RUSSIA in GLOBAL AFFAIRS

Vol. 6 · No. 1 · JANUARY – MARCH · 2008

Contents

In Search of Priorities

Economic Options

Geopolitical Maneuvers

Controversy

Published quarterly

RUSSIA IN GLOBAL AFFAIRS

PUBLISHED BY
FOREIGN POLICY RESEARCH FOUNDATION

RUSSIAN EDITION
IS PUBLISHED
WITH PARTICIPATION OF

FOREIGN AFFAIRS

Editorial Office:
11 Mokhovaya St., Bldg. 3B,
Moscow 103873, Russia
tel.: +7 (495) 980-7353
fax: +7 (495) 937-7611
e-mail: info@globalaffairs.ru
http://www.globalaffairs.ru

Registered with
THE MINISTRY
OF THE RUSSIAN FEDERATION
FOR PRESS, TV AND RADIO
BROADCASTING AND MEANS
OF MASS COMMUNICATION
PI No. 77-12900
3 June 2002

Printed by
Kaluzhskaya Tipografia Standartov
Order No. 165
Circulation: 3,000 copies

Our First Five Years

Fyodor Lukyanov, Editor-in-Chief

Russia in Global Affairs is celebrating a small anniversary: five years ago – in January 2003 – the first regular issue of our journal appeared in print. Five years is a short period of time in historical dimensions, but the pace and substance of the current changes make one recall the practice of calculating one's length of service in the Soviet Union. At that time, a year of work under harsh climatic conditions or a year of performing a hazardous job was counted as two.

Over these past five years, global politics has taken several sharp turns and Russia has changed markedly, as well. These years have seen many events, which we witnessed and covered. These events were analyzed by our most remarkable writers – policymakers, scholars and writers from Russia and all major world countries. Judging by the interest evoked by those publications, this journal's approach has found an appeal among our readers.

Relations between Russia and the West in our rapidly changing world have always been our focus. In this "anniversary" issue, we discuss this subject again, especially as present developments give cause for this all the time. In our very first issue, **Vladimir Lukin** wrote about the need to abide by the European orientation and thus to confirm Russia's civilizational identity. Five years later, he follows up on this subject. **Philip Hanson** draws the reader's attention to some practical aspects of Russian-EU cooperation in the energy sector. He is confident that the mutual dependence of Russia and the European Union leaves them no choice and the parties are "doomed to cooperate."

Boris Mezhuev holds that Russia and the EU are divided not by some minor factors, but because they belong to different types of cultural and political consciousness. Therefore Russia and Europe must learn how to live and cooperate without trying to understand each other. **Igor Zevelev** raises the issue, which is actively discussed now, of Moscow's attitude toward Russian compatriots abroad and the prospects of using the Russian diaspora in Russia's own interests.

Sir **Roderic Lyne** is optimistic about the future. He believes that in a couple of years the West will cease to view Moscow's desire for an independent position as something hostile, while Russia, having overcome its period of self-assertion, will become a strong and responsible partner. **Anatoly Vishnevsky** analyzes the global demographic situation and concludes that without a serious partnership with the West, Russia will find it very hard to keep its independence in the face of Asian giants. **Jean-Pierre Lehmann** draws a gloomy picture of the global economy. He is apprehensive about the growth of protectionism, which can bring about conflicts between traditional centers of economic influence and new ones – Russia, China and India.

Ivan Safranchuk focuses on the situation in Central Asia, which is generally believed to be an arena of geopolitical rivalry between Russia, the United States and China. **Georgy Toloraya** analyzes Russia's policy with regard to the Korean conflict – one of the most acute problems in the Pacific region. General **Victor Yesin** urges Russia and the U.S. to preserve the nuclear arms control regime, which may cease to exist several years from now.

The handover of power in Russia opens a new political cycle in this country. **Dmitry Furman** tries to figure out whether there is any chance for ideological pluralism amid political stability and the domination of one political force. **Leonid Grigoriev** writes about the main task Russia's next president will face – namely, the large-scale modernization of the country. This task is unfeasible without joint active efforts by the state, business and civil society. **Mikhail Delyagin** warns about the dangers that Russia's economic and geopolitical luck of the last few years may pose in the near future. **Alla Yazkova** writes about Moscow's ethnic policy, which has repeatedly caused deep crises in Russia and the Soviet Union.

Finally, in our *Controversy* section, Russian diplomat **Vladimir Kazimirov** and Azerbaijani political analyst **Fuad Ahundov** argue about the causes behind the deadlock in the settlement of the Nagorno-Karabakh conflict, the oldest ethnic conflict in the territory of the former Soviet Union, which erupted during the last years of the Soviet Union. The conflict is twenty years old this winter.

Our next issue will mainly focus on one subject. In May 2008, Vladimir Putin will officially step down as the president of Russia, and we will sum up some of the results of his eight years in power.

Transformation Continued

The train goes from the Socialism station to the Communism station.
Soviet poster, 1939

“Russia’s macroeconomic success over the past few years has created a feeling of euphoria among the political elite; as everything seems possible now – from social stability to modernization and an active foreign policy. Many of the problems of the previous fifteen years have gradually become insignificant. However, even this strong growth over many years has failed to solve many of the country’s pressing problems.”

Russian Modernization: Interests and Coalitions

Leonid Grigoriev

The modernization of Russian society, business and the Russian state urgently needs a broad public coalition.

Russian society realizes that the problems it is facing today are rooted not only in its Soviet past, but also in the nature of its transition period. The transition has resulted in an irreversible departure from the Communist experiment of the twentieth century and in the formation of a new Russian capitalism marked by profound inequality and broad diversification of the interests of various social groups, regions, and types and groups of businesses. Therefore, the nation as a whole should be modernized by revamping its civil society, the economy and the state. The prospects for economic growth in the country remain generally favorable, which makes it possible to set new, much more ambitious tasks.

It is also important to understand the current and long-term interests of the players taking part in the transformation, and where these interests differ or coincide. Conflicts of interests may slow down development, but a coalition of social forces in the interests of the country's modernization also suggests self-restraint; that is, making it impossible for the main players to attain their current goals in the here and now.

The general goals of Russia's modernization in 2007 largely coincide with the goals of the transformations in the late 1980s

---

Leonid Grigoriev, D. Sc. (Economics), is President of the Institute for Energy and Finance, and member of the Board of Advisors of *Russia in Global Affairs*. The article was originally published in Russian in the *Pro et Contra* journal (No. 4-5, 2007).

and early 1990s: the development of democracy, the formation of a civil society, a growth in Russian living standards toward the European level, an effective economy, the reorganization of the state in these new conditions, and a withdrawal from senseless global confrontation. In other words, Russia would like to emerge from the Soviet political system and the Cold War without lowering the country's standard of living, but while maintaining the development of science and culture, the stability of the state and the country's position in the world.

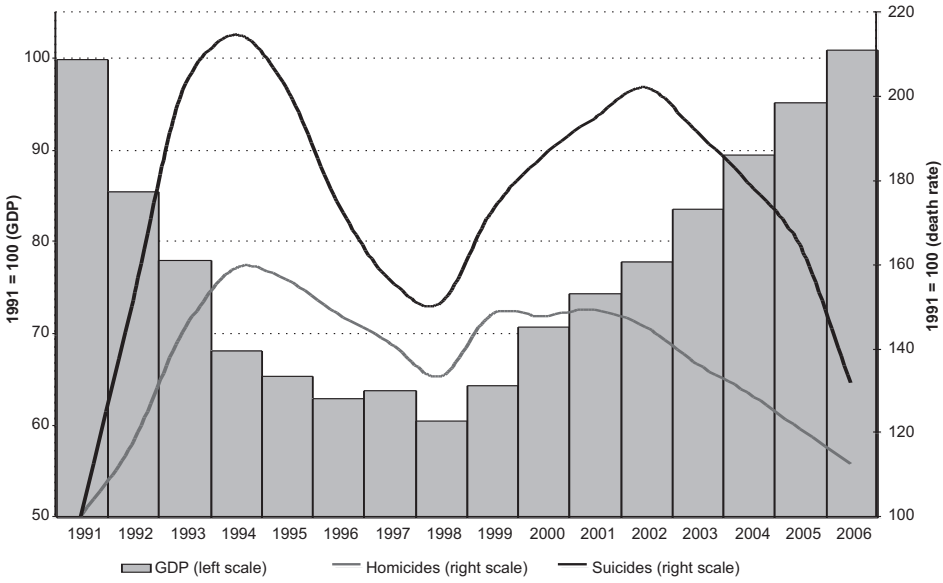
Russia, in the previous period of its history, faced the problem of "triple transition:" from the Soviet (authoritarian) state to a democracy; from a planned economy to private property and the market; and from a republic within another huge country toward an independent state. Russians under 35 years of age never experienced a planned economy and they did not live in Soviet society or in the Soviet Union (as adults). Stable economic development during a transition depends largely on the supremacy of law, political stability, security, and reliable guarantees of property rights. The combination of these three transformation processes resulted in enormous adaptation costs. The decade of crisis only briefly suppressed people's natural need for a normal social life, for a dynamic economy and an effective state. Poverty made them endure or emigrate and now a better standard of living is causing people to set higher standards for their quality of life and economic policy, and these standards will keep increasing.

Russia's macroeconomic success over the past few years has created a feeling of euphoria among the political elite; as everything seems possible now – from social stability to modernization and an active foreign policy. Many of the problems of the previous fifteen years have gradually become insignificant. The government now has the freedom to maneuver in using budgetary resources and additional funds are available for social programs, the Army and the defense sector. Leading oil, gas and steel companies have amassed huge financial resources and have actively started positioning themselves on the global market. Real personal consumption has grown at an average annual rate of 11

percent over the past eight years, or approximately 80 percent higher than in 1999.

However, even this strong growth over many years has failed to solve many of the country's pressing problems. The magnitude of these problems can be measured indirectly by a drop in GDP, which has fallen 43 percent from the 1989 level. GDP losses amount to five yearly volumes of 1989 (the maximum level) over the period from 1990 to 2007. Even if we assume that GDP will grow by two percent, GDP losses would already equal seven yearly amounts. The depth of the social crisis in the country can be illustrated by the trends for murders and suicides (Graph 1). Russia's 1998 financial default fueled a wave of depression among Russians, even though there was a quick rebound in GDP growth. The number of violent deaths only dropped to the early 1990s level by 2006.

Graph 1. Rates of murders, suicides and GDP (1991-2006)



Source: Federal State Statistics Service, estimates by the Institute for Energy and Finance

Russia lagged far behind developed democracies in many ways when the transition period began. The costs of the transition and

the severe consequences of the crisis – in particular, social costs and losses of human capital – increased this gap still further.

Two decades later, one can see what development opportunities were missed, where foreign competitors have caught up with and overtaken Russian producers, what kind of people have left the country and where they have gone. The results of global competition over these years are immense; new countries have entered a period of rapid growth, including in industries where Russia had some chances.

Russia has considerable reserves today, yet they are not large enough to implement a large-scale modernization of the country. In the current market-based world, a country can administer budgetary financing within a few percentage points of its GDP – business must make the main investment of 15 to 20 percent of GDP. The fifteen years of post-Communist development have been lost from the point of view of renovation and modernization. Forecasts for rapid modernization without adequate institutional grounds are only consoling fantasies.

Russia must now work out a development and modernization strategy for the next generation, and not just for another political cycle. Russia is hoping again for a large-scale modernization, for an improvement in people's living standards and for a respectable place in the world in the third millennium. These general goals unite all the public forces in the country, but the objective situation of individual groups makes them rivals with regard to each other, with conflicting interests.

GROWING INEQUALITY

A general growth in consumption amid economic growth stands in contrast to growing inequality. Russia has changed from a quasi-egalitarian Soviet society to a society with an Anglo-Saxon income structure over a short 17 years (see Table 1). However, it is wrong to evaluate social inequality based only on income and consumption. The available data on property is incomplete, while the huge concentration of property in Russia, to all appearances, is comparable to or even superior to the situation in major Latin American coun-

tries. This kind of social structure (especially the distribution of property and income) is supposed to be highly rigid: the concentration of wealth and poverty on the fringes of society. The Anglo-Saxon version of social inequality, even though it is characterized by a high disparity, still has chances for a vertical mobility.

The division of the Russian population into the well-to-do (20 percent), the medium income (40 percent by Russian standards) and the poor (40 percent) does not coincide with similar categories in European countries. The 40 percent medium income layer is part of the middle class in developed countries, which is a source of stability. The income and consumption levels in this group in Russia are not enough to live comfortably. This induces feelings of injustice and this group exerts pressure on employers and the state for higher social spending. The income distribution structure in Russia has gradually stabilized over the past decade: the rich 20 percent account for about 50 percent of total income (40 percent in Europe), the medium-income 40 percent range account for 35 percent (40 percent in Europe), and the poor 40 percent account for 15 percent (20 percent). It is important that the richest (10 percent) people in Latin America and Russia account for 35 percent of visible income (25 percent in Europe).

This disparity narrows the political choice for Russia: one can expect a struggle among various social programs, which may result in keeping the structure or its enhanced mobility – movement "from Latin America to the United States," rather than to Europe.

Table 1. Inequality: Income distribution of population (2005), by quintiles, %

	Russia	U.S.A.	Germany	Poland	Brazil
GDP per capita, $'000 (PPP)	12.1	43.4	31.1	14.9	9.1
First (min income)	5.5	5.4	8.5	7.5	2.6
Second	10.2	10.7	11.4	13.7	11.9
Fifth (max income)	46.4	45.8	36.9	42.2	62.1
Gini index	0.405	0.408	0.283	0.345	0.58

Source: World Bank, IMF, estimates by the Institute for Energy and Finance

Social disparity is noticeable even in Russia's developed regions, but friction is checked by a fast growth in consumption, owing to income in the private sector and to the national budget. With an average annual growth in real consumption at 11 percent, even the poorer sections of the population believe that their living standards have improved somewhat. However, there are still dangers for social stability: if overall growth rates for income and consumption slow to a moderate 3 to 5 percent, many sections of the population may find themselves in the zone of "zero consumption growth" – especially if the situation remains tense in the social sector. Therefore, a deep distribution conflict is emerging inside Russian society at its present stage of post-Soviet development.

Unfortunately, despite statements by reformers about the importance of the middle class, little has been done thus far to support the intelligentsia. The latter now has the right to go into business and to emigrate, but there is an absence of clearly stated intellectual property rights. In order to implement technological ideas, their authors still prefer to go to the West and use the services of Western innovation firms. Furthermore, the government does not protect small businesses against extortion, protection rackets or corrupt officials.

The emerging middle class is still relatively small, yet its influence and role will grow. Yet the question is how this growth will affect the socio-political processes in the country and how soon the influence of the middle class will become comparable with the "weight" of bureaucracy and big business. Most of the Russian middle class still has limited assets and limited financial stability; therefore there is not much hope for its political activity. In addition, there is a distribution conflict between groups within the middle class: businessmen must pay taxes, while scientists and the bureaucracy have quite different views on how these tax revenues should be spent.

The weakness of civil society in Russia is acknowledged not only by its active members, but also by representatives of the authorities and business. On the face of it, businesses and the authorities find life easier when civil society and its organizations

cannot exert strong pressure: the weaker public control is, the less accountability there is on the part of businesses and the authorities. In a situation like this it is easier for corporations to evade responsibility for violations of labor or environmental legislation. The local authorities find it is easier to ignore public complaints about corruption and other violations of public interests. Unpopular ministers find it is easier to "survive" in their posts. However, this "easiness" results in losses for the country in global competition and affects how state and businesses can withstand external challenges. The weakness of civil society and the limited possibilities for political competition or for influencing the decision-making process only create an illusion of peace and bring about mistrust, disappointment and cynicism among the country's citizens. Given a favorable economic situation and a growing resource rent, Russia can continue living in this way for another five to ten years, but it cannot be modernized under conditions of mistrust and social apathy (especially among businesses and the intelligentsia). A civil society is one of the foundations of a government and a partner for business. The consolidation of civil society and the improvement of citizens' well-being would mean the success of the country's transformation. Currently, however, the weakness of civil society is slowing down Russia's modernization, while inequality is a potential threat to it.

CENTER VS REGIONS

The redistribution of budget revenue from exporters of natural resources in favor of agricultural regions has a very limited impact on regional development. Some studies have revealed that such a policy has a disincentive effect on both recipients (an addiction to dependency) and donors ("the government will take away revenues all the same"). Adjusting the budget does not help to even out regional development – despite economic growth, the gap between regions is only deepening (see Table 2). There is a conflict between consumption and accumulation in economic terms – subsidy recipients use these funds largely to maintain consumption. Therefore, the transfer of financial resources from the rich to

the poor has a dual effect – donors cannot invest the resources, while the recipients become accustomed to consumption for free. In Russia, there is a strong similarity between the more and less developed regions as regards their GRP (Gross Regional Product) growth, while medium-developed regions are going along a different path. This observation points to two implications: economically weak regions have sufficient bargaining power to get a share of the country's progress through federal redistribution mechanisms; rich regions are capable of preventing this redistribution from affecting their growth rates.

Table 2. Share of regional groups in Russia in major economic indices (2000-2005), % of national totals

	Population		Gross Regional Product		Export	
	2000	2005	2000	2005	2000	2005
Metropolitan areas	14.6	15.1	27.6	29.9	30.3	39.4
Exporters	10.8	10.8	20.4	21.9	27.8	23.0
Balanced industry	27.4	27.3	24.8	22.8	25.8	20.6
Medium-developed (coastal) regions	13.9	13.9	10.7	10.0	8.7	7.6
Medium-developed (inland) regions	11.6	11.2	6.8	6.6	3.9	5.6
Less developed regions	21.7	21.7	9.7	8.7	3.5	3.8

Source: Federal State Statistics Service, estimates by the Institute for Energy and Finance

The greater the distribution spreads of income in the country, the more difficult and more intensive redistribution conflicts may be. In Russia, there is a conflict between poor sections of the population in the more developed regions, for example in metropolitan areas, and poor regions. Just as developed countries in the world have to choose between rendering aid for developing countries and financing the poor in their own societies, poor regions in Russia are also demanding redistribution and aid, but their interests often do not coincide with the general interests of the poor sections of the population in developed regions.

