimes.

Second, both countries objectively obstruct the increase of American influence on the global stage.

Still, the contents and style of American policy-making, as well as the tone of the rhetoric, vary noticeably depending on which of the two countries – Russia or China – is the case in point. Being neighbors, the two nations share the vision of the system of international relations that the U.S. is trying to build in the world today. Neither Moscow nor Beijing accepts Washington's desire to remodel the world according to its own whims, and both have put up stiff, systematic resistance to these developments. And yet, China's domestic and foreign policies do not provoke a sharp reaction from Washington as do the actions taken by Russia.

On the whole, the U.S. takes a more businesslike, restrained and positive approach toward China, while Russia's domestic political reality and international activity are often vilified. Moscow ranks

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above Beijing if we consider the emotional taint of U.S. assessments. This is evidenced in the calls for containment – as demanded in official U.S. documents and expert reports; such a voice is heard more explicitly when references are made to Russia.

In 2001, the Russian sector of George W. Bush's policies was bolstered by a certain degree of trust, while China was viewed as a strategic contender. But the U.S. administration produced clear signs by the end of the 43rd American president's second term of office that the unexpectedly smooth relations with Communist China, and the equally unexpected tensions in contacts with Russia, will become part of his political legacy.

Beginning in 2005, one of the objectives set down by the Bush administration was to encourage China to become a "responsible stakeholder" in the international order, as Robert Zoellick, who now is president of the World Bank, put it. At the same time, Washington constantly makes relations with Russia contingent on the latter's progress along the path toward liberal democracy and its policies on the post-Soviet space.

The conclusions of the Council on Foreign Relations in its reports on Russia (in 2006) and on China (in 2007) pulled no punches. The report on Russia proposes to build relations along the principle of selective cooperation rather than partnership, which is dismissed outright as impossible. "The very idea of a 'strategic partnership' no longer seems realistic," it says.

But when it comes to relations with China, the experts recommend Beijing's broader inclusion in global processes, albeit with putting certain checks on its growing might. They reject direct containment methods. The report suggests that the U.S. administration "pursue a strategy focused on the integration of China into the global community" and "must focus on creating and taking advantage of opportunities to build on common interests in the region and as regards a number of global concerns."

In other words, the U.S. increasingly views Russia as a failed partner, while China is viewed as a rapidly growing power that should be integrated in the global order that is being founded by the Americans.

What are the reasons for the dark sentiments regarding Russia, and quiet pragmatism that greets China? Why is U.S. paranoia toward rising China only talked about in regard to the pro-Taiwan lobby... while the 'brutally growling Russian bear' is a typical cliché for even the most respectable publications? Why do official U.S. documents cautiously urge Beijing to continue moving toward democracy and openness, but issue at the same time stiff-lip warnings to Russia that future relations are contingent on its conduct? Most importantly, the question is: What should Russia do in this situation and is the Chinese model of relations with the U.S. generally possible or desirable for Russia?

RUSSIA AND CHINA AS GLOBAL OPPONENTS TO THE U.S.

A comparison of Russia and China's traditional potentials leads to the conclusion that the latter has better chances of becoming America's main global contender in the 21st century; the only question that remains is what forms this competition will take.

China has much better gross parameters of economic performance. Its GDP purchasing power parity totaled 77 percent of U.S. GDP in 2006, versus Russia's indicator that was just 13 percent. Even if calculated at the current exchange rate, China will surpass the U.S. by 2027, Goldman Sachs investment bank experts claim. The fact that Chinese factories manufactured more cars than the U.S. in 2006 boldly attests to China's industrial growth. Meanwhile, Russia's economy will most likely make up much the same percentage of U.S. economy in the coming decades, even if its growth rates remain as high as in the past seven years. Moreover, the demographic gap between Russia and the U.S. will continue to grow. By 2050, Russia's population may shrink to 108 million people from the current 144 million, while the number of Americans may increase to 400 million people from the current 300 million.

Russia's nuclear and missile capabilities aside, China poses many more risks to the U.S. as a global contender. For the past 16 years, Beijing has been implementing an ambitious program of modernizing its Armed Forces, including space, naval and missile elements.

The Pentagon has stated in reports on the Chinese Army, which it started publishing in 2000, that the continuing lack of transparency of China's defense spending alarms the Americans. This alarm grew especially after a space test in January 2007 when a Chinese ballistic missile destroyed a satellite in a low-earth orbit.

Bates Gill, a notable American expert on China who is also director of the Stockholm International Peace Research Institute, and his co-author Martin Kleiber voiced deep concern in the U.S. *Foreign Affairs* journal.

"Put bluntly, Beijing's right hand may not have known what its left hand was doing. The People's Liberation Army (PLA) and its strategic rocket forces most likely proceeded with the ASAT testing without consulting other key parts of the Chinese security and foreign policy bureaucracy – at least not those parts with which most foreigners are familiar. This may be a more troubling prospect than anything the test might have revealed about China's military ambitions or arms control objectives."

The latest U.S. *Quadrennial Defense Review Report* characterized China as a country that "has the greatest potential to compete militarily with the United States and field disruptive military technologies that over time offset traditional U.S. military advantages absent U.S. counter strategies."

China has a far less pluralistic and open political system than Russia. On the whole, Russia's bureaucratic methods of adopting decisions are much closer to American than Chinese methods. The shortcomings of the Russian system of administration were found in the U.S. system in certain phases of its development, too, but the Americans eventually eliminated them.

The impression that Washington gets from the prospects of China's traditional might is magnified by the latter's opaqueness for 'mild' American influences, which the U.S. hopes to implement in its efforts to channel Chinese resources to alleys it deems appropriate, or avoid the risks of experiencing their impact. However, China is far less perceptive toward American values than Russia.

The Chinese have developed a durable consensus with regard to the repulsion of American views on democracy and political

plurality. Apart from a few dissidents, even the forces that consider themselves to be relatively liberal speak in favor of cautious, slow-paced reforms while taking account of China's uniqueness. By contrast, Russian 'Westernizers' have enough intellectual, if not political, strength. Also, Russia has a pro-American political opposition to the current political course, and the authorities here are much more tolerant of it than the Chinese.

Russia and China display characteristic differences on issues concerning the environment. Russia joined the Kyoto Protocol on climate change and undersigned a number of obligations. Moscow has no problem observing these rules since its greenhouse gas emissions are far below the limits specified in the protocol. Contrary to that, China proceeds from the principle of "a diversified common responsibility," while its own emissions continue to grow. Beijing generally views the ecological agenda of global policies as an attempt by Western countries to hobble the fast developing Chinese economy and to impose unfavorable models of development on it. Beijing dismisses various environmental standards as unfair and has no plans for translating them into practice until Chinese affluence levels approach those of the West.

Even in the early years of this decade, when the world generally had a positive view of the U.S., Beijing looked at the Americans' role on the global stage rather apprehensively. The refusal to accept American hegemony is one of the most persistent aspects of Chinese rhetoric in foreign policy. Beijing had a much less stringent agreement with Washington on the grounds of fighting with terrorism than Moscow. The atmosphere of Sino-American relations saw no major changes after the events of 9/11; Beijing apparently felt some satisfaction that Washington had shifted its attention to the Middle East. On the contrary, the U.S. military buildup in Central Asia made China highly apprehensive long before 2005, when Russia officially voiced its solidarity with China's position at a summit of the Shanghai Cooperation Organization in Astana. Beijing also worries about its diminishing influence in Pakistan, about Japan's Self-Defense Forces operating in the Middle East, as well as the U.S. Army's involvement in

the antiterrorist operation in the Philippines. All of this has fueled China's fear of becoming encircled.

It might seem that the above factors would make China, and not Russia, America's chief opponent on the international stage. Given this situation, relations between two superpowers – the existing and the potential one – should have deteriorated. So why does America's irritation focus predominately on Russia? The presence of anti-Russian lobbies that play a disproportionate role in Washington, as well as the absence of powerful economic groups that might create a good balance and build good relations with Russia – exactly the same way as with China – cannot fully explain the U.S. position.

For an answer, it is important to remember that the U.S. policy-forming community does not look at Russia as a country that is radically different from it, as it believes China is.

On the one hand, Russia has a much closer historical, cultural and institutional relationship to the West, and poses less of a strategic threat to it in the long term.

On the other hand, the Americans pinned much greater hopes on Russia, since they believed it shared more similarities with the U.S. than China. Democratically minded intellectuals, including the media community, thought in the early 1990s that Russia would fully align with the West and join its ranks in the short term.

The U.S. political and expert community hoped that Russia would follow, albeit with a delay, in the footsteps of the Central European countries, since those countries had recovered from the painful social and economic reform process and had joined Western institutions, like NATO and the European Union. Certain circles in Washington believed that accession of Central European states to NATO in the mid-1990s should have motivated Russia to cooperate with the bloc. This line of logic suggested that Moscow had no other options than to take this geopolitical blow quietly. The experts thought that following NATO's expansion, Russia would have to initiate an all-embracing interaction with it, accepting the inescapable reality of the post-bipolar world. In reality, the expansion did not help these hopes to materialize. In fact, it only worsened Russian-U.S. relations, which had slightly improved after 9/11.

Alexei Bogaturov, an authoritative analyst of international affairs, commented that "Moscow was preoccupied with the job of winning the love of Western partners in the first half of the 1990s," but "in the second half of the decade Russian diplomats got the task of minimizing the damage from major international processes, in which Russia was engaged objectively although it had virtually no role in regulating them."

The gap between expectations and reality prompted the West to perceive Russia as a European deviant, a country whose internal life and international rhetoric and actions did not match the customary stereotypes. According to convictions in certain American milieus, as a transition country Russia should have craved for stronger ties with the U.S., tirelessly copying American values and practices of state administration. Yet it showed no willingness to do so; this only made the U.S. want to teach Russia more and transform it into a friend from an alien. Thus, this opened a paradox concerning Russia: instead of China, which deserved much more criticism for its practices, the U.S. targeted Russian behavior.

On a practical plane, Russian-U.S. relations are pegged to a constantly changing list of acute problems that involves NATO expansion, internal political strife in Ukraine and Georgia, projected oil pipeline routes, the future status of Kosovo, plans for deploying elements of the U.S. missile defense system in Poland and the Czech Republic, and Russian as well as U.S. military presence in Central Asian countries. All these nodes of tensions are located along a broad arch spanning an area from Central Europe to Southeast/Eastern Europe to the Caucasus to the Caspian littoral zone to Central Asia. The security interests of the U.S., as a global power, and Russia, as a regional power, collide inside these transforming regions.

China and the U.S. also compete for influence in various parts of Asia, but this competition is much more positional and rarely results in crises in bilateral relations. Beijing always abides by the principle of partnership in its dialog with neighboring countries, and widely uses multinational formats to this end (ASEAN Plus Three, APEC, the East Asia Summit, and the Shanghai Cooperation

Organization). China's growing demand for energy resources to feed its economic growth prompts it to expand its presence in Africa and Latin American countries. This naturally puts the U.S. government on alert, yet this does not force Washington and Beijing onto the path of mutual rebukes at the governmental level.

A NEW GEOPOLITICAL TRIANGLE

The search for new partners that would be prepared to rebuff Washington's advance caused Moscow to find an ally in Beijing back in the mid-1990s. At the time, cooperation with the Chinese was viewed as very promising. The leitmotif of China's foreign policy rhetoric – namely, the prevention of any sort of hegemony in the world at large and in Asia in particular – is consistent with Russia's strategic thinking. Russia's concept of national security, adopted in 2000 and formally still in effect today, described major threats as "the desire of some countries and interstate unions to scale down the role of existing mechanisms of international security," i.e. to act unilaterally. Naturally, this description was a direct reference to the U.S. and NATO. China's New Concept of Security, a document issued two years before the Russian paper, revealed a strikingly similar vision. Beijing's list of fundamental threats included hegemony, policies from the position of force, Cold War mentality, expansion of defense unions, and the consolidation of military blocs.

Russia and China have developed a special strategy of responding to the U.S. They have not built a full-blown union to counteract the Americans openly. Instead, they try to counterbalance American influence, but in a tentative manner. Neither Moscow nor Beijing put themselves into overt opposition to Washington, because at that point they would risk provoking tough retaliatory measures. They only seek to demonstrate that there are alternatives to cooperating with the United States on certain issues.

Russia and China's policies toward Washington proceed from the assumption that U.S. political and economic power in the world is getting weaker, while their own power is growing. Analysts in Moscow and Beijing draw this conclusion from a range of consid-

erations. First, their economic growth rates are well above those evidenced in the developed countries, including the U.S.

Secondly, Moscow and Beijing interpret the problems that U.S. troops are now experiencing in Iraq and Afghanistan as a sign of the breakdown of the unipolar system of international relations presided over by the U.S. Considering that the U.S. military doctrine relied on its ability to conduct two large-scale wars simultaneously, Russian and Chinese observers are inclined to believe that the era of unilateral actions, as set down by U.S. foreign policy, is drawing to a close. The mistakes of American diplomacy in what concerns the maintenance of nonproliferation regimes, especially with reference to Iran, only serve to intensify this impression.

According to Dr. Alexei Arbatov, "the U.S. is losing its influence in Western Europe, in the Far East and even in its traditional fiefdom of Latin America."

Third, the Russians and Chinese believe that the violation of human rights (in Abu Ghraib, Guantanamo Bay and in the CIA's secret interrogation facilities in Eastern Europe) heavily impaired America's image and the concept of 'soft power.' Many Russian and Chinese experts say that the global jump in anti-American sentiments since the outbreak of the Iraqi campaign increases the list of countries that would like to cut Washington's omnipotence down to size.

Last but not least, the internal political struggle inside the U.S. around the prospects for the Iraqi campaign and the absence of unanimity on the issue among America's ruling elites are frequently interpreted in Russian and Chinese political quarters as one more symptom of a weakening America.

Moscow and Beijing expect that these circumstances will put brake on America's ability to press forward with its international objectives – if not over the short term (after three to five years), then definitely over the medium and long term (after ten to fifteen years). That is why Russia and China resolutely refuse to follow the lead of the U.S. in politics in the capacity of junior partners.

However, Russia's foreign-policy community overlooks an important consideration in showing Moscow and Beijing's assessments of the global situation and relations with the U.S. The fact

is that Beijing eagerly passes on to Moscow the leading role in rebuffing U.S. policies that both find unacceptable. Meanwhile, China has secured a less turbulent and more pragmatic interaction with the U.S. The Chinese model combines an independent line in international policies, the rejection of attempts to promote internal political problems to the agendas of bilateral relations, and some measure of political distancing from the West, since Chinese leaders claim that Western experience and recommendations cannot be applied directly due to the present realities in China.

Beijing safeguards its own interests and has its own assessment of risks from the U.S. Moreover, it is interested in an intense level of contrariness between Moscow and Washington. China benefits when Russia is seen as the main critic of U.S. policies and, consequently, assumes the full force of retaliation for its stance. The Chinese fear rebuffing U.S. policies – as it might lead to their isolation – much more than the Russians. For instance, Chinese ambassadors to the UN do not veto Security Council resolutions on their own, unless these concern Taiwan. China would unlikely veto any resolution on Kosovo's independence if Russia abstained from the vote.

It is difficult to imagine a situation where Beijing would invest its efforts to block disadvantageous American initiatives, while Moscow, preferring to remain in the shadows, confines itself to supporting China's tough criticism of the U.S. Such an approach would invite a tough response from Washington against China and would call into question Beijing's very strategy of a 'peaceful rise,' which implies the gradual accumulation of strength in a way that would not provoke other powers. Deng Xiaoping, the architect of the 'Chinese economic miracle,' said China should play an inconspicuous role in the international arena and never seek leading parts. The current Chinese leader, Hu Jintao, stresses that the government will continue focusing on internal development for the next two decades.

WHAT DOES THE CHINESE PATH OFFER TO RUSSIA?

Moscow continues to drift away from the West under political pressure from the U.S., which is not ready for compromises with

the Russian capital. Meanwhile, advocates of the 'Chinese model' of relations with the U.S. have begun to appear in Russia. But before we make any sort of final choice, it is worth thinking once again about the costs that model implies.

Depending on its choice, Russia should be ready to give up substantial dialog with the West in various formats, including the G8, the Council for Partnership and Cooperation with the European Union, the Russia-NATO Council, as well as in multilateral structures like the Council of Europe and the OSCE. Quite possibly, it would have to abandon those international clubs of its own accord, thus demonstrating the level of its self-confidence and independence from the West.

Moscow has already begun to revoke some of its agreements with the West. It has imposed a moratorium on the 1990 Treaty for Conventional Armed Forces in Europe, and it may pull out of the 1987 Intermediate Range Nuclear Forces Treaty. But these measures concern the arms control regimes only. As for institutions that ensure political dialog with the West, the Russian leadership still treasures membership in them. Would it be wise for Russia to dramatically cut back its presence in these institutions?

Russia's accession to the G8, together with the establishment of institutions for greater interaction with the EU and NATO, is viewed, at least in Russia, as a major political victory of the past decade; in this sense, Vladimir Putin reveals a similarity with his predecessor Boris Yeltsin. The two shared the same willingness to sit at the table with their Western partners in the capacity of permanent participants in the dialog, not as individuals who are invitees on separate occasions only (like China at the summits with the EU, or on the sidelines of the G8). Russian leaders give much value to the trust that Western partners have in them. Regardless of the problems with NATO, Russia's partners in the Russia-NATO Council show much more credibility toward Russian leaders than toward the Chinese in strategic areas like nuclear nonproliferation, the development of defense systems and doctrines concerning the use of Armed Forces. Against this background, even a cursory glance of China's documents on foreign policy and military strate-

gy enforces the belief that Chinese officials act strictly in line with the proverb that says, "Man has a tongue to conceal his thoughts."

A decade has passed since the establishment of Russia-NATO communications agencies and Russia's accession to the G8 and the Council of Europe. Moscow has done a huge (and often underestimated) amount of work to adapt itself with its Western partners. It has managed to establish itself in the same institutions with the West and has learned how to show initiative at Western forums. Russia's presidency in the G8 fairly matched the intellectual and organizational standards accepted by the other seven member-states. Russian diplomats have obviously found the experience of building interaction among NATO allies in the North-Atlantic Council quite convenient for strengthening integrated unions on the post-Soviet space. Russia has learned to produce weighty arguments and to defend its positions even during contacts with human rights fundamentalists who set the tune at the Council of Europe. It would be highly irrational to throw away the obligations that Russia has successfully adapted itself to over the past decade, in the course of which it gained additional levers of influencing its Western partners.

It is true that complaints about the liberalization of economic and political life in Russia, which the West frequently transmits through the institutions it shares with Russia, are often irritating. But let us keep it in mind that Western countries put forward the same demands for themselves, as well (consider ecological standards, for example). Nor do they avoid self-criticism when they are called out on violations of human rights. Western politicians and media do not have a tradition of bowing to the powers that be. They have often pushed hard on the touchiest issues, like the U.S. base in Guantanamo, CIA jails in Europe and the tapping of telephone conversations inside America. Beyond the United States, they report how the police in Britain observe potentially disloyal descendants from Moslem countries.

It is this permanent move forward and unwillingness to stop at what has been accomplished that provides a criterion for judging whether or not a country will be accepted into Western clubs, a

membership that Russia praises highly. However, Moscow sometimes looks at its affiliation only from the angle of its own status and ability to gain concessions, not from the angle of growing responsibility or search for compromises.

Also, U.S. criticism that is aimed at a particular country does not necessarily mean an innate hostility toward it, or a desire to weaken it as an adversary. On the contrary, it may stand for recognition of basic community. As regards the absence of polemics between the U.S. and another country, this may indicate the absence of shared views and the irrationality of discussions on political principles, simply because the differences between the two countries may be too big.

Washington and Beijing do not criticize each other in a harsh manner, but there are good chances that they are moving toward a real mutual containment. The upcoming elections in the U.S. may conceal evidence of this tendency for the present time, as aggressive anti-Chinese rhetoric usually does not help presidential or congressional candidates win votes. But the military and intelligence community, where the planning period is longer than four years and is void of electoral pressures, are developing a far greater concern over Chinese policies.

China belongs to a group of countries that can afford to disregard compliance with the increasingly complicated criteria of the 'Western clubs' and maintain dialog with them at the same time. The West envisions those countries as capable of being equal and strong but alien all the same. Beijing, for its part, does not seek to formalize political dialog with the West at the institutional level. One example is the conflict that erupted over the return of a U.S. spy plane and its crew that made a forced landing on the island of Hainan in April 2001. The Chinese were able to demonstrate a tough attitude during the conflict since they had no formal obligations to discuss problems of that kind in institutions comparable to the Russia-NATO Council. China also finds it easy to repel U.S. pressure to revalue the yuan, as the two countries do not have common institutions that would enforce a compromise.

Finally, if one assumes that America's ability to reach its objectives in global politics is really losing strength, Russia will not stand to benefit from such a scenario. In such an event, the U.S. would be forced to loosen its geopolitical grip in neighboring regions and the issue of admitting the post-Soviet countries into NATO will be put aside. But whether or not Russia will get any extra dividends from America's weakening and isolationism is not immediately clear. The medal has the other side, too, as proliferation of weapons of mass destruction and the spread of extremist movements in the Middle East – and possibly Central Asia – would increase. Russia will run especially high risks if the situation in Afghanistan gets out of hand. The pullout of U.S. troops from Iraq will call into question the rationality of the U.S. presence in Afghanistan, and Moscow's vital interests in maintaining stability in Central Asia will become jeopardized. Given such a scenario, Japan will stop relying on U.S. protection as in the past and start increasing its military potential, prompting China to act correspondingly. These factors will negatively affect security along the entire perimeter of Russia's borders and will compel it to increase its own military spending.

As for China, the decrease of American global influence will have dramatically opposite consequences and will bring Beijing doubtless benefits. New opportunities will open up for the solution of its main objective – reunification with Taiwan on Beijing's terms. China will be able to act much more forcefully in defending its energy security, as well as in solving its territorial disputes in South Asia. The disintegration of the Soviet Union, the main deterring force in Northeast Asia, allowed Beijing to sign lucrative agreements on the state border with its western neighbors – Kazakhstan, Kyrgyzstan and Tajikistan – and take control over formerly disputed land areas. Goals that had been unattainable during the presence of the Soviet Union on the geopolitical map became easy targets after it disappeared.

Finally, China has both the ambition and chances to acquire world leadership, and a weakening of the U.S. would only speed up the process. Meanwhile, Russia has overcome the temptation to lead a "global foreign policy" in discrepancy with its internal develop-

ment. We are facing international objectives of a different kind now: a secure transformation into a leading and efficient global economy – one that is capable of providing its people with the conditions for a comfortable existence. A rapid revision of the international status quo will significantly impede the ability to reach this goal.

BEING AND LOOKING LIKE

In spite of growing contradictions with the West, the Russian leadership still wants to harmonize Russian norms and practices with Western varieties. Vladimir Putin's confident declaration that "Russia will develop on the same general principles with all other civilized nations" came as a response to a provocation from radical oppositionists during the June 2007 summit of the G8 in Germany, and the West could not fail to notice it. The problem is that such statements are necessary, but insufficient for full-scale partnership with Washington. The U.S. demands that Moscow be an affiliated country in terms of foreign policy, which means that Russia should agree to the role of a junior partner and recognize the logic of interests of the leading partner. But this is exactly the role that Russia vehemently rejects today, as it tries to influence the U.S. in a way that makes it seem that Russia wants to change the rules of the game in the international arena.

Meanwhile, Russia's sharp and unbending foreign policy rhetoric provokes a reaction on the part of the U.S. that is disproportionate to the scope of contradictions between the two countries. The architects of Russia's foreign policy enjoy the image of a strong, brash player who is not dismayed by the fact that his self-assertion does not always convince partners and win them over to his side.

It seems that the U.S. has no plans of heeding Russia's arguments in earnest. Like Moscow, Washington too is confident of its rightfulness and moral superiority. It has been meting out inordinately harsh criticism over 'infringements on democratic norms' in response to Moscow's words and actions over the past two years. The U.S. gives overt support to anti-Russian movements and leaders on the post-Soviet space; it is not difficult to sense a reluctance to make Russia a "responsible stakeholder" in the international order.

Meanwhile, China successfully maintains the profile of a country that is on a 'peaceful rise' in the format of the existing order, although the U.S. has never regarded it as an allied country and the Chinese have never sought full-blown partnership with the U.S. in global politics. This explains why Washington finds it much more problematic to find grounds for and implement an uncompromising course at China's containment than in Russia's case, even in the presence of concerns over the astounding rise of China's strength.

Russia could learn from the Chinese the intricate overtones of public diplomacy, even though it recognizes its own difference as a political player. It is no accident that opinion polls taken by the Pew Research Center in 47 countries in 2007 showed that China had a generally favorable image in 27 countries, while the number for Russia stood at 14 countries. Beijing skillfully lifts its partners' concerns over the growth of China's economic and military capability, and persistently profiles itself as a friendly country that is trying to build a harmonious world.

Joseph Nye, a leading U.S. political scientist and the author of the 'soft power' concept, said that China has learned the skill of attracting other international players by stressing its economic and cultural achievements and a desire to live in peace. The country has serious social and economic problems, but on the international plane it emanates calm and assuredness that time is playing into its hands. In contrast, Russia, with its sharp rhetoric, occasionally produces an impression (at least in the U.S.) of a player that is in a hurry to sense its growing might, but still not quite certain about its prospects, and still searching for a concept of national interests.

Russia has more opportunities than China to build partner relations with the U.S. and the West in general without damaging its self-identity and independence. Even though China has greater achievements in that sphere, Russia could win the race if it finds an authentic path between the Chinese model and the plight of being America's junior partner, subjugating its own security interests to American interests. There is much broader room for maneuver between the two options than one might think.

The Russian Model

Russian fans' flag.
Russia vs England football match, October 17, 2007

The clash between Russia and the West is ideological in its nature. The difference with the Cold War period is that the current ideological clash is not between democracy and dictatorship. The clash is between the post-modern state embodied by the European Union and Putin's regime of sovereign democracy.

Russia as the "Other Europe"

Ivan Krastev

Let us consider the question: What does Russia really want? Is Russia a neo-imperial power that wants to dominate its weaker neighbors, or is it a post-imperial state that is simply trying to defend its legitimate interests? Does Moscow view the European Union as a strategic partner or does it view it as a threat to Russia's ambitions in Europe? How stable is Putin's regime, how sustainable is Russia's economic growth, and what are the Kremlin's long-term interests and short-term fears?

Historian Martin Malia has said that "the West is not necessarily most alarmed when Russia is in reality most alarming, nor most reassured when Russia is in fact most reassuring." The West is most alarmed when it is confused about Russia's interests and strategies.

Putin's Russia is frightening precisely because it is confusing. Russia is, at the same time, a rising global power and a weak state with corrupt and inefficient institutions. The contradictions go further: Putin's regime can be described as rock solid and also extremely vulnerable. Russia's economic growth looks both impressive and unsustainable. Russia's foreign policy is a puzzle. Even as Russia becomes increasingly capitalist and Westernized, its policies become increasingly anti-Western.

THE RISE OF THE DECLINING POWER

A new reality in Europe is the re-emergence of Russia as a threat to its neighborhood, a major player that is seen to be unfriendly

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and unreliable. At the same time, however, it is an indispensable interlocutor of the West.

Russia's resurgence is occurring at a time when the global hegemony of the U.S. is in decline and the European Union is suffering a profound crisis of self-confidence. It comes at a time of "fundamental heterogeneity and contradiction pertaining both to the nature of political units and the character of the tensions, solidarities and oppositions between these units." So, the question is: How serious is the Russian challenge and how did the current crisis in relations between Russia and the West arise? Is Russia a rising power, or is it a declining power that is merely enjoying a temporary revival?

Soaring gas and oil prices have made energy-rich Russia more powerful, less cooperative and more arrogant. The petrodollars that have floated the state budget have dramatically decreased the Russian state's dependence on foreign funding. Today, Russia has the third largest hard currency reserves in the world. Moreover, it is running a huge current account surplus and paying off the last of its debts accumulated in the early 1990s. Russia's reliance on Western loans has turned into Europe's reliance on Russian oil and gas.

Russia's military budget has increased six times since the beginning of the 21st century, and Russia's intelligence network has penetrated all corners of Europe. For now at least, Chechnya has been pacified and Russia has succeeded in regaining the strategic initiative in Central Asia. Russia's influence in global politics has also increased dramatically. The Security Council deadlock over the status of Kosovo is the latest demonstration of the new reality: Russia can no longer be ignored. In short, Russia is a rising power that will no longer accept lectures from others. Today, Russia wants to lecture.

Russia's economic growth is mainly due to rising energy prices; the level of technological modernization is still very low. Meanwhile, energy exports finance about 30 percent of the Kremlin's budget. Russia is a classical oil regime that is suffering from corruption and inefficiency. A lack of investment in developing oil and gas fields threatens the prospects for future increases in energy exports. This also creates the risk of shortages on the domestic market.

For many Russians, the standard of living has increased, but yet Russia remains a poor country. Social inequality is skyrocketing, while the condition of the educational system continues to deteriorate. No Russian university ranks amongst the leading universities of the world. Alcoholism compounded by a collapsing healthcare system is fuelling a demographic catastrophe: the Russian population has been declining by 700,000 a year for the past eight years, while the country's HIV/AIDS epidemic has not yet peaked. Male life expectancy is among the lowest in the world.

Thus, regardless of its recent foreign policy initiatives, Russia remains relatively isolated in global politics. In short, this makes Russia a declining power in a dangerously unpredictable world.

A look back at the historical pattern of Russia's presence in international politics shows that the country has been a first-rate international force in only two periods of its history: from Peter the Great to 1815, and from Russia's victory at Stalingrad in 1942 to the 1980s. In both periods, Russia succeeded because the coercive authority of the state mobilized the country's meager resources to the maximum degree possible. Moreover, in both cases Russia sought to counterbalance its poverty by appropriating Western techniques and organizational methods, while at the same time avoiding political dependence on the Western powers. Is history simply repeating itself? Will Russia's greatness once again be at the expense of the rights and liberties of its citizens?

Lost in the labyrinth of the contradictions of Russia's unexpected revival, Western policymakers are torn between their desires to "talk tough" and "teach Russia a lesson," and the realization that the West has limited capacity to influence Russia's policies. The urgent question now is no longer what to do with Russia; the question now is what to do about Russia. Unfortunately, the current debate on Western policies on Russia is bewildering, driven by complexes and ultimately unproductive.