There are significant differences between various Russian regions regarding their economic development, institutional settings, and the conduct of local political and business elites. These differences are comparable to the global diversity of countries in the United Nations. This factor, along with the equally complex diversity of borders and neighbors, plays a crucial role in Russia's domestic policy and complicates dramatically the process of modernization. Significant regional differences and gaps in standards of living are typical of many countries, including in members of the European Union. The EU is trying to make the development levels of its members more balanced, but the gaps between these levels in EU countries are much less than the gaps among Russian regions. In Russia, the regional factor (not to mention national, religious and other peculiarities) requires balancing of very diverse interests, a system of incentives, compensation, etc.

CONTRASTS IN RUSSIAN BUSINESS

Russian capitalism has been developing in a very unusual way and it is still very far from looking like the models that many thought it would follow.

Unlike "normative" privatization, which presupposes specification of property rights and a possibility for new owners to receive guarantees of the inviolability of these rights, Russia used a method of maximum de-specification. It resulted in weaker corporate control and the concentration of huge controlling stakes (full control only at 75 percent of shares – much higher than is practiced in Western business) required for resale or for preventing hostile takeovers. The restoration of clear-cut property rights will require a great deal of time and effort. Moreover, a phenomenon of "quasi-hidden" owners has emerged, who are represented on boards of directors through nominal offshore holdings, yet these owners do exist, use their rights, manage their assets, etc.

Russia is the largest economy in which the bulk of private property belongs to offshore owners rather than to national owners. This factor explains why transactions to buy or merge companies are conducted abroad – such transactions do not affect processes of domestic fixed capital formation.

There are several categories of co-partners exercising control over production assets in Russia who want a share in income (rent). These include former and incumbent officials, shady-business figures and representatives of local administrations who took part in the initial privatization or assisted in its implementation, but who could not make legal claims and become shareholders, and who now claim that they have a right to income as hidden creditors or portfolio investors.

Due to the lack of clear-cut property rights, privatization dragged on and entered a phase of redistribution, which continues to this day. If an owner receives assets at zero value without encumbrance, he does not have much incentive to maximize the current value of these assets. It is much easier for him to resell his assets until their value reaches the market level than to bear the commercial and other risks of a strategic investor. Redistribution may take the forms of seizure, false bankruptcy, or abuses of material and procedural law in corporate conflicts.

There have never emerged millions of shareholders in Russia because of the high concentration of property, large controlling interests and offshore ownership. The Russian population is not very interested in buying shares, which is one of the obstacles to the legitimization of large amounts of private property in the eyes of citizens.

The legitimization of property acquired through privatization has slowed down greatly. A formal amnesty has already taken place: the statute of limitation for privatization transactions has expired. The government has made respective political decisions to prevent the institution of legal proceedings against violations committed over the course of privatization, but Russians still have a deep mistrust toward large private property. The vague nature of the property rights and violations committed during the transition period open up the possibility for new players, who did not participate in the distribution of assets in the 1990s, to demand some share now, specifically by using the so-called 'administrative resource.'

Many "co-partners" seek advantages that are not related to the creation of wealth and new value (rent-oriented behavior, accom-

panied by the disguising of the true owner and his income), which keeps high risks for owners. The rate of national savings stands at 33 to 35 percent of GDP for years, while the rate of accumulation only rose from 16 to 19 percent in 2001-2006. There is a surprising phenomenon at the same time: there has been capital outflow amounting to at least 10 percent of GDP a year during the last seven years along with relatively expensive and short money inside the country. The balance of payments for 2006-2007 is unusual (for other countries), as well: there is huge capital outflow which stands in contrast to a huge import of portfolio capital. Russian companies borrow heavily abroad, while Russian securities and the stock market as a whole have become attractive again for portfolio investment. However, an investment boom is not coming.

All of these factors have a negative impact on the pace of the country's modernization, increase risks for business projects, and create a feeling of dissatisfaction among the educated population and the political elite. Ministry forecasts and programs have kept their plan for the accumulated growth rate unchanged at 25 percent for the past ten years. Now the state is trying to involve big business in large-scale projects through public-private partnerships. Thus, it is actually offering a deal: reduce political risks and support the export of capital (for macroeconomic reasons the government must get rid of excess savings all the same) in exchange for cooperation in investment.

DOMINATION BY GIANTS

The emergence of two dozen Russian companies on the global arena, while Russian per head GDP is at $7,000 (or $12,000 if measured by the purchasing power parity), came as a surprise for many outside observers. The formation of a group of national giants in Russia is following the path earlier taken by other mid-developed countries (Brazil and Spain), yet the industry diversity is much broader. Together with large companies from India, China and Brazil, Russian business is entering the fast-growing second tier of world corporations. By using their natural advantages, they are making their way into the ranks of the global majors. These advantages naturally include government support, as it happened

during the advancement onto global markets – half a century ago and now – of large companies of member countries of the Organization for Economic Cooperation and Development, among them Airbus, Statoil, Air France or South Korea's chaebols. The consolidation of Russian companies in the aluminum, shipbuilding and aircraft industries and their emergence as world heavyweights in their respective sectors is in line with global trends.

The performance indicators of Russia's leading companies (see Table 3) largely resemble figures for U.S. companies during the first few decades of the twentieth century, which were marked by a high concentration of capital and savings. Unlike small businesses, which are unable to effectively resist the bureaucracy, large companies are better protected against corruption and can prevent the diversion of their funds from investing. At the same time, the consolidation of the public sector in large-scale industry may provoke a conflict of interests in such a sensitive area as property rights, which shapes the vector of development.

Table 3. The share of the 10 largest companies in some countries (2006, % of GDP)

	Sales	Net profits	Market capitalization
Russia	28.9	5.1	66.7
U.S.A.	14.1	0.9	13.0
Germany	34.8	2.6	20.2
Brazil	19.7	2.5	27.9

Source: Financial Times, Forbes, estimates by the Institute for Energy and Finance

The domination of giants complicates the performance of medium-sized regional and small businesses. The latter suffer because their interests are ignored by officials and large companies. Meanwhile, small business is a natural occupation for the active part of the population and immigrants and it needs a special economic environment and the restoration of pre-Soviet forms of relations with the population and the state, especially regional and local authorities. The problem of developing medium-sized business is related to foreign competition and access to financing on

domestic markets, which is more expensive and short-term. Small and medium-sized businesses gradually take root in a free economic space. If the rent-oriented behavior of large local companies and the authorities does not slow down the legalization and the development of competition, the development of small and medium-sized business will promote the growth of the national economy, accelerate vertical social mobility, and may liberalize economic activity from bureaucratic oppression. The legalization of small businesses depends primarily on the nature of taxation and on the reduction of unofficially paid rent and corruption. Businesses cannot function normally if they have to pay "double taxes" – the official one is paid to the state, and the other, unofficial one is paid as "protection money" to racketeers.

The government acted as a generator of formal institutions during the transition period. Simultaneously, the government as a reformer observed the emergence of informal market and property rights institutions, apparently failing to keep pace with the course of events. The need to transform state institutions amid a deep and multifaceted crisis caused difficult problems for the new state and its apparatus. One such problem was the initial impoverishment of the bureaucracy, which had previously belonged to a relatively privileged group. One can say that at the start of the reforms Russia had a reformer-government (whether it succeeded or not is another matter), but did not have a government that would be capable to regulate economic activity.

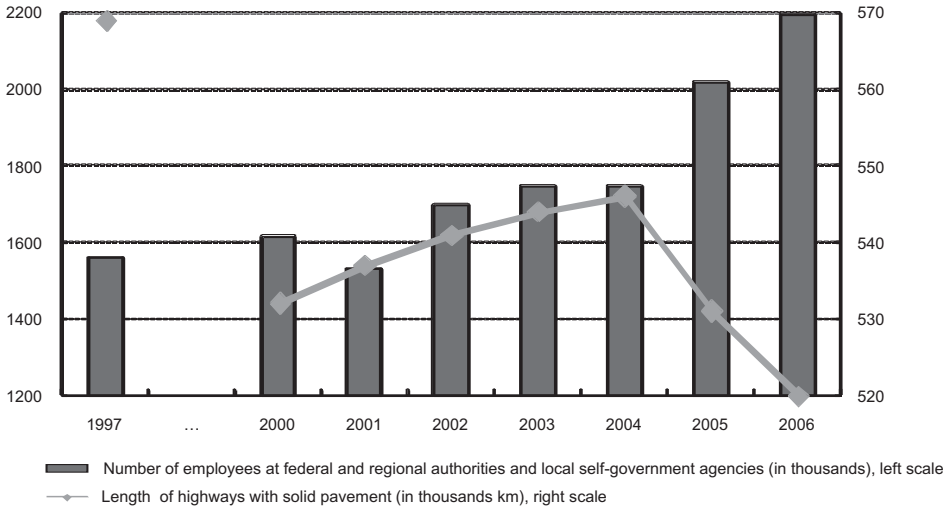
Decision-making was ineffective because of an internal struggle for power and influence and because of difficulties involved in the formation of a new elite, which is inevitable in a new state. Additional difficulties were caused by the conflict of interests between the new business class and the old *nomenklatura*, as well as by the interference of regional elites. Plans for the first few years of reforms reflected "institutional nihilism." Conflicting interests were not understood and formulated, and no attempts were made to link formal institutions with the real behavior of economic agents. In those years the people still believed that the market would itself form a basis for effective economic management. The

vacuum of institutions was in many ways filled with chaos; the dominant positions were taken by various informal institutions, which now will have to be painfully reformed.

The later strengthening of the state changed the balance of forces and the state apparatus began to grow again. The federal apparatus increased from 377,000 to 593,000 employees in the period from 2001 to 2005 alone, while the number of executive agencies grew from 60 to 84. The number of federal officials (not including law enforcement agencies or in the Armed Forces) increased 20 percent in 2005 (and 29 percent since 2001). The ratio of this number to the total number of employees in the country grew from 2.6 percent to 4.15 percent. In 2006, the total number of civil servants in Russia increased by another 8 percent. A growing economy makes such enhanced regulation unnecessary, while administrative barriers and bureaucratization are the main obstacles to modernization. Business administrative costs are still high and the number of supervisors and their powers and rights keep growing. Meanwhile, innovative-based development presupposes maximum freedom for scientific and social creativity and a high level of vertical mobility. Graph 2 illustrates not so much the growing number of civil servants as the ineffectiveness of the government apparatus. Highways are complex facilities which require stable property rights, transparency of the nature of financing and management principles, as well as a balance of interests between users and the authorities. The fact that amid intensive economic growth the number of highways has not only failed to increase, but has even begun to decrease is a clear indication of inadequacy of the institutional basis of the investment process in the country.

There is no doubt that a strong state is needed to implement the chosen policy and oppose special interest and lobbying groups. Many problems of development and modernization cannot be solved without a full-fledged government. At the same time, one should not mix up the interests of the state and those of bureaucrats who now seek growing and excessive control (that is, control that is not necessary for effective market operation), which increases business costs and impedes productive investments.

Graph 2. The number of government officials and the length of highways with solid pavement (2000-2006)



Source: Federal State Statistics Service, estimates by the Institute for Energy and Finance

Corruption has become a national problem, while mistrust toward government agencies and officials at various levels inevitably reduces the effectiveness of governance. Universal corruption is now viewed as a norm, which is making the public even less hopeful for legal solutions to even simple problems. The implementation of laws, even the most reasonable ones, is still a problem in Russia. New legislation is often passed hastily without considering the possible side effects and long-term consequences. Occasional campaigns against individual corrupt officials cannot change the situation. Moreover, the repetition of such campaigns, especially if they fail to produce stable positive results, will require ever more political and other resources.

A strong state is an engine of development, but a state that is too strong is a bureaucratic brake. Attempts to put social development and businesses under bureaucratic control weaken the innovation potentials of both and complicate the solution of national problems. The reformer-government will still have something to

do for the foreseeable future: its task is to prevent the state regulation from "cutting off oxygen" to innovations. The state must increase the effectiveness of governance in the next decade, reduce corruption, and see to it that laws are implemented and that the actions of government and executive agencies are predictable.

COALITIONS FOR THE COUNTRY'S MODERNIZATION

Creating a large and long-term coalition for modernization in democratic conditions is an extremely difficult task. A strong leader might play an important role initially, but later the significance of social forces grows. A technocratic implementation of reforms and strategies has its limits – sooner or later the voice of large social groups must be heard.

In stable democracies with a mature market economy, there is a consensus on basic principles for the social and state systems among an overwhelming majority of citizens, regardless of their party affiliation. In Russia, where there is still no consensus on such issues, there is a need to take into consideration the interests of many social groups, which may differ essentially or even conflict. The political parties in the country are unable to consolidate and express group interests.[1]

---

[1] The programs of Russian political parties do not differ much from each other, especially in election years. All parties recognize the existing problems and difficulties and promise to solve them, not saying a word though about the timeframes, the costs of reforms or how compatible the different goals are. They almost never analyze issues pertaining to the establishment of social coalitions that could support potentially painful reforms and do not mention the need for accord among various social forces. In fact, their programs imply different goals and different methods and instruments for achieving them.

Political parties oversimplify the tasks facing the country and focus in their programs on the public's well-being, which sounds noble but is not nearly enough. The emphasis on the redistribution processes might bring about rent-seeking attitudes, a waste of resources, and attempts to please everyone and miss out on the chance to modernize the country.

The set of expectations in society and the nature of demands by individual groups may significantly change under the influence of political interests and as the situation changes. Therefore, coalitions may be fluid and change their configuration. Accordingly, the implementation of one or another strategy supposes the creation and maintenance of a broad coalition. For example, a coalition of social forces against corruption may be the most popular and most useful one from the point of view of modernization of both society and the state.

The interests of various social forces may differ considerably. There are dozens of goals for the country's development, various limitations and conflicts of interests (see Table 4). Yet one must form a coalition of political forces and ensure support for the public and various (competing) business groups in order to maintain a modernization choice for a long time — the most desirable but, unfortunately, not the most likely scenario for Russia.

Table 4. Variety of interests and coalition formation

Groups \ Subjects	Increasing non-oil budget revenues	The country's image abroad	Investment in modernization	Fighting corruption
Intellectual elite	+	!	!	!
Political class	!	!	+	!
Federal government	!	!	!	+
Rich regions	=	!	!	+
Poor regions	!	=	=	+
Big business	=	!	!	+
Regional business	=	+	+	!
Small business	=	=	=	!
Upper class – 20%	=	+	!	+
"Middle groups" – 40%	+	+	!	!
Poor – 40%	!	=	=	!

! – extremely important; **+** – important; **=** – not so important

Source: author's judgment based on public opinion surveys

The specific socio-economic development and the current political conditions suggest that events in Russia may develop according to various scenarios.

The "Renter" scenario is an attempt to go on living on rent. Various groups in society eagerly support this strategy as long as the federal authorities can continue distributing resources. Under this scenario, modernization is pushed to the background, while there may not be enough resources for everyone; moreover, in case of an external shock (a fall in export revenues or financial turmoil) the risk of a redistribution conflict grows markedly.

The (neo)mobilization scenario is based on the concentration of resources in critical (presumably correctly chosen) sectors, such as the implementation of infrastructure projects, or efforts to increase Russia's economic influence in the world. This scenario presupposes large-scale involvement of the state budget financing and state-owned companies and development institutions, as well as semi-compulsory private-state partnerships. The main problem of this approach is the low efficiency of a big government, coupled with a high concentration of resources, which must be maintained for a long time.

The inertia scenario is tactical maneuvering among interest groups, where problems are addressed when they become acute. This is constant maneuvering between populism with the distribution of subsidies and partial mobilization, and attempts to continue the reform of market institutions in order to meet the interests of various social groups in addressing the most pressing tactical tasks. There is not much of a chance for strategic success under this scenario, yet it makes it possible to meet the requirements of the stronger social coalitions or to suppress emerging threats.

The modernization scenario enjoys wide support in word and has no opponents, yet everyone understands it in their own way. To date, this strategy is the most difficult one for all participants, and therefore it is not very likely that it will be implemented. The modernization scenario presupposes high costs for some of the players, while the positive effects for the country and the economy are not immediate and require some patience from both pop-

ulation and elites. Modernization is impossible without a strong civil society, joint progress of market and state institutions, and effective business. Since the modernization of the country and its search for a place in the world will take a generation, a broad coalition – the support base of this project – must exist for a long period of time, although its composition may change.

If the emergence and maintenance of such a coalition is possible – which is not at all obvious – this scenario would be a more reliable basis for modernization than a "benevolent dictator." However, the New Deal Coalition of Franklin D. Roosevelt, created in the 1930s, united such unlikely allies as southern whites, urban liberal intellectuals, Trade Unions, poor blacks in large northern cities, Poles and Italians, Catholics and Jews, etc. In Russia, the combination of its deep problems, large national ambitions and the consequences of the all-embracing crisis causes natural skepticism about the feasibility of the modernization scenario.

The first three scenarios would lead the country into a deadlock and each would involve its own group of risks. Although they do not pose any immediate critical threats, they do not solve the main problem of the country either, namely universal modernization and advancing to a new level of development. Attempts to overcome a serious crisis and launch the process of modernization can be compared to trying to climb out of a deep well. Neither the state, nor business nor civil society can climb out on its own. The three forces will only be able to move upward if they realize that they must pool their efforts to transform the country, keeping in mind that they should not try to climb over each other, or they will fall back down into the well.

A New Chance For a Hopeless Cause

Dmitry Furman

Tsarist Russia, Europe's last monarchy that vehemently rejected the introduction of a Constitution, gave birth naturally to revolutionaries. The latter drew their inspiration – and partial support – from the West. But Western democracies, which were not completely developed and marred by social problems at the time, were not the ideal. The revolutionaries copied their guidelines from the critical and utopian social ideologies produced in the West rather than from the Western reality of the day. They had faith in the "creative powers of the Russian nation" that would certainly build a freer and more progressive society than Western society once it was liberated. The Russians did not envy the West back then. On the contrary, they expected that the West would envy them.

The principles of organizing and building a refined new society were subject to endless and bitter debates among the revolutionaries, but the much-cherished goal fostered in them a readiness to die and, more importantly, to kill. Then the revolution came at last (and although the revolutionaries fought for its earliest arrival, it many ways it came out of the blue). One of the revolutionary factions managed to grab all the power and started implementing its ideas. What it produced was a totalitarian Soviet

---

Dmitry Furman, Doctor of History and Professor, is chief researcher at the Institute of European Studies at the Russian Academy of Sciences. This article was originally published in Russian in the *Nezavisimaya Gazeta* newspaper on November 14, 2007.

system that initially annihilated millions of Russians, then sank into a senile degeneracy and slumber.

THE CRUSHING OF THE MONOLITH

Although Tsarist rule gave birth to revolutionaries, Soviet power brought to life the dissidents who, with certain reservations, can be discussed in terms of being the functional equivalents of the revolutionaries. Both forces resolutely denied the repressive undemocratic government and even went farther than mere denial as they translated it into action. But along with it, the dissidents had as many differences with the revolutionaries as the Soviet system had with the Tsarist one.

Soviet rule was harsher and more repressive than Tsarist rule, especially in the first half of its history, but it still marked a step forward compared with Tsarist traditionalism. It supported some modern values, like development, equality and democracy, albeit in a distorted form. The dissident ideology also signaled a positive movement versus revolutionary ideology, but it was as painful and contorted as the Soviet system was against the Tsarist system.

The dissidents were free of the revolutionary utopianism and dogmatism that underlaid the bloody history of the early Soviet government. They did not think that Russia should display a kind of especially beautiful state rule to the world. They simply dreamt of restructuring Russia into a "normal" contemporary society. They found their ideal not so much in the future than in the geographic space, i.e. in the West, which had built stable democratic societies by that time and had stopped emanating utopian ideologies, which were inspirational for revolutionaries. The dissidents lived in a totalitarian system that had arisen out of a popular revolution and they could not dream of another revolution of this kind. They felt rather apprehensive about the "people's creative power," which had shown its worth in 1917.

Yet this smaller utopianism of dissident mentality had a reverse side of its own. While the dissidents did not seek revolution, they did not have any distinguishable ideas (right or wrong) of their own about how Soviet society could attain freedom or whether it could

become free at all. They hated Soviet power, but they thought it to be a monolith. About ten years before the downfall of Communism, Alexander Solzhenitsyn scared the West by saying that the Soviet Union and the Communists would grab it "with bare hands." The dissident writer Andrei Amalrik pinned vague hopes tainted with fear only on a war between Russia and China. The dissidents fought against Soviet power by living "outside the realm of lies," but they did not fight for power. They were free of the utopianism of their predecessors, but their protest was much more passive, individualistic and unpromising than that of the revolutionaries.

The dissidents' pro-Western orientation also had negative aspects from the point of view of the transformation of Soviet society. They treated the West better than the revolutionaries did and likewise the West treated them much better. The West lured the dissident quarters that did not see any encouraging social prospects in their home country, but saw fair prospects for themselves in the West. Thus they weakened Soviet society's ability to transform. I personally try to imagine sometimes what would have happened to Russia if Lenin, when he was in exile, had gotten a prestigious lecturing job in the West with a good salary and had introduced academic courses under titles echoing his two fundamental works – "Materialism and Empirio-Criticism" and "The Development of Capitalism in Russia."

"Genuine dissidents" were few in number – even fewer than "genuine revolutionaries," but hundreds of thousands of people had a revolutionary consciousness complex and, as the *perestroika* era revealed, millions had a dissident mentality. Moreover, people who shared the dissidents' vision of the world, but who preferred to live their lives in peace, found their material well-being and careers everywhere, including in the Central Committee of the Soviet Communist Party and even with the KGB. Naturally, dissident quarters were not aware of this. The fall of the Soviet system was much more unexpected for believers of the dissident ideological complex than the downfall of the Tsar was for the revolutionaries. These quarters could also not imagine the form of that fall. The situation in 1991, when a struggle developed between the

General Secretary of the CPSU, an advocate of a gradual drift toward democracy and the market, and the allies of a recent secessionist from the Politburo, who called for an immediate breakaway from the Communist past and a rapid transition to a Western-style society, would not have been conceivable to any dissident even a couple of years before that.

THE POST-SOVIET AS THE SOVIET

People with a dissident mindset, if not dissidents themselves (they were too few, and many of them had settled in the West by the time), came to power in 1991. While the victory of the revolutionaries brought Soviet power to life, the victory of the dissident democrats eventually gave rise to Vladimir Putin's Russia. The slogans of freedom and democracy in 1917 accompanied the start of the construction of a system, which in many respects was more repressive than Tsarism. Similarly, Russia began to build a political system in 1991 that is acquiring increasingly more Soviet-like traits.

Once again, the specific mentality of the revolutionaries had an imprint of Tsarist power and was an important medium in transmitting the traits of Tsarism into Soviet rule. The specificity of the dissident mentality was in the same measure rooted in the Soviet system and it, too, facilitated the transmission of Soviet traits into post-Soviet reality.

First of all, there was a natural but overly swift and smooth transition from a feeling of total impasse, borne out by the totalitarian system but absolutely unjustified as one could see later, to unbridled and equally unjustified expectations. This transition was coupled with the fear that one might miss a windfall opportunity and miss it forever, as if the Soviet Union might continue to exist infinitely if it were not crushed in 1991. This feeling instigated a rush to destroy the old system without any thought to the aftermath the destruction would have for the people or to what kind of a new system would replace it. That was a compensation (not on the part of "genuine dissidents" of course, but millions of passive believers of the dissident complex) for a previous passivity and time served. This gave way to hectic activity, ideological rigor and

dogmatism. All of this was seen in ardent calls on the part of former members of the Communist Party to ban the party and in the fact that the former chief of the Central Committee's ideology department had turned into the main anti-Communist. It is noteworthy that the fight against totalitarianism was replaced by a fight against the much-hated symbols of the totalitarian past. The trick was that the situation allowed, quite invisibly for the fighters, the restoration of the very same past under the cover of new vestments. One should remember that the struggle against the Communists was carried out using purely Communist methods. Furthermore, there were many other reflections of the Soviet totalitarian system in the mentality of people who rejected the Soviets in an overtly totalitarian way. As a consequence, the more radically the symbols changed, the faster the previous content returned.

For many democrats who have been pushed to the sidelines of political life and who cast fearful glances at the end product of their doing, Putin has taken on the role of a carrier of evil who has sprung out of nowhere. This is largely the same role that Stalin was assigned in the reflections of many revolutionaries who were stunned to see what the Soviet system had grown into. Yet Putin is a legitimate successor to the events of 1991. He succeeded the chieftain of the dissident revolution and he himself was an aide to one of its leaders, St. Petersburg Governor Anatoly Sobchak. It was not Putin who founded the existing system; it was those who emerged victorious in 1991, 1993 and 1996.

The post-Soviet system has acquired its finishing touches now and it replicates the Soviet one in minute details. We have come to the point where distinguished textile workers praise Putin at "history-making" congresses of the party, a point where people hailing from the security services, including the former persecutors of dissidents in the KGB, dominate the national leadership, and where the Ministry of Culture fights with a new form of art "alien to the masses of people."

But a return to the past means a rebirth of intellectual dissent as an element immanent for the past. If "distinguished textile

workers" are back in place, then we cannot but get new "renegades" and "neo-dissidents."

PSYCHOLOGY OF DESPAIR

Still, everything is much milder "at the new turn of the spiral," and it looks like many of the achievements of *perestroika* will remain forever. The democrats – the representatives of the dissident mentality – can gather openly now instead of crowding into tiny Soviet-era kitchens. They can travel abroad, take part in political life, and join legal, although powerless, political parties. Nonetheless, many traits of the dissident ideological and psychological complexes come into light quickly in all of that activity, including the operation of political parties.

Like Soviet dissidents, the democratic neo-dissidents have a super-strong sense of protest and, simultaneously, a strong sense of hopelessness. And, similarly, they do not have any strategy for a transition to democracy. Their actions are far more expressive than cleverly thought out. The best the democrats can dream of is to get a tiny and powerless minority in the powerless State Duma (and the way that the democrats nominate the top three candidates for their electoral lists suggests that they do not even think seriously about that). The inability to unite also stems from this. Entering blocs and finding compromises makes sense only if you have a goal that can be reached through compromise, but when there is no goal in sight, compromises are not needed, in which case it is much more reasonable to search for a compromise with the authorities and thus get some functional dividends.

The neo-dissidents' psychological status is even worse in some aspects than that of Soviet-era dissidents. The problem is that the dissidents could attribute all evils to the "1917 disaster," which could be explained by circumstantial factors and Russia's huge "misfortune." No one knew how to get rid of Communism. Then Communism fell, and now everything has come back full circle. This means that the root causes do not lie either in Communism or in a concurrence of circumstances but, rather, in the country as such, in society and in the people. A nation and a country like

this are hopeless, and that is why the democrats' position is hopeless, and the prospects for democracy are hopeless too.

There are many more people now who share one form or another of the dissident mentality than those who attend democratic meetings and vote for democratic parties (and why on earth should one vote for parties that simply cannot do anything?) – the same way that "semi-dissidents" or "dissidents at the bottom of their hearts" prevailed numerically over "genuine dissidents" in the past. One can also find neo-dissidents everywhere. And the more the government's degeneracy grows, the bigger their army will be.

THE NEXT ATTEMPT

A resurgence of the dissident feeling of powerlessness after the euphoria of *perestroika* and the early years of Boris Yeltsin's presidency is a natural process and a necessary element of the lessons that should be drawn from Russia's recent experience. It is true that the root cause does not lie in Communism, or at least in Communism alone, but in the country as such and the nation. Russia is moving toward democracy along a bumpy and curvy road and the things that are so simple for others (like electing their own governments) come painfully and slowly to Russians. However, the experience Russia gained in the 1980s and 1990s has a reverse side, which Russians are only somewhat aware of now.

First, *perestroika* and the events of 1991 showed that the seemingly invincible Soviet power was a Colossus on clay feet, and I am not at all sure that we have developed a deeper and better understanding of this country than we had at the end of the Soviet epoch and during *perestroika*. It cannot be ruled out that a chance to move over to democracy is much closer and will turn up unexpectedly and in an unexpected form, quite like the chance for *perestroika* sprang up. Generally speaking, sudden finales seem to be immanent for the systems with "no-alternative" rule and blocked feedback from the nation.

Second, past experience shows that although people were not prepared by and large for democracy, democratic ideas were not

at all alien to them. The majority of voters supported *perestroika* and, more than that, they voted for Yeltsin's pro-dissident ideology in 1991. The fact that the population started voting for the Communists and then developed a passion for Putin after the horrors which the country suffered in the 1990s seems to be natural.

Third, the special features of dissident mentality that make up an essential element of the entire cyclic process Russia has lived through played as much a crucial role in the defeat of democracy as the specificity of revolutionaries' consciousness played in the replication of the worst aspects of Tsarism in Soviet power. But since the specialty of democratic mentality was a vital determining element of development that has paved the way to the current system, changes in it will mean that the next phase of transition to democracy will have results different from the previous two attempts.

No one can tell when a new chance for this will emerge or what form the transition will take, but there is hardly any doubt that this chance will appear and that this might happen in the short term (whatever the self-identical nature of Russia's path, it cannot be self-identical in the twenty-first century to the degree that would see an endless chain of presidents handing over state power to one another). But an early transition is not the most important factor. It is essential that a new chance should not unleash a new cycle similar to the previous ones. In a non-democratic system its rejection cannot but contain the painful features of the latter. One cannot discard them altogether anyway and they will continue to surface in some form. And yet, knowing these cycles means that one has come to terms with one's own past and can now be vigilant and control oneself.

Russia's Multi-Layered Ethnic Policies

Alla Yazkova

One of the key topics in international policies at the beginning of the 21st century has been the way that various ethnic groups are moving toward self-realization and how this affects the stability of multicultural countries.

On the one hand, the break-up of the former Yugoslavia is continuing and there have been no signs of progress in the settlement of frozen conflicts in the territory of the former Soviet Union.

On the other hand, a local nationalistic party, which has called for a referendum on secession from the United Kingdom, has won election in Scotland, while a prosperous Belgium is falling deeper and deeper into a wrangle between two constituent nationalities.

These and many other instances show that it is very difficult to identify an efficacious model of coexistence among various peoples in a single state – a task that is especially significant for the Russian Federation.

THE EVOLUTION OF RUSSIA'S ETHNIC AND RELIGIOUS COMPOSITION

Russia took shape as a multiethnic power over many centuries for a number of historical reasons. The peoples in the Russian Empire differed from one another in language as well as in their way of life, cultural traditions, levels of social and economic development

---

Alla Yazkova, D. Sc. (History), is chief research associate at the Institute of European Studies of the Russian Academy of Sciences. This article was prepared with the assistance of the grant RGNF 07-03-02052a.

and, last but not least, religion. The national census of 1897 showed that Eastern Orthodox Christians made up 70.8 percent of the total population, Roman Catholics consisted of 8.9 percent and Moslems accounted for 8.7 percent. In rare exceptions (like Finland, Poland or Bukhara) the empire's ethnic groups were split among the *gubernias,* or administrative districts, and did not have their own 'administrative' territories. It cannot be ruled out that a nation state in which a synthesis of numerous ethnic groups would produce a civil (rather than an ethnic) nation might have taken shape over time in Russia. One must consider the fact that non-Russian (non-Slavic) peoples have always played a strong role in the formation of Russian statehood and culture.

Contemporary Russians are not simply the descendants of people from Kievan Rus, Novgorod, Pskov or Muscovy. They have a mix of Slavic, Tatar and Scandinavian blood in their veins. They assimilated numerous Finno-Ugric and nomadic tribes and also incorporated the blood of Germans, Swedes, the Scotch, as well as people from Central Europe, the Balkans and the Middle East, who came to Russia to serve the Tsars. This made Russia one of the few countries in the world where the melting pot produced a strongly coherent Russian ethnos at previous stages in history. This ethnos gave shape to the Russian state, which incorporated other nations, whether they possessed their own statehoods or not.

How did the political parties and movements of a hundred years ago view Russia's national and state structure at a time when the crisis of the state model had become all too obvious?

The Octobrist Party that represented right-wing Russian liberalism – big landowners, traders and industrialists – claimed that "fending of the unity of Russia's political body and the maintenance of the historically grounded unitary nature of the state system" is "a vital condition for building up Russia's external might and internal flourishing."

In contrast to this, the liberal Constitutional Democrats (Kadets) Party recognized the right of the peoples populating the empire to choose self-determination, although it limited this right to cultural self-determination within the unitary state.

Both wings of Russia's Workers Social Democratic Party (the Bolsheviks and the Mensheviks) proclaimed the right to self-determination, but initially saw it as broad local self-government.

The ruin of the Russian Empire and the subsequent formation of the Soviet Union changed the character of ethnic policies in a radical way. In the first phase of the struggle against Tsarism, Vladimir Lenin believed in the importance of keeping the unitary state intact. "We object to a federation as such," he insisted in a letter to Stepan Shaumian [a Russian revolutionary leader in the Caucasus – Ed.] in December 1913. "A federation loosens economic ties and offers a poor option for a united country."

In the period between the February and October revolutions in 1917, the idea of a federal structure for the future Russia was mostly promulgated by national parties and movements. "Freedom is inseparable from federation, and a changeover to federalism offers the only salvation for Russia," claimed Mikhail Grushevsky, the leader of Ukraine's Central Rada. Leaders of other national movements showed solidarity with him. The idea also found support with the Provisional Government – with a reservation that it deemed the issue subject to resolution by the Constituent Assembly.

As for Lenin, a sober analysis of the overly complicated ethnic and national processes shook his initial notions about the advantages of a centralized unitary state. A need for support on behalf of politicians from ethnic provinces of the former empire emerged after October 1917 and the Civil War. This unavoidably implied a federation and legitimized the arrival of 'ethnic state entities' and 'ethnic cultural autonomies'. And yet, a significant number of Lenin's associates (except for the ones from ethnic provinces) appeared to be unready to accept his interpretations.

Theoretic precepts aimed at recognition of territorial self-government of nations and ethnic groups in the format of a single statehood (or Joseph Stalin's idea of autonomization) prevailed in the process of setting up the Soviet Union. One can assume today that Stalin, who insisted on implementing such ideas, was convinced already at that stage of the importance of rebuilding 'a

united and indivisible Russian Empire' (something where he showed an astounding unity with Russian émigré leaders) and espoused the thesis that ethnic issues were subordinate to the problem of maintaining power.

Further promotion of what Abdurakhman Avtorkhanov [a Soviet-era dissident – Ed.] labeled as an 'ideocratic' empire was fuelled by the idea of a 'great power' and the arrogance toward ethnic minorities that prevailed in the consciousness of various sections of society. In an obvious contradiction to a "class approach" to political processes, explanations appeared insisting that Russia's successful expansionism in the 18th and 19th centuries rested on its special missionary qualities (this tendency strengthened in the 1930s and the 1940s).

As a result, the Soviet Union took the shape of an extraordinary amalgamation of 'titular nations'. Some ethnic groups received limited statehood of one type and other nations got another type, while some did not get any statehood at all or were even stripped of their statehood altogether. The hierarchic subordination of union republics and autonomous republics increased the complexity of the situation. Moreover, 'titular nations' did not always dominate the ethnic scene in the republics named after them. According to the 1989 census, only ten nations made up two-thirds or a greater share of the population in 53 republican and autonomous entities of the Soviet Union. The 'titular' population varied from 30 percent to 50 percent of the total in eleven cases, from 20 percent to 30 percent in four cases, from 10 percent to 20 percent in nine cases, and from 0.45 percent to 10 percent in fourteen cases. On the whole, 60 million Soviets lived outside the territorial entities carrying the title names of their nationalities.