Policy prescriptions are reduced to two choices: "contain Russia" or "engage Russia." Not that anybody knows what "containment" means today. Nor has Russia agreed to be engaged on Western terms. The current debate is characterized by a profound misunderstanding

of the sources of the current crisis in the relationship. Increasingly, the West analyzes Russia as a geopolitical and economic player but pays less and less attention to the nature of its regime and to the link between Russia's foreign policy and its domestic politics. Criticizing Putin's regime is not a substitute for understanding it.

THE NATURE OF PUTIN'S REGIME

Putin's Russia is not a trivial authoritarian state. It is not "Soviet Union Lite" even if the music of the new Russian anthem is the same as the old Soviet version. Nor can it be described as a transitional democracy. It is, however, a 'managed democracy' or, shall we say, an 'over-managed democracy.' The term captures the logic and the mechanisms of the proliferation of power, and the way that democratic institutions are used and misused to preserve the monopoly of power. But the concept of 'managed democracy' also falls short. It cannot illuminate Putin's Russia, if viewed as a political project as opposed to a political machine.

The term 'managed democracy' fails to explain why Putin resists becoming president-for-life as his Central Asian colleagues have done, thus risking the stability of the whole political edifice that he has built. The notion of managed democracy is also useless in assessing the future stability of the regime. What strikes the observer of the political processes in today's Russia is the stability-fragility dialectics of the current status quo. There seems to be no alternative to Putin's way. The opposition is marginal and marginalized, lacking ideas and public support. At the same time, Moscow elites seem to be nervous and insecure. The "succession" has paralyzed their imagination. Why are the elites so scared if the regime is so stable?

The "succession dilemma" can be summarized in the following way: If Putin wants to maintain the European identity of his regime, and if he cares about the long-term stability of the country, he should carry out his pledge to step down from power after the end of the second term of office as prescribed in the Constitution. But if he wants to prevent the short-term destabilization of the regime, he should either stay president for life or take up residence on the moon. Putin's departure from power

would unavoidably lead to the emergence of a second center of power at the heart of Russia's managed democracy. There would be a newly elected president and president Putin. This power pluralism destroys the fundamentals of the current regime, the fundamentals that Vladislav Surkov is tempted to define as the key elements of Russian political culture in general: the centralization of state power, non-pragmatic (utopian) legitimization of the political system; and personification of the institutions of power.

Western attempts to make sense of Putin's Russia lack an insight into the political imagination of the current political elite in Moscow. They also lack an interest in the arguments used by the regime to claim legitimacy. Putin's critics inside and outside Russia are inclined to dismiss the intellectual substance of the Kremlin-promoted concept of 'sovereign democracy.' In their view, 'sovereign democracy' has only propaganda value; its only function is to protect the regime from Western criticism. The assumption is that the Kremlin's only ideology is cynicism, which allows it to stay in power and be rich. But is this really the case?

In our view, the concept of 'sovereign democracy' can be the key to understanding the ambitions, fears and constraints of Putin's regime. The concept of 'sovereign democracy' succeeds in confronting the Kremlin's two ideological enemies of choice: the liberal democracy of the West and the populist democracy admired by the rest. It pretends to reconcile Russia's urgent need for Western-type modernization and Russia's will to defend its independence from the West. The source of the Russia-EU crisis is in the logic of sovereign democracy more than that of competing interests.

SOVEREIGN DEMOCRACY: THE POLITICAL ORIGIN

According to national origin, the concept of 'sovereign democracy' is Ukrainian. It originated in the Kremlin's conceptualization of the November 2004 to January 2005 Orange Revolution ("Orange Technologies" in the Kremlin's terms) in Ukraine. Sovereign democracy is Moscow's response to the dangerous combination of populist pressure from below and international pressure from above that

destroyed the regime of Leonid Kuchma. The Kyiv (Kiev) events embodied the ultimate threat: long-distance controlled popular revolt.

Putin's preventive counter-revolution that followed marked a "regime change" in Russia. In the regime of directed democracy that Putin inherited from Boris Yeltsin, the elites deployed many of the institutional elements of democracy, including political parties, elections, and diverse media for the sole purpose of helping those in power to stay in power. Elections were held regularly, but they did not provide an opportunity to transfer power, only to legitimize it.

The directed democracy of the 1990s, in contrast to the classical models of managed democracy, did not imply a ruling party to manage the political process. The key to the system was the creation of a parallel political reality. The goal was not just to establish a monopoly of power, but to monopolize the competition for it. The key element in the model of directed democracy was that the sources of the legitimacy of the regime lay in the West. Imitating democracy assumes that the imitator accepts the superiority of the model he is imitating. Being lectured by the West was the price paid by the Russian elite for using the resources of the West to preserve that elite's power.

In its social origins, directed democracy reflected the strange relations between the rulers and the ruled in Yeltsin's Russia. Stephen Holmes has acutely portrayed this relationship: "Those at the top neither exploit nor oppress those at the bottom. They do not even govern them; they simply ignore them."

Directed democracy was a political regime that liberates the elites from the necessity of governing and gives them time to take care of their personal business. It was perceived as the best instrument for avoiding a bloody revolution; at the same time, it created room for the "criminal revolution" that transferred much of the nation's wealth into the hands of a few powerful insiders. It was the most suitable regime for a "non-taxing state." There were taxes in Russia, but nobody really cared to collect them; there were elections, but they were not allowed to represent real interests.

The post-Communist elites discovered the irresistible charm of state weakness. Russia was a weak state, but it was also a cunning state, one that was quite selective in its weakness. It failed to pay

the salaries of workers, but was strong enough to redistribute property and even to repay foreign debts when this was in the interests of the elites. The regime's strategy was to keep up the illusion of political representation, while at the same time preventing the interests and sentiments of the transition's losers from being represented. The model of directed democracy made the elites independent of the citizens' legitimate claims. None of the reforms implemented in Russia in the heyday of directed democracy was initiated by pressure from below. The most vulnerable aspect of Russia's system is this total disregard for the basic needs of the people.

In the West's current discourse on Russia, Putin's authoritarianism is usually contrasted with the imperfect democracy of Yeltsin's Russia much in the same way that tyranny is contrasted with freedom. In reality, Yeltsin's liberalism and Putin's sovereigntism represent two distinctive but related forms of unrepresentative political systems. They differ in the perceived role of the state in public life and the sources of legitimacy of the two regimes. Another difference is the price of oil.

Yeltsin's regime busied itself by dismantling public expectations of the state. Putin's regime, born out of soaring energy prices and an urgent need to prevent the total collapse of the social infrastructure, was determined to reconnect the prosperity of the elites with the glory of the state. Yeltsin's "faking democracy" was replaced by Putin's consolidation of state power through nationalization of the elite and the elimination or marginalization of what Vladislav Surkov calls "offshore aristocracy."

The nationalization of the elite took the form of de facto nationalization of the energy sector, total control of the media, de facto criminalization of Western-funded NGOs, Kremlin-sponsored party-building, criminal persecution of Kremlin opponents (as with the case of Mikhail Khodorkovsky) and the creation of structures that can secure active support for the regime in time of crisis (such as the Nashi [Ours] movement).

The offshore oligarchs were replaced by state-serving oligarchs. This transformation explains one of the puzzles of today's Russia: the form of property – private or public – does not matter when it comes

to the big Russian companies. They all are state-minded companies and their economic policies reflect the priorities of the Russian state. The Communist one-party state has been replaced by Putin's one-pipeline state. Putin offered consumer rights to Russian citizens, but not human rights; state sovereignty, but not individual autonomy.

Contrary to some Western accusations, the Kremlin (which is populated by many non-Russians) has not based its regime-building project on mobilizing ethnic Russian nationalism. The relationship between Russian nationalism and the Kremlin's notion of sovereign democracy is much more ambiguous and complex. Putin uses traditional Russian nationalism when required, but basically the Kremlin is in the business of controlling this nationalism, not mobilizing it.

While the government is quite "theatrical" in repressing its liberal and pro-Western opponents (mainly to show the West that it will not tolerate interference in its domestic politics), the Kremlin is efficient and ruthless in repressing nationalists. Sovereign democracy, in the Kremlin's view, is the Russian version of European civic nationalism. The pillars of the project are natural resources, the memory of the Soviet victory in WWII, and the promise of sovereignty.

In the view of the Kremlin, sovereignty is not a right; its meaning is not a seat in the United Nations. For the Kremlin, sovereignty means capacity. It implies economic independence, military strength and cultural identity. The other key element of a sovereign state is a "nationally-minded" elite. The nature of the elite, in the view of the Kremlin's ideologues, is the critical component of a sovereign state. The creation of a nationally-minded elite is the primary task of sovereign democracy as a project. Moreover, the need for a nationally-minded elite requires a nationally-minded democratic theory. Putin's Kremlin has never seen the new democracies of Central Europe as a model for the political development of Russia because, in Moscow's view, the small states of Central Europe have no capacity to be sovereign. They are doomed to gravitate around sovereign poles of power. In this context, Moscow is ready to acknowledge that membership in the European Union represented a real opportunity for small countries like Bulgaria or Poland, but is not a real option for post-imperial Russia.

SOVEREIGN DEMOCRACY: THE INTELLECTUAL ORIGIN

In the concept of sovereign democracy, what is really fascinating is not the regime that it tries to legitimize, but the intellectual framework of its justification. In the past two decades, Russia's marketplace of ideas was never short of theories arguing the uniqueness of its culture and history, as well as reflections on Russia's mission in the world. There were many voices insisting that Russia should break its ideological dependence on Western theories. What is telling is that the ideologues of sovereign democracy are not interested in the various theories of "Russia's uniqueness" in building their project. The Kremlin's revolt against the Anglo-Saxon theory of liberal democracy, centered on individual rights and the system of checks and balances of power, is rooted neither in criticism of democracy as a form of government nor in theories of Russia's exceptionalism. In constructing the intellectual justification for the model of sovereign democracy, Kremlin ideologues turned to the intellectual legacy of continental Europe – the French political rationalism of Francois Guizot's and Carl Schmitt's "decisionism."

Guizot and Schmitt surprisingly emerge as the intellectual pillars of the Kremlin's idea of sovereign democracy. What attracts Surkov and his philosophers to the legacies of Guizot and Schmitt is obviously their anti-revolutionism and their fundamental mistrust of the two concepts of the present democratic age – the idea of representation as the expression of the pluralist nature of the modern society, and the idea of popular sovereignty that defines democracy as the rule of the popular will. Anti-populism and anti-pluralism are the two distinctive features of the current regime in Moscow. Following Schmitt (1888-1985), the theorists of sovereign democracy prefer to define democracy as "identity of the governors and the governed."

And, following Guizot, "sovereign" for them is not the people or the voters, but the reason embodied in the consensus of the responsible national elites. In the Kremlin-concocted mixture of Guizot's anti-populism and Schmitt's anti-liberalism, elections serve not as an instrument for expressing different and conflicting interests, but in demonstrating the identity of the governors and the

governed; not as a mechanism for representing people, but one for representing power before the people. What is at the heart of the Putin's regime is governmentalization of the state. The Kremlin does not think in terms of the citizen's rights, but in terms of the population's needs. The concept of population is contrasted both to the notion of rights at the core of the liberal democratic project and the notion of "the people" that is at the core of the nationalist projects. The rights of the citizen-voter that are at the foundations of liberal democracy are, in Putin's Russia, substituted by the rights of the consumer, tourist and Russian soul-owner.

Schmitt's definition of the sovereign as "he who decides on the state of exception" perfectly fits the almost metaphysical role of the figure of the president in Russia's present political system. Schmitt's definition of democracy in terms of identity, not in the terms of representation, does not allow a meaningful distinction between democracy and dictatorship. The Kremlin's theorists of democracy could also see this as an advantage.

Contrary to the assertions of Putin's critics, the concept of sovereign democracy does not mark Russia's break with European tradition. It embodies Russia's ideological ambition to be "the other Europe" – an alternative to the European Union. The Kremlin has developed an ideological project that is not only attractive for many in post-Soviet Europe, but a project that presents an existential challenge to the European Union.

"Russia is very old Europe," wrote Carnegie analyst Dmitry Trenin, "it could be reminiscent of Germany in the 1920s, with its vibrancy and intense feeling of unfair treatment by others; France in the 1940s, when it was trying to heal its traumas; or Italy in the 1960s, as far as the nexus of power, money, and crime is concerned." Russia is a very old Europe. It embodies nostalgia for the old European nation-state and nostalgia for a European order organized around the balance of power and non-interference in the domestic affairs of other states. In this sense, Russia's sovereign democracy is a direct challenge to the European Union. The United States can afford to analyze Russia in classical realist terms. The European Union cannot. The conflict between Russia and the U.S.

can be reduced to a 19th century trial of strength over resources and national pride. The conflict between Russia and the European Union cannot. What is threatening in Russia's concept of sovereign democracy is that, in reality, it regards the European Union as a temporary phenomenon, an interesting experiment with no future. Russia's European strategy is based on the expectation that sovereign nation-states will determine Europe's future.

THE RETURN OF IDEOLOGY

"What came to an end in 1989," wrote Robert Cooper, summarizing Europe's new consensus, "was not just the Cold War or even, the Second World War. What came to an end in Europe (but perhaps only in Europe) were the political systems of three centuries: the balance of power and the imperial urge."

The elite who commanded European policy assumed that the end of the Cold War meant the emergence of a new European order. The key elements of this post-modern European system include a highly developed system of mutual interference in each other's domestic affairs and security based on openness and transparency. The post-modern system does not rely on a balance of power; nor does it emphasize sovereignty or the separation of domestic and foreign affairs. The legitimate monopoly of power that is the essence of statehood is thus subject to international, but self-imposed, constraints.

The Treaty on Conventional Forces in Europe and the OSCE, based on intrusive inspections and active monitoring, were the major instruments for integrating Russia into the post-modern system. They made Russia resemble a modern state that has accepted the post-modern imperatives of openness and interdependency. Russia's weakness has created the illusion that Moscow subscribes to this system. The reality, however, has turned out to be very different. Russia chose to build its statehood according to European practices and ideologies of the 19th century rather than the European ideas of the 21st century.

Russia's view of the European order is a mixture of nostalgia for the days of the "Concert of Europe" and envy for China, which is managing to balance openness to the West with a rejec-

tion of Western interference in its domestic politics. Russia is opting for a world in which Kremlin-friendly oligarchs will own English soccer clubs, and the Russian middle class will freely travel all over Europe. At the same time, however, international companies will not be allowed to exploit Russian natural resources, and the Kremlin's domestic critics will be expelled from European capitals. The regime of sovereign democracy is absolutely incompatible with the post-modern hegemony. Russia's decision to withdraw from the Treaty on Conventional Forces, together with Moscow's deliberate efforts to block the work of the OSCE, marked the end of the post-Cold War order in Europe. They are manifestations of the logic of sovereign democracy.

The real source of the confrontation between Russia and the European Union today is not primarily rival interests or unshared values. It is political incompatibility. Russia's challenge to the European Union cannot be reduced to the issue of energy dependency and Moscow's ambition to dominate its "near abroad," which happens to be the European Union's "new neighborhood." At the heart of the current crisis is not the clash between democracy and authoritarianism (history demonstrates that democratic and authoritarian states can easily cooperate), but the clash between the post-modern state embodied by the EU and the traditional modern states embodied by Russia.

The controversies that involve the Energy Charter and the Anglo-Russian test of nerves over the "Litvinenko murder case" are not rooted in differences of interests or Cold War nostalgia. They are the expression of the different mindsets of the modern and post-modern state. In the way that the European Union, with its emphases on human rights and openness, threatens the Kremlin's "sovereign democracy" project, Russia's insistence on balance of power as the foundation of the new European order threatens the very existence of the European Union. Faced with the invasion of Russian state-minded companies, EU member states are tempted to fence-off certain sectors of their economies, such as domestic energy markets, thus threatening the liberal economic order that is at the center of the European project.

The contrasting nature of the political elites in Russia and Europe today is one more reason for concern over the future of the relationship. Unlike the late Soviet elites who were bureaucratic, risk-adverse and competent when it came to international relations and security policies, the new Russian elite are made up of the winners of the zero-sum game of the transition. They are highly self-confident, risk prone and immensely wealthy. Europe does not know how to deal with these people. European political elites, who built their careers by practicing compromise and avoiding conflicts, are facing elites that are proud of their take-no-prisoner philosophies. Mutual misperceptions and misunderstandings seem unavoidable.

In short, the clash between Russia and the West is ideological in its nature. The difference with the Cold War period is that the current ideological clash is not between democracy and dictatorship. The clash is between the post-modern state embodied by the European Union and Putin's regime of sovereign democracy. The Kremlin feels threatened by the policy of openness and interdependency in international relations promoted by the European Union. Meanwhile, the European Union's very existence is threatened by Russia's insistence on the dominance of the sovereign state in European affairs. For the post-modern state, "sovereignty is a seat at the table." For Russia, sovereignty is the right of the government to do what it wants on its territory and to execute its enemies in the center of London. Moscow feels encouraged by the resurgence of nationalism and sovereignism in some of the EU member states and expects the European Union to pass into history just as the Soviet Union did in the early 1990s. In Moscow's view, the EU is just one more utopia whose time has expired. Brussels, on its part, is convinced that Russia's sovereign democracy is a pathetic attempt to cheat history, and that the opening up of the Russian state is just a matter of time.

The co-existence between European post-modernity and Russia's sovereign democracy could become more difficult and dangerous than the co-existence between Soviet Communism and Western democracies. We should all take note.

Russia and Europe: No Intermediaries Needed

Leonid Polyakov

An article by Ivan Krastev in this issue (*Russia as the "Other Europe"*) contains a paradoxical conclusion: Russia is Europe, and this is why the conflict between Europe and Russia is much deeper and more dangerous than the former confrontation between Western democracies and Soviet Communism.

The primary logic of the article is as follows. "The Kremlin's 'sovereign democracy' project" does not mean separation from Europe, but an attempt to become "the other Europe," namely, a very old Europe of the 19th century, a Europe of nation-states that is concerned about the balance of power and tempted by imperialism. This modern Europe is opposed by the European Union as a post-modern state. The author describes political post-modernity in the following way: "A highly developed system of mutual interference in each other's domestic affairs and security based on openness and transparency. The post-modern system does not rely on balance of power; nor does it emphasize sovereignty or the separation of domestic and foreign affairs."

Since "sovereign democracy" places special emphasis on sovereignty (that is, the principle of non-interference by other countries in the internal affairs of Russia), Russia is guided by the idea of a nation-state – a phenomenon that Europe has already overcome. Hence, the author concludes that there is a political and ideological incompatibility between Russia and the European Union: each views

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the political structure of the other as an intermediate step on the way toward the most desirable model. The EU expects that Russia will give up on the principle of sovereignty, while Russia believes that the EU will necessarily disintegrate into classical sovereign nation-states.

First, I must give credit to the author, who resolutely rejects the stereotyped view of the Europe-Russia conflict as a "clash between democracy and authoritarianism." This redounds to his honor as a prudent analyst who is careful about using trite propaganda clichés.

POST-MODERNIST KANT

Yet, even the "post-modernist" explanation that is proposed by the author does not look convincing. Krastev begins his thesis by putting "sovereign democracy" in direct opposition to the European Union as a post-modern state. This is strange. On this issue, I tend to trust Romano Prodi, the incumbent prime minister of Italy, who said in his lecture at the University of Ulster (Derry) in 2004: "Kant may have been pleased to see what we have done in the European Union – a form of supranational democracy in a Union of sovereign Member States. In some ways, our Union enshrines the essence of Kant's federation of sovereign democracies."

If Krastev had recalled these words, uttered by one of the key policymakers (and theorists) of the EU, he may have refrained from equating so categorically the "sovereign democracy" project with the isolationist bygone past of Europe. Furthermore, perhaps, he would not have described the European Union as a "post-modern state." Kant a post-modernist? How can this be?

Krastev assigns to post-modernity the following features. First, there exists "a highly developed system of mutual interference in each other's domestic affairs." This is a real discovery, as it is well-known (since Jean-François Lyotard for the first time described "the post-modern condition" way back in 1974) that post-modernity is principled non-interference in the affairs of others. It implies absolute tolerance and complete acceptance of others in their authentic "otherness." Instead, we are proposed "a highly developed system of mutual interference."

Meanwhile, the crux of the matter is simple. The fundamental principle of the EU is that its members have voluntarily assumed

and continue assuming a certain set of legal norms that are compulsory for all. Obligation presupposes voluntarily recognized responsibility for non-fulfillment of the norm. It is as simple as that. One can speak at length about a highly developed system, but there is nothing post-modern in that. On the contrary, this is the political essence of modernity, which was graphically manifest in the Westphalian system (1648). As concerns "interference," well, Britain has closed its labor market for Bulgarian manpower – and now try and interfere with your "highly developed system!"

Another element of the post-modern European system, according to Krastev, is "security based on openness and transparency." This is even stranger. Indeed, what does the openness of Bulgaria to Romania, or its transparency for Luxembourg, have to do with its security? Meanwhile, the security of the EU members is guaranteed by an organization that Krastev never mentioned and whose membership is a coveted goal of all members of the former Warsaw Pact. Shall we associate NATO and post-modernity? Whatever next!

The third feature that distinguishes modernity from post-modernity-Krastev style is the understanding of 'sovereignty.' For a post-modern state, "sovereignty is a seat at the table," while for Russia it is "the right of the government to do what it wants on its territory and to execute its enemies in the center of London." These words, coming as they do from a scholar who refrains from discussing Russia and Europe in terms of "authoritarianism" and "democracy," sound very unusual.

FOLDING SEATS NOT WANTED

But this is not the point. Krastev substitutes the problem of state sovereignty (the EU) with the issue of the type of sovereignty, which every member of this union has. The state per se – no matter whether it is modern or post-modern – has the right to monopoly on power, for which the author criticizes Russia. And the European Union (like Russia) will not allow anyone to establish rules of their own on EU territory (except, perhaps, when it comes to the construction of secret CIA prisons). But members of the EU, each with its own "leftover" sovereignty, really sit "at the table" in the European Commission and in the European Parliament.

In what sense would Krastev like Russia to understand its sovereignty as "a seat at the table" as well? Is this some sort of invitation to the European Union? Then show your mandate. And bear in mind that Russia's seat – if we agree to that at all – must be exactly the same as all of the other seats, with the same "menu" and "standard of service," so to say. Don't bother offering us folding chairs.

And another thing: For the first time, the new draft of the European Constitution proclaims the right of withdrawal from the EU – even if all the other members object. This means that the Europeans themselves do not view their stay in this "State" as something irreversible, and that their own sovereignty is still of paramount value for them.

In order to prove the "backwardness" of Russia (appearing before post-modern Europeans as their own bygone past), Krastev asserts that "the regime of sovereign democracy" is building its policy vis-à-vis the European Union on the principles of "the balance of power and the imperial urge." Let us specify something on this point. The "balance of power" has been the essence of the policy of the invariable national interests of the British Isles vis-à-vis Continental Europe since at least the 17th century. The British have always sought (and continue to seek) to prevent a union that would be stronger than their military and economic potential. Hence the imperial urge of European powers of the 18th-19th centuries as a race for resources.

And now consider: In what sense can this British policy toward Europe be attributed to Russia? Whose union should we fear? Perhaps that of Bulgaria and Norway? And what resources do we lack to a degree that we allegedly have to struggle for the establishment of a colonial empire?

A nice kind of "post-modernity" we are being offered! Meanwhile, this newfangled term is only used to scare the Europeans who are already apprehensive about the specter of Russia rising from the European past. Personally, I do not think such a plan will work. Russia and Europe have long been engaged in mutual and productive dialog in many fields. We understand each other very well and do not need intermediaries and interpreters.

From Process to Progress,

Or What Russians Should Be Concerned About During Elections

Svetlana Babayeva, Georgy Bovt

TWO RESOURCES

A Russian manager at a large international corporation was asked a simple question: "What would you do if someone decides to make a garbage dump or start in-fill construction near your home?" His answer was even simpler: "I'll move elsewhere."

No attempts to struggle for his rights, no willingness to change anything. Why? Because pragmatic thinking rules out any opportunity to influence the course of events in the country. It makes more sense to put your efforts into improving your micro-world than the world at large.

And politics? Down with politics.

And why not influence anything? OK, let's do it – within the span of my modest capabilities in my micro-world.

Such are the moods of the Russian people regarded as middle class – educated, active and successful social climbers, optimistically minded, efficient and knowledgeable – those who have supposedly benefited in the past fifteen years. It is this group of individuals who will govern the country in the next phase of history.

And yet they do not want to govern. They do not seek such a responsibility even at the town level, or inside a multi-apartment block. They do not believe that the country can develop in a linear way, or that a combination of subjective and objective influences can stimulate good results that are both visible and tangible for many.

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There seems to be another reserve, too. Last summer it settled on the shores of Lake Seliger and materialized in an upgrade training course [summer camp of the pro-Kremlin youth movement *Nashi*, where the trainees received an extensive course of lectures and practical instruction classes varying from international politics to personal fitness – Ed]. The problem regards, however, the question as to what exactly was upgraded. The activity of this category of "managers" was blatantly obvious over the past twelve months – they did not let foes inside Russia, or those abroad, sleep a wink.

It has become clear as daylight that someone channels the efforts of active protesters into explicitly pragmatic alleys. There is a lingering feeling that the cynicism of the masters of street actions, regardless of whether they get instructions from the Kremlin or from its opponents, has reached the critical point where even the forces that bred the street campaigners had to acknowledge the risks. The campaigners' energies and skillfulness in political technologies have become dangerous. They can organize "little scurvy brawls" wherever and for whatever reason. Rumors have it that some movements are already prepared to lend their activists to anybody who needs a mob scene. This is why they are vigilantly watched and are dispatched only to carefully calculated "jobs."

FRIGHTENING THOUGHTS

The ruling class has run into a perplexity it created on its own. On the one hand, there is governable life based on the apathy of some people and petty pragmatic readiness of others. On the other hand, the rulers have to retrieve the genuinely creative sections of society from dormancy. Governable life no longer satisfies the rulers themselves, while the unpredictability of awakening forces frightens them, even though they declare this awakening highly desirable.

As a result, the power to map out objectives for the country's development belongs to a rather limited group of people. This mapping-out function was never up for bid (since a real opposition does not really exist and society simply does not demand its for-

mation); the decisions taken have not undergone unbiased expert scrutiny – the only criterion for decisions is the inner sensation of the people at the top of the state power pyramid. In such a situation, mistakes from our leaders do not arouse any public resistance or even public debate. The rulers have developed an illusion of omniscience and omnipotence, which is fraught with new errors.

Orientation to the "construed majority" offers a weighty argument in favor of one's own rightfulness and all-mightiness. Yet it has a reverse side, too – deflected objectives and criteria of efficiency of accomplished decisions. This deflection grows as an ever-increasing number of people try to cling to the "steering wheel." They do it for the fun of the process as such, not in the name of objectives. They do not risk anything as they do not decide anything and, most importantly, do not have responsibility for anything. They merely need the process as a source of dividends. They are the simulators of activity in a place where there exists a total deficit of understanding in society of where to move and at what speed. Such is the rule of the game: you do not ask the loyal followers huddling around you to show either understanding or knowledge.

People confuse means for objectives. Listen, for instance, to the vocal claims that victory in the election will be convincing, and a constitutional majority in parliament will be formed. A triumph of tactics, for sure, but what is it for if you look at strategy? Have they outlined a set of pressing tasks, on which they have secured a national consensus and which require an undivided majority vote? If such goals do exist, they have not been properly announced, discussed or accepted by society. Moreover, they are not accepted by those very active strata that constitute a critical mass and keep the country moving forward.

It appears that the impressive set of political and nonpolitical efforts taken by the political leaders recently have no aim to ponder the future. Rather, they are aimed at bolstering the present situation as long as possible or simply serve as a tactical justification for the people making the efforts. These actions do not contain elements of strategy or targeted willingness.

THEY WOKE NEXT MORNING...

The active strata of society, its potential modernizers and creators, have drifted sideways to satisfy their private interests; they all have leisure activities that they indulge in – regularly and with excitement. As for the actions taken at all levels of government, they have stopped producing any public discussion, to say nothing of a search for alternatives. They are simply too boring. And even if something really stirs the public – seldom as this happens (like the debates around a new interpretation of 'extremism') – animated discussions go on for about a week before the commotion dies down. Russia offers a remarkable example of the dying oscillation effect.

Many in the political administration apportion blame for this to the "abutment" class itself, but they seem to be wrong. The active class has slid into stagnant apathy because it sensed that it was unneeded.

A poll conducted by the Levada Center reveals three main groups in the section conventionally referred to as the elite who view the class of decision-makers critically. These are businessmen, mass media people and elected officials at the regional and local levels. Most of them, however, prefer to keep silent about their discontent.

The forms of communication with the government can vary from embedding with it, to co-existence, to oblivion. Many from the class of winners – the ones who could turn into an abutment stratum – have taken the following position in relations with the upper class: "We are ready to get involved but don't hold us responsible."

As a result, members of Russia's creative class, which in other nations are innovative and productive, have turned into a passive category. They may continue acquiring new knowledge, experience and skills, but they do not work toward building up the national cumulative effect.

PEOPLE ARE PEOPLE, YOU KNOW

Strange as it might seem, the problems of Russian democracy today are universal and typical of all civilization. In the West, political scientists have been stating for decades that representative

democracy (which existed over the past two hundred or so years) is witnessing a crisis.

The West seems to be facing the same problems as Russia. The voters are inactive and growing more and more disillusioned with traditional democratic institutions (for instance, only 30 percent of Americans have trust in Congress today) and with the cynicism and falsehood of professional political windbags. The voters are disenchanted with politics as such and long for new personalities and fresh ideas of some kind, but for one reason or another these never appear.

The number of people who participate in elections is declining. Data from Ipsos indicates that only 52 percent of Americans vote at elections regularly. Other developed countries show a somewhat higher electoral activity. For instance, a total of 73 percent of Canadians go to the polls regularly. The Germans and the French stand next in line at 71 percent. These nations are followed by the Spanish (65 percent), the British (60 percent), the Italians (55 percent) and South Koreans (54 percent). Retired voters display the highest percentage of participation, while the young are the least active. Even the most democratic nations do not have much confidence in the fairness and objectivity of ballot counting. The percentage of those who trust the procedure stands at only 48 percent in Canada, 46 percent in Germany, 42 percent in Britain, 33 percent in France and Spain, 26 percent in the U.S., 24 percent in Mexico, and 20 percent in Italy.

Political experts began to speak about the crisis of liberal pluralism back in the 1970s. The most stable and developed democracies registered a general fall of voter activity from the 1970s through to the 1990s. The Council of Europe's report for 2005 registered a 7 percent drop in electoral activity in European countries, and also predicted that not more than 65 percent of voters in Old Europe, and even less people in Central and Eastern Europe, will go to the polls by the year 2020. Strangely enough, the electoral situation worsened after the collapse of Communism. Freedom and democracy no longer make up the main content of political agenda today.

Politics has become a marginal field of activity for most citizens in the majority of developed democracies today. Involvement in politics is mostly confined to voting, signing of random petitions and – which is far more rare – participation in mass actions of some kind. Politics per se is the realm of narrow groups of the population, and that is why modern political parties a priori cannot boast mass membership. Professional political technologists are now the ones responsible for motivating the masses in political activities.

Meanwhile – and this is of crucial importance – the very elaboration of goals for society and socially significant decision-making are not concentrated exclusively to narrow political circles. An extensive creative class (which tends to account for about one-third of populations in the developed countries, although its specific contours and size may vary in individual states,) either participates in, or influences the process through networks of public associations, NGOs, and mass media. Opinion polls, too, can initiate important political steps without elections, impeachment or voting. Society–government feedback works, among other things, through power institutions, such as the independent judiciary, smoothly functioning bureaucracy, and oppositional organizations, which were established and adjusted at previous stages of the development of representative democracy.

THE BALKANIZATION OF POLITICS

Of the three models of democratic rule – representative, direct and deliberative – the developed countries have been showing a tendency toward some form of direct or deliberative democracy over the past few decades. Elections remain inviolable, but they are increasingly complemented by other manifestations of social activity, which produce much the same – and sometimes even larger – effect on social processes than elections do.

Public activities are not only shifting from representative to direct democracy (which, first of all, manifest themselves in direct referendums), but also from the national to the local and – simultaneously – cultural/ethnic levels (see, for example, the rise of

various cultural/historical associations across Europe, from the Bretons in France to the Lapps in Finland). Also, they shift to the professional and "special interests" levels, where adherents of one or another occupation or pastime can use other means than political institutions to protect their interests.

These tendencies are largely explained by the very character of contemporary society. Its distinctive features are basically an environment of new information, higher level of general education, and sharp diversification of interests among different groups of the population. The ability of political parties to coordinate and balance the different interests of people in a classical 19th-century way has become impossible in practical terms. This reality can be named as "Balkanization of politics," which tends to embrace ever more factors of influence, including an individual blogger who can upturn the political situation to a degree that no political party would deem feasible just a short time ago.

Simultaneously, all of these processes not only make people disappointed with traditional mass political parties, but also motivate voters to drift toward local problems. With new forms of democracy, local – not national – referendums come to decide all sorts of issues. These range from bans on smoking in public places, to taxation, to problems of purely political nature, such as migration policy.

ARE THERE ALTERNATIVES?

Russian political parties and imperfect democracy are both at a totally different stage of development, and they still have a long way to go before they sense the above problems. Moreover, improving the political system is complicated by the need to simultaneously solve two extremely different groups of problems. The first group includes building political parties as institutions that have a set of functions: electoral (mobilization of voters for polls); ideological (formulation of the goals for the development of society and its separate sections); and staff-building (creation of the elite, recruiting of new cadres for it, and a healthy rotation of government bureaucrats on this basis). The second group of problems involves reacting to increasingly diversified interests of social, ethnic, professional, etc.

sections of the population in a situation where society has acquired a basically new state in terms of information.

However, the main challenge facing Russia's under-reformed democracy is bigger than just the failure of its leading political parties to perform any classical party functions. Russian society shows a lack of initiative for direct-effect public activity, to say nothing of direct local referendums of any kind.

In this context, attempts to set up 'sovereign democracy' in this country can have a more complex interpretation than analysts usually offer. The idea of sovereign democracy partly arises from the awareness of the crisis of classical pluralistic democracy in the form that it acquired by the mid-20th century and that was fixed by political scientists in the West. This factor naturally brings us to the question: What shall we add to the form of classical democracy that Russia began to take over at a time when this form became actually outmoded?

On the tactical plane, answers like "Russia will go its own unique way" will do, for instance, to suit the goals of simple electoral rhetoric. But for strategic purposes it seems expedient to accept the answer which has been long elaborated by other democratic nations and which has proven to be universal. It suggests evolution toward some form of direct democracy, toward enacting the creative potential of broader sections of the population rather than the narrow group of professional politicians and political administrators.

This is precisely what should constitute the next stage of sovereign democracy development. All other paths will only lead us to historical deadlocks, as well as to social (and, consequently, technological, informational and industrial) conservation.

BITS OF NOTHING FOR NO ONE IN PARTICULAR

Even if we rule out all contingencies during the election race, it is necessary to wake up the creativists by next spring or fall because there remains still another problem.

A change of political power, granted that it takes place, will require new actions, plans and intentions and, consequently,

numerous new people willing to act prudently, invest their efforts and knowledge not only for the sake of process (or its simulation), but for the sake of results.

However, problems concerning the questions of who is running for election, and according to what election platform, have become totally irrelevant in the tactical and political sense since such questions do not bother anyone anymore.

Amidst excessive political passivity, the result of the elections would be highly predictable and beneficial for the party in power: about half of those who would turn out at the polling stations would cast ballots in favor of that party. Since the minimum turnout threshold has been abolished, voter apathy has little significance in the tactical sense.

This is true for the short term, but what about the long-term perspectives?

Russian society has no clearly conceived and formulated requirements, nor does it make any demands on what path the country should follow in the long term (to say nothing of such specific elements of such development as taxes, education and social policies that are present in any classical democratic election campaign these days).

Policy documents of Russian political parties that have ostensibly entered a competition for seats in parliament are quite consonant with the passive state of mind of the electorate.

If we remove titles and tentative indications of party affiliation of these programs, few political technologists will be able to differentiate between the doctrines of the right-wing, left-wing, or United Russia's center. As a rule, these programs cover everything, yet nothing in particular. They seem to be addressed to the entire population. They are saturated with promises of "justice" and benefits of every imaginable variety. These words evenly coat every provision, but they do not contain any specifications as to what instruments or what laws will be employed to translate them into reality. Most importantly, these promises fail to tell the population what they stand to gain from that "justice."

THEY ARE DIFFERENT NOW

In the meantime, the structure of society and, correspondingly, its interests have changed dramatically over the past years.

"If you take all the classical attributes of the middle class, such as the level of current spending, the size of savings and property, the level of education, the areas of activity, access to the benefits of civilization, etc., the percentage of such people barely reaches 7 to 8 percent in Russia," says Yevgeny Gontmakher, the director of the Social Policies Center at the World Economics Institute of the Russian Academy of Sciences. "But if you proceed from the Russian reality and consider just the basic features – because only 15 percent of Russians have savings at the moment – then we find that 20 percent of Russians can be categorized as middle class."

According to Gontmakher, the lower, or impoverished strata, comprise 17 to 20 percent of the Russian population. He indicates that it is impossible to rely on official data in this case, since such data simply does not exist. However, the available data for calculating the numbers of the most deprived citizens is accurate enough.

But what about the remaining 60 percent? Who are they? "They would be the middle class somewhere in the West but not here," says Gontmakher. "Quite obviously, these 60 percent incorporate three additional strata, 20 percent of nationals each. The lowest of them embraces those who are poor or can drop into poverty at any moment. Take, for instance, a person working at a factory where payment of wages stops suddenly. It is precisely this stratum that shows the highest mortality rate among men, who do not take care of their health, as their earnings do not allow it, while proper healthcare facilities are inaccessible. Children in this stratum have no opportunity to get a good education. People in this stratum do not have future prospects. That is why there is a danger of driving whole generations of people into a marginal position. Coupled with the stratum of the poorest, these Russians make up 40 percent of total population!"

The upper 20 percent are leaning toward the middle class (in Russian terms), while the real status of the middle 20 percent stratum depends on objective circumstances. Yet to lean toward some

position does not mean to belong there. Thus, these 30 to 50 percent of the populace will present the greatest problem over the short term and during the next political cycle. Their fate actually depends on the conditions that should be created in the country. But they are not being created!

The ruling class has a unique ability to build its decisions, actions and plans either on its own notions about life (they suit some people, indeed, but no more than one percent across the country) or on its own notions about the poor. If you read scrupulously the main political manifestos, all of them address the lowest classes —or the outright marginalized — in one way or another.

The concept of society structure espoused by the ruling class took root in the years immediately after the major financial crisis of August 1998 or, in some cases, in the last years of the Soviet era. The fact is reflected in the election programs, seemingly tailored to suit all and sundry.

Meanwhile, the population has changed and has become widely stratified following 15 years of reforms and almost ten years of economic growth. Russian society shows a wide spectrum of groups and sections, each having particular economic interests, level of education, cultural and material interests, everyday concerns, etc. As time passes, they will invariably arrive at the realization of their specific needs. They could achieve this more rapidly with the aid of parties that have the goal of mapping out program objectives for society's development. But today's parties are unable to draw up clear ideological platforms.

The lower strata of society must have the right to growth and protection (in the broad sense, protection from arbitrariness of the upper classes, in public health and in education). The government has the task of reducing the number of the poor and bringing it to the commonly accepted norms (10 to 15 percent). But this stratum should not constitute the source of state policy-making, or serve as a support structure for the regime.

Meanwhile, the assortment of actions taken by the authorities more often than not multiplies marginality, parasitism and irre-

sponsibility (let us not mention the problem of corruption and inefficiency that immediately begins to grow when there are imbalances in the distribution). Worse, all of these approaches are translated into the sphere or non-material relations and start shaping the new national rules of life.

These sections of society do not determine the country's future; the quality of the country that the people entering the election race now will leave to future generations depends on the personal, social, material and career prospects of the upper 20 percent (and the 30-40 percent standing below them). In the meantime, the ruling clan overlooks exactly these key sections.

WORDS ONLY

In the current arrangement, the electorate and political parties have no connection.

Party leaders seem to recognize the problem. Look, for instance, at what Vyacheslav Volodin, the secretary of the presidium of the United Russia party's General Council, said in an interview: "It's very important for us to suppress populism as much as possible on the eve of elections, to minimize slogans and to rule out lies [...] United Russia would like to make the election campaign a competition of parties' proposals for how to address various problems."

Shortly later, United Russia's leader Boris Gryzlov uttered the following comments concerning his party's proposals on healthcare: "By saying 'healthcare system reform' we mean a radical improvement of medical services offered to the population, including the unemployed, against the policies of compulsory medical insurance, legislative provisions for government guarantees of free medical care, and a leveling-out of conditions in which it is provided in the Russian Federation constituents and a changeover to payments of salaries to medical workers upon the concrete results of patients' treatment." What kind of specified information can a voter glean from such formulations, and what do these fancy words mean?

Or take the following passage that deals with corruption: "We must build a compact but highly efficient 'state of professional

governance' that will replace the 'state of sweeping plunder.' Political democracy enjoys respect when and where it relies on a respected professional class of administrators who understand state interests as being in strict compliance with law, and view service for the benefit of Russia as the highest honor."

Who could say whether that comment came from the Communist Party of the Russian Federation, United Russia or the Liberal-Democratic Party? In fact, it came from the Union of Right-Wing Forces, although any political party might have undersigned the text as well.

Even in those cases where party documents contain specific details (like the Liberal-Democratic Party's program that carries many proposals, including some exotic recommendations for how to reform Russia's structure and governmental agencies), they are formulated in such a manner that the average voter fails to understand how these reforms will impact one's private life in the future. The world of politics continues to display a competition of party images, as opposed to ideas, which one or another group of voters would find appealing.

Yet the future will require more specific appeals to various sections of society. What will happen to bank loans for education, for instance? It is not enough to say, "They should be accessible." Tell us how it is possible to access them. Or how should insurance-based healthcare be structured? It is not enough to deliver rosy utterances on "common accessibility." In the realm of economic policy, a politician should be able to specify a well-grounded percentage of the Unified Social Tax and Value Added Tax, or a new level of the individual income tax, before calling for Socialist-style changes. And what does "affordable housing" mean? Today it more resembles the mockery of voters rather than care for them. And who can resolve the problem of mortgage loans? What exactly will the system of pension accruals be? Today, candidates simply scrawl figures as on a school blackboard. The slogan, "Let's make the aged affluent and dignified!" does not suffice any more; it simply sounds demagogical.

AN EXPECTATION OF GREAT EXPECTATIONS

Many analysts believe that in the past two or three years vertical migration has ceased to exist in Russia. When a girl from the southern city of Krasnodar, for example, moves to Moscow to work as a shop assistant, it is not migration; it is a desperate search for a better lot. In most cases it will end up in nothing because the passage to anywhere farther and higher than her shop is barred for this girl.

"The most dangerous thing now is to conserve the situation," says Yevgeny Gontmakher. "The chances of climbing to the top are now practically non-existent, while the chances of tumbling down are abounding. Incidentally, it is partly due to realization of this truth that Russia occupies the world's second top position as regards the number of suicides."

The loss of hope looms large for many Russians – and not only them, since the migrants (and it seems that few people argue that we need migrants) also come to Russia in search of a better lot.

There are other opinions about vertical migration. Some analysts believe it is even growing, although in most cases it does not mean an opportunity to move from one class to another, but merely to regain the levels of current consumption (the things that cost 500 rubles in the past cost $500 now). Consumption runs an additional risk of being upset any minute by private mishaps (redundancies at work, a change of managers and the ensuing 'cleansings,' or a reform of the network of offices) or by some unforeseen external fluctuations, for instance, a general slide of exchange rates of the national currency. Undoubtedly, the growth of people's purchasing power influences economic performance and the spirit of reforms. But still, the rise of wellbeing does not look to be steady.

"Consumer boom has a compensatory nature," says Dr. Vladimir Mau, the president of the National Economy Academy reporting to the Russian government. "The boom can bring about a new structure of consumption that, in due turn, will put up new requirements to internal production." This is possible if the economic policies are competent and efficient, he adds.

Dr. Mau indicates, however, that one must use caution even in this case. He cites the 19th-century situation when the development of railways in Russia produced booming economic growth across the country. "Spain began to build railways at much the same time, which led to economic growth – in neighboring France. France was considered a more stable country, and that is why investors preferred to place production facilities there."

A NORM WITH A SHIFT

As the Russians wonder about the Franco-Spanish miracles, they get a helping hand from a peculiar national trait – a misplaced notion of the 'norm.' "People in Russia are ready to keep their demands in check without reducing their own self-evaluation," states Boris Dubin, the director of the Social and Political Research Department at the Levada Center. "At the same time, they put on pretences of being worse-off to impress others. With the Russians, the norm has eroded boundaries. They accept drinking and petty aggression – ranging from manhandling to driving in the oncoming lane – as something normal, and yet this 'negative adaptation' plays a certain reassuring role, since it helps maintain certain social concord. The tram services are poor but they are there, the wages are small but they are paid, and television pours out dullness yet it exists. This unifying mechanism is negative but it helps maintain relations between people and helps to slow (or at least it seems to do so) a slide into anomie, that is, complete disintegration."

However, a lowering of requirements does not promote a dynamic multi-factor change in the country, since it leads to equality. But the fact is that some need an environment, others want opportunities, still others seek support and some categories look for aid. This implies different mechanisms, actions, tools, and money.

Russia's problem is that we often pile things up indiscriminately. Money is offered to those who are not needy, while the poor are fed with promises that someone will address their needs tomorrow. The winners and creators (scientists, experts and man-

agers) are driven into hobbies and self-contemplation, while avaricious youth movements and pop music communities enjoy patronage. As for others – government employees, the military, and a huge army of hired workers – they are simply ignored.

Russia will change and make a leap forward if it eliminates institutional barriers, since a critical mass that creates breakthroughs cannot accumulate without their elimination. Meanwhile, the deflected notions of the ruling class may cause Russia to become attached to some awkward mode of existence typical of Latin America or Africa.

Structural limitations will then again plunge Russia into cyclic development, for which it will pay a dire price. The country has lived through similar things in the Soviet era, when even members of the CPSU's Central Committee noted structural lagging behind the 'capitalists,' but no one made any steps to rectify the situation. Russia followed an extensive model of development in the hope that quantity would eventually grow into quality some time. But it did not happen.

John Stuart Mill said in the 19th century that society becomes progressive when enough security for property and personality is introduced so as to make the onward growth of wealth and population possible. It would be worthwhile to underline the words 'progressive' and 'onward' – these two notions are vital for the current stage of Russia's development.

The European Choice

Szpilki magazine (Warsaw), 1961

“The path of closer economic and political cooperation and integration could lead to a situation where the EU’s present achievements and know-how would be fused with the vast Russian potential. Such an entity might make the Americans listen to the concerns put forth by the concerted will of Europe, and help to eventually establish an area of freedom and prosperity that would arc from Vancouver to Vladivostok.”

Funky Integration

Olga Butorina

The European Union, together with its geography, institutions and mechanisms, is changing. So is the regional integration philosophy per se. The single vector movement is giving way to a variety of constantly changing scenarios.

European integration is usually compared to a train moving toward a single destination that is known to all of its passengers. Today, however, there is a metaphor that more aptly describes European integration: a hypermarket with numerous shops, cafes, Internet outlets, beauty parlors, Laundromats, and multiplex cinemas.

There are no more railway cars where the passengers are reading the same morning newspaper and looking at the same scene out the window. Nor is there any sort of set schedule. But most importantly, there is no destination as such.

Instead, there are common working hours, parking lots, clean floors and toilets, and functional escalators. There are also fountains, winter gardens, and music that plays around the clock. There is plenty of space here for everybody — civil servants, businessmen, senior citizens, teenagers, and families with children. A person can purchase a plasma TV set, a bunch of bananas, a can of coffee or an investment share acquisition certificate — whatever he prefers.

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The metaphoric train transformed into a hypermarket so quickly that neither the EU member states nor their neighbors have appreciated the fact yet. Thus, the frequent setbacks in EU integration plans, as well as unprecedented tension in relations with third countries, including Russia.

GLOBAL RACE

What is regional integration and why is it necessary? The European discourse provides four definitions.

The first is based on the EU's own experience, primarily in the economic sphere: ***integration as the merging of national economies.*** The three other definitions are based on theoretical assumptions that belong to specific political schools of thought.

Representatives of European federalism, inspired by centuries-old dreams about the unity of Europe, see the ultimate goal in the creation of a superstate. From this perspective, the main hallmark of integration is the existence of supra-national bodies, to which independent states delegate a part of their national sovereignty.

Next, in the so-called communication theory, integration is defined as a close-knit community based on ***common values*** that ultimately lead to a ***common identity***. A distinguishing feature of integration under this definition is the existence of closer ties between its participants than with those outside of the community.

Finally, within the framework of neo-functionalism, integration is seen as a ***collective method of fulfilling practical tasks***. National authorities may delegate executive functions, but not sovereignty. The public, seeing the practical utility of common institutions, recognizes and embraces them.

These definitions differ from one another appreciably, but they have two shortcomings: they fail to answer the main question, which concerns the strategic purpose of integration, and they blur the difference between aims and means.

In accordance with the federalist concept, which foresees the creation of strong supra-national bodies, the EU has already passed most of the distance toward the ultimate goal. However, the ultimate goal – federation or confederation – is unlikely to be

achieved any time soon. Does this mean that the EU's current activities are pointless? Certainly not.

From the perspective of the communication theory, the EU's major success story has been the consolidation of common values. But the EU's sense of identity is still extremely ambiguous, as its evolution is being hampered not only by cultural differences but also by the absence of a unified political system, as well as the priority of national over pan-European citizenship.

The intensity of regional economic relations is an even trickier issue. Trade between EU member countries only grew at the initial stage of integration. Since the 1970s, it has been about 60 percent. That is hardly surprising: further economic rapprochement between the partners would have disqualified them from international relations, cutting them off from attractive markets and sources of raw materials.

The central idea of the pragmatic economists – i.e., the purpose of integration is the formation of a single market and a single economy – has failed the test of time. Although the EU's internal market has on the whole been operating since 1993, the "single price" law has been applied haphazardly at best. Any well-traveled tourist knows that prices in Sweden are high, moderate in Spain, and low in Bulgaria. For many types of services, not least financial assets, convergence of prices is impossible in principle; at best it can be regarded as a goal for succeeding generations of Europeans.

Bela Balassa's theory that says integration passes through four stages of development – from a free trade zone to a currency union – has now lost its relevance. According to this logic, the EU has only one goal left, namely, to expand the euro zone to 27 member countries without wasting resources on a common defense identity or scientific and technical policy.

In 2005, the European Integration Department at the Moscow State Institute of International Relations (MGIMO), following a series of seminars, proposed a new definition of regional integration. It bases its conclusions within the context of globalization, which has two essential but opposing elements – unifying and divisive.

On the one hand, globalization intensifies ties between countries and regions, but, on the other, it divides them into strata, thereby establishing a rigid hierarchy. Each stratum has its own level of wellbeing, political, economic and cultural influence, access to resources and information, the use of advanced technology, and so on.

Under these conditions, the principal driving force of regional integration is the striving of the member states to advance to a better stratum (or otherwise to build a stronger stratum through concerted efforts) than the one to which they belong (or would belong) without integration. Not surprisingly, the unification of Europe started after World War II. That was the time when colonial empires, which had been calling the shots in the previous era, began to fall apart, while the United States and the Soviet Union emerged as the world's main powers.

Therefore, the following definition was proposed: ***regional integration is a model of conscious and active participation by groups of countries involved in the globalization-driven stratification of the world.*** As mentioned previously, the main goal is to create the most successful stratum – i.e., strengthening the group's positions in those realms of activity that are the most important for a given stage of globalization. The goal of each individual country is to ensure the most favorable strategic environment. Integration makes it possible to maximize the advantages of globalization and minimize its negative impact.

So, regional integration is a model of collective behavior in the context of global stratification. The creation of supra-national bodies, the expansion of regional trade, and the introduction of a common currency or citizenship – all of these are the instruments and products of regional integration. If tomorrow it is decided that global leadership will depend upon a country's ability to grow square tomatoes, the EU will immediately adopt a detailed plan of action to that effect.

The most important element of regional integration is the idea of a common future of the EU nations. It is important to stress: a common future, as opposed to a common past. Common histo-

ries and similar cultures, as well as comparable political and economic systems, are essential but not sufficient conditions for successful integration. The invisible foundation of integration is constituted by a common view of its present and future global identity. It is no accident that the European Constitution opens with the following line: "Reflecting the will of the citizens and States of Europe to build a common future, this Constitution establishes the European Union..." (Article 1.1).

Integration is a shared dream about a bright future for oneself, one's children and grandchildren. And like any dream, it may or may not come true. However, a dream, especially one backed up by viable plans, is better than no dream at all. Therefore, integration is both a dream and an ongoing project at the same time.

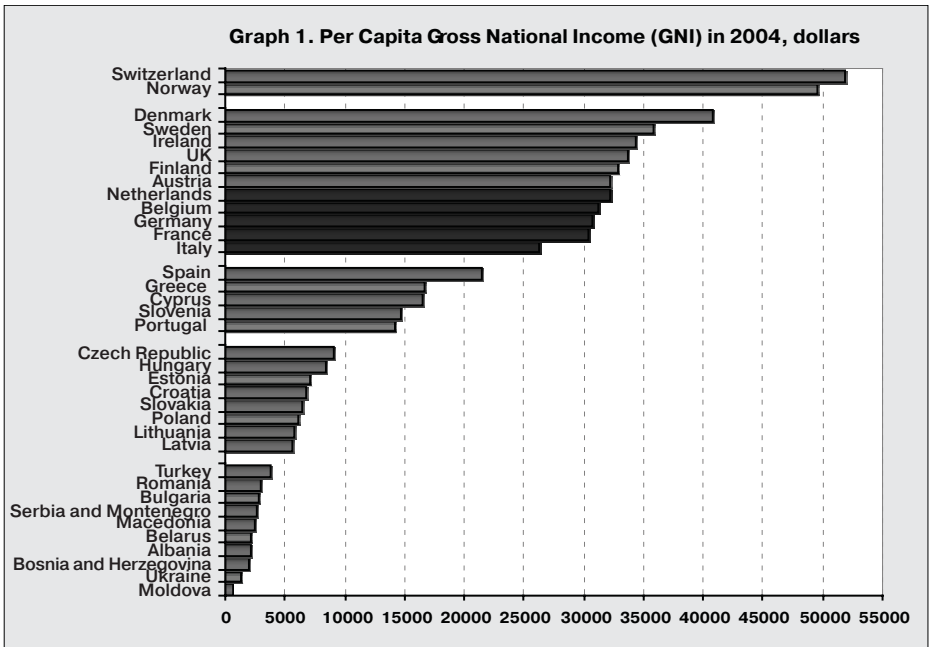
In this sense, the EU today is indeed reminiscent of a hypermarket. To a well-off individual, it is a place where he can resolve domestic problems quickly and without hassles. To a provincial teenager, it is a model for a better life. It is an exhibition of international economic achievements that he can easily access – ride a glistening escalator, listen to a CD of a favorite pop group, buy a cool T-shirt or discuss the latest cell phone model with a sales assistant. He can interact in the same venue as the customer who arrives in an expensive car and uses credit cards to pay for his purchases.

Herein lies the EU's greatest attraction.

BROKEN UNIFORMITY

After the Maastricht Treaty in 1992 permitted individual countries not to adopt the euro, experts started talking about multi-speed integration, and the EU-train metaphor arose once again. But is integration simply a matter of speed?

To answer this question, this author, using data from the World Bank, conducted a targeted analysis of socio-economic indicators of 34 European countries, as well as Cyprus and Turkey. The survey did not include states with a population of less than one million, since such data are subject to deviation. These countries were classified according to their level of wealth, as represented by per capita Gross National Income (GNI) in 2004 (Graph 1).

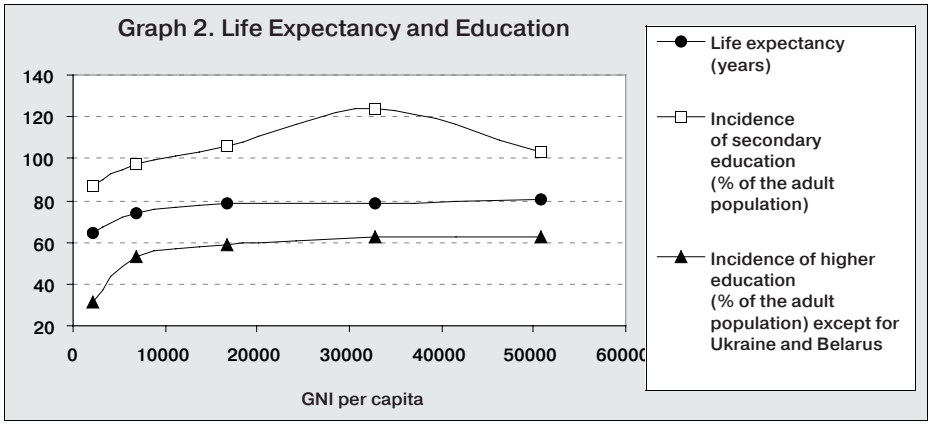


As shown in the graph, there are five groups of nations, each categorized according to their relative wealth. The first group, which is made up of the least prosperous members, comprised 10 countries – six in Southern Europe (Romania, Bulgaria, Serbia and Montenegro, Macedonia, Albania, and Bosnia and Herzegovina), three in the CIS (Belarus, Ukraine, and Moldova), and Turkey. The second group includes seven new EU members from Central Europe (the Czech Republic, Hungary, Estonia, Slovakia, Poland, Lithuania and Latvia) and Croatia. The third group is comprised of three backward member countries of the EU-15 (Spain, Greece, and Portugal) and two successful newcomers (Cyprus and Slovenia). The fourth group consists of 11 of the strongest West European EU members. The fifth are the two richest outsiders – Switzerland and Norway.

Next, per capita GNI was calculated for each group (arithmetic mean of these indicators for each country in a given group. In Group 1, the average GNI was $2,077; Group 2, $6,913; Group 3, $16,752; Group 4, $32,767, and in the last group, $50,705). Needless to say, this method is not absolute and has its

limitations. One problem is that Group 5 is so small, while Group 3 is mainly comprised of Mediterranean countries. At the same time, this procedure is simple and provides clear results that are easy to interpret. Its important advantage is the absence of time frames, which seriously complicate the identification of trends due to uneven inflation rates and structural changes. The resultant data provide an instant picture of Europe's economic condition in 2004. They point to changes that occur in society as per capita income grows and, just like a family picture, provide some idea about the age distribution.

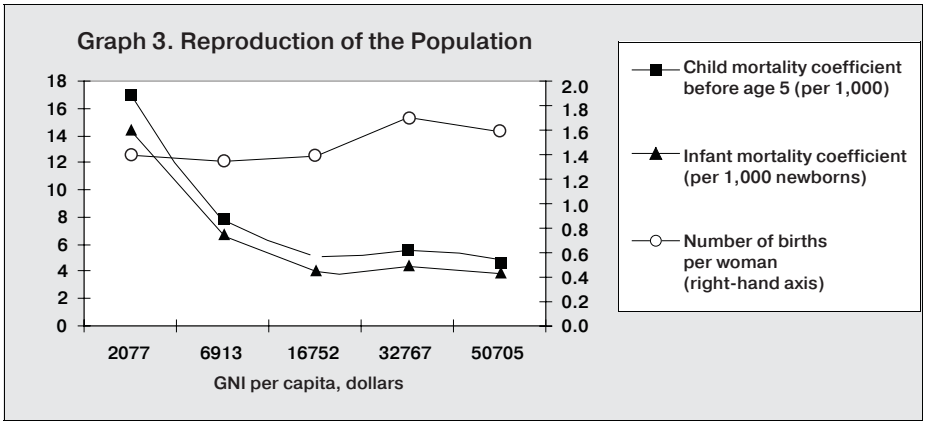
Human resources. In terms of life expectancy, the difference between Group 1 and Group 5 is 16 years – 65 and 81 years, respectively (Graph 2). Remarkably, the first step – transition from Group 1 to Group 2 – accounts for one-half of the total increase, i.e., eight years. The next step adds five more years. So in Group 3, life expectancy actually approaches Europe's (and the world's) highest level.