Ethnic Russians live in all parts of the Russian Federation and prevail numerically over others in most regions and cities. Other major nationalities are Tatars (5.5 million), Chuvashes (1.8 million), Bashkirs (1.3 million), Mordvins (1.07 million), Chechens (899,000 prior to 1994), and Germans (842,100 prior to 1990). Russia also has 4.4 million Ukrainians and 1.2 million Belarusians. At the same time, some small ethnic groups of the

Far East (Orochs, Aleuts, and Negidals) and in the North Caucasus (Shapsugs) number only a few hundred each.

Russia's ethnic groups not only vary in population and the presence or lack of autonomous entities, but also in what concerns the type of economic and cultural activity, as well as social and professional structure. The areas where they reside do not coincide almost everywhere with the administrative borders of autonomies. There are millions of people from mixed marriages or members of ethnically heterogeneous families. After generations of living side by side with ethnic Russians, almost all non-Russian ethnic groups have experienced the strong impact of Russian culture and have a substantial command of the Russian language.

Soviet policy toward ethnic groups that did not have their own autonomous entities was marked by contradiction. On the one hand, the authorities made exhibitory efforts to "raise the cultural level and economy of backwater people" and enlighten them in Russian culture and the written language, but the authorities also ignored the self-identical and unique cultural values of these ethnic groups, which were lost eventually.

The position of the Russian Soviet Federated Socialist Republic within the Soviet Union was also dubious. Being the pillar of the union state's center, it lost its independence to a large degree. Its government agencies were fictitious in many ways and even the ruling Communist Party did not have its own separate leadership in Russia.

RUSSIA'S EXPERIENCE IN THE 1990s

The situation changed in 1990 with Boris Yeltsin's election as chairman (speaker) of the then Supreme Soviet of the RSFSR. He advocated an expansion of powers for union republics and, in essence, propelled the idea of a loose confederation or a union of states on the basis of an agreement wherein they would delegate a rather limited scope of powers to the federal center. After the disintegration of the Soviet Union, he offered the same pattern to autonomous entities in Russia, labeling it by the famous slogan 'Take as Much Sovereignty as You Can Swallow!'

Russia's policies toward nationalities started acquiring new parameters amid conditions of a growing civic society and a developing market economy, and this was reflected in the abolition of ungrounded legislative acts that encroached on the rights of separate ethnic groups. The Law on the Rehabilitation of Repressed Peoples, adopted in April 1991, helped the then leaders of the RSFSR win over to their side numerous supporters from among those ethnic groups. It is also true, though, that the law was drafted hastily and without taking account of the existing reality, which bore out a series of new contradictions afterwards.

After getting considerable privileges in the course of drafting a new Union Treaty (the so-called 'Novo-Ogaryovo process'), a number of former Soviet autonomies spoke out against the State Committee for the Emergency Situation that abortively dislodged Mikhail Gorbachev in a coup attempt in 1991. At the same time, conservatives in the union state's ruling milieu whipped up separatist tendencies among the leaders of Abkhazia and the Dniester region in a bid to use them as instruments to keep the nationalistic pro-Communist structures there in power and to counteract Georgia's and Moldova's central governments.

The Federation Treaty of March 1992 mapped out the general contours of the country's ethnic policy, while the constitution adopted in December 1993 put them into context. It declares ***the multi-ethnic people of Russia to be the only carrier of Russia's sovereignty*** and says that any actions taken by separate agencies of power or expressions of will by constituent republics representing only a ***part*** of the multi-ethnic country cannot be viewed as legitimate actions. In the light of this, proclamation of sovereignty by separate republics that did not have the support of ***the entire multi-ethnic people*** runs counter to the constitution, although such proclamations could be found in the basic laws of the majority of ethnic republics (with the exception of Ingushetia, Kalmykia and Karelia).

All the constituent territories enjoy equal rights and exist within a unified legal territory. The constitution left the former names of ethnic constituents intact – a fact that the authorities explained

by the willingness to keep historical continuity. The constitutions that these republics adopted in the first half of the 1990s are elements of the overall legal system and must correspond to basic law, although actual practice exposed a number of contradictions between republican and federal legislative acts.

For instance, the constitutions in some republics (Saha-Yakutia, Tyva, Tatarstan, Bashkortostan, Buryatia, and Dagestan) declared their soil, mineral resources, water, flora and fauna to be the national heritage (property) of peoples living on relevant territories. As for state languages, the constitutions of all the republics except Chechnya and Tyva included regulations conforming to Article 68 of Russia's Federal Constitution. In Tyva, Tyvan has been declared the only legitimate state language, while Russian has been named the federal state language. Discrepancies of this kind could be partly explained for by inconsistency in a range of provisions of the Federation Treaty and the federal constitution.

The "asymmetric federation" the constitution envisioned was one way to keep the territorial integrity of the Russian Federation. This concept was featured in agreements between the appropriate state agencies of the federation and separate constituent territories in 1994 and 1995. Meanwhile, the drafting of agreements with ethnic republics brought to light a conflict between the federal authorities and constituents having no republican status – regions (*oblasts*) and territories (*krais*). They openly protested against the redistribution of national revenues in favor of 'backward ethnic provinces' occupying more than 50 percent of Russia's territory and viewed this practice as an unfair part of the Soviet legacy.

'Ethnic provinces' more often than not surpass Russia's historical central regions in terms of mineral wealth. For instance, Yakutia accounts for 99 percent of all diamonds produced in the country, 24 percent of the gold and the territory has 33 percent of Russia's tin reserves. It also has huge deposits of coal, oil and natural gas. As for ethnic republics, they complained that they had had no power previously to handle at their discretion the resources allocated for education and that education had been provided in

Russian without their consent (the networks of schools teaching in the main ethnic languages were only relatively well developed in Tatarstan and Yakutia).

In the final run, the regions and territories managed to attain a leveling of rights of all the constituents, a dropping of the word 'sovereign' from use with regard to the republics, and elimination of a provision in the federal constitution that gave the republics rights ranging up to secession. At the same time, the federal center put forward a compromise idea, on the basis of which a Law on National and Cultural Autonomy was endorsed in 1996. It granted ethnic communities the right to maintain, develop and use vernacular languages, to choose a language to speak at home and for education, and to preserve and promote ethnic culture. It also granted ethnic cultural autonomies the right to get allocations from the federal budget for socially significant ethnic and cultural development programs.

However, Alexander Osipov from the Center for Independent Sociological Research insists that the ethnic/cultural autonomy today does not have practical meaning for the protection of ethnic minority rights in any possible sense attachable to the words 'minority' or 'protection.'

And yet, the principle of variability in combination with the constitutional provision of equality for all citizens was chosen during the process of determining the Russian Federation's national and state structure in spite of demands from adepts of unitary statehood. Those who formulated the principle took account of the Russian as well as international experience of building a state that incorporates constituents which join it on different grounds (cf. the status of Poland and Finland and a special system of governance in Central Asian territories in the Russian Empire, as well as the special status of Louisiana within the U.S., the status of Puerto Rico as an associated member of the U.S., and the status of Ontario in Canada and Bavaria and Saxony in Germany).

Thus, a complicated system of relationships between the federal center and constituent republics emerged in the Russian Federation in the 1990s, as the republics assumed a number of

powers they were not entitled to under the federal constitution. In addition, many constituents abandoned the constitutional norms they had recognized earlier and started acting independently from the federal government. For instance, Tyva, Tatarstan, Krasnodar territory and Dagestan started signing international agreements without first coordinating them with Moscow. They even set up their own security forces. Bashkortostan recognized the sovereignty of the breakaway Republic of Abkhazia in Georgia. Yakutia introduced English as an official language. Buryatia, Karelia, North Ossetia and some other regions adopted laws allowing them to declare a state of emergency, while Ingushetia legalized polygamy.

Military operations in Chechnya dealt an unprecedented blow to the Russian Federation's integrity and stability. Both the first and the second campaign radically destabilized the situation across the entire North Caucasus, an area where the problems of inter-ethnic relations and territorial divisions had already bred acute conflicts between Ossetians and Ingushes, Kabardins and Balkarians, Karachays and Circassians early in the 1990s even in the absence of full hostilities.

All of this led to a conclusion on the importance of tightening the federation and harmonizing a whole range of republican legislative acts with federal ones. Yet world experience proves that the abolishment of privileges that have already been won always faces tough resistance, and that is why the federal center faced a hard job of converging the variegated systems of power and creating a more efficacious mechanism of cooperation with constituent republics.

THE RISE OF RUSSIAN NATIONALISM

A new stage began with the introduction of the State Ethnic Policy Concept in 1996. Several federal laws facilitated a more precise focusing of its provisions that described the general goals, guidelines and principles of ethnic policies. Along with this, a number of constituent territories issued local laws regulating the sphere of inter-ethnic relations – in a restrictive manner by and large. They

mostly limited the rights of forced migrants and displaced persons. This was characteristic of urban centers responding directly to the federal authorities, as well as the regions and republics located in southern Russia.

The federal authorities rolled up their sleeves to unify legislation and improve the country's united legal territory after Vladimir Putin became president. Steps to revise the principles of forming the agencies of power (the setting up of seven federal districts, a reform of the Federation Council that functioned in the 1990s as an influential collegial agency reflecting the interests of regional elites, and the abolition of gubernatorial elections in constituent entities) overhauled the entire system of relationships between the Kremlin and the regions. Many experts note a gradual dismantling of the country's federative system and a transition to unitarian principles.

Along with this, 'restrictive measures' taken by agencies of law and order against illegal immigrants from CIS countries and 'non-Slavic people' who have Russian passports called into question the manner in which national policy guidelines are being implemented. "One gets the impression that a war is going on – a war targeting far more people than only those of Caucasian descent," said Alexei Malashenko, a notable expert on inter-ethnic relations. "It's a war against everyone – the Uzbeks, Tajiks, Jews, Ukrainians, and the mass media reproduces it from day to day."

Against this negative background, the activity of radical rightwing nationalistic groups is moving more and more toward center stage. One of them – the Movement Against Illegal Immigration (DPNI) – has scored significant successes. It capitalizes on a mix of nationalistic and social slogans, shunning explicit anti-Semitism. It has reformulated xenophobia into a more socially acceptable revulsion against immigrants, the latter notion typically applied to descendants from the 'ethnically alien' south and east who live and work in 'traditional Russian regions.' An orientation toward anti-immigrant sentiments in combination with support for a swelling social protest has moved DPNI leader Alexander Potkin (who uses the pseudonym Belov, associated with

the Russian word 'bely' – 'white' – and meaning in this case a 'struggler for the white race') to the ranks of the most highly quoted representatives of ethnic Russian nationalism.

Anti-immigrant sentiments are only part of a more general phenomenon known as 'Russian nationalism'. Sociologists Lev Gudkov and Boris Dubin have pinpointed some more of its institutional properties:

- the conviction that ethnic Russians are superior over non-Russians and that, consequently, they have special rights and advantages, although the justifications of such claims look quite feeble;
- the belief in the organic unity of all Russians and the 'sameness' of their blood, prearranged by the historical destiny of the Russian Empire and embodied in the symbolic autocracy of the supreme state power;
- isolationism, anti-Europeanism, anti-Westernism, the use of ideologems like "a foe", "a hostile environment", projection of hostility and unfriendliness to other societies and countries, combined with fears of an "internal expansion" of non-Russians who "threaten the country's survival."

This set of ideas is identified among representatives of the most diverse political, ideological and philosophical camps and social strata. Numerous sociological papers show that xenophobia, rooted in the stifled ambitions to become a great power, has been on the increase in Russia after the disintegration of the Soviet Union. In 2006, 55 percent of Russians identified themselves with the 'Russia for the Russians' idea (versus 43 percent in 1998), while the number of those disagreeing with it fell to 18 percent from 32 percent.

One can only predict the most dangerous consequences, in the situation that has taken shape in inter-ethnic relations, for Russia's future development.

Murders of non-ethnic Russians have become rife in numerous cities and regions and this does more than only paint a discouraging image of Russia in the outside world. It also puts the brakes on the inflow of much-needed labor migrants. Moreover, Dr. Valentin Fyodorov points out quite rightly that "we must build an awareness that this country cannot manage without foreign work-

ers and hence we should treat them with more tolerance [...] The highly unfavorable demographic processes cast doubt over Russia's ability to keep up its geographic entity, and however paradoxical this might sound, it is the immigrant that will help it survive its forthcoming trials."

Emil Payin stresses the same thing, saying that a phobia against immigrants hurts the development of an economy that experiences an acute demand for an inflow of workers. It is also necessary to keep reproduction at acceptable levels.

Today's practices of inter-ethnic discords in major regions of Russia and the surge of Russian ethnic nationalism breed a reciprocal reaction in the ethnic republics of the North Caucasus, the Volga River basin, the Urals, Western Siberia and Eastern Siberia. As the Russians gradually abandon these regions, the share of titular ethnic groups increases, which may create prerequisites for separatism under certain circumstances.

Finally, it is vital for us to realize that contrary to classical Western versions of nationalism in the past or even nationalism in the era of playing catch-up (like in Asia or Latin America), Russian nationalism is extremely conservative and does not have either a consummate modernization program or even separate elements and that is why it can only lead to a dead end. It perceives any reformist programs as 'anti-Russian' or 'anti-national'.

WHAT'S IN THE CARDS?

What could the strategy of Russia's national policy consist of and what could its tactical decisions look like?

Experts who quote international experience point out three possible directions.

State paternalism, or national/ethnic policies implying that the state uses its resources to exert purposeful influence over the development of one or another nationality, giving them privileges or offering special quotas, etc. The Soviet Union practiced this kind of approach toward indigenous peoples of the North. One can also say it was carried over into the 1999 Law on Guarantees to the Rights of Small Indigenous Peoples in the Russian

Federation, even though the law is still not worth more than the paper it is written on.

Multiculturalism that puts stress on creating equitable conditions for the self-realization of each people through public associations and ethnic/cultural autonomies, rather than by stimulating social and economic guarantees for their development. As a result, ethnic diversity will be preserved and the state will act much sooner along the principle of "refraining from obstructions" rather than "aiding."

Unification or ***assimilation***, most prominently embodied in the melting pot concept. World history does not know a single instance of a successful forcible assimilation, although ethnic groups are drawing closer together everywhere and the parameters of their development are leveling out, too. As regards the various ideas of state structure unifications, they require more cautious steps.

The requirement for caution applies perfectly to projects to enlarge Russian regions, cut their numbers and virtually revert to the system of governorates that existed before the 1917 revolution. Different viewpoints have been aired during discussions of the issue, but the most reasonable of them suggested that the existing administrative structure, complicated as it is, has a definite reserve of durability, while enlargements will eventually produce a far more fragile scheme.

It is probably too much of a good thing to have six types of federation constituents (territories, regions, national republics, autonomous districts and national districts), and yet not more than ten of them can be subjected to painless enlargement, said Russian expert Dmitry Oreshkin. Alexander Veshnyakov, the former chairman of the Central Electoral Commission, agrees with him. "We don't need exotic projects of unification, we need carefully conceived custom-made projects," he said. This is evident from the history of attempts to restrict the juridical administration powers of Tatarstan or from unification attempts in the North Caucasus. The very intention to discuss unification of the Adyghei Republic and the Krasnodar territory fueled protests on the part

of the Circassian (Adyghe) diaspora abroad, in addition to an outburst of indignation at the local level.

A restoration of the system of governorates, which might have played the role of the melting pot at least in some parts of the Russian Empire on the historical plane, is impossible today. The national/ethnic problem has acquired different dimensions at different stages in the past, but the process of forming ethnic and/or national groups within the areas of their ethnic genesis has prevailed over assimilatory tendencies in the final run. Russia's path resembles to a much greater degree a puff pastry rather than the ethnic salad bowl based on the idea of creating mono-cultural nation states on the principles of co-citizenship or shared civil properties. This in turn accents the importance of combining ethnic self-identity and integrating ethnic groups into a common pan-Russian territory. Russia's multi-ethnic community is under constant attack from the informational revolution and the sweeping processes of globalization.

Will the change in the balance of forces between the federal center and constituent members of the Russian Federation that began this decade end with a slashing of regional governments' powers in virtually all sectors of state and social life and thus inevitably produce a frustrating reaction on their part? Will it facilitate centralization over the long term or will it fuel decentralization, yet another one in the history of the Russian state? Will all of this ensure implementation of the main task on the agenda, which is Russia's speedy modernization and accession to the family of modern developed countries, and help eliminate the structural deficiencies that were behind the Soviet Union's and then Russia's drop behind the dynamic societies of the West and East? And to what degree do the steps that have been taken match the norms of democratic development and constitutional order, which, if ignored, will make Russia's full-blown cooperation with the European and Atlantic community impossible?

There are no answers to all these questions yet, since Russia has not yet chosen the main version for its national state development in the 21st century.

Russia's Policy Toward Compatriots in the Former Soviet Union

Igor Zevelev

The official attitude of the Russian government toward Russians who found themselves living outside the Russian Federation after the disintegration of the Soviet Union shows quite clearly the victory of pragmatism over the phantoms of imperial heritage. Yet the political rhetoric concerning this issue often has a neo-imperialist tone. It plays a compensatory role in national consciousness and lays foundations for more resolute actions in the future. What causes this coexistence of tough rhetoric and moderate policies? Is there a tendency for potential change in Moscow's stance on the problem of Russians living in the former Soviet republics?

DUAL CITIZENSHIP: A FAILED STRATEGY AND CHAOTIC PROLIFERATION

After the first shocks caused by the collapse of the Soviet Union, both public and government attention shifted to inconsistencies between notions of the Russian Federation within its borders, which many considered to be arbitrarily drawn, and the actual domain of Russian culture, language, and national consciousness.

It was believed in 1993 that a possible solution to the problem might be the introduction of dual citizenship. Moscow decided to issue Russian passports to all ethnic Russians living in former Soviet republics, as well as to people from other ethnic groups who had some historical ties to Russia. The solution was

Igor Zevelev, Doctor of Political Science, is Washington Bureau Chief of RIA Novosti, Russian News and Information Agency.

not flawless from the viewpoint of international law, since most countries of the world do not endorse dual citizenship. Nonetheless, more than forty countries recognize it as a fact of life, albeit halfheartedly.