In the poorest countries (except Bulgaria), secondary education was not available to all adults. However, that problem was effectively resolved already in Group 2, while in Group 4, one person in five has a second secondary education. The incidence of higher education largely depends on the national model. The highest proportion of people with university degrees is in the Scandinavian countries – Norway, Sweden and Finland (80-87 percent of the

adult population). In highly developed states of Western Europe, this indicator is on average 62 percent (including in Austria 49 percent and in Germany 50 percent). In the poorest countries of Southern Europe and Turkey, only 31 percent of adults have a higher education, while in the Central European countries the level is 53 percent. As in the case of life expectancy, the most substantial difference is between Groups 1 and 2.

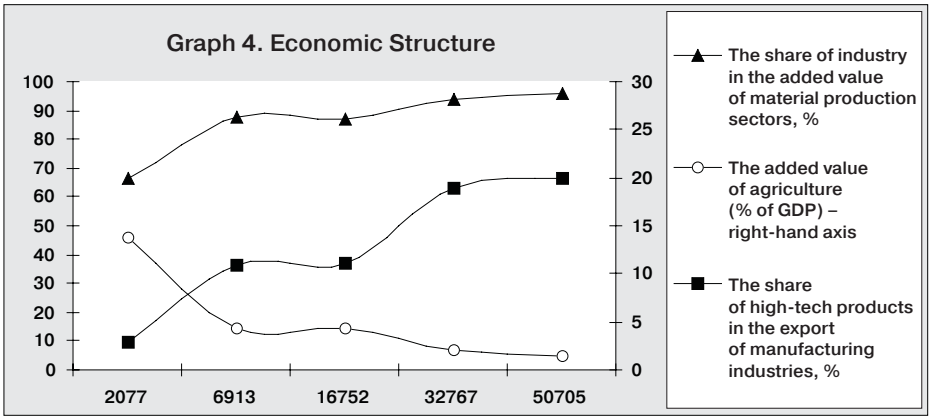
The same pattern is observed in the instance of infant mortality (Graph 3). In Group 3, with a per capita income of at least $14,000, not more than nine out of 1,000 newborns die before age five. In Group 1, the coefficient is almost double that. The situation is especially bad in Turkey, where 60 out of 1,000 children die before age five. In Poland, the coefficient is 15, in Germany 9, in Finland 7, and in Switzerland 10.



The number of births per woman (fertility coefficient) provides some interesting statistics. There are two different models in Group 1. The first model is characteristic of former socialist states – Bulgaria, Romania, Ukraine, Moldova and Belarus – where the average number of births per woman varies between 1.2 and 1.4. In Turkey and Albania (where Muslim traditions are strong), the coefficient is 2.2 (in Macedonia, Serbia and Montenegro, the figure is 1.7). On the other hand, Groups 2 and 3 are extremely homogeneous with 1.2 to 1.4 births per woman.

A marked increase in the birth coefficient occurs in Group 4. That refutes the common belief that there is an inverse proportion between income growth and the birth rate. In the Netherlands and Finland, birth rates are higher than in Spain and Greece. It is possible that higher birth rates in more prosperous states are due to an inflow of immigrants from the Third World, as well as the social model (especially in Scandinavia), and family support programs. Whatever the case may be, in rich European countries (except Germany and Italy) the population is aging more slowly than in the relatively poor countries.

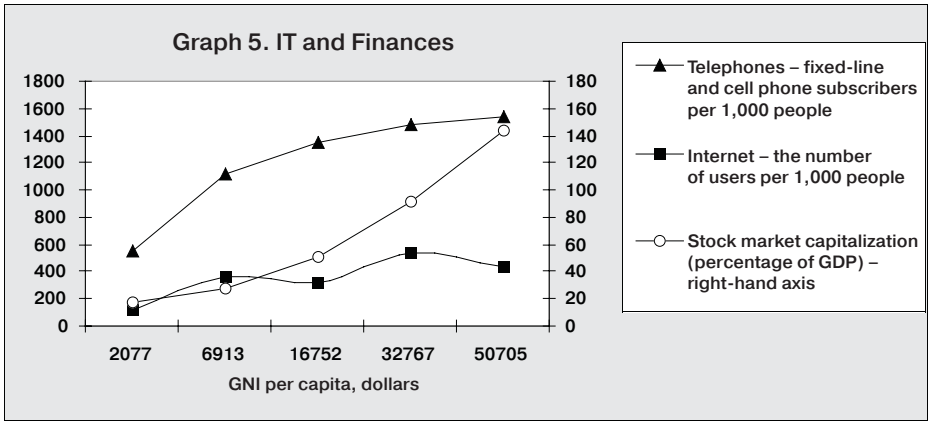
Modernization and new technology. In the less developed countries, agriculture generates between 11 and 21 percent of GDP, as compared to 1-3 percent in the most developed countries (Graph 4). But can such a low share of the agrarian sector in West European GDP be attributed to its large-scale services industry? To exclude this factor, the share of industry in material production was calculated for each country. The results show convincingly that economic development goes hand in hand with steady industrialization. Thus, in Bulgaria, industry accounts for 74 percent of material production, as compared to 87 percent and 92 percent in Portugal and France, respectively.



The substantial gap reflects a global move toward specialization. High-tech products in the total export of the manufacturing industry are 3 percent in Group 1, 11 percent in Groups 2 and 3, and 19

percent in Group 4. It is noteworthy that the high-tech export curve is a mirror-like reflection of the share of agriculture in GDP.

Telephone and Internet penetration rates in the EU's leading states are three to four times higher than in the weaker states (Graph 5). As per capita income grows, the number of fixed line telephone networks and cell phone subscribers increases more evenly than, for example, does life expectancy or the spread of higher education. Although even here, the rates appear to be slowing.



The unusual form of the graphs reflecting the process of industrialization (Graph 4) and Internet penetration (Graph 5) — i.e., the equality of Group 2 and Group 3 indicators — may have the following explanation. Group 3 is comprised of states that are the largest agricultural producers in the Mediterranean. Agriculture there has deep historical and cultural roots. By contrast, Group 2 includes former socialist countries, which (during the COMECON period) pursued an active export-oriented industrialization policy. For example, in Hungary, high-tech products account for 29 percent of industrial exports: it ranks second in Europe by this indicator, together with Germany.

Financial markets present an entirely different picture. Unlike the majority of the aforementioned indicators, stock market capitalization increases not along a horizontal parabola but an exponential curve (upward). The value of stocks and bonds circulating in the country in relation to GDP increases 11

percentage points from Group 1 to Group 2, 23 points from Group 2 to Group 3, 40 points from Group 3 to Group 4, and 53 points from Group 4 to Group 5.

Cluster strategies. Analysis shows that different groups of countries in the EU are moving toward integration not only at a different pace. They each have their own priorities.

Bulgaria, Romania, and aspiring states have yet to complete the process of industrialization, modernize education and healthcare systems, and build up their infrastructures. They need to restructure the agricultural sector, diversify and strengthen its specialization techniques, and ultimately enhance its profitability. Prospects for industrial growth also require a clear prioritization of goals, as well as foreign investment and technology. In the next 10 to 15 years, these countries will be unable to appreciably upgrade their industry and increase the export of high-tech products.

It is also critical for the Central European states to develop their healthcare and higher education systems. With a balanced economic policy, they have a good chance of catching up with the EU leaders in terms of life expectancy and child mortality rates. But according to EC forecasts, before 2050, the population of these central states will continue to age. Poland, the Czech Republic, Hungary, Slovakia and the Baltic States have effectively completed their industrialization programs, but they will work many more years to modernize their industry. However, their ability to implement large-scale, investment-intensive R&D programs will remain limited in the foreseeable future.

In Spain, Portugal, Greece, Slovenia, and Cyprus, the categories of life expectancy, infant mortality, and secondary and higher education effectively correspond to the level of the EU's leading nations. The priority here is to complete the retooling of industry and sharply increase the share of cutting-edge, research-intensive production. Judging by Ireland's experience, that goal is quite feasible. Spain, Portugal and Slovenia, for example, have set the stage for a new breakthrough in the pursuit of national R&D programs, as well as modern information society.

The eleven most developed EU countries are destined to play a special mission here. Due to their economic and political weight, they set priorities and define the type and pace of integration. They also bear the utmost responsibility for the Union's future. The most important goal is to retain the positions that have already been attained: maintaining the present social standards, ensuring stable (albeit not very high) economic growth rates, and being globally competitive. Strategic considerations are connected with the development of the "knowledge society": improving the quality of education, developing high technology, upgrading IT systems, and enhancing the liquidity of financial markets.

Therefore, stratification occurs not only worldwide, but also within the EU as a result of global competition and the growing differentiation of the EU countries. In the European "hypermarket," some stock up on economy-class detergent, others rejoice at the sight of 50 different brands of ice cream, while still others pick and choose from a variety of sea products. One should not, however, get the impression that the first group experiences great difficulties whereas the third group has an easy life. It is important to understand that a hypermarket is not a train that will deliver its passengers to their destination as soon as possible. A hypermarket is a product of globalization. It offers buyers goods from all over the world, goods that meet international standards of quality. Unlike the train, where the choice is made only once, the burden of freedom in the hypermarket is constant. Everyone has to make a decision every minute as to how to spend his money and time.

THE POWER OF EMOTION

The 60 years of peace and the end of the Cold War have affected European policy just as the great diversity of goods has affected consumer behavior. Today, when a person buys a leather or cashmere jacket, he is less concerned about keeping warm than creating his own identity. By buying a certain product, he makes a policy statement, declaring his affiliation with a certain social group whose values he shares. Whereas in the past, the main issue on the political agenda was the issue of war (real or imaginary), today the

problem of identity and the related feelings and emotions has taken center stage.

At the beginning of this century, the extremely complex goal of building a common European identity became one of primary importance.

First, the EU has become highly heterogeneous. A huge influx of immigrants has changed the cultural and religious landscape in many EU countries. The admission of new members not only increased the number of EU official languages but also greatly deepened economic inequality. In 1950, when the European Coal and Steel Community Treaty was signed, GDP per capita in Belgium (at the current exchange rate) was 130 percent higher than in Italy. Today, the gap between the richest and the poorest EU countries (Denmark and Bulgaria) has reached 1,400 percent. Incidentally, Graph 1 shows that the EEC founding members are still a remarkably close-knit group in terms of their levels of prosperity.

Second, following the breakup of the Soviet bloc, the EU no longer had an ideological adversary, whose existence helped European nations – so different and not always amenable toward one another – to share something of a common identity. It has to be said that the Soviet Union was an ideal opponent for Western Europe, and today it cannot be replaced either by the United States or by other global forces or regions.

Third, EU mechanisms have become so complex that the majority of the population cannot understand them. But broad public support is critical for integration and the evolution of a common European identity.

The sharp alteration in the global system of orientations has produced two conflicting sentiments among the West Europeans. On the one hand, there is a sense of pride, which oftentimes reaches the point of conceit, with the market system and its historical vindication. On the other, there is a sense of confusion and anxiety about the future. It is important to understand that it is psychologically more difficult for Western Europe to adapt to a new stage of globalization than it is for any other part of the world. European civilization is based on sheer rationalism, aspiration for optimal calcu-

lations of action, and a sense of morality. Meanwhile, globalization is destroying stereotypes, requiring unconventional solutions and demanding creativity. The majority of average Europeans feel extremely uncomfortable about this new scenario.

The need to consolidate the sense of security and form a positive European identity compelled the EU to prioritize values. In 1993, Copenhagen Criteria – the rules that define whether a country is eligible to join the EU – were laid down. These requirements include democracy, the rule of law, human rights and respect for, and protection of, minorities, and the existence of a functioning market economy. That system of values provided yet another important means of global stratification, namely the right to require others to comply with these norms (as defined by Brussels).

The need to consolidate an all-European identity had a substantial impact on daily practices, and not all of them positive. General statements by EU leaders and documents of EU executive bodies are looking increasingly bland. Open debate, which brought glory to European culture, is giving way to mere political rhetoric. The goal of EU functionaries is to ensure that the average people do not have negative emotions, and they are quite skillful at that.

"Consumer tuning" of EU programs and institutions has become a separate genre. Thus, the campaign in favor of a currency union was built on the assumption that people will save up on exchange costs and that new jobs will be created in Europe. The former belief was a proven truth, while the latter proved to be a bit of an exaggeration; however, neither goal has really anything to do with the real purposes of the project. The main goal of integration is to ensure Europe new global advantages and accelerate economic modernization by invigorating market forces. But that is not enough to convince the people of the importance of the project. Every time the European Central Bank raises the refinancing rate, it cites the threat of rising prices. In reality, however, the real reason is either the declining rate of the euro or a change of interest rates in the United States. But the public must believe that the ECB safeguards its interests.

Another case in point is the EU's financial policy in 2007 through 2013. Its top priority is presumably sustainable growth, in

accordance with which there are two budgetary lines: competition in the interest of growth and employment and consolidation in the interest of growth and employment.

A mere nine percent of the EU budget has been earmarked for the first category, including scientific and technical policy and innovation, education, trans-European networks, social policy and a functioning market economy. The second line, aimed at providing assistance to backward regions, will consume a whopping 36 percent of the budget. Thus the EU's traditional regional policy has ended up under the respectable slogan of sustainable growth. The second priority is far more disingenuous: "preservation and management of natural resources" is used as a cover for agricultural policy, which has long been out of tune with the times, and is also an unbearable burden for the EU (43 percent of the entire budget).

Yet another source of intense passion is the EU's eastward expansion. Many West Europeans were skeptical about it: they were concerned – and for good reason, too – about the redistribution of budgetary resources in favor of poorer regions. The Central Europeans were inspired by the prospects of joining the EU. They had high hopes, not least for better living standards. Membership in the club of prosperous nations was also a matter of prestige, a source of national pride, and a means of overcoming the 'little brother' inferiority complex.

At the same time, the philosophy of the Copenhagen Criteria and the condemnation of everything that had existed in the Soviet bloc contributed to the inferiority complex. Aspiring countries, as represented by their leaders and elites, worked hard to prove to the West that they had always been 100 percent Europeans. Some countries were resentful of their new partners. Problems dating back to World War II and the postwar world order quickly came to the fore.

Many people in Central Europe proved unable to accept their own history. That fed the illusion about 'the good old days.' Since many of those countries appeared on the map after World War I, their nostalgia focused on the period in between the two wars, one full of nationalism and brutality. Those considerations were used as a sedative for the subsequent resentment. For example, *The Estonia*

Passport, an official publication, asserted that more than 60 countries boycotted the 1980 Olympic Regatta in Tallinn as a token of solidarity with the occupation of the Estonian Republic.

Whatever the case, Brussels is making a serious mistake by withdrawing the history of the socialist era from public discourse. Serious analysis of this subject is, as a rule, replaced by an ideological caricature. Essentially, the life of two or three generations of Czechs, Poles and Hungarians is surrounded by a conspiracy of silence and sheer condemnation. But without respect for one's predecessors, or the history of one's country, a nation cannot really have a sense of dignity or self-respect, which enables it to make vitally important decisions.

It is understandable why the EU avoids this issue. Debate about the Soviet past would blur its present values and identity. Brussels is also reluctant to officially state its position, seeking to avoid public discord and yet another adjustment of relations with the United States, Russia and the CIS.

But the danger of this practice is not only that Europe is jeopardizing its most valuable assets – democracy and common sense. It could eventually give the Central European countries a sense of inferiority with respect to other EU members, as a result of which they will be unable to embrace its common goals and assume responsibility for its future. This author has often asked her colleagues from Central Europe about the type of contribution they would be ready to make to attain the EU's common goals. Invariably, this question caused incomprehension, surprise or confusion.

Lack of initiative, the reluctance to forge one's future with one's own hands, and the inability to creatively appraise the ongoing developments are the greatest sins of the globalization era. Its principal assets are the assertion of the finest global standards, innovation, a multidimensional view of reality, and tolerance toward others. That applies both to the EU as a whole, and to its individual member states.

The new model of European integration responds to the needs of globalization better than the previous model, but it is far more difficult to manage and control it.

The Tomorrow Is Now

The Case for Rejuvenating the Ailing EU-Russia Relationship

Hiski Haukkala

What do you call two parties who, while sharing the same apartment, nevertheless find it impossible to agree on anything, find it hard to keep their promises and consequently end up in bitter arguments and mutual recrimination? If this was a human relationship, it could be called a failing marriage and a divorce-in-the-making. But the subject of this article is the relationship between the European Union and Russia, and ironically, the inadequate state of affairs between these two states has come to be called a "strategic partnership."

On the serious side, the current state of EU-Russia wrangling is alarming: recurring problems are detrimental as they distract the parties from the real business of developing a truly strategic partnership that would be to their mutual benefit. These problems – which are undeniably mounting – reveal the haggling at the tactical level and the absence of a truly strategic vision of a genuine partnership.

WHY THE EU AND RUSSIA NEED EACH OTHER

As a participant in joint EU-Russia conferences for nearly a decade now, I remember the level of enthusiasm and mutual respect that existed between Russia and the EU around the turn of the millennium. Of course, not everything was perfect at that time. On the contrary, more often than not the workshops consisted of individuals hotly debating their arguments. But one thing

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was certain: there was a willingness to discuss things openly, and there was mutual expectation that such interaction would lead to a more intense cooperation between the parties.

Today, the mood seems to be entirely different. On the Russian side, there seems to be more and more contempt expressed for the European Union. The Russian side ridicules the internal problems of the Union, such as its failure to ratify the Constitutional Treaty; the cohesion of the Union as a viable international player is questioned (although Moscow itself has done a lot to undermine this cohesion); and even the EU's successful eastern enlargement is questioned by remarks that "Poland is now the EU's problem." Russia seems to be very self-assured at the moment and does not conceal its satisfaction over the shortcomings it finds in the European Union.

On the EU side, things are hardly any better. There seems to be a growing frustration with regard to Russia in many spheres: the "strategic partnership" has not advanced; there are worries about the future of Russia as the electoral cycle has started; the EU's hopes of moving ahead with projects in the common neighborhood with Russia (the 'four common spaces') are clearly failing; and there are increasing bilateral frictions between Russia and some of the member states, as exemplified by recent events in Estonia and Poland. In essence, everything seems to be grinding to a halt with Russia and the hopes and dreams of strategic partnership, instead of becoming stronger, are disappearing.

This current state of affairs comes across as very strange, especially when we consider that the links between Russia and the European Union are intimate and significant. We must remember that half of Russia's trade is with the EU, while a quarter of the EU's energy supplies come from Russia. There is also mutual interdependence in other areas, especially in the North where the EU and Russia share a common environment that is fragile and in need of cooperation. Russia and the EU share a common neighborhood. At the same time, there are common international challenges, such as terrorism and the proliferation of weapons of mass destruction, and so on.

In addition to these obvious considerations, which do not seem to be sufficient enough to bind the EU and Russia closer together, there are more fundamental factors that are being overlooked by representatives on both sides.

The need for mutual cooperation stems from the fact that the 21st century does not belong to the Europeans (that is, all people living in the EU, Russia and countries in between). One could even argue that the 20th century was not Europe's finest hour, either. If we ask which European countries were better off in 1999 as compared with 1899 in terms of relative power and standing, Finland and the Baltic states did not even have independence at that time. Furthermore, none of the major countries – Britain, France, Germany or Russia – fared particularly well during the last century: most of them suffered terrible setbacks in terms of international power and prestige. True, these losses were not altogether bad: they inoculated the western half of Europe against the most atavistic and aggressive instincts in interstate and international relations – Europe's fate no longer revolves around the concepts of 'power politics' and 'spheres of influence.' More importantly, the end of the Cold War allowed Central and Eastern Europe to enter the process, which should be taken to its logical end by embracing the rest of Europe, including Russia.

The imperative for doing so stems from the fact that if the previous century was tough for Europeans, the present will in all likelihood be even tougher. We are witnessing the emergence of new centers of power that will shift the global center of gravity to Asia, thereby eclipsing the Europeans in the process. According to a recent study on global power transitions, in the half century the European Union will irrevocably fall behind China and the United States. Russia does not even register in this study; it is lumped together with "Greater Europe," which includes the European Union and perhaps also Turkey, a nation that has a chance to compete globally by the mid-century (*International Studies Review*, 8(4), 2006, pp. 607–622).

Today, such findings may sound surprising, especially to Russians who are currently basking in their new-found prosperity

as an "energy superpower." Yet the signs that all is not rosy in Europe are already evident. When all of the categories of power – be it population, economy or military – are factored together, the combined relative power of Europe (Russia included) is decreasing. Thus, by remaining aloof and continuing in its passive aggressiveness, the European Union and Russia do not stand a chance in the face of rapidly emerging global realities.

There is also another factor that all EU member states are well advised to keep in mind. Many view the EU's common policy as an expendable commodity that can be bought and sold depending on the political situation. However, this approach is detrimental to the Union's international credibility and prestige. As a recent commentary in *European Voice* noted, today Asia basically sees Europe as politically irrelevant, except for as an export market and producer of luxury goods.

The same lesson applies to Russia, as well: it is seen as little more than a source of hydrocarbons in the world. Of course, this position will continue to generate considerable export revenues, but it is unlikely to be enough to turn Russia into a self-standing global player of the kind Moscow clearly aspires to be, especially over the long term. To gain this status, Russia must diversify its economy, which is overly dependent on a few natural resources, reverse the dramatic demographic crisis, modernize its substandard infrastructure and armed forces, while fighting against corruption and inefficiency, the main features that have come to characterize modern Russia. This array of systemic challenges is enough to overwhelm even the most strategic and efficient modernizer, which present-day Russia clearly is not. The internal and external challenges facing Moscow are formidable, and by continuing on its present course Russia may be unable to meet them. Thus, it is obvious that only as a viable part of some "Greater Europe" can Russia hold sway in the world in the coming decades.

Of course, one may ask: If indeed the future belongs to Asia, what stops Russia from joining forces with this dynamic part of the world as opposed to stagnating Europe? The answer is simple: Russia is not an Asiatic but a European country. Russia's own

center of gravity in economic, demographic, historical, cultural and political terms is in Europe, west and not east of the Urals. And even if Russia were to make an Asiatic choice, it is doubtful that such a bid would prove successful; it cannot compete economically with China or India, and it is unlikely to yield any political gains except as the role of Asia's junior partner. By contrast, Russia could be a major player in Europe, a player that could wield significant influence once it has made the choice of joining the game in full.

Importantly – and somewhat puzzlingly – neither party denies the basic need for genuine partnership. The European Union openly acknowledges the key role that Russia plays in Europe and the need to develop a strategic partnership with Moscow. In a similar vein, Russia voices its wish to be a part of "Greater Europe" and to have a voice in shaping the wider European, and even global, processes. However, thus far this basic understanding has not been translated into actual choices and policies.

THE TOMORROW IS NOW

What the European Union and Russia need is a markedly new relationship, a program of radical rapprochement. But how can this be achieved in reality?

The goal will remain nothing more than a pipedream if the two parties continue to disagree on specific issues, such as Polish meat exports, for example. Negotiations must commence for a new document that would replace the current Partnership and Cooperation Agreement that expires at the end of November of this year. Unfortunately, presently both sides are busy in meaningless tactics, juggling and haggling over insignificant things. This is no way to reach the kind of rapprochement that would be required in light of the challenges sketched above. An understanding consensus is needed in order to create a relationship that would be truly worthy of the name "strategic partnership."

It is obvious that the kind of rapprochement between Russia and the European Union suggested here will entail far-reaching political and economic cooperation, even integration. It will also

demand both substantial political rapprochement and economic convergence in several sensitive areas and can only take place on the basis of mutually accepted principles. Since the early 1990s, Russia, it must be admitted, has been in a rather disadvantageous position in this respect, as it was asked to accept rules that had been largely adopted without its involvement. But it is precisely for this reason that Russia should seek swift accession to international forums, for example, in the WTO. Once Russia becomes a full member of the WTO, it will be able to legitimately set the rules of the game for global trade. This should alleviate Moscow's concerns about a one-way street where Russia is currently unable to affect the norms it is expected to implement.

After such steps have been successfully achieved, the EU and Russia should plan for deeper economic integration in Europe. This should be an ambitious program that would include some elements of close political cooperation, perhaps even integration. It is obvious that comprehensive integration can only take place on the basis of certain shared ideals. These could have been European values had this term not become such an unnattractive word in the Russian debate of late. Instead, such ideals could be summed up as 'liberal values' – a set of principles that are common to all and proved efficient in guiding the development of successful nations.

In essence, this program would entail a new post-PCA agreement that would be ambitious and comprehensive in scope, and stand in stark contrast to the present mood of cynicism on both sides.

Russia should take the initiative and play a leading role in this rapprochement. It must do so for two reasons. First, Russia is clearly a more viable international actor. This has been proven time and again when Moscow was able to wreak havoc on Brussels' policy. It is time that Russia puts this prowess to a more constructive use. Second, as argued above, Russia seems to be more in need of the strategic partnership. These two factors suggest that Moscow should take the bull by the horns and present an ambitious agenda for economic and, perhaps in the future, even political integration. Of course, in the short-term this would

demand a certain pooling of sovereignty. But over the long term, the dividends would be substantial in terms of enhanced prosperity and prestige for Russia. It will also enable it to wield a more influential and autonomous role in global affairs.

In its turn, the European Union should reciprocate by being open to such a new agenda, accepting that it would entail a radically upgraded role for Russia in the construction of Greater Europe. Over time, this should result in new ambitious institutions, such as providing Russia with established forms of consultation when it comes to certain key EU policies that directly affect it. However, until there is mutual understanding of the issues, it is pointless to speculate about what the provisions might be.

Finally, the two sides should strive to involve their common neighborhood in the program of radical rapprochement, eventually turning it into a pan-European project of cooperation and integration. It is clear that the process of European integration will remain incomplete as long as there is a gray zone of excluded countries in between the EU and Russia. There is also the psychological aspect to the importance of remaining open and transparent for other partners: the EU and Russia should avoid creating the impression that some shady bilateral deals, which may result in new divisions, are happening between Moscow and Brussels. The process should be open to all interested parties who are willing to play by the same set of rules, or shared liberal values as stated above.

Many may view these suggestions naïve or unrealistic in light of the recent acrimony between the European Union and Russia. Yet the fact that the European Union and Russia need each other to fare well in the future, in conditions of tough economic competition, makes the continuation of present trends not really a realistic option, either.

I can also imagine people thinking that even if the agenda is the right one, the timing is not. Some may argue that with the Russian electoral cycle in progress, there is hardly any room for ambitious initiative concerning a radical change in Russia's course. But this is equally wrong. One of the most baffling things

about the current impasse is the parties' illusion that they somehow have ample time on their hands. This applies especially to Russia which has so far failed to make up its mind as to whether it truly belongs to Europe and what that factor entails for its domestic policy. In this respect, the high prices of oil and gas have been a mixed blessing as they made Russia put off some of the severely needed decisions.

The path of closer economic and political cooperation and integration could lead to a situation where the EU's present achievements and know-how would be fused with the vast Russian potential that currently risks being underutilized due to the scope and scale of challenges facing Russia. This would enable the emergence of a new powerful European presence and voice in the world. It is important to emphasize that such a voice would not be a power political bloc that opts for new divisions in the world but one that acts as a force for moderation and reason in the turbulent international politics of the 21st century. Such an entity might also make the Americans listen to the concerns put forth by the concerted will of Europe, and perhaps help to eventually establish an area of freedom and prosperity that would arc from Vancouver to Vladivostok.

The stakes are high, the decisions have to be taken promptly and implemented swiftly. The tomorrow is now: the globalizing world will not wait for the laggards and history will judge harshly those who fail to act in time.

About a "Europe From the Atlantic to the Urals"

Yuri Dubinin

It was September 1962. My working day was coming to an end when I was asked to immediately stop by the office of Vasily Kuznetsov, first deputy to Soviet Foreign Minister Andrei Gromyko. I knew that Gromyko was not in Moscow and that Kuznetsov was acting for him; so, the request meant that something important had happened.

I was an assistant to the head of the ministry's First European Department. I specialized mainly in French affairs; so, while I was on my way to Kuznetsov's office, I thought we would discuss them. And we really did.

"[Nikita] Khrushchev has just called," I heard as soon as I entered the office. "He is enraged over [Charles] de Gaulle's statement about a 'Europe from the Atlantic to the Urals.' He has given instructions to urgently clear it up with the French what their president meant, expressing ideas like that. What if he is hatching plans to break up the Soviet Union? So, the assignment is urgent. Take a seat and we will prepare the text of a letter of inquiry."

It should be noted that the slogan of building a "Europe from the Atlantic to the Urals" had been launched by de Gaulle long before September 1962. Moreover, de Gaulle had repeated it so often that these words became a catchword, a kind of credo for French policy in Europe and even more than in Europe, as de Gaulle put emphasis on them even during his stay in the United

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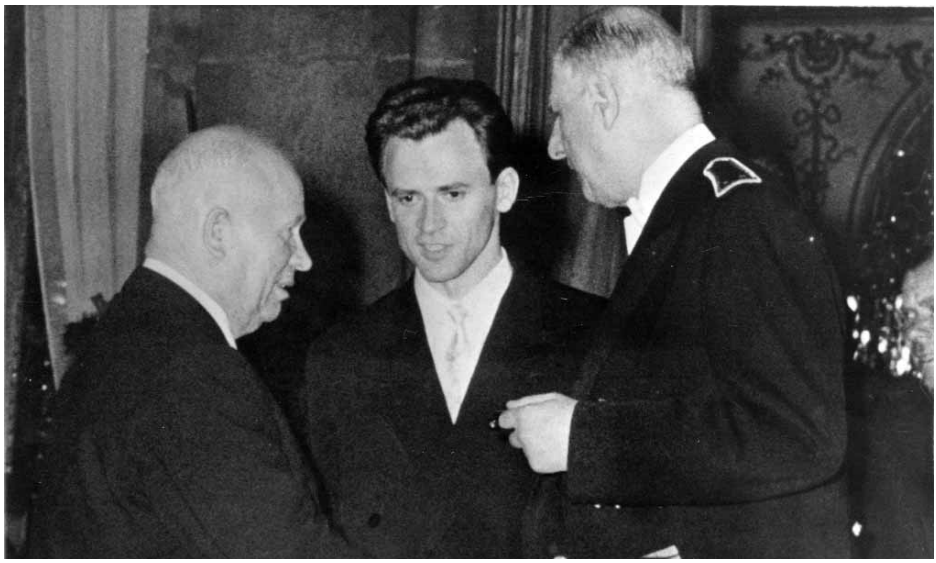

Nikita Khrushchev and Charles de Gaulle (Yuri Dubinin in the center)

States. Of course, Soviet diplomats and statesmen had heard those words on many occasions – without giving much thought, though, to what they could mean or how they could be interpreted.

Maybe those words could have been disregarded in September 1962 as well if de Gaulle had not said them in the Federal Republic of Germany during his state visit there (September 4-9), thus sort of putting the idea of a "Europe from the Atlantic to the Urals" into the context of the incipient rapprochement with West Germany. In addition, de Gaulle accompanied his statements with barbed ideological remarks. The Soviet Union and West Germany were years away from the normalization of their relations, and Bonn was under harsh criticism from Moscow for manifestations of revanchist sentiments there. Moscow was watching the rapid development of French-West German relations with growing concern. On top of that, Soviet-French relations at the time were far from ideal. So, when Khrushchev heard de Gaulle's statements, he flew into a rage – and a well-grounded rage, because, even if we disregard where those words were said, they encroached on the holy of holies – the territorial integrity of our country. Irrespective of what the statement might mean, such an unconventional approach to a sovereign

state required a reaction. At the same time, the question also arose whether de Gaulle had really put such an extreme meaning into his formula – especially as the Soviet Union had had vast experience of cooperation and personal contacts with this statesman, specifically during Khrushchev's visit to France in 1960. Perhaps this was why even such an emotional man as Khrushchev instructed his Foreign Ministry to prepare not a note of protest, but a letter of inquiry in order to clear up the issue before bringing in the heavy guns. Yet, Khrushchev asked us to spice up the letter.

It was not at all easy to find a balance between a tough response and a wording that would let de Gaulle emerge out of the difficult situation without losing face. We worked with Kuznetsov deep into the night, but we were not very good at spicing things up. The next day, Kuznetsov invited a leading Russian specialist on Germany, and the three of us continued to work. When the memorandum, intended for the French Foreign Ministry, was ready, it was sent to the Politburo of the Soviet Communist Party's Central Committee, which made all the important decisions during the Soviet era. The Politburo approved the memo.

On September 19, the Soviet government gave a stern assessment of de Gaulle's visit to West Germany. The Soviet news agency TASS came out with a statement headlined "Bonn-Paris Axis Instrument of Revanchism."

On September 20, Kuznetsov, on behalf of the Soviet government, handed the memorandum regarding de Gaulle's statements on building a Europe from the Atlantic to the Urals to the French Ambassador in Moscow Maurice Dejean.

The first part of the memo was sharply critical: "The Soviet government has taken note of statements made by President of the French Republic de Gaulle during his visit to the Federal Republic of Germany, to the effect that the objectives of a Franco-West German military-political association include the establishment of some new arrangements in Europe 'from the Atlantic to the Urals,' with the termination of 'outdated ideology in the East.' One cannot but pay attention to the fact that these statements were made in West Germany in an atmosphere of revanchist and military demonstrations."

The memo said further: "Statements like these cannot but evoke analogies and are reminiscent of the grave past when Nazi Germany also spoke about plans to build a Europe from the Atlantic to the Urals and about the establishment of the notorious 'new order' in Europe. It is well known what came out of the attempts by German militarism to implement those delirious plans."

The second part of the memo contained a question to Paris: "But if we assume that the statements by the President of France imply the establishment of cooperation among all European states in the interests of 'peace and progress from the Atlantic to the Urals,' then the question arises: Why do these statements refer to the Soviet Union not as the whole state, but only as part of the Soviet Union, namely the territory to the Urals, although the territory of the Soviet Union stretches far beyond the Urals. So, it remains unclear what really is behind those statements."

The memo ended with the following words: "Since the aforementioned statements by the President of the French Republic refer directly to the Soviet Union and its territory, the Ministry of Foreign Affairs of the U.S.S.R., acting on behalf of the Soviet government, would like to receive explanations from the Ministry of Foreign Affairs of France as to what meaning is put into these statements. We would be grateful if the Ministry of Foreign Affairs of France gave such explanations."

Time passed, but Paris kept silent.

The Politburo decided to remind the French government via the Soviet ambassador in France, Sergei Vinogradov, that we were waiting for a response to our memo.

On October 24, Vinogradov visited the Foreign Minister of France, Maurice Couve de Murville, and, referring to instructions from the Soviet government, conveyed the request to him. Yet, even that did not cause the French to break the silence and give a response.

On January 29, 1963, Vinogradov visited de Gaulle and handed him a letter from the Soviet government with its considerations concerning the January 22 signing of a political treaty between France and West Germany, known as the Élysée Treaty. The letter made no mention of plans to build a Europe from the Atlantic to the Urals;

nor were they mentioned during Vinogradov's conversation with the Gaulle. At the same time, at the end of the main part of their conversation, the French president said an interesting phrase: "There will come a time when we will build Europe together with the Soviet Union." This capacious and forward-looking thought with a broad geopolitical dimension attested to de Gaulle's all-embracing approach to relations with our country and to European affairs.

Several more months passed. In mid-1963, I was appointed First Secretary of the Soviet Embassy in France. I quickly established good contacts with the Foreign Ministry of France, and the French began to more and more often send via me important information and operational reports, which Vinogradov forwarded on to Moscow. Finally, on December 30, 1963, the head of the Pacts Service, one of the key departments of the French Foreign Ministry, Jean de La Grandville (earlier, he had been Minister-Counselor at the French Embassy in Moscow), in a conversation with me raised the issue about the meaning of the expression "Europe from the Atlantic to the Urals." He did that on his own initiative, which means, on instructions from his bosses. The following are quotes from my notes of the conversation with de La Grandville:

"In my opinion," he said, "the political absurdity of such an expression is obvious. Upon receiving your letter of inquiry, the Ministry of Foreign Affairs of France for a long time discussed how to reply to it. In the long run, at the initiative of the Ministry of Foreign Affairs, we prepared a draft document and sent it to the Élysée Palace [the official residence of the French president. De La Grandville's words meant that the draft was sent to de Gaulle]." "The project," de La Grandville continued, "was not approved. Then, [Foreign Minister] Couve de Murville told us that there would be no reply at all. Meanwhile, officials at the Quai d'Orsay [the Foreign Ministry] now avoid using the phrase 'Europe from the Atlantic to the Urals'."

These notes are kept in the archives of our Ministry. I am grateful to historian Dr. Marina Arzakanyan for telling me about them after she came across them during her work in the archives. Recollections of those events inspired me to write this article.

I had been acquainted with Couve de Murville for years. He had always been a true doer of de Gaulle's will, and, of course, it was only with de Gaulle's knowledge that he could instruct the Foreign Ministry staff to stop using the phrase that was directly associated with the name of the French president.

So, the French did answer our question, although not as quickly as we would have liked them to. Their straightforward answer put an end to any interpretations that could damage the relations between our two countries. I must give credit to the form they chose for the reply. Even the best pens at the French Foreign Ministry would have hardly expressed in the formal language of a memorandum what de La Grandville told me as eloquently as he did.

The main result of our demarche was that from then on de Gaulle never spoke of a Europe from the Atlantic to the Urals. At the same time, on many occasions, including during his lengthy official visit to the Soviet Union in 1966, he reiterated the need for close cooperation among all European countries, including, of course, the Soviet Union (by that time, de Gaulle had learned to call our country its proper name), as a foundation of international peace and security.

Not long ago, I discussed de Gaulle's statements about a Europe from the Atlantic to the Urals with a leading French political analyst, Academician Thierry de Montbrial. He told me that, not knowing anything about our demarche, he himself had studied the essence of this formula by de Gaulle and concluded that it was simply a result of the ill-thought-out application by de Gaulle of his knowledge of geography, which he had received at school.

Anyway, our demarche helped to clear up our relations of mistrust with France. The response to our letter, given by de La Grandville, fitted well into a period of the improvement of Soviet-French relations, which began in mid-1963 and which has led Russia and France to their present political partnership.

As regards cooperation among all European countries, its deepening is now becoming an increasingly imperative demand. Russia and France have every reason to play a leading role in the development of this process and to jointly build a Europe of the future.

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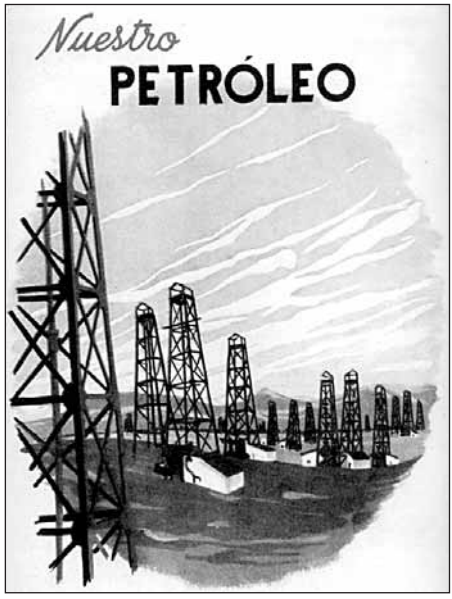
Energy – A Bone of Contention



“The common Western policy toward Russia, if there is one, fluctuates between the overly optimistic hope that Russia can become a true partner because it is a country “like us,” to the similarly unwarranted gloomy perception that it can never be trusted because of its perceived inner hostility to the Western style of life.”

Russia-EU Energy Dialog: Filling a Vacuum

Vladimir Milov

The issue of Russia's ratification of the Energy Charter Treaty (ECT) – or rather its refusal to ratify the document – long ago became a purely political issue. Moscow continuously stresses how detrimental it would be to its national interests to sign the treaty. Meanwhile, Western politicians (including, strangely enough, those in the U.S., although the United States itself does not intend to ratify it) are not giving up their attempts to convince Russia otherwise. Political considerations hamper a balanced, professional assessment of the treaty and a realistic analysis of its viability.

The EU evidently overstates the importance of the ECT, regarding it almost as a panacea for all risks connected with its dependence on Russian energy supplies. Being as it is a document in international law, the ECT does not provide a universal politico-economic solution, nor guarantees reliable supplies. The ratification dispute reflects a broader problem: filling in a legal vacuum in the troubled energy relationship between Russia and the EU.

CONCERNS

Oil and gas production in the North Sea is declining, while Europe is becoming increasingly dependent on energy imports – primarily from Russia. The EU's course toward the liberalization and de-monopolization of energy markets is at odds with the Kremlin's economic policy, aimed at strengthening the role of national energy monopolies, above all Gazprom, as well as with

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the general trend toward their growing influence on the European market.

The expansion of Russian national champions is natural: the relationship between Russia and the EU in the energy sphere transcended the bounds of wholesale transborder trade a long time ago. However, the growing presence of Russian corporations is a source of concern to the Europeans as a potential threat to their competitiveness. This concern is not entirely groundless, especially considering the situation that is developing on the Russian energy market. That caused the imposition of some constraints on investment in the EU by Russian energy companies.

Problematic relations between Moscow and countries located along energy transit routes to Europe create a source of instability and undermine the reliability of supplies. In light of this situation, the future of Russia's energy ties with the EU – the primary market for Russian energy resources now and in the foreseeable future – looks bleak.

Is it possible to eliminate this long-term uncertainty and agree on a mutually acceptable model that is built on a sound, civilized foundation for resolving energy problems? Many link the building of this foundation with the signing of a comprehensive energy agreement that is independent of the ECT. The Europeans themselves have numerous complaints against the treaty as its limited format does not guarantee that its ratification will resolve all of the problems.

It is far more important to answer the central question that is presently hidden behind the criticism of the ECT's specific provisions: Is Russia ready in principle to join legally binding international agreements that set their own rules, and can these rules work in Russia? In other words, does Russia's negative position result from the document's specific shortcomings, or is it dictated by its general reluctance to assume international obligations and fulfill them?

SETTING THE RULES

The answer to this question is of principal importance not only for political-economic relations between Russia and the EU. The approach toward the Energy Charter reflects the psychological

imperative that exists for a large part of the Russian elite, which refuses to bear responsibility for the fulfillment of international rules that it did not establish. Both the Charter and a broad range of political and economic issues concerning Russia's relations with the outside world are today viewed from the "we don't want to be bound by any unnecessary obligations" position.

This approach to international problems may be a result of the complacency that the Russian authorities have developed in the past few years as the country's economic situation improved, including the attainment of financial self-sufficiency. It seems that in the energy sphere, this complacency is the result of Russia having the world's largest oil and gas reserves, whilst its role in supplying the Old World with energy resources will only be growing in the long term. The "there is no way the Europeans can get away from us" formula is very popular within the Russian political class.

Taking Russia's interests into account, it is not only beneficial, but also vitally important for it to sign a legally binding international agreement on energy problems, primarily on transit and investment, even though some tactical advantages may have to be sacrificed.

THE CHARTER HAS OUTLIVED ITS USEFULNESS

The Energy Charter Treaty provides a dubious foundation as a binding agreement. First, the EU's approach toward the document remains unclear. Russia signed the ECT in 1994. At that time it was designed to regulate supplies amid the general uncertainty that existed in the post-Soviet area. After the EU's enlargement, the area of the Charter's application has decreased considerably as former Communist countries, which made the bulk of the states that ratified it, now have to play by the EU's internal rules. The Charter has failed to become a full-fledged global agreement, since the Middle East and North American countries failed to endorse it. In Asia, it was only ratified by the Central Asian states, Mongolia, and Japan.

Brussels has on numerous occasions ignored the ECT: the ECT was only mentioned in passing in its "green papers" on energy policy in 2000 and 2007, and there seems to be little desire to encour-

age non-EU countries (above all, Russia) to ratify it. The EU is in no hurry to apply ECT rules: in particular, EU representatives insisted on including notorious Article 20 in the draft ECT Transit Protocol (the so-called provision on regional economic integration). That article effectively exempted EU member countries from the mandatory application of Transit Protocol provisions on their territory. Therefore, the Transit Protocol has become a document regulating relations predominantly outside the EU.

The obviously discriminatory nature of this approach once discouraged its advocates in Russia (including this author) from endorsing the ECT's ratification. It was for similar reasons that the Transit Protocol was not signed in December 2003.

That failure seriously devalued the Charter per se. The problem was that the ECT's principal value consists not in its energy trade procedures, which essentially duplicate WTO rules, but its provisions on transit and protection of investment (there are no such provisions in the WTO rules). But they were almost never used in practice. The Transit Protocol was never signed, while investment protection norms only acquired legal force in those countries that ratified the Charter – i.e., countries that either have no significant energy assets, or where the investment climate is already quite favorable and does not discriminate against investors (Europe, Japan).

Thus, the Charter, signed 13 years ago, has never become a full-fledged international legal document – the cases of its application for signing contracts or solving disputes are but rare. The burden of problems that has accumulated around the Charter makes its ratification by Russia a remote prospect. Moreover, there seems to be little sense now in seeking the ratification of the Charter in its present form.

TRANSIT DEPENDENCE

That does not mean, however, that Moscow should ignore the pressing need of creating a common energy space based on international law. On the contrary, it should initiate the drafting and signing of a legally binding agreement with the EU on energy matters.

There are several reasons for this.

First, Russia depends on energy transit to the main energy markets via third countries, and this dependence will remain in the future. Therefore, it needs an effective legal instrument to protect itself against transit risks.

Second, Russian companies are actively entering the European market no longer as suppliers of raw materials but as investors and shareholders. Therefore, it is important for them to secure their rights, especially in light of the growing trend that seeks to limit their investment activity in Europe.

Third, regardless of protectionist trends, Russia is interested in the establishment of supranational regulations in the energy realm. Such legislation would make it less dependent on the internal rules that the EU unilaterally adopts on various energy issues, which, amid a legal vacuum, can extend to the entire European market, which does not always respond to Russia's interests.

Unfortunately, Russian politicians do not prioritize a transparent regulatory system in the energy sphere, but closed bilateral agreements with specific countries and companies, and even with specific political figures. This foundation is shaky and insecure, since positions can change while politicians come and go. This approach makes Russia exposed and vulnerable to the aforementioned challenges, and effectively conserves its current status on the European energy market. It is the role of a wholesale supplier which has almost no access to the retail market and depends on the political situation and changes in transit terms and conditions. This role by no means secures for Russia a stable presence on the European energy market.

ECT opponents often draw parallels between Russia and Norway, which is also a major oil and gas producer and supplier. The fact that Norway, a democratic European country, has not ratified the treaty purportedly confirms that it does not benefit energy producers.

There is, however, something that sets Russia apart from Norway: this northern country does not depend on energy transit. Unlike Russia, Norway produces its entire oil and gas on the sea

shelf and exports it via underwater pipelines, or in the form of liquefied natural gas (LNG). It does not require the services of transit states, nor does it deliver these energy resources to mainland territory (the bulk of Norway's electricity is generated at hydroelectric power stations). Since Norway does not depend on transit risks, it does not really need the ECT.

Russia's case is entirely different. It has always depended and will continue to depend on transit routes leading to the main markets. The idea of building "bypass" pipelines is nothing but an illusion of independence: what really happens is that one group of transit countries is replaced by another.

For example, the Nord Stream gas pipeline across the Baltic Sea bed, which is regarded by many as a kind of a bilateral Russian-German project, in reality is designed mainly for natural gas supplies to third countries' markets. Should it reach full capacity, Germany will consume less than 50 percent of the gas that will be piped through it, with the bulk of supplies going to Benelux, France and the UK to supplement the declining North Sea output. Of the gas supplies contracted to date, 40 percent will not go to Germany but to other clients (Denmark, France and the UK). Therefore, Russia will simply trade its dependence on Belarus and Poland for its dependence on Germany.

For the sake of Nord Stream, Moscow abandoned a project to build a second leg of the Yamal-Europe gas pipeline, comparable in volume to Nord Stream. The construction of the second leg (planned for construction in areas with developed infrastructure and in the same corridor with the first leg) would have cost substantially less, around $2.5 billion. As for Nord Stream, it has an estimated price tag of over $10 billion (its real cost is not clear yet, but could be as high as $15 billion). Meanwhile, one of the reasons for abandoning the Yamal-Europe project in favor of Nord Stream was a disagreement on the tariff rate for the transit of gas through Poland, which amounted to a mere $0.18 per 1,000 cub. m/100 km (gas transportation via Nord Stream will not be gratis, either). Therefore, the "transit maneuver" happens to be more expensive, but does not free Russia from the risks involved. It

would have been less costly for Russia to make Poland agree to more acceptable transit terms, specifically by means of international law and arbitration.

Currently, Russia intends to build yet another bypass gas pipeline, called South Stream, across the Black Sea. It will also bypass Turkey, which Gazprom earlier regarded as an alternative to Ukraine. At one time, there were plans to carry gas via Turkey to Southeast and South European countries, including via a second leg of the Blue Stream pipeline, whose possible construction was mentioned by President Putin in 2006. Today, however, it seems problems have emerged in Russia's relations with Ankara. First, Turkey, taking advantage of its status as the sole consumer of gas carried along the Blue Stream, forced Russia to review import terms, making them less attractive to Moscow. Later, difficulties arose in securing future transit agreements via Turkey to European countries.

The South Stream pipeline will carry gas to Southeast and South European countries via Bulgaria. According to Russia's Gazprom and Italy's Eni, the project will cost over €10 billion. However, the second section of Blue Stream across Turkey would cost considerably less.

With South Stream, Russia will become dependent on another transit country – Bulgaria, and there is no guarantee that in the future this country will not demand a review of the transit terms, as well. A similar problem arises in connection with the Burgas-Alexandroupoli oil pipeline across Bulgaria and Greece, bypassing the Bosporus Strait. Guarantees that Bulgaria and Greece will honor the terms of oil transit and taxation for the operating company (which is supposed to be controlled by Russia) are temporary. This, incidentally, calls into question the very idea of establishing control over transit infrastructure to protect against risks: the governments of transit countries will always have "regulatory sovereignty," regardless of who owns a pipeline.

Therefore, the problem of ensuring reliable transit and guaranteed supplies will continue to be one of the key problems in delivering Russian energy resources to the European market. The exist-

ing system of relations compels Russia to rely solely on bilateral agreements, which are unstable and unsecured against unilateral revision. These risks are still quite substantial in relations with Russia's current transit partners – Ukraine, Belarus, Poland, and Turkey. Russia has no effective instruments (except political pressure) for protecting its interests in this realm. The lack of effective international agreements renders Russia powerless to implement legal mechanisms and international arbitration. This situation weakens its image as a reliable energy supplier, which became obvious after the recent high-profile energy price conflicts with Ukraine and Belarus.

THE IMPORTANCE OF A NEW AGREEMENT

The only instrument that can create stable relations in the realm of energy transit is a comprehensive international agreement where rules of international law are used to deal with possible disputes. Otherwise, problems with transit countries will continue to plague us in the future.

There is no doubt that if we want our energy resources to be transported across the territory of third countries, we should provide – for example, for Central Asian gas producers – access to Russian gas pipelines. Yet thus far the issue has been strictly taboo. In the past 15 years, Moscow has striven to retain control over Central Asian energy exports, including the monopoly rent.

In the long term, however, the rent-oriented monopolistic mentality only leads to a deadlock. The Central Asian countries are well positioned to diversify their energy export routes in such a way as to sharply reduce their dependence on transit via Russian territory, and they are already doing that.

Kazakhstan, for example, has successfully completed the construction of an oil pipeline to China and is determined to extend it (incidentally, denying access to Russian companies), and it has also agreed to send oil through the Baku-Tbilisi-Ceyhan pipeline, bypassing Russia. Meanwhile, Turkmenistan has a good chance of achieving a breakthrough soon in building an alternative gas pipeline (most likely to China again).

As we can see, a Russian monopoly on the export of Central Asian energy resources may be eliminated in the foreseeable future. So, is it reasonable to continue the policy of defending this monopoly at any price? Would it not be better to resolve transit problems on the basis of reciprocity?

If Russia wants to be able to acquire energy assets in Europe, it will have to agree to foreign participation in developing Russian oil and gas resources in some form or other. Granting foreign companies access to our natural resources is beneficial, above all, to Russia (that is a subject for a separate article). What is even more important is that the EU is already actively discussing proposals from the European Commission on imposing investment constraints on a number of state companies. These measures – based on the principle of reciprocity – will affect countries that deny companies from EU member states access to their own markets. Consider the problems that Russian business came up against when it attempted to acquire energy assets in Europe (for example, the oil refineries Mazeikiu Nafta in Lithuania and Europoort in the Netherlands, and the gas company Centrica in the UK).

If we want to secure equal access for Russian companies to invest in energy assets in EU countries, we should sign a comprehensive agreement with Europe on principles of protection and encouragement of investment. Incidentally, a corresponding section of the ECT is quite appropriate for the protection of Russian interests in Europe. However, needless to say, we cannot sign the treaty without opening up our own energy market. But in the long term, the de-monopolization and opening up of the energy sector is imminent. Without such mutual openness, we will have zero chances for investment in Europe.

Russia is not a EU member, but this does not mean that the rules of the European energy market should be worked out without its involvement. Although Moscow's criticism of the liberalization of this market is not always fair, new measures on energy market regulation pending in the EU are oftentimes at odds with Russian business interests. For example, it is obvious that the rules of free access to pipeline infrastructure come into conflict with the need of

securing long-term gas supply contracts. Another example is the EC's attempts over the last several years of influencing the pricing system on long-term gas contracts by "disconnecting" these prices from world oil prices. Such intentions are well justified, but there is an apprehension that instead of a fairer pricing system we will have to face some obscure invention by Brussels bureaucrats.

In order for Russia to protect itself against such risks, it must create its own defense lines in the form of basic legal principles regulating international relations in the energy sphere. They should be enshrined in an appropriate agreement between Brussels and Moscow, to which other countries could also accede. In the end, everyone would benefit from such legislation, including our European partners who are concerned about reliable energy supplies.

Therefore, if Russia's long-term interests in the energy realm consist of protecting its resource and transit monopoly, as well as long-term gas contracts and building "bypass" pipelines, it need not sign any agreements based on international law. However, this strategy will soon lead to the loss of certain positions (in particular, the monopoly of energy exports from Central Asia), and deny Russia the opportunity to win new positions (full-scale presence on the European retail markets) and a role in laying down the rules for the European energy market on the whole. In such a scenario, the volume of Russian energy supplies to Europe would grow, whereas Russia's real influence on this market would decline.

The signing of a comprehensive and legally binding agreement with the EU, regulating relations in the energy sphere, can be very beneficial to Russia. Any short-term losses will be far outweighed by the long-term gains.

The format of such an agreement is subject to a transparent discussion, taking into account Russia's long-term interests in the realm of international energy relations. Unfortunately, the ECT discussion over the past few years has not been backed up with a clear definition of Russia's national interests.

Despite the perennial complaints, not least by some high-ranking officials, to the effect that ratification of the ECT is "disadvantageous" for Russia, there have been almost no attempts to

take an objective view of the treaty, with its strong and weak points. Its analysis has often been unprofessional, based on political stereotypes and clichés, or an uncritical repetition of the positions of certain corporations (above all, Gazprom). Thus, Gazprom experts had a final say in formulating Russia's official position on the ECT and related documents, with the negotiators slavishly representing Gazprom's viewpoint.

It is necessary to abandon such an approach, especially considering that Europe will in the foreseeable future continue to be our principal energy partner, despite the declared plans to divert Russian energy resources to Asian markets. Our national interest does not lie in pumping the maximum possible amount of money out of Europe and other countries. Our interest lies in building long-term stable and fair rules of the game on the European, and, more broadly, the Eurasian energy market.

Russian Global Position After 2008

Vlad Ivanenko

The year 2008 promises to mark a new era in Russian history. After popular President Vladimir Putin resigns in accordance with the Constitution, the next leader will face a number of challenges that have been identified but not dealt with properly by his or her predecessor. The gravity of the tasks and absence of solutions left unexplored by the Putin administration will push the new leadership to search for original ideas.

So far, the current Kremlin administration has not shown a particular passion for brave new strategies. Yet, its apparent passivity is not a sign that after the transitional period of the electoral cycle is completed in 2008 there would not be a push for novel approaches. On the contrary, whatever happens with the presidential position requires that either the old leader staying at the helm or his successor will activate his or her search for strategies that work.

Among the key issues that Russia now faces, finding its rightful place in the global economic system is the most pressing. Russia's elite want a place in the club of international decision-makers; and they want international respect. Average Russians have developed a taste for comfortable living and now long for personal success. In order to achieve their dreams, the country must overcome a few hurdles.

Russian companies, for example, will not be recognized as equals on the global stage unless they attain world leadership in

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several key industries. Russia cannot be assured of a steady flow of wealth if it does not change the composition of products that it sells; it must gear itself toward high value-added goods and services. If the country manages to fulfill these plans, it will receive a greater return on its commodities, coupled with a strong position in certain strategic areas. This will guarantee that Russia will continue to accumulate wealth and that its voice be heeded at international forums.

It is not going to be easy. Russia needs to capitalize on its presently favorable situation and move up the career ladder of the global hierarchy. Still, it is possible. Given the high prices it receives from its primary products (hydrocarbons and metals), at least for the time being it will enjoy a steady flow of cash and global respect. However, its leaders know history well enough to realize that in the long run the export of staples does not guarantee the stability of income and political influence. The flow of money can reverse following the whims of commodity markets. Even if the terms of trade remain positive, great piles of cash are not enough to claim the status of a world power. The latter means that other countries rely on the leader's wellbeing. Here, Russia is just a beginner who is learning the ropes.

Many other states are watching with growing suspicion as Russia attempts to raise its international profile. Their concern is twofold. The nations that were previously subjected to Soviet dominance are rekindling the old fear of Russian suppression. They see a newly confident Russia as a historical threat to be contained even at the expense of their own prosperity. The more developed countries have a different worry. As members of a privileged club, they understand that Russia's resurgence – along with the growing influence of other non-members such as China, India or Brazil – threatens their global dominance. The option to invite Russia, and, hence, bind it by the existing rules, is on the table but the members are reluctant to make a proposition because of Russia's inconsistent record of playing by the club's rules.

Can Russia reach its desired objectives and, at the same time, address the concerns of its other world players?

RUSSIAN CONDITIONING AND WESTERN RESPONSES

As the successor to the Soviet Union, Russia has inherited the industrial structure and trade pattern that reflected the realities of that time. Being surrounded by presumed "enemies," the Soviet leadership chose to live in a relative autarky. As a result, the country did not participate in global technological chains outside the Soviet sphere of influence. Low-key cooperation with satellites that the Soviet Union controlled placed more emphasis on political than economic logic. Soviet international trade was a little more than a primitive barter scheme conducted on the national level. The only area where the Soviet Union allowed meaningful long-term cooperation was trade in energy products sold to "trusted" European partners – and only because the country needed a steady inflow of funds to pay for missing consumables and advanced technologies. Elsewhere in the world, the Soviet Union was renowned for selling its weaponry and crude oil at subsidized prices to enemies of the Western world.

Following the collapse of the Soviet Union, the issue of Russian participation in the global division of labor came to the fore; however, the new leadership in Moscow had only a vague idea of how to proceed under the new circumstances. Subsidized trade was gone, but so was the cash flow. Lacking its own expertise, the Kremlin sought Western advice, particularly in economic affairs. The latter came from international financial institutions, such as the IMF and World Bank, which were informally authorized by leading Western powers to guide the Russian transition. At that time, Russia resembled any other international defaulter and fragile state – the main clients of these institutions. Having accumulated expertise in crisis management, international experts extended the same recipes, known collectively as the 'Washington Consensus,' to the Russian client. In essence, these ideas implied that government should reduce its regulatory role to the minimum and give private players a chance to build up their fortunes. In the end, the invisible hand of the market would prevail, experts explained, and the state would prosper due to the higher efficiency of the private entrepreneurs.

The IMF and other Western organizations concluded that Russia's principal advantage was in natural resources, particularly in the energy sector. For Russia to profit from this natural abundance of wealth, they suggested maintaining extensive growth of extractive industries and their orientation toward higher export prices. Given that domestic energy companies lacked advanced know-how, the format of production-sharing agreements (PSA) – by which Western companies became operators of Russian oil and gas fields and local companies, in other words, their minor partners – was deemed to be optimal.

In the early 1990s, this logic seemed to be impeccable, but over time its negative hidden implications became evident. The huge divergence between domestic and global prices created lucrative opportunities to capitalize on arbitrage instead of investing in production. Trade liberalization, coupled with an ineffective tax system, sapped money flows away from state coffers. Domestic inflation, driven by an overall re-orientation toward exports, pushed whole sectors of manufacturing into the red. Unemployment jumped. These side effects raised widespread suspicion about the sincerity of Western advice, which turned into open hostility after the Russian sovereign default of 1998. Ordinary Russians could not see the benefits of economic liberalization that they were told was just around the corner. Instead, they witnessed a steady decline of domestic industries and infrastructure, while a small group of well-connected former *apparatchiks* and shadowy dealers captured and divided Soviet patrimony for their own benefit. "Is this what the transition to capitalism and democracy is all about?" they asked the Kremlin leadership in a single voice. But the leaders could not provide a reasonable explanation.