Talks between Russia and former Soviet republics over the introduction of dual citizenship did not bring any tangible results. Attempts to use this "vital instrument," as former foreign minister Andrei Kozyrev called it, materialized only in agreements with Turkmenistan signed in December 1993 (when a Turkmenistan passport was ceremoniously handed to Boris Yeltsin in Ashgabat) and with Tajikistan in September 1995. In reality, Turkmenistan stood in the way of issuing Russian passports to its citizens in every imaginable way and unilaterally withdrew from the agreement in 2003.

In November 2006, the Kyrgyz parliament adopted a new version of the constitution that lifted the ban on dual citizenship and adopted a corresponding law in March 2007. Armenia also adopted a legislative package in 2007 permitting dual citizenship. These moves by Kyrgyzstan and Armenia will probably make it possible for Russia to sign relevant agreements with them in the future.

This means that Moscow has made progress in this sphere only in its relations with those CIS countries that have a small population and small Russian communities. Three quarters of ethnic Russians live in Ukraine, Belarus and Kazakhstan. Lack of progress in resolving the problem of dual citizenship in these areas practically signified the collapse of Russia's strategy.

Moscow retreated after encountering fierce opposition from other countries, but semi-legal practices of obtaining Russian citizenship that began in former Soviet republics in the early 1990s continue unabated. There is plenty of evidence that there are one to two million people living in the territory of the former Soviet Union who have de facto dual citizenship and are reluctant to report it to the authorities. Russia did little to stop the process. Moreover, starting in 1997, it encouraged de facto dual citizenship.

This continued until 2002 when a new Law on Citizenship restricting this practice was adopted in the Russian Federation. The document specified that a person with a Russian passport should renounce his or her citizenship of another country (Article 13, Clause 1, paragraph "g"). The provision is not retroactive though and does not apply to people who already have dual citizenship. It seemed that Russia had drawn a line, but the problem surfaced again in 2004.

In a bid to ensure electoral victory in Ukraine and to win the hearts of pro-Russian voters, Leonid Kuchma and Victor Yanukovich agreed to draft an agreement on settling the problem of dual citizenship. The prospects for its ratification in Ukraine's parliament (Verkhovna Rada) and Yanukovich's personal commitment to this idea remained unclear. Nonetheless, Russian government started drafting the treaty. Ukraine's Orange Revolution, however, made it impossible to implement the plan.

The revival of the dual citizenship idea in 2004 showed that Russia can revert to the issue if favorable conditions emerge. Russian First Deputy Prime Minister Dmitry Medvedev said in December 2006 that "the international practice of the past several decades" rejects dual citizenship, but the issue may become relevant in the CIS if the latter reaches a level of integration comparable to one in the EU.

On the one hand, governments of the newly independent states have been successful in their resistance to the official introduction of dual citizenship. If they had agreed to conclude relevant treaties, the number of people holding Russian passports would have been much greater than it is now. On the other hand, the post-Soviet countries have practically lost all control over the increasing number of de facto dual citizens on their territories.

It would be premature to argue that the spread of de facto dual citizenship has provided Russia with unquestionable leverage in relations with neighboring states, since most governments do not acknowledge dual citizenship and simply regard individuals with two passports as their citizens. This creates a legal deadlock for any of Russia's attempts to protect these dual citi-

zens or act in their name. And yet, the large number of people with Russian passports in neighboring states creates additional prerequisites for an increase in Russia's influence in the future.

THE 'COMPATRIOTS ABROAD' CONCEPT: POLITICAL MODERATION

Once the attempt to introduce de jure dual citizenship became to fail, a program called *Basic Directions of the Russian Federation's State Policy Toward Compatriots Living Abroad* was adopted. Designed originally as a supplement to the more assertive strategy of dual citizenship, this program turned into an independent, if not dominant, guideline, and became the main instrument in that sphere.

De jure dual citizenship had the potential to be converted into a very strong instrument of Russia's leadership across the region; the program of support to compatriots, by contrast, did not have this potential. However, by considering the Russians living in the 'near abroad' not only as members of ethnic minorities residing in other countries, but also as compatriots, Moscow secured the grounds for raising the problem in relation to its neighbors at its own discretion. Conceptualizing the situation along a 'Russia/compatriots' dimension has allowed the Kremlin to address the problems of Russian diasporas in post-Soviet countries as Russia's internal matter.

Article 1 of the Law on Compatriots Abroad adopted in 1999 (with the most recent amendments made in 2006) defines the term 'compatriots abroad.' The notion comprises four categories of people: citizens of the Russian Federation living abroad; individuals that used to have Soviet citizenship; individuals who emigrated from the Soviet Union or the Russian Federation; and descendents of compatriots "with the exception of descendents of individuals representing titular nations of foreign countries." Article 3 explains that self-identification of former citizens of the Soviet Union as 'compatriots' is a matter of personal free choice. It is clear that the notion of 'compatriots' applies first and foremost to ethnic Russians, but the Russian authorities refrain from mentioning this directly and include into this category all of the

non-titular groups living in the CIS and titular groups retaining their Soviet traits. The post-Soviet generations of titular groups have become strangers for Russia.

Three important documents adopted in the summer of 2006 pointed to Russian President Vladimir Putin's intentions to continue the moderate course of the previous decade. They were the *Program of Work with Compatriots Abroad for 2006-2008, The Russian Language Federal Target Program (2006-2010)*, and *The State Program for Assistance to the Voluntary Resettlement of Compatriots Living Abroad to the Russian Federation.* Their interpretation was included in the chapter titled "The Humanitarian Dimension of Foreign Policy" of the Review of Foreign Policy of the Russian Federation, which the Foreign Ministry published in 2007.

The government earmarked 342 million rubles from the federal budget for the Program of Work with Compatriots Abroad in 2007, and these resources were to be spent mostly on legal defense and social security. The Russian Language Program comes with a total cost of 1.58 billion rubles, including 1.3 billion rubles from the federal budget. Yet the record of action under this program from 2002-2005 does not inspire much optimism. Valery Goreglyad, an auditor at Russia's Audit Chamber, said a mere 1.3 million rubles, or 3 percent of the 42 million rubles initially set aside, were actually allocated. In comparison, right after the World Congress of Compatriots in October 2006, where Putin spoke about these programs, he turned attention to the daily routine of his native St. Petersburg and made public new projects for investment in the city's infrastructure to the tune of around 300 billion rubles.

Allocations envisioned in 2007 for the Resettlement Program included 4.6 billion rubles in addition to funding from local budgets, which is obviously far from enough. The program aims, first and foremost, to solve the social and economic problems of Russia's regions that have an acute workforce shortage. Officials expect that 300,000 or so qualified specialists with families from CIS countries will move to Russia by 2012. In 2007 alone, the authorities hoped to welcome 50,000 people to Russia, but within the first half of the year, only ten families had moved.

NEO-IMPERIALIST RHETORIC AND REALITY OF STATE-BUILDING

The evidence thus far suggests that the most assertive policy toward Russian diasporas (introduction of dual citizenship acknowledged by respective countries) has been a failure, while other initiatives (like strengthening ties with compatriots abroad) have been very modest and moderate in content.

The most radical opponents of the moderate course insist that the Russian nation has been divided and that is has the right to reunite. There were several attempts in the period from 1998 to 2001 to embody such ideas in legislative initiatives. The State Duma discussed several bills, including *On the Ethnic and Cultural Development of the Russian People; On the Right of the Russian People to Self-Determination and Sovereignty in the Entire Territory of Russia and to Reunification in a Single State;* and *On the Russian People*, but none of them was adopted. Reality put very different tasks on the agenda, and pragmatism prevailed over ideological constructs each time. After the establishment of tough presidential control over parliament in 2003, the issue of the divided Russian nation and its right to reunite was marginalized.

The most acute territorial problems in the former Soviet Union flared up in regions where ethnic Russians did not live in compact communities. This was yet another factor that pushed the topic of the nation's division to the political periphery. Separatist sentiments in Abkhazia, South Ossetia and Transnistria were caused not by "the division of the Russian people," but by other historical factors. Local elites unhappy with the policies of Georgia and Moldova are either seeking full independence or striving to merge with Russia. Their political aspirations have no direct link to the problem of 'compatriots' the way it is viewed in Moscow, although a sizable number of people in the three territories (about 200,000 in Abkhazia, 50,000 in South Ossetia, and 100,000 in Transnistria) made use of the opportunity to obtain Russian passports through the Russian Law on Citizenship (in the versions of the 1990s).

The disparity between words and deeds in defending the rights of compatriots abroad can hardly be explained by an

absence of willingness or means. First, the problem is that Moscow has always treated the protection of rights and interests of Russians and Russian-speaking minorities much more as an instrument of securing leadership in the territory of the former Soviet Union rather than as a goal in itself. The problem was often buried in oblivion for the sake of other foreign policy issues. When the Turkmen president decided to abandon the treaty on dual citizenship in 2003, agreements on the purchase of natural gas outweighed the plight of compatriots in the minds of the Russian government. Moscow generally believes that it should not drop the problem of Russian nationals abroad from the foreign policy agenda, but it has never prioritized this issue. Relations with Latvia and Estonia are an exception to this rule, but here, too, in moments of crisis Russia's economic interests compel it to confine its actions to loud rhetoric, as was the case in the conflict with Tallinn over the Bronze Soldier monument.

Second, Moscow's urge for regional leadership in the 1990s did not tally with its limited capabilities. The failure of military action in Chechnya in 1995 put in the spotlight weakness of the state and lack of consensus in society. Russia's claims to regional domination relied on its potential and extreme weakness of most neighboring states; however, this potential could not be realized at that moment.

The situation changed dramatically during the years of the Putin presidency, as Moscow tapped new mechanisms for influencing the CIS. This happened to a great degree thanks to an economic boom, high energy prices, investment in the economies of neighboring countries and an inflow of seasonal migrant workers who sent back money to their homes, which then turned into a vital source of existence for people in Moldova, Kyrgyzstan, Tajikistan, Uzbekistan, Azerbaijan, Armenia and Georgia. Nevertheless, Russia's ability to use 'soft power' and to pursue its interests through an attractive, positive image remains fairly limited.

Finally, Russia's own federative structure does not leave it much opportunity to take a tougher stance on the problems of Russian communities abroad. For example, if in 1994 Moscow

had supported the Crimea's demands for reunification with Russia or even defended its calls for considerable expansion of its autonomy, Russia could have faced serious problems concerning the legitimacy of demands on the part of its own regions. As the Yeltsin and Putin administrations did everything in their power to keep the country united, they could not openly obstruct their neighbors' drive for stronger statehoods.

One cannot dismiss the idea that official Russian rhetoric concerning the protection of compatriots somehow helped psychologically to offset the shock of division after the Soviet Union's collapse. Such rhetoric could partly ease the tensions engendered by a policy of state-building within Russia's current borders, which reflect neither historical experience nor perceptions of many Russians regarding their "own" space. In addition, imperialist rhetoric may have helped to prevent real imperialist policies. In 1992, Russian policy toward Russian diasporas was entirely rhetorical. During 1993-1994, there was an attempt to back up the rhetoric with some assertive measures, including the advocacy of dual citizenship. When that course failed, the only thing that Moscow could pin its hopes on was a combination of moderate policies and tough rhetoric – a line that Putin continued during his presidency. It is true that words may yield tangible and quite dangerous consequences, but "neo-imperialist" rhetoric has facilitated moderation in Russia's practical steps thus far.

EVERYTHING WILL BE DECIDED IN RUSSIA

Russia's actions regarding compatriots abroad will hinge on three factors in the foreseeable future:

- The position and actions of Russian communities in neighboring states;
- Interstate relations in the territory of the former Soviet Union;
- Russia's domestic and foreign policies.

There are many reasons to believe that the current policy of moderation will continue in the coming years.

The most decisive feature of the situation surrounding ethnic Russians, or, more broadly, Russian-speaking communities in the

post-Soviet space, is absence of direct violence against them. Those communities are also characterized by disunity, with any horizontal ties among them practically non-existent. Their size, way of life and level of integration into their host societies also differ substantially. They do not have a common foe or a single vision of their own future. Russian communities are poorly organized. The obscurity of demarcation lines between ethnic Russians and other Russian-speaking groups is another factor that impedes unification under ethnic slogans.

Estonia and Latvia are the only two exceptions, as ethnic Russian minorities there have set up small political parties representing their interests. However, they concentrate all of their activity on resolving problems in the format of Estonian and Latvian statehood and do not link it in any way to Russia or to the concept of Russian compatriots abroad. Without Moscow's involvement, problems arising within the local Russian communities are likely to remain merely local issues.

As for interstate relations, the problem of compatriots has not been a cause for acute standoffs thus far. Agreements within the framework of the CIS, visa-free travel between most countries and the feeling of a common history have scaled down the intensity of this problem.

Theoretically, actions by governments of post-Soviet countries may trigger an angry reaction from Moscow if they instigate or entice incidents posing a physical threat to ethnic Russians, but there is a very small chance that the situation will develop in this way. The attention of the Russian president will not turn to the problem of compatriots very often unless there is a serious crisis. This means that the policy line will be shaped in most cases at the lower levels of Russian bureaucracy.

There are four driving forces that will determine Moscow's conduct within the next few years. They include humanitarian considerations, international power-wielding possibilities, domestic law enforcement, and economic issues. Different state agencies and civil society sectors have different interests and motivations, and they will seek to turn their vision of the problem into the main driving force of official policy.

Actions on the part of civil society and its institutions, like the Presidential Commission for Human Rights and the Office of the Ombudsman for Human Rights, are driven mostly by humanitarian considerations. They will aim their efforts at protecting the Russian-speaking population in neighboring countries and migrants in Russia, and also at liberalizing the Law on Citizenship.

The international power-wielding element may take the form of support for compatriots abroad in order to build up Russia's influence in the former Soviet Union. However, the Foreign Ministry will most likely try to shift the problem to the humanitarian sphere and to act through various multilateral international institutions. Russian authorities have not learned to use 'soft power' to a sufficient degree in relations with foreign countries, so it is unlikely that compatriots' potential will be effectively utilized as an instrument of international relations in the near future.

The Interior Ministry will continue to contain immigration from former southern Soviet republics and put up obstacles to easy access to Russian citizenship. These practices collide with the interests of businesses, which need a cheap labor force with command of the Russian language. On the other hand, the so-called 'economic bloc' in government will be more inclined toward easing the rules for temporary labor migration as long as labor-intensive branches of the economy show high growth rates. This, in turn, will inevitably bring about resettlement of some compatriots in Russia.

Yet whatever the combination of these four elements, a moderate policy will continue. The situation may change only at a political level. The problem of Russian communities abroad and Russia's responsibility for their destiny is present in theoretical discourse on problems of nation-building. How can radical approaches make their way into real policymaking?

NATIONALISM OR 'SOFT POWER'?

As we said earlier, the problem of Russian communities abroad is not at the top of Russia's political agenda, yet under certain circumstances, it may come to the fore. Some political forces may bring up the problem of compatriots and reunification with

them in a bid to rally electoral support. Yet there are two factors that impede the transformation of the issue into the key national interest and security concern.

First, the economic boom makes abstract theorizing about the Russian nation far less attractive compared to the task of raising the welfare of the Russian people. Despite the reemergence of some imperial symbols, few people are ready to exchange their hard-earned decent standard of living for great-power revanchism.

Second, the Putin-built system leaves little space for political activity that is not controlled by the Kremlin. The ruling elite views ethnic nationalism as a threat to the internal integrity of the state and does not allow parties and movements that wave nationalistic slogans to gain momentum. On the whole, the current Russian elite does not think in narrow ethnocentric terms.

Still, Russian society does contain forces that could begin to question the current moderate policy, and much will depend on the direction the search for a new Russian identity will take. The ethnic self-consciousness of Russians became more noticeable as the imperial shell fell off after the Soviet Union broke up. Russian ethnic nationalism is not a well-organized force at the moment, yet it may rise quickly, especially if the spotlight of discussion falls on goals of nation-building. The term 'nation' traditionally has a strong ethnic, not civic, connotation in post-Soviet academia, public opinion, and politics. As it has often happened in European history, common culture may at some point be perceived as an ideal political boundary, which can become a springboard for demands to unite all Russians under one political roof.

The redefinition of Russia in more specific ethnic terms, as has happened in all other Soviet successor states, may become the most dangerous undertaking in the entire history of Russia. Implementation of this project may bring about a revision of state borders and undermine the country's internal integrity. Building nations on the debris of empires is usually the business of ethnic nationalists. All of the former Soviet republics have harbored ethno-political myths that depicted the state as the motherland of an indigenous ethnos. Such views grow out of tra-

ditions of historical romanticism, which suggest that humankind can be neatly divided into nations, and historically or ethnically predetermined nations have certain sacred rights.

In the early 21st century, Russian ethnic nationalism has mostly taken the form of xenophobia. Marginal skinhead groups concentrate their energy on what they find attainable and comprehensible: intimidation and the repression of migrant workers from the Caucasus and Central Asia. In 2006, the authorities made efforts to take initiative away from extremist groups and launched a discussion of indigenous populations' interests and the interests of a state-forming nation.

Putin, who had earlier used the notion of 'the indigenous population' to denote small ethnic groups living in Siberia, has now begun applying it to all Russian citizens living in the Russian Federation, differentiating between them and migrants. "Of course we must think about the interests of the indigenous population. If we don't think about them [...] this will only give a pretext for various radical organizations to promote themselves." In 2007, the United Russia Party launched the Russian Project, which used terms like 'the state-forming nation' and 'the ethnic core.'

The introduction of ethnic motives in official discourse through discussion of the role of the Russian people is a very dangerous phenomenon. It is not coincidental that the British never emphasized the role of 'the English people.' The Soviet Union broke up peacefully in part because Russian ethnic self-consciousness was not mature enough. The collapse of another socialist federation, Yugoslavia, was so bloody because the Serbs encountered less ambiguity concerning their identity. It might sound paradoxical, but inconsistent and muddled relations between Moscow and the republics constituting the Russian Federation, as well as moderate and sometimes highly inefficient policies toward ethnic Russians living in the post-Soviet space, are actually much more important factors of stability in the area than attempts to work out a clear approach to nation-state building. The slogans of building a civic nation may be hijacked, and its civic nature may quickly be thrown aside.