As disgraced advisers packed and heeded westward after the default, an interest in alternative, home grown strategies grew stronger. After a brief experimentation with the unfinished reforms of the Gorbachev era, the new team headed by Vladimir Putin proposed two options. The first was to stick to the old recipes of the Washington Consensus, which supposedly failed because they were not introduced in earnest. The second was to learn from China, the

former Soviet student that became greater than its teacher. Both approaches seemed to be sensible and compatible in certain areas. On the one hand, the policy of liberalization demanded keen attention to macroeconomic stabilization that was achieved by severe reduction in government spending. On the other hand, a few state-owned monopolies that were not privatized due to historical reasons, such as Gazprom, proved to be highly competitive in the global arena. Furthermore, the Kremlin learned a simple fact: private owners occasionally have their interests at heart and sometimes – like in the case of oil company YUKOS – go against perceived national priorities. In the latter case, the Kremlin resorted to force to uphold its supremacy in economic affairs.

The combination of economic freedom with heavy regulation and control is a distinctive feature of Russia's system. For better or worse, the country finds itself in between the two worlds. Moscow is envious of the discreet charm of Western economic prosperity and wants to replicate its success. Europe is the top destination for wealthier Russians who enjoy its style of life. At the same time, many consider the West to be a strong competitor that needs to be contained if Russian domestic interests are at risk. This "love-hate" duality explains the inconsistencies in Russia's foreign policy as observed from the outside.

The West had its own conditioning regarding its relationship with the new Russian state. The EU was elated when the iron curtain fell and reintegration with its forcibly separated parts, like Eastern Germany, became possible. Other former Soviet satellites were happy to regain independence. But since they were unsure exactly how long the unexpected loosening of Russia's grip would last, they pushed for the rapid accommodation of EU standards, the so-called acquis communautaire, to qualify for membership. Their aspirations were actively promoted by the U.S., which wanted to consolidate its victory in the Cold War over its long-standing adversary. However, while sharing the same triumphal political attitude toward defeated Russia, the EU and the United States were divided on how economic affairs with this country should be formed.

After securing, against U.S. advice, the delivery of Russian natural gas in the 1980s, the EU became addicted to growing energy supplies from the former Soviet Union. The end of war fragmented the Soviet bloc. New national players threatened to obstruct deliveries if a "fair" share in energy revenues was not forthcoming. To secure the continuation of trade, the EU proposed a treaty that later became embodied in the Energy Charter. Consistent with the quasi-consensual approach dominant in Western negotiations, the EU did not author the new policy but instructed an international organization – the International Energy Agency (IEA) – to draft the document. It should be noted that as an organization the IEA was formed by oil importers within the framework of the OECD – a group of leading Western countries – in the 1970s. Its main objective was to find ways to protect energy importers in time of future energy crises. From its perspective, the turmoil in the post-Soviet space represented another threat to oil and gas importers, particularly due to the threat of interruptions along transportation routes and an anticipated fall in production. To contain the damage, the Energy Charter proposed to give equal rights for all producers on existing pipelines and unrestricted competitive access to energy riches and new transportation infrastructure. Thus, the Charter provided a potential legal foundation to develop EU-Russian cooperation in the energy sphere, but on conditions beneficial predominantly to importers.

The position of the U.S. was different. This country continued to be only marginally involved in trade with Russia, yet it sponsored the penetration of Western oil companies in the post-Soviet space and was active in influencing Russia's foreign policy worldwide. With Washington's support, Western companies took control of offshore oil fields in Azerbaijan, and got the status of PSA operators in large projects in Kazakhstan, as well as on the Russian island of Sakhalin. The U.S. administration supported plans to develop alternative transportation routes such as the construction of trans-Caucasian oil and gas pipelines that bypass Russia. This robust policy of containment was somewhat softened by Washington's plans to engage Russia in international affairs, albeit on American terms;

for example, it has brought Moscow to the G7, an informal forum of major Western powers, to discuss and develop new global initiatives. However, here the progress was checked due to objective reasons. By and large, Russia acquired institutional norms and cultural traits that set it aside within the Western club. This led to opposing responses to threats thought by the Americans to be common for all, hindered understanding in areas objectively open to cooperation, and eventually bred mistrust and open conflicts.

By and large, the common Western policy toward Russia, if there is one, fluctuates between the overly optimistic hope that Russia can become a true partner because it is a country "like us," to the similarly unwarranted gloomy perception that it can never be trusted because of its perceived inner hostility to the Western style of life. The frequent recurrence of this "hope-frustration" cycle has split Russia's Western pundits into two warring camps, which could best be described as the Russophobes and the Russophiles. These two groups trade among themselves in no other commodity than insults, while lobbying for incompatible policy options.

RUSSIAN-EU AREAS OF COMPETITION

Russia survived the turbulent transitional years of the 1990s, overcame the administrative chaos in the 2000s, and is now prepared to compete in at least two areas that the EU continues to consider its own turf.

First, Russia is not satisfied with its status as a raw materials exporter, which the EU, incidentally, is quite comfortable with. Russia has good reason not to be satisfied. Despite the impressive growth that its economy has been experiencing since 1999, its national standard of living rates are significantly lower than the European average and their further growth is not a given. The low level that the current boom started from, together with the favorable terms that Russia received for its exportable energy resources, accounts for a large portion of growth in the period 2004-2007. However, a potential downturn in the global commodity markets may stop the inflow of foreign earnings any time. Thus, finding a strategy that ensures that Russia is on the path of sustainable eco-

nomic development is the key problem that the Kremlin now faces. Currently, it has two tools at its disposal.

To maintain a trade surplus, Russia needs to preserve the beneficial terms of trade – using its monopoly power when possible. To that end, it should not relax its control over oil and gas routes going to Europe from the east. So far, Moscow has proven to be a capable market player. It has postponed the construction of trans-Caspian pipelines that are intended for carrying Central Asian energy resources via the Caucasian republics to Turkey. It also prevented the transit of its own energy resources, like the Murmansk route envisioned by YUKOS before its demise, to destinations disapproved of by the Kremlin.

However, Moscow understands that only long-term diversification of its income sources can ensure that Russia's welfare will not be utterly dependent on the vagaries of global markets. Being awash with cash, Russia is looking for the optimal combination of investments that give it the global competitive edge in technologically advanced and, consequently, higher value-adding industries. Yet, to its displeasure, Moscow finds that it entered international markets too late. Now, in order to secure its rightful place, Russia must compete and defeat established companies, many of whom are European. Such a perspective is not attractive to Brussels.

Second, while Russia has retreated politically, it has not abandoned economic and cultural links with former territories of the Soviet Union. Russia's recovery in the past eight years has had favorable effects on adjacent republics. To the surprise of outside observers, they discovered that many Soviet technological chains that were broken along the borders of the newly independent states have tenaciously maintained their connections. Particularly strong are the links between Russia, Belarus, Ukraine and Kazakhstan; their inter-regional trade levels continue to grow by leaps and bounds. In spite of constant political bickering, these four countries have all the necessary preconditions to form a common economic market similar to the EU, but on what basis and when remain open questions.

The Kremlin's use of both options does not bode well for the EU, which, being a net importer of energy, naturally benefits from

greater competition among energy importers. The advance of Russia's energy power raises its ability to collect a monopoly rent. This is especially true for Eastern European countries, where Russian oil and gas concerns have historically dominated the energy balance. When Russia was disorganized and dependent on trade with the EU, these countries could solicit price favors by playing on differences among private suppliers and threatening to interrupt transit if necessary. Now the Kremlin has consolidated its control over the sector, which reduces domestic rivalry and allows Russian energy giants like Gazprom to raise prices almost at will. Western European countries are less dependent on Russian deliveries as they have a diversified network of suppliers. But as their demand increases and supply stagnates, the importance of deliveries from the post-Soviet space grows. To reduce Russia's monopoly power in energy, Brussels supports alternative routes of supply that bypass this country. Predictably, Moscow does all it can to obstruct such attempts.

Similarly, the EU fears that the appearance of strong Russian competitors in other areas where its companies have traditionally strong positions (such as in the aerospace sector) will weaken its competitiveness worldwide. Here, Brussels has ample room for maneuver. Russian companies do not have advanced technological expertise in many sectors. To raise their competitiveness, they need to accumulate know-how in Europe, among other places. Potentially, Russian firms can buy controlling stakes in EU companies and, consequently, get access to their technological secrets. However, once they cross a certain limit, they will face the red light from EU regulators or private investors. On a number of occasions (recall the failed merger between steel companies Arcelor and Severstal, or the unsuccessful attempt by Vneshtorgbank to put its director on the board of aerospace giant EADS) the ambitions of Russia's suitors were contained.

The future status of those countries in between Russia and the EU is another source of constant tension. The European appetite for enlargement appears to be momentarily satiated and Brussels shows no desire to invite new problematic countries, which may add to its already heavy burden of problems brought about by the last two

rounds of expansion. Neither does the EU approve of Russia's potential expansion westwards. Preserving the current level of ambiguity seems to be an optimal situation for the EU at the present time. This approach makes sense economically. Inviting countries like Ukraine and Belarus cannot be justified because these countries cannot offer products that are in high demand in Europe, but they will need subsidies that the already overstretched EU budget cannot satisfy. On the other hand, Ukrainian and Belarusian producers compete over important items of Russian export, for example, fertilizers and steel. In addition, their conflicts with Russia over transit payments reduce Russia's bargaining power. To address the concerns of European customers, exporters have to provide further guarantees of delivery and postpone their expansion in the EU markets due to bad publicity that such conflicts create.

OPTIONS TO DEFUSE CURRENT RUSSIAN-EU CONFLICTS

There are two conflicts now poisoning the EU-Russian relationship. The first one involves the future status of Ukraine and Belarus. As has been said above, the fall of the iron curtain did not remove the implicit boundary line between the EU and Russia, although some hoped it would shift eastward. The EU absorbed ten new members from the former Soviet bloc before taking a pause. Meanwhile, Russia sorted out most of its disagreements and proposed to its neighbors to form an economic union. Ukraine and Belarus are unsure how to react. On the one hand, their economies are dependent on trade with Russia, and the latter can be impaired if they refuse to cooperate. On the other hand, if the EU opens its markets for Ukrainian and Belarusian products, and allows labor migration westward, both countries would prefer to side with the EU and forego the benefits offered by the Russians.

Brussels appears to be benefiting from the current uncertainty as it sends contradictory signals to both countries. This approach is rational. The EU does not want to see Russia stepping into the void, but, at the same time, it is reluctant to initiate a new round of expansion. At the moment, this policy is proving successful as

Minsk and especially Kiev have not exhausted their hopes. However, this position cannot be maintained for long. Given that trade with Russia brings increasingly sizable benefits in the terms of cash flows, and that the Kremlin can now offer tempting rewards for further cooperation, the time when Moscow can attract both countries to its side seems not far off. With this forecast in mind, the EU can either postpone the inevitable, or build protective mechanisms in at least one nation, Ukraine, before both countries close ranks with Russia. Here, a historical digression may be informative.

Several years ago, when Ukraine was believed to be entering the EU fold, Russian commentators discussed the hidden benefits that such a development could bring to Russia. They noticed that the Ukrainian economy had strong links with Russia and that Russian entrepreneurs were active in that country. Therefore, their argument was as follows: if Ukraine joins the EU, Russian businesses will get a bridgehead to expand in Europe from behind its trade barriers erected, for example, to limit the export of Russian steel. Similarly, because they will be able to participate in internal European mergers and acquisitions, Russians can get access to sensitive know-how that can be eventually transferred to their factories. The economic benefits of Ukrainian accession may be augmented by political gains. Being connected to Russian interests, Kiev will provide a voice, defending Moscow's position in internal EU affairs.

Now, if Ukraine reverses its direction and forms a union with its eastern neighbor, the same argument can be applied from the European perspective. Suppose Ukraine joins a Russia-sponsored common economic space in a few years. In such a scenario, Brussels may provide incentives for EU companies to invest in Ukraine now in order to be able to use their Ukrainian subsidiaries to penetrate Russian protectionist barriers later on. To capitalize on political expediencies (like leapfrogging trade quotas, or moving head offices offshore to avoid taxes) is an established practice in business even if it may be ethically dubious. Incidentally, a recent example shows how EU companies may benefit from standing under the Russian flag. When British Petroleum faced

problems in Venezuela, it employed the regime of special treatment that Russian companies receive in this country and transferred its Venezuelan interests to its Russian subsidiary TNK-BP.

EU investment in Ukraine, in anticipation of its eventual economic union with Russia, would be particularly rewarding in industries that Russia considers to be strategically important. European companies have specific expertise in technological products with high value-added, but these products are exactly the type Russia wants to develop on its own in order to eliminate its raw material-based economy. Here, Moscow wants to have as much national control as possible. However, it understands that to bring Kiev over to its side, it needs to offer sizeable benefits to Ukrainian firms. Given that Ukraine has traditionally supplied industrial goods to Russia, Moscow is likely to give guarantees that such products are not treated differently on the Russian market, even if they are produced at Ukrainian plants that are controlled by EU nationals. Moreover, under the cover of an economic union, Ukrainian sister companies will be accepted in common technological chains, including sensitive technologies, which their EU parents will be unable to enter from the outside.

In general, greater cooperation between European and Russian firms through third countries, like Ukraine, may help to solve another grave problem that poisons the Russian-EU relationship. It is an open secret that Russian standards of public governance are below the level acceptable to the EU. Arbitrariness and low accountability of Russian public servants make it difficult to do business in this country, while the case in Ukraine may be different. EU companies demand higher standards from state agencies and Ukrainian bureaucrats will need to accommodate their interests and, hence, limit their intrusiveness by a formal set of rules. A more favorable business environment will not be lost on Russian companies that, as has been mentioned above, have strong positions in this country. As more Russian companies get a sense of what it means to operate in a friendly environment, they will either accelerate the transfer of their operations in Ukraine, or demand similar changes at home. Thus, Ukraine's inclusion in the Russian

zone of economic interests, if accompanied with the strong presence of EU companies on its territory, can create an additional channel of conveying European democratic values to Russia. The improvement of Russia's public governance can be only lauded as it removes one of the key irritants in EU-Russian contacts.

Still, EU officials should realize that building democratic institutions is a process that proceeds at a pace and in an order that is conditioned by local norms. It has become common wisdom among development economists that local involvement and interest in projects sponsored by the West was the key to their success in Africa, Asia and elsewhere. Before expressing rightful indignation of authoritarian excesses, some European politicians may need to consult their own history. They will be surprised to learn that universal suffrage, for example, was hardly a European norm before the reforms of the 1900s, or that political parties were often clubs formed to lobby for "pork-for-barrel" interests of its members. Here, the inclusion of Romania and Bulgaria – countries that share cultural traits with Russia – in the EU legal space, gives Brussels a rough idea of how fast and in what order Moscow can build its democratic institutions of governance. If it cannot speed up the process of Romanian and Bulgarian adjustment to its acquis communautaire rules, it should not expect Russia to democratize any faster either.

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The last several years have not been an easy time for the Russian-EU relationship. As Russia regained its power, inherent problems of conflicting interests and cultural incompatibility, which were temporarily hidden under the cover of Russia's powerlessness, have come to the fore. Suddenly, the EU faces a tough competitor in areas that it once considered to be its internal domain. The initial EU reaction to these new circumstances is to find ways to keep Russia at arm's length, that is, to erect legal protective mechanisms along its eastern border.

Today, the gradual hardening of German, British and French positions vis-à-vis Moscow indicates that this approach will persist

in the short term. This may be an optimal policy for tactical reasons, but the policy of containment is not going to work in the long run because it is contrary to Russian national interests, and Russia has enough resources to overcome EU resistance in the end. Fortunately, there are alternative policies of political repositioning that can be employed together with the current policy.

Three problems taint the EU-Russian relationship today. First, the role that Moscow envisions for its energy sector is contrary to EU interests, and it is unlikely that Russia will accommodate European fears without sizeable concessions from the EU. The best Brussels can do in this area is to make a quid pro quo deal by accepting Russia's status as a dominant energy supplier, in exchange for Moscow's acquiescence to the growing role of European companies in Russian manufacturing sectors.

Second, the uncertainty that surrounds the future of those states that lie between Russia and the EU benefits the EU but irritates Moscow. Because these countries historically gravitate toward Russia, the appearance of a common economic space in the post-Soviet region seems to be inevitable. Here, Brussels can do better by combining its attempts to perpetuate uncertainty with assisting its companies to build a powerbase in Ukraine before this country acquiesces to Russia's tempting proposals of economic benefits.

Finally, the problem of undemocratic governance that prevents Russia from integrating with the EU horizontally should not be understated as a subconscious factor that keeps these two regions apart. Here, current Russian attempts to preserve an authoritarian style of governance appear to be unsustainable in the long run. Meanwhile, European frontal attacks are unlikely to succeed because they will meet widespread hostility and resistance among would-be benefactors – Russian citizens. To succeed, the democratization drive should be based upon internal demand for efficient public services, and here a greater exposure of Russian companies to the Western business environment, sponsored potentially by Brussels, can empower them to demand a publicly accountable government at home.

The Possibility of a Gas Cartel

Vladimir Feygin and Vladimir Revenkov

The idea of uniting the major gas exporters is gaining attention as the demand for natural gas increases, and international markets increasingly look with interest at this type of fuel. Initial efforts in this direction are already being made.

The Gas Exporting Countries Forum (GECF) is an informally structured group of some of the world's leading gas producers that is aimed at representing and promoting their mutual interests. The organization is currently consolidating and invigorating its efforts, while, at the same time, ideas are being aired about the need to drastically expand interaction between gas suppliers. One possible model that the GECF is looking at is the Organization of Petroleum Exporting Countries (OPEC) created in 1960; the term "gas OPEC" is gaining currency. The rationale behind this approach is that the oil and gas markets are closely interconnected, while the real pricing policy on the natural gas market is to a very large extent (albeit not completely) predetermined by the actions of OPEC member countries.

OPEC AND RUSSIA

A classic example of OPEC's actions to impact on the world market was its policy during the 1973 oil crisis. The disruption of the established procedure for oil supplies from Arab countries to inter-

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national markets (as a result of an embargo), above all to the United States, provoked a fourfold rise in prices. Later, in the years 1976-78, the prices doubled. The importing countries reacted to that shock with an energy saving policy, including a variety of measures on the government level. As a result, the U.S. and other import-dependent countries increased the efficiency of their oil and gas consumption. At the same time, the United States and a number of non-OPEC countries intensified their domestic oil production; major multinational oil and gas corporations were closely involved in that process. As a result, by the end of the 1980s, world prices in real terms returned to pre-crisis (1976-1978) levels.

In the 1990s, contradictions within OPEC began to mount. The struggle between its member countries for the preservation or increase in their share of the market, together with a lack of coordination in their positions, impaired the effectiveness of the price policy. In that context, many experts (including in Russia) began to predict the imminent collapse of the "last cartel." But eventually that crisis was overcome. Today, OPEC is a unique politico-economic structure with a certain measure of coordination in the positions of both its Arab and non-Arab member countries.

Aware of the risks involved in the cartel-like behavior of the oil exporting countries, the member states of the Organization for Economic Cooperation and Development (OECD) adopted coordinated, institutional decisions. These efforts resulted in the creation, in 1974, of the International Energy Agency, as well as the formation of an oil reserve under its auspices. Thus, the cartel-like conduct by a group of producing countries, which sparked a reaction from a group of consuming countries who wanted to reduce their risks, caused the ongoing standoff between oil producers and consumers.

Russia, a country that has observer status at OPEC and that generally benefits from the cartel, is an active and very important participant in the oil market. Why then has it not yet become a full-fledged member of this organization, and should it join it in the first place?

First, OPEC's primary declared goal is regulation of the world oil market and oil prices by introducing and complying with oil production and sale quotas. Price regulation by suppliers is regarded as a non-market measure and price collusion. During crises, especially political crises, OPEC seems to use price mechanisms as political leverage, which negatively affects its image as a cartel-like organization. Meanwhile, OPEC has rigid membership rules: member countries assume obligations on the implementation of decisions they make (although they do not always follow them in practice).

Although OPEC's rather crude methods have thus far fulfilled their stabilizing role, there is an ongoing search for other, more market-oriented stabilization mechanisms. As a matter of fact, the entire oil market, as well as the energy sector in general, needs modernization. Paradoxically, OECD efforts to develop alternative sources of energy also need support in the form of market stabilization mechanisms.

Furthermore, OPEC is handicapped by its tumultuous past. It only unites raw material-producing countries, some of which pursue foreign policy objectives that are based on confrontation.

Second, in 2000-05, Russia – proceeding from its own needs and the global market situation – raised oil output 45 percent (from 323.3 million metric tons to 470 million). The export of crude and oil derivatives also increased, and this played an important role in stabilizing the country's markets and improving its financial and economic situation. Had Russia become a full-fledged member of OPEC, it would have been rather difficult, if not impossible, to make such a breakthrough.

Third, the developed world associates the initial stages of OPEC's history with the 1973 oil embargo, which caused massive changes inside the international oil market. In particular, efforts by leading countries to expand the role of independent oil producers from non-OPEC states caused a substantial decline in the cartel's share of the international oil export market (from 86.1 percent in 1973 to 50.9 percent in 2005).

Therefore, Russia today is one of the largest independent oil producers exactly because it follows its own, independent policy.

Russia's full membership in OPEC would have complicated its 2006 rotating presidency of the G8; membership in the cartel, with its subsequent obligations, would have tied Moscow's hands in addressing global energy security issues.

Meanwhile, the G8's latest decisions stress the need for developing interaction between energy producers and consumers, which is vital for tackling global energy security problems that have seriously aggravated recently. As a major oil and gas producer and exporter, Russia, with its dynamic economy, is becoming a full-fledged participant in the club of developed nations (consider the OECD's recent invitation for Russia to open accession negotiations); it is called upon to play a key role in these processes.

GAS MARKET SPECIFICS

At the present stage, the international gas market is still rather fragmented, while the formation of natural gas prices is directly connected with the specifics of regional markets.

The North American gas market is among the most transparent: its liberalization started in the mid-1980s. A large number of independent companies are operating on that market, each in one or several territorial or production areas (extraction, transportation, distribution, delivery). Information about transport tariffs, terms for access to transport and other capacities, etc. is generally available. Furthermore, gas prices, which are formed at approximately 40 different trading locations (incidentally, Henry Hub, Louisiana, is the main pricing point for natural-gas futures contracts) are also completely transparent.

The balance of demand and supply on U.S. trading points has a seasonal character, fluctuating under the impact of a variety of uncontrollable factors. These periodic disturbances in the balance are a major factor in gas price volatility.

The prices of liquefied natural gas (LNG) imported to the U.S. are also linked to current Henry Hub prices, which accounts for a sizeable disparity in prices for particular LNG shipments. The market in LNG tanker shipments functions largely in the same way as the world oil market. At present, LNG import is a factor

in the downward movement of U.S. domestic gas prices: it complements national gas output and serves as a means of maintaining the balance between relatively stable supplies and growing demand, or redressing an imbalance in gas deliveries.

As crude and refined products are the principal competitors to natural gas on the U.S. domestic energy market, prices at the gas hub are closely connected with marker (reference) West Texas Intermediate Crude (WTI) prices. At some periods of economic development, domestic natural gas prices even exceed the price level of certain refined products (heating oil, diesel fuel) per energy equivalent (for example, in 2003). But in the past few years, gas prices on this market as a whole have stayed below oil prices (in equivalent prices).

The connection between oil and gas prices on the European energy market is more complex. The region depends on the import of natural gas, the prices of which are established on a long-term contractual basis. The major pricing factors are, again, competing energy sources – primarily oil derivatives, as well as crude and coal. Information about prices stipulated in long-term contracts is, by tradition, confidential. Base price levels, as well as their indexation and forms in which they are pegged to alternative energy sources, are determined on a case-by-case basis, under a specific contract. Price arrangements are further impacted by delivery terms, as well as the structural, tax and energy policy of parties to a given contract.

Recently, the EU (with the exception of the UK) has witnessed the gradual development of spot trade and the formation of gas hubs, in which prices approximately reflect the balance of demand and supply. Any substantial deviations between gas prices at trading points and alternative energy prices are, as a general rule, connected with non-standard external conditions (seasonal fluctuations, for example) and/or insufficient infrastructural capacities. In the UK, where these processes evolved earlier (largely according to U.S. market models), the effects have been significant, largely in growing competition among suppliers and increased price volatility.

It should be noted that whereas until recently WTI price levels were used as international markers, or reference points (North Sea Brent was traded at a discount although the two grades are almost the same quality), since early 2007 (especially amid April's geopolitical risks connected with the situation in Iran and Nigeria) North Sea oil began to occupy the leading positions.

According to Morgan Stanley analysts, oil prices in the long term are likely to rise, with North Sea oil becoming more expensive than U.S. oil. On the European gas market, it seems these trends will be taken into account in the new formulas that link natural gas prices to those of crude and refined products.

Another concept that has been gaining ground in international trade is called "netback" pricing. Formally (as well as theoretically), it was also a key methodology in the past, but in practice the situation was somewhat different. The role of this approach is changing as a single European market is developing, especially following the scrapping of destination clauses in contracts. The netback concept was, in effect, used to substantiate the need to review the prices of natural gas deliveries from Russia to Ukraine, Moldova, and Belarus, as well as to bring them in line with equivalent international prices, although this approach had not as yet been applied to CIS member states.

Analyses of market trends, and the study of modern methods of enhancing the effectiveness of energy exports, enable Russia to apply the netback concept to the prices of gas deliveries to European countries. Russian experts, as well as surveys that have been carried out under the auspices of the Energy Charter Secretariat, show that the use of this approach and its recognition by the international community can increase the profitability of Russian natural gas exports. But whatever the new methods may be, they are somehow connected with the price of crude and refined products, since they use them for calculating the consumer value of natural gas.

Meanwhile, suppliers of natural gas to the European market have lately been able to secure more preferential terms for their gas supplies. The Netherlands, for example, cited the depletion of UK resources, as well as the fact that given the 2006 market situ-

ation, it is necessary to take into account new market realities, in particular economic indicators in the form of the National Balancing Point (NBP). Since then, despite the subsequent fall in NBP activity, Dutch gas export prices are set at the highest possible level, but are pegged to traditional indicators – the price of crude and refined products. It could be assumed that countries that purchase Dutch gas agreed to a preferential price formula that takes into account the supplier-guaranteed flexibility of deliveries throughout the yearly cycle.

The Asia Pacific market is a major LNG producer and consumer. The local specifics of LNG export pricing are connected with the orientation toward predominantly intraregional trade. The interest of LNG suppliers and consumers in price stability translates into the use of formulaic limitations of minimum and maximum gas prices according to the so-called S-curve; the aim is to divide the risks at the stage of growth and decline in international oil prices. Here again, the base indicator is oil prices in the form of the weighted average of oil blends from various countries – the so-called oil reference basket.

COORDINATION MECHANISMS

As LNG trade develops, the international gas market is becoming increasingly global. Estimates are made both for dynamic growth in foreign trade and implementation of a variety of projects to build and develop LNG infrastructure in different parts of the world. Therefore, in the next several years, we may expect to see LNG emerge as a new and effective regulator of gas supply and demand on the international market.

There is a pressing need to find new forms of coordination in the gas sphere, despite the fact that piped natural gas and LNG pricing is primarily of a long-term character, and based on oil reference basket indexes and not linked to the short-term gas market situation (if North American and UK market specifics are conveniently ignored).

A possible surplus of new capacities can cause unjustifiably high competition between suppliers, thereby weakening their positions in coordinating price formulas for new contracts. This sur-

plus necessarily forces producers to implement measures to expand their presence at trading points, causing a surplus of gas supply and a decline in spot prices, etc. – in other words, direct losses for suppliers. This is why it is so important for suppliers to carefully plan the commissioning of such facilities (regardless of their national ownership status), with due account for optimal transport routes for gas deliveries to consumer markets.

Yet these considerations should also concern consumers, if they understand their long-term interests correctly. After all, fully liberalized gas markets have already been affected by high price instability – on top of the general instability of oil prices. That applies to typical price "swings" connected with the growing investment and subsequent over-production cycles. But in the natural gas sector, they are also compounded by the extremely high costs of the gas infrastructure, as well as the market reaction to seasonal fluctuations in demand and seasonal deviations from statistical average. Losses sustained by consumers as a result of investors' nervous reaction to perceived high risks can exceed expected dividends from price cuts due to liberalization.

There are also many other strategic matters requiring, if not coordination, at least the provision of complete information to suppliers on the basis of reciprocity. For example, the recent robust growth in LNG supplies has been connected primarily with Qatar, a country whose LNG production and export plans after 2011 are not entirely clear.

On Russia's initiative, the study of gas market trends was included in the GECF agenda in Doha (April 2007), with appropriate resolutions made on the matter. There are also plans to analyze price formation mechanisms on natural gas markets.

At the same time, the coordination of gas prices is evidently a premature and possibly even unattainable goal. That is due to the aforementioned difference in pricing mechanisms on various markets, as well as the traditional confidentiality of contract-based pricing on a number of markets.

There are also other factors. For example, three Central Asian states are involved in GECF activities – Kazakhstan,

Turkmenistan and Uzbekistan. Thus far, Russia prefers to build gas relations with them either on a bilateral basis (especially insofar as concerns sales) or by forming consortiums for target-specific joint projects (e.g., boosting the capacity of gas transport systems). Meanwhile, Russia's Central Asian partners have been striving to improve the price parameters of such contracts, achieving considerable success over the past few years.

It should be noted that specific contracts provide for specific systems of compensation and consideration for mutual interests, differing from simple netback formulas. Thus, if the gas price in Ukraine does not ensure the profitability of supplies of Turkmen gas, that scheme is then expanded to include such a component as Turkmen or Russian gas exports to Western Europe. It would also be appropriate to mention here agreements with Kazakhstan, which provide for the processing of its gas at the Orenburg gas processing plant with the subsequent shipment of the derivative via a jointly operated structure. Such agreements and compensation schemes are based on a more complex mechanism, taking into account mutual interests and capabilities, as opposed to simple gas deliveries according to a particular price formula.

Global studies on international energy resources are conducted by the International Energy Agency, Cambridge Energy Research Associates (CERA) (UK), Wood Mackenzie, a UK research and consulting company, as well as such governmental structures as the U.S. Department of Energy and the U.S. Energy Information Administration. Certain multinational oil and gas companies (e.g., Shell and ExxonMobil) also make their contribution.

Recently, ExxonMobil released a world energy development forecast through 2030. It only slightly differs from the previous forecast, published in 2006. In accordance with both studies, three energy sources will prevail in the period under consideration – oil, natural gas and coal. Their share will be practically unchanged, at about 80 percent of the energy market. Demand for traditional types of fuel will grow most rapidly in the non-OECD states, primarily China and India. Indicators of growth in demand for basic energy sources in the more developed part of the world are forecasted at a conservative level.

However, neither paper analyzes energy prices. Meanwhile, substantial shifts cannot be ruled out in this sector, due primarily to the development of international LNG trade. According to ExxonMobil's estimate, by 2030 the volume of LNG trade will grow to 725 billion cubic meters a year, i.e., 280 percent compared to 2005 (about 189 billion cubic meters).

Other organizations predict lower growth indicators for LNG trade: in particular, the International Energy Agency cites a figure of 470 billion cubic meters in 2030. On the whole, there is a growing need for systemic and systematic analysis of the situation on international gas markets.

These forecasts may also have to be adjusted due to the advancing efforts on the part of international environmental protection. The need to limit carbon dioxide emissions to halt the greenhouse effect is prompting the development of international programs that may stimulate the use of natural gas. After all, this energy source generates the least amount of CO_2 per unit of energy than any other fossil fuel. Gazprom affiliated structures have already started trading in CO_2 emission quotas and are signing contracts for natural gas deliveries. This naturally points to the growing recognition of the premium qualities of this type of energy by the international community.

The specifics of the growing natural gas markets leave no room for rigid quotas – the principal method used by OPEC on the oil market. Regional gas markets differ from each other too much, their connections with the oil market are too diverse, while the relations between supplying countries are too complex for all these matters to be dealt with identically, within a single organization of suppliers, acting in accordance with rigid and tough rules. Gas exporting countries will develop their own forms of interaction, measuring up to their goals and the specifics of the gas sector. The term "gas OPEC" as such should be excluded from serious professional discourse as counterproductive, unduly politicizing the problems, prospects and forms of advancing interaction between the gas exporting countries.

Controversies

“It is hard to say what irritated the Israeli government and society more during the war against Lebanon: Hezbollah delivering strikes at Israeli territory with Russian-made armaments, or Russian officials turning a blind eye to this obvious fact.”

Imaginary Contradiction

Tigran Torosyan

The difficulties involved in the determination of the future status of Kosovo, the autonomous province, have compelled experts and observers to more closely examine the problems related to the resolution of such conflicts. Needless to say, the settlement of the Kosovo standoff will not set a precedent for other conflicts. As Georgy Velyaminov, a leading research associate at the Russian Academy of Sciences Institute of the State and Law, points out in his article, *Recognition of 'Unrecognized' States, and International Law* (*Rossia v Globalnoi Politike*, 1/2007 – Russ. Ed.), a new precedent in international law is not a norm-setting occurrence. Every conflict has historical, political, legal, and other specifics that require a solution that takes all these specifics into account.

But the settlement of any conflict is only possible in accordance with the principles of international law and within the bounds of the UN and the OSCE. The settlement process in Kosovo and the Nagorno-Karabakh Republic (NKR) exemplifies the norms of international law with respect to conflict resolutions.

CONFLICT FACTORS

From a strictly legal perspective, a considerable number of conflicts are not international but a form of confrontation within one state or nation. Meanwhile, political development is becoming increasingly global. Thus, conflicts that originally had purely

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domestic causes – interethnic, social, economic, etc. – acquire a new dimension the moment the international community becomes involved in the settlement process.

The definition of the term "international community" is essential here, and will help us answer two questions that are necessary to achieve a successful conflict resolution.

First, who may act as a peace mediator on behalf of the international community?

The UN has an unquestionable mandate to conduct peacekeeping or mediation missions. Organizations that meet the requirements of Article 8 of the UN Charter also may engage in this activity. The mandate of a number of regional organizations (the Commonwealth of Independent States, NATO, the Collective Security Treaty Organization, and some others) is still moot. Meanwhile, their intervention in a conflict without the consent of the conflicting parties requires sanction from the UN Security Council.

Second, what goals need to be accomplished to achieve a settlement?

According to Alexander Nikitin, director of the Center for Political and International Studies, there are four main groups of tasks:

– legal (primarily pertaining to international law);
– functional (political, diplomatic, troubleshooting, etc.);
– military;
– ideological.

In light of the trends of the last few decades, peacekeeping missions can be classified as follows: conflict prevention, humanitarian intervention, military intervention, disarmament, and the guarantee of free movement.

Thus, Charles Dobbie describes international intervention in Kosovo (1999) as intervention to avert humanitarian catastrophe; the subsequent course of events also contained military intervention. As for the Karabakh conflict, on the initiative of the CIS Interparliamentary Assembly, a ceasefire agreement was signed on May 5, 1994 by three parties to the conflict: the defense ministers

of Armenia and Azerbaijan, and the commander of the Nagorno-Karabakh Army.

There are a variety of factors – legal, political, historical, and others – in a settlement process. In each specific case, each one of these has a different impact. In their book, *Self-Determination in the New World Order*, Morton Halperin and David Scheffer propose the following classification of types of self-determination: anti-colonial, intra-state (e.g., Kosovo), extra-state (Nagorno-Karabakh and others), indigenous, representative self-determination and self-determination of displaced peoples. After analyzing this classification, Nikolai Ovanisyan, chairman of the Armenian Atlantic Association, concluded: "The right of Nagorno-Karabakh's Armenians to self-determination is indisputable and does not affect Azerbaijan's territorial integrity."

But the legal component of conflict resolution has a special value, since any solution, as well as mechanisms for its implementation, must have a basis in international law.

FUNDAMENTAL DOCUMENTS

The fundamental document in conflict resolution is the UN "human rights bill," comprising the Universal Declaration of Human Rights (December 10, 1948), the International Covenant on Civil and Political Rights (December 16, 1966), and the International Covenant on Economic, Social and Cultural Rights (December 16, 1966).

In accordance with the two Covenants, "All peoples have the right of self-determination. By virtue of that right they freely determine their political status and freely pursue their economic, social and cultural development" (Article 1). Article 1.2 of the UN Charter also stresses the fundamental importance of the equality of peoples and establishes their right to self-determination.

These documents are binding on all UN member states; they offer a precise and exhaustive definition of the right of nations to self-determination. The fundamental character of the aforementioned documents is also enshrined in the Final Act of the Conference on Security and Cooperation in Europe (Helsinki,

August 1, 1975): "The participating States confirm that in the event of a conflict between the obligations of the members of the United Nations under the Charter of the United Nations and their obligations under any treaty or other international agreement, their obligations under the Charter will prevail, in accordance with Article 103 of the Charter of the United Nations."

Nevertheless, oftentimes, either by omission or by design, these articles are ignored in the process of conflict resolution, especially in Europe. Meanwhile, the Final Act is regarded as a fundamental document in this area. In particular, Peter Semneby, EU envoy for the South Caucasus, said that the Helsinki Final Act is the foundation for security and cooperation in Europe. It lays down various principles, including the principles of territorial integrity and the right of nations to self-determination. In practice, these principles often contradict one another, for example, when applied to the frozen conflicts in the South Caucasus. But this does not mean that the application of these principles is impossible in conjunction with one another.

This is a purely political approach to conflict resolution, based on principles and norms as opposed to international law. The problem is viewed through the prism of the search for a solution applicable to all conflicts in the South Caucasus. However, the conflicts substantially differ from one another.

THE LEGAL BASIS

An impartial, comprehensive analysis of the Helsinki Final Act shows beyond doubt that the assertions to the effect that it enshrines in law that in a conflict resolution, territorial integrity prevails over the right to self-determination, are untenable.

The Final Act declares that the participating States agree to respect and apply in practice ten principles regulating mutual relations between them. Here are the most relevant principles:

- refraining from the threat or use of force (II);
- inviolability of frontiers (III);
- territorial integrity of States (IV);
- peaceful settlement of disputes (V);

– respect for human rights and fundamental freedoms, including the freedom of thought, conscience, religion or belief (VII);

– equal rights and self-determination of peoples (VIII);

– fulfillment in good faith of obligations under international law (X).

Furthermore, the declaration states that "All the principles set forth above are of primary significance and, accordingly, they will be equally and unreservedly applied, each of them being interpreted taking into account the others."

In other words, far from stipulating the primacy of Principle 2 (or 3) over Principle 8, this document proclaims the equal importance of Principles 5 and 10, as well as all others, the fulfillment of which is equally binding on the participating states. Therefore, it only remains now to find an answer to the question: Is there really a contradiction between the principles of territorial integrity and the right to self-determination? Could the participating States have been so careless?

Such assertions hold no water, since the signatories to the Final Act included the two superpowers, as well as all leading European States, each provision of this document being of extreme legal and political importance to them. There is no contradiction at all – that is, if the Declaration of Principles is regarded in its entirety. The document stipulates that States are determined "fully to respect and apply these principles to their mutual relations and cooperation in order to ensure to each participating State the benefits resulting from the respect and application of these principles by all." Principle 3 commands clearly and unambiguously: "The participating States regard as inviolable all one another's frontiers as well as the frontiers of all States in Europe and therefore they will refrain now and in the future from assaulting these frontiers. Accordingly, they will also refrain from any demand for, or act of, seizure and usurpation of part or all of the territory of any participating State."

The same holds for Principle 4: "The participating States will respect the territorial integrity of each of the participating States. Accordingly, they will refrain from any action inconsistent with

the purposes and principles of the Charter of the United Nations against the territorial integrity, political independence or the unity of any participating State, and in particular from any such action constituting a threat or use of force. The participating States will likewise refrain from making each other's territory the object of military occupation or other direct or indirect measures of force in contravention of international law, or the object of acquisition by means of such measures or the threat of them. No such occupation or acquisition will be recognized as legal."

Therefore, all these principles apply to relations between states; states must respect both the inviolability of frontiers between them and their territorial integrity. Meanwhile, the right to self-determination has nothing to do with the problem of the inviolability of frontiers between any two States. It applies to processes occurring within one country, where the State is only one of the parties.

Evidently, Azerbaijan understands this difference very well, and precisely for this reason is attempting to cast the conflict between Azerbaijan and Nagorno-Karabakh as a conflict between Azerbaijan and Armenia. However, relevant documents of particular international organizations (OSCE, CIS, and others) that were applied to the early stages of the confrontation recognize Nagorno-Karabakh as a party to the conflict.

Resolution 1416, adopted by the Parliamentary Assembly of the Council of Europe (PACE), reaffirms: "Independence and secession of a regional territory from a state may only be achieved through a lawful and peaceful process based on the democratic support of the inhabitants of such territory and not in the wake of an armed conflict leading to ethnic expulsion and the de facto annexation of such territory to another state. The Assembly reiterates that the occupation of foreign territory by a member state constitutes a grave violation of that state's obligations as a member of the Council of Europe and reaffirms the right of displaced persons from the area of conflict to return to their homes safely and with dignity."

The Resolution, which corresponds to the principles of the Helsinki Final Act and the aforementioned UN documents, stress-

es that Nagorno-Karabakh may acquire its independence from Azerbaijan through a legitimate and peaceful process, based on the democratic and free expression of the people's will. Should some territory be annexed to the Republic of Armenia, this would be regarded as a gross violation of obligations (territorial integrity).

In the reply by the CE Committee of Ministers to PACE Resolution 1690, this approach is formulated within the Helsinki Final Act format. The CE's executive body notes with satisfaction the continuation of direct dialog on the peaceful settlement of this conflict within the framework of the Prague process and with the full respect of international law (in particular Principles 4 and 8 of the Helsinki Final Act – territorial integrity of States and the right of nations to self-determination). It reiterates its complete support for this dialog, in addition to its support for the co-chairmen of the OSCE Minsk Group.

Therefore, it is evident that conflict resolution is based on the right of nations to self-determination, which is a norm of international law, as well as the principle of inviolability of frontiers (territorial integrity) with a clear-cut demarcation guiding their application.

OTHER FACTORS

According to Alexander Aksenyonok (see: "Self-Determination: Between Law and Politics," *Russia in Global Affairs*, 1/2007), a people may exercise their right to self-determination through cultural autonomy, federative or confederated state structures, national-territorial entities with different levels of economic independence, interstate integration (with the decentralization of part of their national independence to central authorities) and full independence.

But what makes acceptable a status that possibly implies limitations of independence?

According to Aksenyonok, it is the level of trust between two peoples, the guarantee of equal constitutional rights and freedoms, and trust in the central authorities' commitment to ensure a worthy existence to all citizens. Essentially, the question boils down to what extent the aspirations of a people – striving for self-determination on the one hand, and proposals by a state exercising for-

mal jurisdiction, on the other hand – are in compliance with the fundamental European values, which are human rights, democracy, and the rule of law.

In event of the need for conflict resolution, this approach can be applied, together with the norms of international law, within the framework of European structures. At the same time, it is necessary to take into account that a key role in conflict resolution is not the opinion of the State (e.g., the offer of "the broadest possible autonomy" by Azerbaijan or Serbia), but the desire of the people (or a national-territorial entity) exercising the right to self-determination, since it is their absolute right, which is not in any way limited by international law.

Thus, the UN Security Council approved specific "Standards for Kosovo." This document states that Kosovo must reach, in full compliance with UN Security Council Resolution 1244 (1999), a set of UN-endorsed benchmarks for the democratic development of Kosovo. There is a lot of hope being pinned on the implementation of this document, based on the aforementioned fundamental values. Meanwhile, the plan forwarded by Martti Ahtisaari, the UN secretary general's special envoy for Kosovo, is based on Kosovo's striving for independence, and not on Belgrade's desire or proposals – even though from the perspective of the aforementioned European values, the situation in Serbia is much better than in Kosovo. (Incidentally, in the event of Azerbaijan and the Nagorno-Karabakh Republic, the situation is vice versa: the level of democratic development in Karabakh seems to be higher.)

Russian political analyst Mikhail Delyagin proposed a different approach, which is actually Russia's position with respect to conflicts breaking out in the post-Soviet space. The basic guideline consists of the simple and coherent democratic choice between the principles of territorial integrity and the right of nations to self-determination. If the population has proven its right to independence, or if its aspiration to integrate with another state is stronger than the desire to remain under the jurisdiction of the state from which it wants to separate, its directly expressed will cannot be ignored.

In an article entitled "Two Helsinki Principles and an 'Atlas of Conflicts'" (*Russia in Global Affairs*, 2/2007), Vladimir Kazimirov, former co-chairman of the OSCE Minsk Group (Russia), argues that the Helsinki Final Act is untenable for two reasons. First, this document was adopted in the mid-1970s to formalize the balance of forces between the two world systems. But later, in the 1990s, we witnessed the disintegration of states and the emergence of new ones. Even if this document is considered valid, it must be borne in mind that all principles of the Helsinki Final Act have equal status; none are absolute.

Here is a case in point: if the principle of territorial integrity is absolute, why did it fail to work in the Soviet Union or Yugoslavia? What principle was applied in those territories? And who really has the right to decide on the extent of the application of the principle – the borders of the Union republics or lesser territorial entities? The West, which firmly rejects all things Soviet, nevertheless believes in the inviolability of the arbitrary Soviet frontiers. According to Kazimirov, the right of nations to self-determination is prevailing in the South Caucasus today, while the existence or absence of a precedent may only be a secondary factor. The principal factors are the time period, the geographic region, and specific circumstances.

The former ambassador justly points to the time factor, but it is impossible to reject the Helsinki Final Act if only because this document is still in effect and has not been superseded by another. And then we must ask what the position was on territorial integrity at the time when Kazimirov himself was involved in the resolution of the Karabakh conflict. This is a good example of how, in the course of a settlement, alongside the norms of international law and generally recognized principles, other factors come into play – in this case, the interests of one of the influential countries in the region – i.e., Russia.

"CRISIS GROUP" PROGRAMS

An international NGO known as International Crisis Group (ICG) plays an important role in conflict resolution. It works "through

field-based analysis and high-level advocacy to prevent and resolve deadly conflict." The organization is active in more than 50 countries on four continents, cooperating and receiving financial support from over 20 countries, as well as from numerous foundations.

The ICG's two primary tools are field-based research and high-level advocacy; the former informs the latter. The NGO maintains teams of analysts in field offices worldwide, who are dispatched to areas at risk of outbreak or at the escalation point. They also work in regions where there is a recurrence of conflict. Based on the information these teams gather, the organization creates analytical reports with recommendations targeted at world leaders and organizations.

What programs does the ICG propose to resolve conflicts in Kosovo and Nagorno-Karabakh? They are based on the right to self-determination and other human rights. According to the ICG's plan, it is necessary to assess the Kosovo authorities' commitment to democratic principles, effective governance and human rights. If the assessment is positive, a UN special envoy should work out a Kosovo agreement and a Kosovo Constitution on the basis of the following principles:

– Kosovo will not merge with Albania or any other neighboring country or territory other than in the context of EU integration;

– a certain number of judges, to be appointed by the international community, will be co-opted into Kosovo's higher courts, while international structures will guarantee that some key matters pertaining to minority rights and other coordinated obligations will be submitted for the consideration of these courts;

– the international Kosovo Verification Mission will keep the international community informed about the situation, making recommendations on the implementation of appropriate measures if Kosovo does not honor its obligations.

An international forum, arranged under the auspices of the UN, will discuss the Kosovo Agreement and Kosovo Constitution. Approval of the Constitution by Kosovo citizens in a referendum vote will give this agreement legal force. It is desirable that it also receives the backing of the UN Security Council. Even in the

event that Serbia does not recognize Kosovo's sovereignty, or an UN Security Council resolution is not adopted due to Russia's position, a solution must not be postponed indefinitely. Independence should at least be recognized by the United States and a number of EU countries.

In the case of Nagorno-Karabakh, the ICG offers what it says is a "viable and effective program." The group believes that "the final status of Nagorno-Karabakh should be decided by a self-determination referendum which would:

(a) be held after the return of displaced Azeris to former Azeri-majority areas in Nagorno-Karabakh, and after an international conference determines that Nagorno-Karabakh has met international preconditions for statehood, including the protection of minority rights; such review to be conducted for the first time five years after the signing of the peace agreement;

(b) give Nagorno-Karabakh an appropriate range of options, including unity with, and secession from, Azerbaijan;

(c) be held with the exclusive participation of Karabakh Armenians and Azeris; and

(d) have its exact modalities agreed upon in talks chaired by the OSCE, based on the principle that all parties will recognize the validity of its result."

Needless to say, ICG programs have their shortcomings, but the sheer fact that they are put forward shows that international NGOs as part of the international community have recognized Kosovo and Nagorno-Karabakh as subjects of the right to self-determination. The Council of Europe, the European Union and the OSCE contain similar provisions in documents and statements.

CONCLUSIONS

First, there is no contradiction between the principle of the inviolability of frontiers (territorial integrity) and the right of nations to self-determination, as enshrined in the Helsinki Final Act. Furthermore, they have absolutely different statuses (the first is but a political principle, while the second is also a norm of international law) and different spheres of application.

The principles of the Final Act on the inviolability of frontiers and territorial integrity indicate beyond doubt that these principles are applicable to relations between states, while the principle of the right to self-determination applies to relations between a state and a self-determining entity that exists within its borders. In accordance with the UN Charter, all states signatory to the International Covenant on Civil and Political Rights must respect the right to self-determination and encourage its application.

Second, conflicts are settled not on the basis of precedents but within the bounds of international law. The only possible basis for the resolution of the Kosovo and Karabakh conflicts is the right to self-determination. Key to conflict resolution is the fact that both Kosovo and Nagorno-Karabakh are parties to a conflict.

Third, in adjusting conflicts involving member countries of European organizations, another important factor is the parties' approach toward the fundamental values of these organizations.

Russia and Israel: A Romance Aborted?

Alek D. Epstein

Fifteen years have elapsed since the resumption of diplomatic relations between the Soviet Union/Russia and Israel, which were terminated in 1967. At this time, we can state with certainty that many hopes have failed to materialize. The period of the ambassadorship of Alexander Bovin, the first post-Soviet Russian ambassador to Israel, was perhaps the golden age in bilateral relations, although Bovin himself estimated the situation far more critically. "Over my five and a half years in Israel, I didn't implement a single large Israeli-Russian project," he said.

Bovin's diplomatic mission in Israel ended in May 1997. Since then, economic cooperation has become more diverse, but the political sphere is dominated by rather disturbing tendencies.

From 1967 through 1991, Israeli-Russian relations hinged on two external factors. First, the Soviet Union felt strong pressure from Arab countries that were de facto Soviet allies – despite the fact that Moscow never set up military-political unions with any of them – and opposed a restoration of diplomatic relations with the Zionist state. At the same time, there was an influential factor of Russian Jews who left for Israel. From Jerusalem's point of

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view, an opportunity for Soviet Jews to emigrate from the Soviet Union in absence of diplomatic relations between the two countries (1967-1980) was more preferable than having these relations together with a ban on the Jews' emigration to Israel (in 1948-1952 and 1954-1967). Israel demanded that Soviet Jews have the opportunity to emigrate, and over time – especially after the adoption of the still effective and very notorious Jackson-Vanik amendment – this demand became a convenient tool for the Americans in their anti-Soviet policies. The Soviet Jews were thus placed in the epicenter of the U.S.S.R.-U.S. standoff.

Representation of the interests of all Jews regardless of the country of their residence has always been a kind of raison d'etre for Israel. At the same time, the Soviet Union viewed itself as the state for the workers of the world and a center for the global fight against capitalism and imperialism. Moscow regarded Israel as an ally of the forces that it was fighting. The Soviet expansionist ideology could not sit back and watch an expansionist Israeli ideology. While the Soviet Union sought to rescue Palestine and the entire Middle East from the "international Zionism's nationalistic madness" (since Zionism was viewed as "blue-star racism at the service of anti-Communism"), Israeli leaders set themselves the task of saving Soviet Jews from "the bondage of the Red Pharaoh."

Restrictions on Jewish emigration were lifted in the late 1980s, and it was expected that bilateral relations would be heading for an idyllic future. But this did not happen. Moreover, the current state of the Russian-Israeli relationship looks even more discouraging than in the previous years.

The set of existing controversies can be reduced to six major problems, three of which have importance for Israel, another two for Russia, while the last is of concern for both countries.

PROBLEM 1: ON THE SAME SIDE OF THE BARRICADES?

The Israelis cannot understand or accept the fact that Russia did not list Hizbollah and Hamas as terrorist organizations, and even gave high-level receptions to delegations of Hamas leaders in

March 2006 and early March 2007. Both delegations were led by Khaled Mashal [the head of Hamas Political Bureau – Ed.], who has a reputation as a bitter foe of Israel.

The Israelis reacted to those visits quite strongly. The Israelis reasoned that if Russia claims it doesn't speak to terrorists but destroys them instead, why should it invite the leadership of one of the most odious and bloody terrorist organizations in the world for talks?

It is highly improbable that Russian diplomats, to say nothing of the secret services, do not know about the true nature of Hamas and its connections with Chechen militants. Of course, one may speculate about Moscow's policy of double standards in its fight against terrorism (purporting, for example, that it eliminated Djokhar Dudayev and Aslan Maskhadov, but invites Khaled Mashal and Ismail Haniyeh as if they were respectable statesmen). Unfortunately, however, all countries, including the U.S. and Israel itself, espouse policies of this sort. Suffice it to recall that in spite of numerous terrorist attacks committed by the Al-Aqsa Martyrs' Brigades, the Fatah party, which controls those brigades, has not been added to the list of terrorist organizations to date.

More importantly, the Israelis, together with the Americans, had been counting on Fatah to win the Palestinian election. A Fatah victory was viewed as a favorable option, although facts prove that these militants have been responsible for many large-scale terrorist attacks of the past few years: the death of 11 people in the Jerusalem district of Beit Israel on March 2, 2002; 22 people killed at Tel-Aviv's Central Bus Station on January 5, 2003; and 11 people killed when bus No. 19 was bombed in Jerusalem on January 29, 2004. And what about Fatah leaders' popularity in the Palestinian territories? Number one on the list of candidates for the Palestinian Legislative Council is Marwan Barghouti, a man serving five life terms in an Israeli jail on charges of organizing several terrorist attacks. However, no one demands to boycott Fatah. On the contrary, Israeli leaders support political dialog and commercial relations with the organization.

The anti-Russian campaign that erupted in the Israeli and U.S. mass media in February and March 2006 was unjustified in many

ways. For instance, Zeev Schiff, an influential political and defense commentator, wrote in the leading newspaper *Ha'aretz* (published in Hebrew) on February 12, 2006, that by inviting Hamas leaders to Moscow Russia buried the Road Map peace plan. Is this not a graphic manifestation of the Orwellian mentality?

Schiff is obviously right in arguing that the Road Map, first published on April 30, 2003, spells out that peaceful coexistence between the two neighboring states, Israel and Palestine, will provide a solution to the Middle East problem. The solution can be reached only if terror and violence come to a complete stop (and this, in turn, can only result from energetic antiterrorist measures on the part of the Palestinian National Authority). He also correctly claims that Russia knows perfectly well about Hamas' vehement objections to this turn of events. Hamas has no good feelings about the Road Map, and has no plans to act under its provisions.

This, however, should not lead to the conclusion that by holding meetings with Hamas leaders the Russians decided to contradict the Road Map.

It is not Russian diplomacy that should take the blame for the problems of the Road Map, which incidentally was valid only from 2003 through to 2005. This document itself abounds in controversies. It states, in particular: "As early as possible [...] and in the context of open debate and transparent candidate selection/electoral campaign based on a free, multi-party process, Palestinians hold free, open, and fair elections." Well, the elections held in Palestine meet these requirements, so should Russia shoulder the blame for Hamas' victory?

Earlier, in spring 2004, the author of this article wrote in a book published by the Moscow-based Institute of Middle East Studies: "Can one at all be sure that Hizbollah or Islamic Jihad will not win a free Palestinian election? [...] The authors of the Road Map proceed from the assumption that liberals necessarily win where free elections are held. But someone with knowledge about the sentiments in the Palestinian territories can claim with confidence that liberal parties and movements seeking a peace settlement will not have success at the present time. Any effort to

impose the Western mentality on a society with a totally different political culture... is a dramatic mistake."

Alas, the mistake was made and now a parliament, the majority of which has always been calling for the destruction of the State of Israel, is situated just 45 minutes' drive from Jerusalem. It was not Russia that brought Hamas to power. The party's victory became possible thanks to the very same Road Map, the commitment to which Israeli and the U.S. officials try to reaffirm by any means, fair or foul (the latter is much likelier). Today, it is important to determine how to make the Hamas leadership realize that Israel is here to stay.

Had the Russian leaders, who maintain a rather intensive political dialog with the Israeli government, succeeded at transforming the mentality of Hamas leaders – similar to the transformation of the Fatah movement under the rule of Yasser Arafat, it would have been the greatest contribution to the Road Map rehabilitation. Unfortunately, the Russians failed to do that.

What seemed really blasphemous – even from the point of view of a secular man – is that Patriarch Alexii II received the militants in March 2006, thus legitimizing them not only in the political realm, but in the spiritual and religious ones as well.

As for the motives underlying the second trip by the Hamas delegation to Moscow, even Russia's best friends among the Israelis could not understand it. While in the first trip it was still possible to hope that Russian diplomacy was capable of tempering the Islamic radicals' unappeasable stance on Israel, nobody entertained such hopes in March 2007. Diplomats in Moscow explained President Putin's consent to meet with Hamas officials with the public declaration that Hamas was prepared to recognize the agreements with Israel first signed by the Palestine Liberation Organization and then by the Palestinian National Authority. Khaled Mashal and his associates preferred to excuse themselves from a meeting with Putin. Eventually, both visits not only did nothing to push the Middle East talks forward but simply worsened Russian-Israeli relations.

Moscow hoped to gain some dividends by befriending all parties involved in the Middle East conflict. For example, immedi-

ately following talks with Khaled Mashal, Russian leaders received Avigdor Lieberman, one of the most irreconcilable Israeli politicians. This move triggered a new wave of criticism in Israel, however, and Lieberman was targeted, too (for his ostensible role of a fig leaf for Russian diplomacy). As Israeli observer Mark Galesnik wrote, "Lieberman traveled to Moscow and announced to the whole world from there that Russia and Israel are standing on the same side of the barricades. This, most obviously, is the minister's main strategic achievement, since not even a trace of any other achievements exists. His triumph, though, was slightly spoiled by the fact that the chair he was sitting on while publicly announcing his accomplishments had just been warmed by the behind of Hamas's head... Khaled Mashal, who declared almost the same things from Moscow just a day before. Remarkably, the day after Lieberman's speech, reports came from the barricades that some ultra-advanced Russian weaponry was being sold to Syria... Lieberman's visit to Moscow legitimized connections between the Kremlin and Hamas and, additionally, optimized Russian-Syrian ties. As for Israel, the trip gloriously crowned a one-hundred-day-old discomfiture named the 'new national strategy'."

PROBLEM 2: WHO SHOULD RUSSIA SELL WEAPONS TO?

Jerusalem has a highly derogatory view of Russia's cooperation with Iran and Syria, the two most anti-Israeli countries, in the field of defense technologies. The Israelis do not trust Russia when it says it is pursuing exclusively financial considerations by selling advanced antiaircraft defenses, jets and other armaments. Suffice it to recall Russia's recent military supply contract with Syria – worth $1 billion – signed about the same time that Moscow declared it was writing off Syria's debt of $9 billion. If Russia were really interested in just money, it would not seem to be a prudent venture to promise new supplies to a country that had not yet paid for the previous ones.

Israel regards Russia's cooperation with Syria and Iran as an indicator of the Kremlin's willingness to regain the previously lost status of a great power in the Middle East. It hopes to achieve this,

Israel believes, by replaying a system of relationships that existed before Gorbachev's perestroika. "And what do you want from them? All of them grew out of Primakov's greatcoat," say the Israelis as they allude to a book that Primakov entitled, *Confidential. Middle East in the Limelight and Behind the Scenes* and published in August 2006. Primakov wrote that the Israeli operation against Hezbollah (in the same month) was "a bloody war that Israeli war-mongers led in Lebanon."