Rather than trying to restore the state within its previous borders, Russia's "post imperialism" takes a "neo-imperialistic" course. This course can be seen in the desire to impose certain control over domestic and foreign policies of countries that emerged within the territory of what was the Russian Empire and the Soviet Union. Yet Russian diasporas have so far played a very insignificant role in this area.

The situation may change in the future, however, if nationalism swells in the political arena. An optimistic take on the matter would be to turn compatriots into an instrument of 'soft power' and to consolidate a transnational 'Russian World,' which would include 'the multiethnic people of Russia' and compatriots abroad. The formulation of the Russian compatriots problem in ethnic terms, as well as its use as a hard-power instrument of foreign policy, may lead to disaster. On the other hand, the formulation of this problem in terms of a 'political nation' and soft power could bring tangible benefits to Russia.

Many ethnic communities in the world – Jews, Armenians, Greeks, Chinese, the Baltic nations, Central Europeans – act in the interests of their historical homelands. In essence, this is what unites citizens of various countries in a diaspora as a political category. Russia has the opportunity to form a Russian diaspora consisting of ethnic Russians and members of other ethnic groups recognizing links with the Russian Federation. Moscow has already made some steps in this direction, yet it has not backed them up with carefully thought-out and consistent policies, and that is why the results have thus far been modest.

Russian compatriots living abroad wait for Russia's support, but they do not work for the benefit of their historical homeland themselves. To have an active diaspora, Moscow should demonstrate its interest in it, as well as its readiness to do something practical for its members. Moscow can make a breakthrough by adopting legislation that would allow conversion of the status of a "compatriot abroad" into the status of a full citizen. At this point, the law and programs for compatriots abroad have practically no connection to the law on citizenship and immigration

policies. The compatriot status must create conditions for resettlement to Russia; otherwise it carries no weight for many people who live on former Soviet territory. An appropriate change in legislation would help Russia reach objectives it has thus far failed to attain due to a default of dual citizenship schemes. This would help Russian compatriots left in the former Soviet republics to develop an awareness of their special ties with Russia and have an emergency option in case the situation deteriorates. Moreover, it would make it easier to resettle some compatriots in Russia, attract a highly qualified Russian-speaking workforce, and compensate for a drop in the population.

The problem of compatriots in today's Russia is a legacy of its imperialist past. Russia has conducted an inefficient policy in this area after the disintegration of the Soviet Union, but has managed to avoid making big mistakes. The goal for Russia in the short term is to learn how to protect its compatriots living abroad, utilize their potential for its own interests, and avoid the temptations of neo-imperialism at the same time.

In Search of Priorities

The Volga, River of Russia. Palekh, 1943

> *Western Europe and the United States must recognize that change in Russia will come from within, and over a long period. To the extent possible, they should continue to support processes of enlightenment there – but should not gear policy to unrealistic expectations of the pace of change. It is futile to fulminate that Russia does not meet the benchmarks of Western democracy.*

Russia's Global Role and European Identity

Vladimir Lukin

It seemed that Russia had lost almost all of its international standing when the twenty-first century was still approaching, but the global changes of the past few years have opened up an opportunity for Russia to become a power that could help shape international development in many ways. However, will Russia be able to play a global role if it does not abide by its civilizational self-identification? More specifically, what is Russia outside of its European identity?

THE STATE AND THE NATIONAL IDEA

A search for a new identity – a "national idea" – has remained the focus of intense public discussions in Russia. The range of opinions on the possible paths that Russia might choose is extremely varied and alarmingly contradictory at times – contradictory to the degree that the search, which is called upon per se to consolidate the nation and build up the country's potential, may in fact produce "mess and wobbling," as the Russians call it. This controversy stems from a range of fundamental misconceptions.

One of these misconceptions suggests that cornerstone principles of social and state life can ostensibly be formulated and introduced into practice by coercive methods. The fact that this is a misconception can be seen from Russia's historical experience, especially in the twentieth century, the greater part of which was

Vladimir Lukin, Doctor of History, is Russia's ombudsman for human rights, and a member of the *Russia in Global Affairs* Editorial Board.

wasted in the struggle to implement dangerous and inhumane chimeras disguised in slogans of equitability and happiness. The collapse of the Soviet Union offered a graphic illustration of the dangers and perils inherent in attempts by the government bureaucracy to monopolize ideological and practical control over the development processes.

A modern efficient state has the task of establishing conditions for long-term, and at times contradictory, interaction between various actors of political, economic, cultural and other spheres of public life, since a national idea can take shape only in this environment. A genuine understanding of national specificity and identity can encompass some revolutionary slogans; however, it is always a product of consensus, which arises, in turn, out of a long public dialog.

Russian society abounds in ideas and ideological concepts of every description today, and proponents of each of them vehemently insist that only their views must be declared a priority for the country's development. Various opinions and bitter debates that range all the way up to complete intolerance show that at present it is impossible to design a vector of development on which the majority of Russians would agree.

Nor does any unification idea exist in Russian society today. Attempts to produce a synthesized product of some kind — and the one that would be a priori correct and mandatory for acceptance — smell of short-run petty stratagems, all the more so that they boil down to the motto '"For all things good and against all things bad," which has been very popular of late.

All of Russian history literally teems with projects promulgating strong statehood and which are based (regardless of certain ideological variations) on the idea of turning Russians into cogs in a well-lubricated government machinery. Many have argued that this is the only mechanism capable of ensuring "common good," since it functions as an integral unity. Importantly, the bureaucratic apparatus invariably holds a monopoly over the knowledge of criteria for these benefits. The problem is that bureaucrats have a tendency to ignore some "minor facts," such as that the abstract 'nation' is made up of specific people.

In the past, when the most dangerous challenges lay in the realm of direct threats to Russia's interests (or aggression), the models formulated at the top proved capable of resolving the tasks of maintaining state sovereignty (sometimes they even boosted it), but if the threats to national interests did not have a straightforward forceful nature and retaliatory steps had to be flexible, prompt and offbeat, the super-intensive loyalty to strong statehood concepts revealed its full impotence.

Take the famous nineteenth-century triad of "Autocracy, Orthodoxy and National Roots" which initially pursued the goal of consolidating society and then changed by the end of that century into an ideological basis for southward expansion for the purpose of seizing the Bosporus and the Dardanelles (the straits which ensure passage from the Black Sea to the Mediterranean) and getting access to world markets. It turned out that the straightjacket of the imperial autocratic national idea bridled the people's vitality and ability for creative development. The monarchic elite did not have the stamina to adapt the country to the realities of a galloping industrialized era, while related military and political setbacks paved the way to a revolutionary breakup of the state.

The Soviet Union utilized the idea of 'world revolution' in lieu of the 'national idea.' Over the decades of Soviet power, this idea underwent several stages of transformation from calls for its immediate implementation at whatever cost to reconciliatory debates on a possible "triumph of socialism" in the process of "peaceful competition of different social systems."

The breakup of the Soviet system illustrated the haplessness of the thesis about the total supremacy of the state over society and individuals as the only possible form of finding solutions for national tasks. An attempt to readjust the system to the interests, rights and freedoms of a private person, or each specific individual, occurred only after the Soviet Union had begun its decline. Most of the calls for this reorientation remained unheeded to some extent and partly could not be translated into life, as the Communist state machinery was rolling downhill.

Finally, violent social and political cataclysms in the post-Soviet period showed once again that many of the Russian people's woes arose from a lack of self-respect and self-appreciation as a society of independent and responsible citizens.

The current problems can only be eliminated if the mentality of the Russian state and society changes and when the dominance of decisions made behind the scenes is renounced. People also need to stop blindly following these decisions. It is not a new revolution that will save Russia. Salvation will come when the majority of people recognize the importance of taking persistent steps toward a genuinely functioning democracy.

Democratic processes will speed up if welfare continues growing. Ulrich Beck, a well-known German sociologist, rightly said that only people that have a home and a steady job and, consequently, enjoy a materially secured future are capable of accepting democracy and translating it into life. In addition to this, Russia can avoid the errors and contingencies that accompanied the formation of social consensus as market economies matured in the West.

Advocates of a strong state, who have an inclination for foolish calls to put Russia into opposition with the rest of the world, usually supplant notions, as they put an equation mark between willingness to copy from an experience that has proved its worth and Western diktat. Yet the case in hand has nothing to do with ceding Russia's interests. It presupposes fitting Russia into the time-tested model of civilizational development, since its implementation allows the majority of people and the state as such to blossom.

Japan, Brazil, India, Indonesia and many other countries are following precisely this European, path. And even if we take China, its vector of development is obvious as well, especially if we compare its present social state with the years of the Cultural Revolution. And none of these countries is losing its self-identity. This is because countries that wish to be competitive borrow from the best of mankind's collective experience and adapt it to their own conditions. Europe did not turn Arab when it adopted Arabic numerals, nor did it turn Chinese when it began to produce porcelain, gunpowder and tea. Nor did India lose its self-identity when

it made the English language a means of national communication. On the contrary, if it had not, it would have hardly become a united great power within a period of 50 years.

Many swords crossed in the early 1990s over Samuel Huntington's theory of the "clash of civilizations" as a counterpoint of international policies in the twenty-first century. A common zest appeared at that time for gleaning "hidden signals" for the start of preparations for World War III in the thoughts of the honorable academic. Meanwhile, his theory only stated objective changes that had begun before the crash of the bipolar world. The planet is becoming extremely diversified and the processes going on in different parts of the world are so huge that not a single power, however strong it might be, is able to control them alone. For Russia, this means, in part, the significance of formulating its civilizational identity and reserving a geostrategic niche for itself.

RUSSIA'S EUROPEAN PATH

Russia's self-identification as a European country and a part of the greater uniting Europe seems to be the most promising.

There are a substantial number of objective and individual difficulties along this path. The decades of Soviet rule made the homegrown mythology worse about this country and the people's "particular predestination". Russia naturally has some major differences with the rest of Europe, which itself is quite heterogeneous. Spain and Greece may not look like Sweden or Finland very much, but all these four countries are members of the same civilizational family.

There have been many occasions in Russian history when the country had to decide at the turn of a new century whether it was the easternmost country of the West or the westernmost country of the East. What macrostructure is more organic for revealing Russia's self-identity? Which format is the best for unveiling its creative potential and for containing its destructive powers? The answer looks obvious. Russia's specificity, that has already had a huge influence on global civilization, can manifest itself most positively in the pan-European (Euro-Atlantic on a broader plane) space rather than beyond it.

One cannot deny that Russia's relations with individual European countries and with the EU on the whole are still mired in misunderstandings and mutual suspicion, but an unbiased analysis shows that bureaucratic and procedural differences between Moscow and Brussels on most issues are not any sharper than conflicts between Brussels and Washington. The same goes for Moscow's differences with Central and East European countries. Rabid anti-Russian carping only comes from two or three countries that have long gained notoriety for their obtrusive complexes and totally groundless ambitions.

This suggests that angry philippics against "highbrowed European bureaucrats" and "ungrateful" former members of the Soviet bloc who dare bark at their former patron will not help Russia resolve any problems with the Europeans, all the more so because many of these problems are rooted in Russia's own political tunnel vision and infantilism.

For instance, there are many Russians that view Europe's stepping up its policies in the post-Soviet space as an outright huge threat. The EU has really begun to take steps toward expanding its sphere of influence in the past ten to fifteen years, but still, let us not put everything indiscriminately into one basket. Smaller countries, including former Soviet republics, have an objective craving for rapprochement with more powerful and richer neighbors, and that is why "thrashing air" about this is a senseless waste of time.

The only way that Russia can preserve — and all the more so expand — its zone of influence is to speed up the development of the national economy. Russia should have a diversified model aimed at stimulating structural reforms and stop its narrow focus on the export of raw materials. Otherwise Russia will simply be unable to serve as an example for most countries that do not have huge natural resources in such supply (there is not a single instance in modern history of a successful authoritarian modernization in economies pegged to natural resources). Russia would hardly like to once again demonstrate to the world "how things should not be done."

The Europeans are not interested in a confrontation with Russia, even though they are a strong competitor. They, too, are ready to see

Russia as a competitor – an aggressive and intractable one. Yet vigor and intransigence should not take the form of militarization, primitive threats to block gas pipelines, restoration of sole-command methods in all spheres of life and sniffing at human rights and freedoms.

It is not Russia's hypothetical ability to restore the empire that scares the Europeans (they do understand that restoration is impossible) – Russia's neighbors fear the proneness of a strong government to make many new blunders. Only downright Russophobes in Europe (who have existed throughout Russian history) act according to the principle "the worse the better." They hope that Russia will succumb to emotions and will again slide into confrontation, self-isolation and the Juche Idea, which is on its last legs. I am sure though that the majority of Russians do not accept the ideas of "reviving Russia" simultaneously with restoring the derelict samples of the Soviet/Russian imperial model either. It is also true, however, that a certain growth in the Russian standard of living over the past few years, combined with the impact of government media propaganda, makes some in certain categories of the population forget about the negative sides of Soviet life and intoxicates the youth who did not live through the Soviet system.

EMANCIPATION OF OPPORTUNITIES

A combination of competence and flexibility is the strength of any modern state to a large degree. A competitive state mechanism should have the function of a moderator (a go-between leader) of the vital processes in a nation's life. It must govern derivative processes rather than the main ones. In the optimal situation, it controls "secondary derivatives," as mathematicians put it. But if Russia's ruling elite clings to the old stereotypes of traditional strong statehood, it runs the risk of wasting the remainder of resources in order to preserve the phantoms of historical memory. The "mobilization of the elite" with the aid of defunct Soviet methods will only lead to the ossifying of the state structure and drive political and economic processes into a stupor. When this happens, Russia will really turn into easy meat for the much-spoken-of external forces. Nobody will take the trouble of "seizing"

us – we will either fall apart ourselves or will turn into objects of influence exerted by post-industrial powers.

The only efficient way for development presupposes the emancipation of opportunities for forming a competent, viable and nationally-oriented elite. An efficient and stable ruling class is only attainable if it obtains a high vertical and horizontal mobility and becomes capable of recruiting subjects that have the skills of adapting easily to the swiftly changing conditions and challenges of the internal and external environment. Democratic procedures offer the only possible efficient mechanism for a regular ventilation of the elite and historical experience proves that they also offer the best means for protecting society against mob rule.

Meanwhile, the 'vertical of state power' cannot be flexible or efficient by virtue of its 'architectural specifics.' Current international practice shows the advantages of network or shared structures of government (with the law enforcement system, the armed forces and the judiciary being the only exceptions). Meanwhile, the exterior monolithic image of the 'power vertical' is an illusion to a large extent, since the current system consists of patchy subjects. Some groups experience discrepancies in the interests and approaches to resolving tasks, while other groups display their ideological and political spinelessness; all this completely blues the elite's policy line.

Russia is continuing to experiment amid a mass of internal and external challenges. Now Russia is "seating people in the right order" and pursuing a policy of keeping oligarchs at an equal distance. Russia is also manipulating ideological concepts for internal and external consumption. In fact, the struggle continues between the paradigms of a free market economy and expanding government interference in economic life – not without enticement by the authorities. The worst examples of Soviet managerial traditions are seeing a rebirth. Vital governmental decisions are made in private at a time when constitutional establishments called upon to work out state policy are regularly ignored. The forces and institutions disinterested in changes or simply espousing a hostile approach to them are frequently chosen as pillars for the implementation of government decisions, and this cannot but cause unease.

This situation makes a deepening of relations with the EU useful from another point of view – that of studying and assimilating modern mechanisms and technologies of state governance, especially in view of the fact that this huge country comprises constituent territories with various levels of development.

The EU has amassed impressive experience in regional and sectoral development amid conditions of tough international competition. Moreover, the Europeans have done an impressive job in the field of economic protectionism. Russia can copy a lot from the EU, avoid the mistakes it made and the need to start from scratch in the areas where the algorithms of successful problem solving already exist.

Last but not least, Russia cannot lose its civilizational specificity if it integrates deeper into Europe. Russia has always been part of the Old World, experiencing its influence and exerting its own influences that have had a straightforward impact on European affairs. Christian values that make up the essence of European civilization are as organic for Russians as for the majority of European nations (even the most ardent adepts of Russocentric doctrines will scarcely dare claim that Russia lost its specificity with the adoption of Christianity). Along with its continuing unification, the Old World remains 'a Europe of fatherlands,' including the Russian fatherland. Russia must not reject the elements that make up the inalienable part of the Russian identity. Russia will only withstand the pressures of Asia, America and other powerfull civilizational magnets if we all stand together.

The most serious and influential European countries generally show an understanding that a more or less clear-cut policy is impossible without a due account of the Russia factor, and many significant global factors (like the situation in Iraq and the Middle East or the proliferation of weapons of mass destruction) prove that actions taken by Russia and the EU jointly have a greater international impact as a rule than if they act unilaterally.

It is very important for Russia that the rest of the world sees it as part of an integral European system. Russia's European identification would eliminate a sizable portion of political uncertainty that is still present in the way Europeans see the country.

Uncertainty breeds doubts and even concerns, while the positioning of Russia as a European power could help bring into balance its relations with new independent states, including Ukraine, Belarus, and Central and Eastern European countries, and make them more dynamic in the long term.

Discussions have again surged in Europe that more or less clear-cut policies are possible without accounting for the Russia factor. It is very dangerous to provide – voluntarily or not – help to those who would like to draw a final boundary between Europe and non-Europe somewhat west of Smolensk and Belgorod. History will decide where this boundary will lie and what it will be like. This history is taking shape already now – in the rivalry between the two major European approaches to contemporary Russia.

One of the trends proceeds from the assumption that Russia should remain an "external factor" for the integrated Europe, play the role of its resource and energy base and do auxiliary jobs in terms of ensuring Europe's security. As for the rest, Europe should meter out the degree of Russia's involvement and limit it to purely ornamental, superficial forms.

Supporters of the other tendency admit that a Europe that de facto unites all countries from Lisbon to Vladivostok has a much better chance for keeping its leading role in a globalized world. The Old World will need to concentrate all economic, technological, geopolitical and cultural resources to gain a leading position in the international arena by the middle of this century. The supporters of this trend put the Russian-European situation into a less utilitarian context and do not reject outright the strategic prospects for turning Russia into an internal factor of the pan-European integration.