Meanwhile, Russia's assistance to Iran's unfolding nuclear program, and its efforts to block U.S. attempts to drive Teheran into international isolation, is interpreted by many as a bold testimony to the Russian leadership's anti-Israeli policies.

In the meantime, Russia is not the only country supplying weaponry to ill-willed regimes. Such actions are typical of Israel itself (to say nothing of its best friend, the U.S.), and this makes it difficult to understand why others demand that Russia be "a greater Christian than the Pope."

PROBLEM 3: DISILLUSIONMENT AND EMBARRASSMENT

It is hard to say what irritated the Israeli government and society more during the war against Lebanon: Hezbollah delivering strikes at Israeli territory with Russian-made armaments, or Russian officials turning a blind eye to this obvious fact. Prime Minister Ehud Olmert's visit to Moscow two months after the end of combat operations did not eliminate the contradictions.

Fifteen years ago, many people in Israel felt sincere joy as relations were restored with Russia, a country whose historical territory is a birthplace of the majority of Israel's founding fathers. Yet during the second Lebanese war, the pendulum of public sentiment swung to the opposite side, as disillusionment and embarrassment took the place of happiness. Remarkably, such sentiments clearly contrast with the admiration that the majority of Israelis feel toward the U.S.

The problem is that Russia had nothing to do with Hezbollah's provocation against Israel – an attack against an Israeli outpost on

July 12, 2006, which was responsible for the death of eight soldiers of Israeli Defense Forces. Another two soldiers were taken captive, and virtually nothing is known about their fate even now. The incident spilled over into the Israeli-Lebanese war. Nor can anyone blame Russia for Israel's eventual inability to win the war, contrary to all expectations. Nor does Moscow have any guilt for the Israeli political leadership's decision to end the hostilities at a time when none of the goals declared by Prime Minister Olmert were reached. The captured soldiers remained in captivity, Hezbollah was not disarmed, and the threat to Israel's northern borders continued unabated.

It is true that Hezbollah fought with the aid of Russian weaponry, but what should we make of this? The Arab armies were equipped with Soviet weapons both during the Six-Day War in 1967 and the Yom Kippur War in 1973 — yet were defeated all the same.

PROBLEM 4: ALL THE EGGS IN ONE BASKET

David Ben-Gurion, Israel's first Prime Minister (1948-1953) and Defense Minister (1955-1963), and Moshe Sharett, the first Foreign Minister (1948-1956) and the second Prime Minister (1954-1955), understood perfectly well how important it was for a small country surrounded by enemies to maneuver between superpowers while keeping the eggs in different baskets at the same time. In September 1952, Israel and Germany, which was guilty of the deaths of millions of Jews, signed an agreement on reparations for looted and confiscated Jewish property. Even though Britain actively blocked the rise of an independent Jewish state in Palestine, and impeded the immigration of Jews there during the Holocaust, it was with London (and Paris) that Israel signed a pact on joint combat operations against Egypt during the Suez crisis of 1956. Although Ben-Gurion never sided with supporters of the Stalinist model of 'barrack-room socialism,' the Soviet Union became the first country to recognize the State of Israel in 1948. Meanwhile, Soviet weaponry (which the

Israelis received via Czechoslovakia) helped the country win the Independence War of 1948 and 1949.

Over the last several decades, Israel has been pursuing a one-sided and imbalanced foreign policy. Whatever the actions taken by Washington, the U.S. is perceived as Israel's only genuine partner. Meanwhile, it is Israel's "best friends" that have been keeping Israeli agent Jonathan Pollard in prison for over twenty years. The U.S. never recognized Jerusalem (even its western part) as the capital of Israel, and never agreed to consider the Golan Heights as a part of Israel. The U.S. never made a statement to support Israel's right to refuse to readmit Palestinian refugees or their descendants on its territory. Yet the Israelis continue crying – perhaps louder than anyone else in the world – "God bless America, America and no other country!"

Such an approach toward the U.S. predestines the 'I don't-give-a-damn' attitude toward Russia in the majority of the Israeli establishment. The truth, however, is that Russia remains a nuclear power and a permanent member of the UN Security Council, not to mention its status of a guarantor of global energy security. Russia is the home to the world's third largest Jewish community (this factor has always played a special role in bilateral relations).

In the past fifteen years, Israel appointed four ambassadors to Russia who did not speak Russian and had virtually no knowledge of the country's politics and culture. When offers of mediating in various areas of the Arab-Israeli peace settlement come from Russian diplomats, many of whom are versatile and pragmatically thinking experts with sound knowledge of the Middle East, Israeli leaders reject them outright. On some occasions, Russian representatives would be denied invitations to the very events in which they must participate due to the country's status as a co-sponsor of the Middle East peace talks (this was the case with the Sharm al-Sheikh summit in 2005).

Prime Minister Ariel Sharon made dozens, if not hundreds, of declarations about allegiance to the Road Map. However, in November 2003 when the UN Security Council acted on Russia's initiative and passed Resolution 1515, which merely guaranteed its

support to the Road Map, Jerusalem took it as an anti-Israeli demarche.

If Israel really wants a foreign policy to meet its own national interests — one that is not pegged to American interests — it should make its own way. It should adopt a course of building multivector relations with various world powers, including Russia, since it will always be a global power. Israel must establish a fruitful dialog with the Kremlin for its own benefit. Only a serious and professional exchange of opinions will help reach a level of mutual understanding that will help consolidate the geopolitical position of the Jewish state.

PROBLEM 5: GETTING WHAT IS ONE'S OWN

Russia has a number of complaints against Israel, too. One of them concerns Russian real estate in Jerusalem. While not actually denying the legitimacy of Russia's claims to the St. Sergius Metochion and the building of the Russian church mission, as well as various other facilities in Jerusalem, the Israelis continue to offer vague promises and unbinding pledges to transfer this property to Russia's control. The issue has been on the agenda of almost every meeting between Russian and Israeli leaders, yet it remains right where it was ten years ago. The Russian side is especially irritated by Israel's unwillingness to heed President Putin's personal appeal to expedite the solution of the problem.

Another problem overshadowing Moscow's perception of Israel is that it remains the domicile of particular individuals whose extradition Moscow insists on — mostly businessmen linked to the YUKOS oil corporation. One of these individuals that the Prosecutor General's Office of Russia would like to have back is Leonid Nevzlin, former member of the upper house of Russian parliament, the second president of the Russian Jewish Congress, and the closest ally of YUKOS' former CEO Mikhail Khodorkovsky.

One cannot say that Israel does not extradite its citizens a priori. In 2002, it extradited the leader of Moscow's Baumansky criminal group, Andrei Zhuravlev. A year later, the Israelis

extradited Gennady Yagudayev, a man whom Russia placed on its federal wanted list for a series of crimes. But as for Nevzlin, he not only received citizenship, but also quickly rose to the president on the board of trustees of the Diaspora Museum. Furthermore, he set up a center – which carries his very own name – at the Jerusalem Hebrew University, etc. This situation vexes the Russian leaders; they view Nevzlin's current status as proof of Israel's disdain for demands placed by Russian security agencies, including those via Interpol.

PROBLEM 6: HOW TO HEAR EACH OTHER

Mutual mistrust has irrevocably complicated interaction between official agencies of the two countries. Here are just two examples of the multitude of cases of distrust.

Currently, four Israelis who traded in diamonds and received long jail terms are being held in a Russian jail. Two Israeli Justice Ministers asked Moscow to pardon these individuals, but there are no signs at the moment that the issue is proceeding anywhere.

In November 2006, the Israeli side publicly refused to extend accreditation to Dr. Alexander Kryukov, a well-known professor of the Hebrew language and literature, whom the Russians requested to receive as the director of a Russian Cultural Center, which was set up under the auspices of the Foreign Ministry. The Israelis offered no explanations for the rejection. Even though eventually the professor did receive the necessary documents, the scandal that dragged on for several months did no good to bilateral relations.

It would be highly advisable for the numerous Jewish organizations in Russia to set themselves down to the task of helping the Russian Federation and Israel to improve their relationship. The leaders of Russian Jews who live in Russia and regularly visit Israel understand the mentality and considerations of both the Russian and Israeli top government officials. Hence, it is only they who can build the bridges between the two nations.

Personage

If Russia really wants to move toward Greater Europe, this cannot be achieved without ensuring a certain level of rights and freedoms of the individual. It is time to depart from traditions of a state dominated by the KGB or the FSB – depart gradually, step by step. There should be no illusion that this can be done quickly and easily, but this line should be maintained.

Hans Blix:
"Generals Don't Understand Psychology At All"
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Hans Blix:

"Generals Don't Understand Psychology At All"

***Hans Blix** (b. 1928) has a 45-year diplomatic record, most of which dealt with strategic stability. From 1978-1979, he was Swedish Minister for Foreign Affairs. Later (1981-1997), he was Director General of the International Atomic Energy Agency (IAEA). Yet his career peaked in 2000 when he was appointed to head the United Nations Monitoring, Verification and Inspection Commission (UNMOVIC). In 2002-2003, the commission checked U.S. intelligence reports that Saddam Hussein, the former leader of Iraq, was developing weapons of mass destruction. The investigation never found evidence to support such a claim. Nevertheless, in March 2003, U.S. troops invaded Iraq. Today, Blix chairs the Weapons of Mass Destruction Commission (WMDC), an independent international body based in Stockholm. **Fyodor Lukyanov** took the following interview with Hans Blix in Stockholm.*

– You have been dealing with disarmament and nuclear nonproliferation issues for much of your career. Do you agree that the world today is more dangerous than it was in the era of bipolar stability?

– No, this is an exaggeration. Don't forget that during the Cold War we lived under the threat of guaranteed mutual destruction, which could happen even as a result of someone's mistake. Today there is no such danger; therefore, public opinion in support of nuclear disarmament has waned. Yes, there are problems connected with Iran or North Korea, but still this is not a threat of global war. The world has become safer in this sense. Let us say that instead of one huge threat we now have several smaller threats.

— Can we therefore be threatened by many local arms races, including nuclear ones?

— The United States continues building a missile shield, although there may arise problems with support from Congress, and the technologies still do not work. There is a lot of money invested in this project and in defense in general, but the war in Iraq has made the financial situation in America worse than before. Now Washington wants Europe to spend more money on defense: not two to three percent, but three to four percent like in America. But I cannot imagine that any marked increase in defense spending — which would thus spark an arms race — is possible in Europe now.

— And in the Middle East?

— Things are different there, of course. The U.S. sells weapons to anyone wishing to buy them, and the Gulf States actively purchase these weapons. The Americans have pointed to the source of the threat, namely Iran, and the more aggressive Teheran's conduct, the more actively the rich Arab countries arm themselves. In the Far East, everything depends on the behavior of China. If China starts modernizing its defense potential, that will be okay, because this potential is rather outdated. However, today China is significantly building up its military capabilities. Considering Washington's conduct, this is not very surprising, but Beijing's policy will determine the attitude to its military buildup.

Beijing and New Delhi are interested in a trustful mutual relationship. The Americans are making a great effort to bind India to themselves, but India has no intention of getting involved in Washington's anti-Chinese schemes.

— Why do countries want to possess nuclear weapons? Is this a matter of status or security?

— Basically, for these two reasons. For example, as regards Iraq, I do not think that Saddam Hussein needed weapons of mass destruction for defense. For him, they served as a means of blackmail and an instrument for inducing concessions. Muammar Qaddafi of Libya is in the same situation: he has no one to defend against with nuclear weapons. But if we take the most serious cases — Iran and North Korea — they, of course,

give priority to security, while the matter of status is of secondary importance to them.

By the way, Pyongyang has not forgotten the year 1950, when at the height of the Korean War General Douglas MacArthur received permission to use nuclear weapons if need be. He never used them, of course, but he was prepared to do so in principle. Because of the specificity of their political regime, North Koreans are paranoid. They feel totally isolated, because even their traditional allies, Russia and China, are obviously annoyed with them, while the United States has ominously warned that "all options are open," including military options. In a sense, this is a matter of status, as well, or rather, a way to attract others' attention and to make them speak with you.

As for Iran, its work on elements of a nuclear program began in the 1980s, when that country was at war against Iraq. At that time, there were more than sufficient grounds to suspect that Baghdad was developing nuclear weapons as well. These suspicions caused Israel in 1981 to bomb and destroy Iraq's Osirak nuclear research facility near Baghdad. So the Iranian nuclear program was aimed against a specific enemy. As this enemy has now ceased to exist, Teheran has named the United States its main threat.

– Exactly. Many think that Hussein's regime was destroyed because he did not have nuclear weapons. If he had, America would have spoken with him in a different manner.

– I am not sure that the U.S. would have given up its war plans against Iraq even if it had known for sure that Hussein had weapons of mass destruction and that he could use them, for example, against Israel. The basic difference between Iraq and, say, North Korea is that with Iraq Washington was confident: in case of war against Saddam Hussein, no one would take his side. With North Korea, things are different: it is located too close to the spheres of interests of China and Russia.

– On the eve of the war in Iraq, there was an impression that George Bush and Tony Blair really believed that Saddam had weapons of mass destruction. Later, it began to seem that they had lied deliberately.

– They wanted to believe in that very much. It may be said that at first they misled themselves and then the whole world. One must have grounds to accuse someone of lying. I don't have such grounds, so I have never said that they lied. Yet Bush and Blair could be reproached – and with good reason – for their reluctance to critically assess the information they received. They did not ask questions and took the position of witch-hunting inquisitors: "This woman is guilty, and now let's get evidence. She has a black cat – this is the evidence!" It is difficult to say what is worse: when people lie deliberately or when they take a biased approach to a situation.

– Scott Ritter, a chief United Nations weapons inspector in Iraq in the 1990s, accused you of not having done everything possible to prevent the war.

– Ritter rebuked us for not saying that there were no WMD in Iraq. But such accusations attest to a lack of understanding about the code of conduct for inspectors. We had no right to say that there was nothing there, because a negative statement cannot be proved. Iraq is a large country; theoretically there may be very many facilities there. The only thing that we had the right to say was that, having made 500 inspections in different places, we found nothing and could assume, with a high degree of probability, that the American statements about the presence of WMD in Iraq were based on invalid data.

If the inspections had continued for two or three more months, we would have visited all the facilities that American intelligence had suspicions about. After such a search, all would have had to admit that the information sources were not reliable. But even in that case, we would not have been able to say unequivocally that Iraq possessed no WMD. That would be a political conclusion, which inspectors do not make. By virtue of their professional qualities, inspectors can provide the most representative results of studies. But there is always a level of uncertainty, and the decision to believe or not to believe is made by the politicians. Previously, it was decided to believe South Africa, and, as it has turned out, that decision was not a mistake.

– But why did Saddam bluff? Why did he behave as if he had something to hide? He must have known for sure that he had no WMD. His suicidal behavior cost him power and life.

– I did not meet with him. He did not meet with the commission's heads, neither Ekéus, nor Butler or me, in principle. We met with Taha Yasin Ramadan, the then-vice president of Iraq. Saddam's behavior really cannot be described as reasonable. I cannot rule out that his own generals misled him. Perhaps they assured him that there were some WMD left – in the hope of receiving some funds or to bolster their own significance. This is only my guess, I cannot say for sure, of course. In addition, Saddam played a double game, trying to convince the United Nations that he had destroyed all WMD, and Iran – that he had something left.

– Iran?

– Yes, Iran was his main enemy. He behaved like a man who puts up a "Beware of the Dog" sign on his front gate. One need not necessarily have a dog – suffice it to pretend one has one.

There were also other reasons, of course: for example, that Rambo style, practiced by some inspectors. Iraqis are a proud people, and the behavior of Scott Ritter and some others insulted them. Those inspectors considered it possible to rudely enter any door, which aggravated not only Hussein, but also many Iraqis, who could not understand why they should be treated in such a manner.

– Earlier you said more than once that the Iraqi tragedy was caused by mistakes committed by the special services. Their psychology and attitudes are increasingly becoming important elements of policy, be it in the United States, Russia or some other countries. But they view the world in black and white colors.

– Indeed. And in order to calculate correct moves, one needs an adequate picture of reality, in all of its many nuances. If one fails to make a correct diagnosis, it will be impossible to prescribe an effective treatment.

– Special services often say their picture is more accurate because they know what others do not know.

– Sure they have sources that we don't have. For example, wiretapping, reports from agents, operational information. But in the case of Iraq, the problem could be summed up as follows. Intelligence officers are civil servants, and they knew what conclusion their heads of state were looking for. Instead of providing objective information, they in fact were looking for proof of their government's stance. This is fundamentally wrong. The inspectors were international civil servants, and we felt authorized by the UN Security Council – a group not only made up by the United States, but many other countries as well. Later, our commission received high acclaim precisely because we had not yielded to pressure.

– Speaking of the Security Council, many believe that the UN has become obsolete and cannot be reformed, because UN members, above all the Security Council members, are unable to agree on anything.

– This is a very simplistic and erroneous picture. Paradoxically, the Iraqi affair proves the UN Security Council's viability. The U.S. was very annoyed by the UN's refusal to sanction the war, but now America itself has admitted that the war was a mistake. In other words, the UN was right. It did not give the green light when there should have been a red light. The same refers to the inspectors: we did not approve what we considered to be wrong. In this sense, the UN has proved that its position was more right than that of some countries. As regards the scandal over the Oil-for-Food program, this was more of an American slander campaign.

– A slander campaign? But there were serious and proven charges of corruption and misuse of funds there.

– The Oil-for-Food program was a very difficult project to implement, and, of course, there were problems with administration. But allegations that it was completely corrupt are quite unfair. Yes, part of the supplies was made under a collusive agreement. It was proven that an Australian firm had paid hundreds of millions of dollars in bribes to Hussein for the right to supply wheat. But that was a corrupt deal between Iraqi officials and Australian businessmen. What does it have to do with the UN pro-

gram? The misappropriated funds made up 10 percent of the total turnover at most, but we avoided famine in Iraq.

As regards peacemaking missions (there are 100,000 UN peacekeeping troops around the world), or the solution of the Iranian problem, where the Security Council permanent members demonstrate a high degree of mutual understanding, the UN has proven to be rather effective.

The problem lies in the UN Security Council's setup. Its 15 members, including five permanent seats, comprise a structure that does not ensure the right balance. The U.S., despite its relative weakening, is still very strong. However, the UN Security Council does not always provide a sufficient counterweight to U.S. power. For instance, when Germany or influential countries of Latin America – for example, Chile and Mexico – were elected to the Security Council, this represented a particular type of situation. But if in place of Mexico we had had the Dominican Republic, for example, which also competed for a seat in the Council, it would certainly have voted the same as the United States.

The question is, what political balance is being formed in the Security Council? Does it reflect the international situation? The present combination is not representative enough. From the point of view of economic clout, of course, it must include Japan and Germany, which are far ahead of such permanent members as France or Britain. There is, however, another problem. The permanent members of the Security Council each pursue their own policies, whereas the Council, as a matter of fact, is an executive committee of the General Assembly, that is, the entire international community. However, representatives of the permanent members only think of themselves and their national interests.

– ***This is inevitable.***

– Perhaps, but in this case, Germany and Japan will uphold their own interests, and the process will become even more complicated. It is worth considering that countries elected to the Security Council should have consultations with the regional groups of states that have chosen them. For instance, the voice of Angola, which was a Security Council member during the Iraqi

campaign, would have been more effective if it had consulted with African countries and therefore represented its continent to a greater degree.

As for the General Assembly, of course its performance has been affected by the inflow of mini-states. Given the majority rule used in decision-making, this 192-state body cannot function as effectively as it did when it comprised 51 states. Today, the UN General Assembly is a "global village," a replica of the international community, which provides legitimacy to actions taken on behalf of the entire organization. It has initiated many global discussions, for example, on human rights, law of the sea, environmental law, and counterterrorism. But it is not suited for hands-on decision-making. Over time, the General Assembly will have to introduce new voting rules, like those used in the World Bank, where different countries have different voting power.

– And how do things stand with the Nonproliferation Treaty? Is it alive?

– Yes, rumors of its death have been greatly exaggerated. Of course, there are some health problems, but it's alive. The NPT has seen victories and defeats. The victories include the accession of South Africa, Argentina, Brazil, Cuba, Ukraine, Belarus and Kazakhstan to the document. There have been four failures: in the cases of Libya and Iraq, solutions have been found, but in the two other cases, Iran and North Korea, there has not been success. But we can still hope.

– The Iraqi solution is in no way related to the NPT.

– Well, yes, the 1991 invasion was not provoked by a nuclear problem but by Iraq's occupation of Kuwait. Nevertheless, the issue was resolved.

– And what about further proliferation? Are there any doubts in the ability of Japan, for example, to become a nuclear state within a short period of time?

– This will happen in case of a domino effect. If we settle the conflicts involving Iran and North Korea, their neighbors will not need to deter them. More important is the initial capabilities of a country to obtain nuclear weapons. For example,

the technological readiness of Jordan or Saudi Arabia is at the embryonic stage. Theoretically, Egypt is capable of achieving something. Of the Arab countries, Algeria could make the biggest progress in nuclear research, but it is absolutely uninterested in doing so. Generally speaking, I would not exaggerate the danger that the desire of various countries to obtain nuclear weapons will grow. Terrorist organizations pose a greater threat, but in reality they can obtain only very primitive weapons. Chemical weapons are much more "effective" and easier to obtain for them but, as a matter of fact, chemical weapons are not weapons of mass destruction.

– Why did you not mention Israel as one of the NPT's setbacks?

– I would not consider India, Pakistan and Israel among the setbacks. The NPT was planned as a goal; it was a desire for a nuclear-free world. All countries that did not possess a nuclear potential were invited to join the NPT and give up plans to develop nuclear weapons. Those who had these weapons were invited to gradually agree on their destruction. Indeed, we failed to involve India, Israel and Pakistan. But it did not go without saying that all countries without exception would join automatically. Some countries were convinced to join the treaty, while others were not. On the other hand, when the United States signed a treaty on nuclear cooperation with India in 2006, it thus gave up the idea that India would ever join the NPT. The same refers to Pakistan. As for Israel, this issue is not closed yet.

But there was one more serious setback for the NPT – namely, the conduct of the Nuclear Five: Britain, China, Russia, the United States, and France. Since the signing of the NPT, the overall number of nuclear devices has been reduced from 55,000 to 22,000. Under the 2002 Treaty on Strategic Offensive Reductions (SORT), this figure is to be cut still further. But all these reductions only represent the disposal of excess stocks, whereas real military capabilities have not been reduced. Moreover, the United States and Britain are developing new nuclear weapons, while military doctrines are becoming more tolerant toward the possibility of their employment. This

is an obvious violation of the treaty by the Nuclear Five, which, of course, is the cause of great disappointment among non-nuclear countries. There is no direct link, however, between their desire to obtain nuclear weapons and America's development of new types of such weapons. Rather, this desire is caused by threats coming from neighboring countries. Egypt, for example, may develop nuclear ambitions not because of the U.S. but because of Iran and Israel. It would be much easier to convince Iran and North Korea if the great powers themselves set an example of nuclear disarmament. In Geneva, I heard the following idea: states officially united in nuclear-free zones could withdraw from the NPT – not in order to develop nuclear weapons (the nuclear-free zones would remain), but to demonstrate to the Nuclear Five that the great powers do not honor their commitments.

– Would it be easier to negotiate with Iran, if simultaneously measures were taken against Israel's nuclear program?

– I'm not sure that it was Israel that triggered Iran's nuclear aspirations. The main reason was, without doubt, Iraq; now it is rather the United States. I'm not sure about Israel.

– You mentioned the attack against Osirak, which took place when you headed the IAEA. What do you think now? Was it the right move by Israel? After all, it saved the world from a nuclear Iraq.

– No, I thought then and think now that it was wrong. If the reactor had not been bombed, French engineers would have remained at the facility and the IAEA would have conducted inspections there. All actions would have been under control, and it would have been easier to detect if Iraq began to move beyond peaceful intentions. The Iraqis would have had to redesign the reactor to obtain permission for further work. After the bombing, however, all work went underground.

– That is, Osirak cannot serve as a model for solving, for example, the Iranian problem, right?

– No, it cannot. First, I hope that the Americans understand that the Bushehr nuclear power plant has nothing to do with nuclear threats. If spent fuel is sent back to Russia, the Bushehr

plant will be absolutely safe from the point of view of its misuse. An attack against it would be a horrible precedent.

We can mention other facilities, for example, Natanz. Of course, the destruction of these facilities would slow down Iran's nuclear program, whatever objectives it may have set for itself. But then we can forget about any future interaction with Tehran; and if centrifuge prototypes remain elsewhere in the country, then efforts to build up nuclear capabilities would only intensify.

There are still good prospects for negotiations, although I am not enthusiastic about the way they are conducted. Now the matter is put in the following way: you stop your enrichment program, and then we will start negotiations. But this is unproductive – it is the termination of enrichment that should be the subject of negotiations at the first stage.

– Many say that Pakistan is the most dangerous place in the world as regards proliferation.

– There is a risk that, in case of a coup there, nuclear weapons will fall into the hands of conservative mullahs. But while the military is in power, they will not let the bomb out of their hands.

– But the scandal involving Dr. Abdul Qadeer Khan, who opened a "nuclear supermarket" of sorts, is something fantastic. And most importantly, he has never been punished.

– Abdul Qadeer Khan is a national hero of Pakistan, a man who created its nuclear program and achieved parity with India. Of course, it is hard to imagine that he was acting alone when trading nuclear technologies: at the very least, someone from the country's top leadership was in the know. And the reasons were obviously economic, although attempts were made to hide the profit considerations behind a noble ideology.

– What do you think of the present atmosphere of international relations? Military force is returning as a key factor on the global stage. The U.S. and Russia now and then resort to the Cold War rhetoric. Is this a rollback to the past or, on the contrary, the beginning of a new era?

– The Washington establishment is traditionally divided into two parts. The military elite, led by the Pentagon, has always

played an important role. Today, however, under the George W. Bush administration, it has increased its influence even more. Yet there has always been the foreign-policy elite, the State Department, which is less oriented to force. This latter trend strengthened after Russia ceased to pose a threat. The relaxation of tensions opened opportunities for building peace on the principles of international cooperation and mutual struggle against threats.

Simultaneously with the disappearance of the rivalry, the military had no more need to make concessions and limit themselves. The U.S. military stopped being shy, so to speak. It began under Bill Clinton. The bombing of Afghanistan, strikes against Sudan after attacks on the American embassies in Kenya and Tanzania... When it turned out that a factory in Sudan was bombed by mistake, the U.S. simply expressed regret. This is the psychology of the only military superpower. And why are new types of nuclear weapons and their means of delivery being developed today? This cannot be explained by the need to combat terrorism; this is an offensive type of strategic thinking.

The idea to build an anti-missile shield, which is now much talked about, is very old. From the very beginning, it caused suspicions in Moscow and Beijing that the United States wanted to ensure for itself an ability to strike with impunity. Of course, this is also an element of that strategic thinking, which does not provide for the construction of a "common home." Washington insists that its plans are directed against Iran and North Korea, but hardly anyone believes this. Most likely, the two specific facilities in Poland and the Czech Republic really do not threaten Russia, but they will become part of an entire system, which seriously worries both Russia and China.

Another element is the enlargement of NATO. It began with Poland, the Czech Republic and Hungary – countries occupied by the Soviet Union, and I understand very well why they and the Baltic States sought to join the Alliance. On the other hand, I understand what Russia feels as well: "We no sooner left those countries and NATO entered them." This is how the rivalry psychology is fed. Now candidate countries already include Ukraine

and Georgia, and last year Senator Richard Lugar suggested that the doors should be open also for Azerbaijan and Kazakhstan.

It is quite understandable why Russia feels encircled, especially as this is really so from the point of view of the struggle for oil and gas sources. In a recent article, Henry Kissinger said that he had supported the first wave of NATO's enlargement, but was against the continuation of the process. He, at least, understands psychology, while generals do not understand psychology at all and do not want to understand it.

As regards China, the United States points to Beijing's increased defense spending, which stands at U.S. $45 billion a year. But Washington's own defense spending exceeds $600 billion! Simultaneously, the U.S. signs agreements with New Delhi, which can hardly be interpreted otherwise than a desire to incorporate India into an anti-Chinese "barrier," which already comprises Australia, Japan, the Philippines, and Taiwan.

This approach is based on outdated military-strategic thinking, which manifested itself in all its glory during the Iraqi campaign of 2003. The neoconservative idea for rebuilding the Middle East was approximately as follows: "After removing Saddam, we will be able to redeploy troops from Saudi Arabia to Iraq, where there is a more favorable secular environment. Besides, it is close to Iran, which will be under our watch." However, in reality the war demonstrated that problems couldn't be solved by force alone.

The change of power and the probable victory of Democrats will shift the balance toward the State Department's position. However, the American public is consolidated around the idea of a strong America, and the Democrats will have to refute the widespread stereotype that they are weak. A major role in U.S. policy belongs to the military-industrial complex, which must have continuous production because this implies jobs. So, one should hardly expect any radical changes. Yet I do hope that the situation will be influenced by globalization, increased interdependence, and integration. These factors make the use of military force in relations between great powers less likely – not at the local level, not in intrastate conflicts, but globally.

The most vivid example of this today is Japan and China. There are high emotional tensions between them. But both of their new leaders have made it clear that they are interested in developing trade and economic cooperation. China is a huge market for Japanese products, and vice versa. So they are trying to achieve a positive development of relations.

– With regard to China and Japan, or China and the United States, this is true. But the level of mutual dependence between, for example, Russia and the United States is very low.

– But there is very high mutual dependence between Russia and the European Union. Of course, energy plays a major role in Russia-EU relations; this is a sensitive issue. I think Europe reacted too much when Russia had conflicts with Ukraine and Belarus. The problems there did not lie in the policies of Presidents Yushchenko or Lukashenko – it was a matter of money, wasn't it?

– Yes, money first.

– I thought the same, so the reaction was exaggerated. But I, as a supporter of nuclear power, only gain from this. I have always said that nuclear power is the primary replacement for hydrocarbons, but the Europeans should not have accused Russia of unreliability. What they are right about is when they criticize violations of civil liberties. If Russia really wants to move toward Greater Europe, this cannot be achieved without ensuring a certain level of rights and freedoms of the individual. It is time to depart from traditions of a state dominated by the KGB or the FSB – depart gradually, step by step. There should be no illusion that this can be done quickly and easily, but this line should be maintained.

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