We, on our part, hear people more and more frequently voicing doubts about the strategic feasibility of European development for Russia and its political institutions. Remarkably, their doubts leave out the economy. There is a clear inclination in Russia for a neo-Byzantine strategy of some kind. It is well known, however, that the Byzantine Empire failed to come to terms with Europe and fell apart because it was unable to cope with the challenges of the new times. Do we want the same?

Modern Russia and Postmodern Europe

Boris Mezhuev

The centuries-long controversy between Russia and Europe has moved to the foreground again. This can be attributed partly to the ongoing political rapprochement among European countries, which, though not entirely codified, is demonstrating its value aspect. Europe is uniting not only because of a common market and a set of common economic interests, but it is also rallying around common values, overtly or covertly put forward by its leaders and manifested in its many institutions.

Russia, too, has been displaying a certain value aspect in its policies, above all in its foreign policy. Claiming its adherence to the principles of sovereignty, Russia, no matter what its ideologists may say, has clearly been demonstrating an anti-European bent. It is trying to find the proper words to justify the use of its vast natural resources to suit its own national interests rather than some 'common European values.' Moreover, it is challenging European policies regarding the legalization of sexual minorities; it strongly believes that it has the right to build a political system according to its own national tradition rather than according to universal democratic principles. Russia's leaders are irritated at attempts by various multinational players to interfere in Russian matters and pursue their own policies on its territory.

Boris Mezhuev, Candidate of Science (Philosophy), is a lecturer at the Philosophy Department of Moscow State University, and a Deputy Editor-in-Chief of *Smysl* (Meaning) magazine. The article was published in Russian in the *Politichesky Klass* magazine.

To avoid confusion, one must say that both in the case of Europe and Russia ideology often serves to camouflage or justify practices that are far from innocent. It is hardly true that Europe's involvement in the Yugoslavian conflict could contribute in earnest to achieving claimed humanitarian objectives, or that Russia's resource potential is being put by its civil servants and businessmen to the good of the people and not to suit corporate interests. Nevertheless, the Russia vs Europe controversy should be considered as a divergence of values rather than a clash of the individual interests of their elites.

MODERN RUSSIA AND POSTMODERN EUROPE

Europe, especially Old Europe, views Russia as a more conservative state whose values do not nicely suit the values advocated by the European Union. Ivan Krastev correctly revealed the idea behind this disparity in his article "Russia as the 'Other Europe'" (*Russia in Global Affairs*, No. 4/2007). "The heart of the current crisis is not the clash between democracy and authoritarianism [...], but the clash between the postmodern state embodied by the EU and the traditional modern state embodied by Russia." Krastev believes that "the key elements of this postmodern European system include a highly developed system of mutual interference in each other's domestic affairs and security based on openness and transparency." In other words, the European postmodern system defies sovereignty or the separation of domestic and foreign affairs, which are priorities for Russian politics.

The author also indicates that it is exactly the postmodern principle that underlies two major European institutions – the Treaty on Conventional Forces in Europe and the Organization for Security and Cooperation in Europe (OSCE), "based on intrusive inspections and active monitoring."

Russia has withdrawn from the treaty and is far from welcoming the OSCE's claims for judging how undemocratic elections in Russia are. Russia generally considers postmodern European values to be unfit for its status as a superpower with huge natural resources and a substantial military potential. This very unique

combination of strengths secures Russia a special position with respect to both Europe and the rest of the world. To enter Europe, Russia has to behave very much like Germany did when it had to abandon a substantial portion of its superpower ambitions for the sake of pan-European unity.

Observers know this all too well. What remains unclear is the exact set of values chosen by Russia and the European world. Or to be more accurate, what values form the axiological foundation for Russian modernity and European postmodernity. It should be noted that Russian policies to a large extent continue to be shaped by the pre-modern, traditionalistic mindset (specifically, by the viable quasi-monarchic approach to power), and that Europe has not yet shaken off its modernity inheritance. Yet these legacies do not refute Krastev's rightful observation that the demarcation line between Russia and Europe lies along the modern vs postmodern paradigm. What matters here is that modern and postmodern approaches differ not so much in "what actually is," but in "what should be." And "what should be" as a set of value postulates often appears to be a more serious obstacle to overcome than contradictions involving pragmatic interests.

MODERNITY VALUES

Before we dwell on European postmodern values, let us take a look at modernity. There are too many definitions of this phenomenon, of which the most popular in present-day international relations theory is reference to the Westphalian system. Modernity implies that foreign policy, in interstate relations, stays away from domestic policies, and that a single state should not make any ideological or political preconditions for its relations with other states. In other words, the international system does not prescribe any rigid ideological rules of behavior for any of its member states. This international system regulates – initially through a balance of forces and then by way of international treaties and institutions – the external behavior of the players only, fully ignoring their internal policies, which remain the domain of their sovereigns or national monarchs.

The Westphalian system has lived through several crises – beginning with the French Revolution and the Holy Alliance that emerged from the ashes of the Napoleonic Empire – and demanded that the monarchs defend the legitimate rights of other sovereigns. The French Revolution added chaos to the Westphalian peace since it left open the question of the sovereignty of the revolutionary government that was lawless by the categories of the Restoration. This question continues to be relevant today, particularly when a country finds itself split by civil war. The People's Republic of China was recognized by the world community as the successor to Chiang Kai Shek's China, while the Islamic Emirate of Afghanistan – the state of the Taliban – was denied recognition on political grounds.

Denouncing interference in each other's affairs, the Westphalian states made an unspoken agreement against non-state or interstate entities claiming political influence or legitimacy. The agreement was aimed, above all, against the Roman Catholic Church and its Orders spread across the globe.

By systemically excluding all non-state players from the international arena, the Westphalian system was able to establish a certain order across Europe: loyalty to the state was declared supreme above all other forms of loyalty that existentially were even more significant – loyalties to ideology, church, race, etc. A man in the army could fight against his co-religionist (as in the war between Austria and Italy) or against his kin (as in the Austro-Prussian war).

Today many social scientists speak about the end of modernity as a result of globalization, the free flow of capital and the activity of transnational corporations. However, the new facts of life leading to the erosion of the nation-state do not spell the end of modernity as a specific social age and the emergence of a new postmodern society in the same way as the Time of Trials did not mean the end of Monarchy. Modernity is not just a time in history characterized by certain features given in observation or empirical description. It is an ethic and political system, and no systemic failure or erosion of a nation-state would be capable of bringing about its self-destruction unless an alternative system of values emerged.

Therefore, putting aside the positivistic description of modernity that is typical of social and political sciences, let us try to define the value component of this phenomenon.

What does the man of modernity choose as his supreme political value? For what does he sacrifice his life, ideology, class, sometimes his family, and – very often – his faith?

The first answer that comes to mind is the grandeur of the state. Yet this is the wrong answer. In spite of the central position of the state in the Westphalian system, the dominant ideology of modernity has nothing to do with etatism. The strict obedience of an individual to the state can in no way be considered as the supreme political virtue of modern times. An individual is neither a slave of the state nor of his sovereign. He submits to the state because it performs certain extremely important functions.

Thus, the state – or its abstract grandeur and prestige – cannot be considered the supreme value of modernity. The state is merely a tool for the protection of a man's freedom from encroachments of external powers. As one man is unable to ensure his safety on his own, he delegates a set of his individual rights to the state. Since protection from external powers requires a team effort, the idea of nation as a "union of people jointly defending their freedoms" appears to be a bond between a man and the state. The nation transfers part of its rights to the state and it does so not just to maintain order when "everybody is fighting everyone else." If, in its effort to maintain order, the state becomes dependent on some alien power, this would immediately be considered by the nation as immoral. The nation makes the state legitimate because the latter defends the freedom of its citizens against the incursions of any external power that does not have an agreement with them.

Furthermore, the moral rules of modernity allow for certain degree of self-alienation of the nation. The nation may go as far as to allow the state to usurp a portion of individual rights and freedoms which – in accordance with an unspoken social agreement – it promised to defend. The state may require more rights for itself, to free itself from "feedback" with the nation by stripping public control over executive power. But this might take

place with the sole purpose of ensuring national security, or freedom from any external threats.

True, the elites of any country may use a threat to national security as a pretext for curbing freedom and democracy, and one can often see the selfish interests of the powers-that-be behind actions that are purposefully provoking an external conflict in a bid to strengthen their authoritarian power. However, in the age of modernity, the usurpation of individual rights by the state is legitimate only when the freedom of an individual is threatened internally or externally. Even Stalin – known for his monstrous mass repressions – had to justify his toughening of the regime by threats emanating from fascism and "international bourgeois imperialism." Western leaders, too, have resorted to similar arguments: Roosevelt used such nonliberal measures as the internment of Japanese-born Americans during World War II.

Thus the foundation value of modernity is freedom which, according to John Stuart Mill, is understood as a guaranteed noninterference of the power in the affairs of an individual, rather than a guaranteed interference of an individual in the affairs of the power. A nation-state – the sovereignty of which is being undermined by postmodernity – and liberal democracy are in fact the two institutions devised to protect an individual's freedom the way it is defined by modernity. It is true that the state, in order to perform this function, must be economically and militarily powerful enough to ward off any external threat. Therefore, from the viewpoint of modernity, the state cannot abandon its power potential, because by losing its positions in the world arena it will lose its capability to protect its citizens from external threats. In this context it is clear why a modernity state is so sensitive to any interference in its internal affairs: by agreeing to such interference the state admits its inability to perform the main function that makes it legitimate in the eyes of the nation.

However, such a system of values based on the supremacy of individual freedom has a deficiency – it is only freedom from power and nothing else. If we regard such freedom as supreme (as is done by modernity), particular claims by various class, ethnic

and cultural minorities to protect their narrow interests would immediately be made secondary and potentially illegitimate. All these interests are to be set aside in the face of the priority – and genuinely national – task, which only the state can cope with. Russian ideologists often say that a 'political nation' is something absolutely politically correct and is fully compatible with European values. In fact, the priority of political issues means only that individual – including class and ethnical – interests are to be sacrificed for the general political task of ensuring "national freedom." This freedom may require the sacrifice of all cosmopolitan links if they are found to be detrimental to solidarity between people within a single nation.

In addition to politics, the idea of freedom has one more dimension – an individual striving to liberate oneself from power and from the enslaving forces of nature. Therefore, as the German philosophers Theodor Adorno and Max Horkheimer correctly put it, rational science, alongside the liberal-democratic system, forms the second aspect of modernity, or Enlightenment. It aims at both gaining theoretical understanding of the environment and instrumental subjugation of Nature to the will of Man.

This brings us to the conclusion – apparently obvious but somewhat surprising in this context – that it is modernity itself that makes Europe, or the West, a universal civilization that gave birth to two phenomena – rational science and rational law, the significance of which lies in the potential universality of freedom as a supreme and unconditional value. It was modernity that created an international political system that gave legal recognition to the sovereignty of the nation and the equality of all human beings regardless of their race, religion or ethnicity. In fact, these are the values that post-Communist Russia has declared as priority for its politics. Surprisingly enough, this declaration has been opposed by Europe.

POSTMODERNITY VALUES

There is a popular opinion expressed by the U.S. political scientist Robert Kagan that the so-called 'postmodernity' of European civilization is merely the result of Europe's living for a long time

without any military conflicts. Europe feels comfortable living untroubled and does not want to lose the wellbeing and peace it gained as a reward for its sacrifices in both World War I and World War II. As a system of values, postmodernity is merely a naïve attempt to hide oneself from history behind police checkpoints that restrict entry into the Schengen zone. Europe is reluctant to see the horrible realities of the world, or to mobilize itself in the face of global threats to freedom and democracy. It seems that many representatives of the Russian elite assess European postmodernity in much the same way.

It is true that a striving for peace and wellbeing is very important for shaping a new – counter-modernity – approach. Yet a situation without any war itself does not explain why the nation-state in Europe is eroding – physically, morally and politically. One thing is clear, however – unlike the U.S., Europe is reluctant to become entangled in any full-scale conflicts motivated by pure ideology. At the same time, European military contingents have taken an active part in humanitarian interventions in Africa; most European nations supported the U.S. invasion of Iraq, and an overwhelming majority of Europeans supported NATO's bombing of Yugoslavia in 1999. To put it another way, no matter how attractive pacifism may look for many left-wing Europeans, it cannot be considered a value foundation for postmodernist Europe.

It would be more accurate to say that, unlike modernity aimed at individual and national freedoms, postmodernity opts for rehabilitating the rights of various minorities. Postmodernity is a critical response to the universality of modernity. Postmodernist philosophers maintain that Western liberal democracy and Western science are not universal by nature; rather, they are a product of the domination of a certain class, race or gender. All claims of modernity for the right to suppress other identities – ethnical, gender, racial – for the sake of a single nation-state identity are groundless.

The origins of postmodernity lie not in the realities of post-war Europe, but in the value system of early Marxism. The tragedy of modernity is that its emergence chronologically coincided with the

birth and maturity of a capitalist society in Europe. There is a persistent belief that modernity as a system of values — so brilliantly disclosed in Hegel's philosophy — is nothing but an ideological cover for capitalist exploitation. European modernity broke apart over the social issue. The demand of a significant part of the population — the proletariat — for a place in Western society and recognition by other classes resulted in a revolution in morals and politics. In this situation, the working minority had to abandon universalism in treating social society and position itself as a class alienated to society's phantom values. This signified a tragic shift in Western society (which Karl Polanyi, who had a profound understanding of that radical change, called the Great Transformation) and ultimately resulted in a transition from modernity to postmodernity.

The rebellious proletariat eventually found its way into Western society, while its political leaders traded Communist internationalism for Social-Democratic patriotism (which fact-loving radicals from the East hastened to dub "social betrayal"). In fact, the proletariat created a visible breach in the harmonious system of liberal modernity that was immediately used by other — first ethnic and then gender and sexual — minorities. Finally, there arose the problem of immigrants who also wished to accommodate themselves in Western society while at the same time preserving their traditions and way of life. This process has already led to a complete transformation of the system of values in Europe, and to ethical and — subsequently in the future — legal delegitimization of its institutions.

Indeed, if national sovereignty provides freedom for only a privileged part of its citizens — the well-to-do, white, heterosexual, male, adult, psychically sane majority, while the remaining population — the poor, non-white, homosexual, mentally insane and all other small groups are de facto excluded from the national unity, there is no sense for the latter in rallying with the other members of the political community to defend their freedom and thereby credit the sovereignty of nation-state.

Let us now imagine a postmodernist system in which the demands of minorities would be placed higher than the claims of

nation-states for civil unity and loyalty. Of course, it is hard to imagine a society capable of putting some above the whole. However, one can admit the existence of a super-society raising above a multitude of lesser societies and – in a bid to consolidate its higher position – doing its utmost to differentiate and even set them apart. Such a super-society would be capable of military interference when the rights of ethnic and other minorities in individual countries are infringed on, and, on the other hand, of stopping the suppression of any revolt of such minorities by the state power of these countries. However, such a society would not have any right to demand that its people mobilize for the sake of some all-national task, and therefore, it would exclude as unfit such economic strategies as tough market reforms hitting the working population and the unemployed, and any forced mobilizations by the state. Such a society would gravitate toward European-style social democracy. Finally, such a society would proceed toward the lifting of taboos placed by religion and other foundations – the social denial of sexual deviants would be seen as unacceptable.

This does not mean, however, that this hypothetical postmodernist social entity will have to agree with all possible deviations from traditional morality. It is only required that it treat as illegitimate any attempts by nation-states to forcefully put down social revolts of any such minority. In other words, a nation-state is deprived of the right to cultural or political suppression of minorities. A mandate for the legitimate use of coercion against rioting minorities is delegated to supra-national entities which are believed to protect such minorities from being treated in an unjust manner.

In what way is this supra-national power legitimized? This is very simple. Whereas the power of a nation-state under modernity is justified in the eyes of its people by its capability to safeguard individual freedoms, postmodernist supra-national society is believed to secure wellbeing and prosperity. Freedom under modernity is exclusively negative, whereas freedom under postmodernity is positive. Modernity promises to provide independence from any alien power first and only then independence from its own power. Postmodernity does not promise such inde-

pendence, instead it offers safeguards to most of its citizens against poverty and the turmoil caused by potential involvement in protracted military conflicts, as well as from problems caused by the state's use of coercion against minorities.

This is what present-day Europe has been attempting to build and these are the values it is trying hard to graft on modernizing Russia.

POSTMODERN VS MODERN SOCIETY

The reader may suspect that the author is under some illusions about present-day realities in Russia. Let me dispel such doubts. This country can in no way be considered a model of modern – that is, a properly modernized – social entity. There are strong traditionalist sentiments in Russia rooted in an unchallenged trust in the supreme power. This is glaringly apparent in an inadequate understanding of the role of public representation in state governance. One can often hear advocates of the present regime in Russia saying: "Why should we have a parliament if we have a president in whom we trust, whom we love and whom we have elected?" The well-known saying "Trust but verify" has not yet developed into a political maxima.

However, this is not the core of the problem. What really matters is that Russia is seeking self-determination in the international arena and is being guided by a modernistic perception of sovereignty. This is what causes resentment and irritation from European elites who have developed a new way of thinking. Europe has justly pointed out to Russia that, in order to belong to a new European civilization, Russia should go far beyond the fundamental moral and political transformation that it has dared to perform during its transition from Communism to a market-oriented economic system.

What is required from Russia is more than its adherence to democracy. It is very unlikely that Europe's attitude toward Russia will dramatically change if the Russian state power is elected through a genuine political competition, and, say, if the Russian government is formed by a parliamentary majority. Majority and the rights of majority are important, yet the critical issue is the

inadmissibility of the majority's cultural or political domination over regional, ethnical or sexual minorities. To speak in earnest, Russia is required to abandon its political independence for the sake of an all-European peace and wellbeing.

Russia has found itself in an odd situation. It is undergoing – with delays – a transition from a traditional society based on trust in power to a society of modernity at a time when Europe has already said good-bye to modernity to enjoy a new, thus far undeveloped, social system. And Russia should realize that its integration into the European world will require that it radically restructure its system of values, a thing that it is unable to do right now.

That is why Russia and Europe should delineate their civilization preferences. Let them continue their friendly intercourse, but let them be free from any illusion that they can develop a similar understanding of things in the near future. Russia is not likely to understand that it has no right to suppress separatism using armed force within its borders. Europe is not likely to accept into its family a state ready to protect its territorial integrity by resorting to a full-scale war. It is hard to believe that in the near future Russia will agree that its natural resources should belong not only to its citizens, but to all of Europe, if it wishes to become a full-fledged member of the European community. Finally, Russia is not prepared to equally treat the norm and deviations from the norm, especially in regard to sexual relations.

There is hope that the upcoming years will see Russia emerge into a fairly democratic country, but this will not make it a postmodernist nation. Russia and Europe have to learn how to live and cooperate without understanding each other. To some extent, the right to remain different and misunderstood is the starting point for moving our value coordinates closer together. This right must be recognized by both modernists and postmodernists. This requires that we abandon our claims to be judges and prosecutors for each other. Russia and Europe are not fated to live under one roof, or unite into a single family in the current century, and what is therefore expected from us is to live as friendly and hospitable neighbors.

Russia and the West: Is Confrontation Inevitable?

Sir Roderic Lyne

The last two issues of *Russia in Global Affairs* have featured a rather agonized debate about the tensions in relations between Russia and (for want of a better term) "the West", with notable contributions by Foreign Minister Lavrov, Sergei Karaganov and Alexei Arbatov. I would like to enter a view from a corner of the European Union.

It is instructive to compare today's situation with that of six or seven years ago. As the new millennium opened, there was a much more optimistic mood in the world. Writing in the year 2000, David Gergen, a former adviser to Presidents Clinton, Reagan and Nixon, began his book *Eyewitness to Power* with the words: "It is just possible that we are living at the dawn of a new golden age." He discerned political, economic, scientific and cultural forces which "could lift future generations to the distant, sunny upland envisioned by Woodrow Wilson, where people celebrate 'with a great shout of joy and triumph.'" One would have to be a fantasist to write in such terms today, in the wake of 9/11, the debacle in Iraq and wider turmoil from the Near East through Iran and Pakistan to Afghanistan, or of the fast-rising concerns about climate change.
Russia was one of the reasons for Western optimism. Russia rebounded rapidly from the 1998 crash. In his first three years

---

Sir Roderic Lyne served as British Ambassador to the Russian Federation from 2000 to 2004. He was the co-author, with Strobe Talbott and Koji Watanabe, of "Engaging with Russia: The Next Phase," a report to the Trilateral Commission.

in office, President Putin established strong relations with all the major Western leaders and did much to restore Russia's international reputation. An important part of his message was that Russia was keen to develop its international business links and to attract foreign investment: Russia wanted to become a significant actor in the global economy, and a member of the WTO. The greater stability within Russia was welcomed; and there was applause for the skilful macroeconomic policy and the significant steps being taken to reform and restructure the economy. The main irritant in our relations was the way in which the war in Chechnya was prosecuted (although there was and is no sympathy in the West for Chechen terrorism).

Chechnya apart, a new level of trust and cooperation was established between Russia and the West. Russia's prompt and supportive reaction to the terrorist attacks in the U.S.A. on 11 September 2001 reinforced this trust.

The mood in late 2007 could scarcely be more different. Russia and the United States are at odds over missile defense (which President Putin compared in Lisbon to the Cuban missile crisis – the most threatening moment of the Cold War); and also over the CFE Treaty and the agreement on intermediate nuclear forces. There are serious disagreements over Kosovo and Iran. The German Chancellor has used the word "unacceptable" to describe Russia's handling of Belarus. The French President has accused Russia of playing its trump cards in energy "with a certain brutality." Russia has unprecedentedly blocked OSCE monitoring of the Duma elections. Meanwhile President Putin has complained that the United States has "overstepped its national borders in every way" and is acting in a way which "inevitably encourages a number of countries to acquire weapons of mass destruction." Foreign Minister Lavrov (in his article in your last edition) described "a situation that can hardly be perceived as other than re-establishment of a sanitary cordon west of the Russian borders...Various attempts are being made to contain Russia." On 10 October General Patrushev of the FSB went a step fur-

ther, claiming that "politicians thinking in the categories of the Cold War ...in a number of Western nations" were "hatching plans aimed at dismembering Russia."

Self-evidently, the trust that existed up to 2003 has evaporated. Is the present fractiousness a stage in the development of our relations – or a fundamental parting of the ways? Is it in the interests of Russia and of Western Europe that we should be so deeply divided? What are the prospects for re-establishing more constructive relations?

WHY HAVE RELATIONS GONE SOUR?

In his article "A New Epoch of Confrontation" (*Russia in Global Affairs*, No. 4/2007), Sergei Karaganov argued with his customary lucidity that the West and Russia were now in a new confrontation which differed from, and risked becoming even more dangerous than, the Cold War. The West, he says, has given up hope of turning Russia into an allied state and is thinking of "neo-containment." In the preceding edition, commenting on reactions to President Putin's Munich speech in February, Alexei Arbatov asked: "Is a New Cold War Imminent?"

Some politicians and commentators in both East and West have been only too happy to resurrect the specter of the Cold War. It makes an easy newspaper headline. (One British journalist not known for his love of Russia has brought out a book entitled "The New Cold War and How to Win It.") I agree with Karaganov and Arbatov that analogies with the Cold War do not stand up to any serious scrutiny and should be dismissed. The cardinal features of the Cold War were ideological conflict; the perception of a direct military threat from the Soviet Union to the West and vice versa; proxy conflicts, in which the USSR and the West took opposing sides in regional wars and disputes in Asia, the Middle East, Africa and Latin America; the subjugation of the states of Central and Eastern Europe to the Warsaw Pact and CMEA; and the isolation of the Soviet system from the capitalist world (with low levels of trade, different economic sys-

tems, and narrowly controlled exchange of information and human contact). Not one of these features exists today.

From my Western European perspective, I would attribute the malaise principally to five elements.

First, irrational though it may be, the legacy of the past ineluctably colors the relationship. Historical emotions ingrained in the mindset of our peoples can be aroused with the greatest of ease by events – the poisoning or shooting of political opponents by persons unknown, missiles falling on neighboring countries, bitter arguments over war memorials. These are serious matters in their own right, but their political effects are magnified by history (and all too readily manipulated by politicians and polemicists). The very word "NATO" has inescapably negative connotations in Russia. When Russia and Estonia came to blows over the Tallinn war memorial, it was not difficult for a third party to understand the deep grievances on both sides. It is not only in relations with Russia that we have to contend with the legacy of the past. One could quote hundreds of examples from around the world. The events of 90 years ago still have a bitter effect on Turkish/Armenian relations and have recently disrupted U.S./Turkish relations. The partition of Ireland happened in 1922; the UK and Republic of Ireland joined the EEC together in 1972; but the Republic is one of the few countries to which the British sovereign has not paid a State Visit in her long reign. One could cite France and Algeria; Japan and China (and the Yasukuni Shrine); Japan and Korea; Germany and Poland or the Czech Republic; and so on, almost ad infinitum. The real Cold War ended only half a generation ago. The memory will linger on for at least a generation hence.

The Russian people are reacting also to a yet more recent memory, which is under-appreciated in the West: the pain, destabilization and humiliation of the 1990s. Their political system collapsed (which a majority welcomed), but without a ready-made alternative (to this day). Their economy collapsed, twice, which was painful and frightening. Their empire and country, previously a proud superpower, collapsed almost without warning, losing

two fifths of its population and much of what was previously regarded as the heartland. They were sent food parcels and economic and political advisers. These nightmarish experiences happened only in the last decade, under what they were misleadingly told was a system called "democracy."

Westerners ought not to be surprised at the yearning of the Russian people to regain respect, strength, independence and "sovereignty" – a yearning which has been both reflected and directed by their political leadership. Nor should the West be surprised if Russia's leaders tend to exaggerate their country's renewed strength (much as Khrushchev vastly exaggerated the USSR's nuclear capabilities and economic potential in the 1950s). It took other former imperial powers (the UK, for example) fully half a century to adapt psychologically to their loss of status and to find a new equilibrium. Most of Russia's population, and all of its leaders, were well into adulthood in Soviet times. Of course this affects their outlook on the world (just as British leaders in the 1950s still thought in terms of Empire and of membership of a global "Big Three"); but this does not mean that Russia can or will go back to the Soviet Union.

Second, we are paying a price for disappointed expectations on both sides – expectations which arose through naivety, ignorance and lack of understanding; and disappointment which has been exacerbated by ancient suspicions. Solzhenitsyn has called this "the clash of illusory hopes against reality."

In "Getting Russia Right" (Carnegie Endowment, 2007), Dmitry Trenin recalls that "the idea, popular in the 1990s, that Russia would be integrated as a full-fledged member of the Western community inspired Russian democrats and their partners in Europe and America... Hopes were raised of a new Marshall Plan, early NATO membership, and some sort of a progressively tighter association with the EU... In the 1990s, when Russian elites wanted integration in principle, they dreamed of an instant accession to a position of prominence in each and every club they were seeking to join. Instead of going through obligatory and tedious homework on the path to joining, they hoped to use net-

working to reach a master deal with American and European elites. This approach went nowhere."

There is now a strongly-rooted belief in Russia that the West deliberately spurned the opportunity to embrace and integrate Russia; offered no help; and sought instead to exploit Russia's weakness. Karaganov reflects this perception when he says that "when Russia was weak, it was not invited to join the 'club' of Western democracies." So does Solzhenitsyn (in his interview with *Der Spiegel* of 23 July 2007) in lamenting that the West refused Russia's helping hand after 9/11. Arbatov complains that Putin's major step toward Washington after September 11 was rewarded by U.S. withdrawal from the ABM Treaty, the liquidation of large Russian oil concessions in Iraq, and NATO's Eastern advance.

This is a myth. There were certainly large helpings of naivety and wishful thinking in Western attitudes to Russia in the early 1990s, and much of Western behavior will have come across as insensitive and (unintentionally) patronizing. But the fact is that Russia was welcomed into a number of democratic "clubs" in the 1990s and before and after 9/11 – to the maximum extent possible. In the 1997 Partnership and Cooperation Agreement with Russia, the EU declared "a strategic partnership founded on common interests and shared values." Russia joined the IMF and the Council of Europe. President Yeltsin was invited to G7 Summits. The G7 was then enlarged to G8. In response to Russia's support after 9/11, the NATO-Russia Council was established; and the 2002 G8 Summit at Kananaskis awarded President Putin the accolade of hosting (in 2006) the premier "club" of the largest industrialized democracies – a club to which neither India nor China has yet been admitted. These are but the leading examples among many. From which "clubs" has Russia been excluded? Russia has not applied to join, indeed does not wish to join, the EU (in the unlikely hypothesis of Russia wishing to join and the EU agreeing, it would take many years for the Russian economy and political system to achieve the necessary alignment). Russia has not applied to join NATO (the possibility has been discussed but was never pursued). The WTO is not a "club" of democracies,

but a rules-based trade body: Russia's accession negotiations, though slow, are well advanced. And the OECD, a club of lesser stature, is considering Russian membership.

Such are the facts; but what matters politically is that there is a perception within Russia of rejection and exclusion. The most extreme form of this perception is the accusation that the West is actively trying to undermine or even "dismember" the Russian Federation. Can any responsible person actually believe this? There is not a shred of serious evidence to support the idea. What possible motive could the West have for dismembering Russia? The worst nightmare of Western policy-makers in the early 1990s was that Russia might collapse and fall apart, with terrifying consequences – especially for Western and Central Europe.

Third, there are genuine and substantive differences of interest and policy between Russia and Western countries. Rows about NATO enlargement or the possible stationing of a handful of interceptor missiles in Poland or the gesture politics of renewed patrolling by antiquated Bear reconnaissance aircraft over the North Sea may have been played up for political reasons. On the most important global issues there are no fundamental differences between Russia and the West. However, there are of course some areas where our interests diverge. Russia takes a different view of Iraq from that of the U.S. and British Governments, though its view is widely shared in Western Europe. In the Middle East generally, in Asia, and in certain parts of Africa and Latin America, Russia is pursuing its interests more actively. It has every right to do so, within the framework of international law. Legitimate competition should not be confused with deliberately obstructive confrontation.

Fourth, the conflict of values is an obstacle to partnership. In his article, Foreign Minister Lavrov sought to exclude values from intergovernmental relations: "The Westphalian system, which has become a fashionable object of criticism in certain circles, has placed differences in values beyond the scope of intergovernmental relations. In this respect, the Cold War was a setback. Should we really follow this path back, which can only lead to confrontation?"

In the world of the 21st century, whether we like it or not, values inescapably play a part in international relations. Why else, for example, has the UN Secretary-General involved himself (with wide support) in the internal affairs of Burma? Russia has joined the Council of Europe and signed the European Convention on Human Rights. It has signed documents declaring that it shares the values of the EU, and has joined the G8's club of industrialized democracies. States which do not share values of course cooperate where they have interests in common. But genuine partnership, joint membership of democratic clubs, demands a commonality of values. The perception that our values are not converging, especially with regard to the rule of law, has taken a toll on Russo-Western relations.

Fifth, differences have been played up for reasons of domestic politics. This happens on both sides. Arbatov warns that "those politicians in Russia and the West who are attempting to gain political capital from this confrontation are recklessly turning the major national interests of their states into bargaining chips for internal political games." In a similar vein, the Editor of this journal commented in the *Moscow Times* on 7 March: "The escalation of aggressive rhetoric we are witnessing is capable of reviving the outward appearance of the Cold War, which will do nothing toward providing real security, inasmuch as the real threat does not come from any real conflict between Russia and the West. But it is far simpler for politicians on both sides to fall back into familiar patterns of behavior than to try to resolve the real problems they actually face."

Exaggerating the threat of an external opponent is an age-old political gambit. Russia entered an ideological vacuum and an identity crisis in 1991. Some argue that anti-Westernism has now become the new "national idea," that xenophobic nationalism is being used to bind the nation together. Certainly, the oft-repeated assertion that the West is trying to subvert and weaken Russia has its uses. It can be used to justify increased central control over civil society, limitations on civil and political rights and the reinvigoration of the internal security organs. Blame can be diverted

onto external opponents. And now that the flow of critical opinion into the country can no longer be blocked, discrediting external critics as malign and destabilizing forces is the most effective counter-attack. It seems to me that Russia's anti-Western rhetoric is being aimed above all at the domestic audience.

THE RISK OF CONFRONTATION

A neutral observer landing from Mars and reading the newspaper headlines of the past few months would reasonably conclude that Russia was locked into a bitter and lasting confrontation with the West. But if the same observer had sat in any one of the dozens of meetings I attended in Russia in 2007 – business meetings, negotiations between Russian and international companies about joint projects, seminars on leadership, education reform and civil society and so on – he would have made the opposite deduction.

Russia and the West are ***not*** in what can properly be called a confrontation. The Russian leadership is pursuing a vision of "sovereignty" modelled on the great powers of the 19th century. It is using all the instruments at its disposal to reassert influence and explore the limits of Russian power. Yet I do not believe that the leadership's objective is a generalized policy of confrontation with the West. This would be very costly; and it would not serve Russia's interests.

Likewise, neither the European Union nor the U.S.A. is seeking a confrontation with Russia. This would serve no Western interest. Russia has enjoyed becoming a more awkward customer for the West, and in some areas a competitor: but it is not a threat to be contained or confronted.

So is Karaganov wrong to warn that we could find ourselves in an "even more dangerous" confrontation than in the past? It is not hard to identify issues which could produce this unintended consequence. In his article, Arbatov gave a list which included the breakdown of arms control agreements, the possible knock-on effects of Kosovan independence, the risk of Russian involvement in armed conflicts with NATO-supported Georgia and Moldova and the risk of a flash-point in Ukraine. None of these risks have receded in the six months since he was writing.

Meanwhile the intractable problem of Iran's nuclear program has moved closer to a denouement. Iran is playing a dangerous game of brinkmanship. The noises coming out of Washington are all too reminiscent of the build-up to the Iraq conflict (the lessons of which seem to have been lost on the Bush administration); and the Presidential candidates are vying to display their virility over Iran. No sane person wants to see a nuclear-armed Iran; but the question is how best to avert this undeniable threat. Up to now, Iran has been a source of tactical rather than strategic disagreement between Russia and the West. But if the U.S.A. were to use force against Iran, it seems likely that the Kremlin would come out strongly on the other side – and the consequences would be extremely serious.

This is far from an exhaustive list of possible sources of a deeper rift. As Arbatov rightly puts it, "Russia's slide into confrontation and rivalry with the U.S. and NATO must be stopped, even though this confrontation is not global but regional, geopolitical and selective in military-technical issues."

WHERE IS RUSSIA HEADING?

Assessing Russia's internal course is fundamental to any reappraisal of how Russia and the West should act toward each other. Foreign policy emanates from domestic policy.

"Russia is at a crossroads" is an overworked cliché. It would be more accurate to say that Russia passed a crossroads four years ago, and that the next fork in the road lies some considerable way ahead. I recall two prescient speeches made in Moscow by sympathetic Westerners around the turn of the year from 2002 to 2003. Carl Bildt (at a meeting to launch this journal) noted the great progress made in convergence between Russia and the West but saw warning signs of impending divergence. Stanley Fischer, speaking at the Academy of the National Economy, praised economic restructuring, but was concerned that the process was slowing down.

As we can now see, 2003 was a turning point in both internal and external policy.

Internally, the flood of petrodollars was the death knell for reform. Externally, it has become increasingly clear since 2003 that the dominant forces in the current Russian leadership have turned against the idea of a "strategic partnership" with the West. They do not feel they need it: Russia is strong enough to pursue a wholly independent policy, does not need to make concessions to Western viewpoints, and can dictate its own terms for cooperation. They do not wish to be tied by the constraints of partnership, or to embrace the responsibilities it requires. They mistrust the motives of the West – a mistrust reawakened by events and Western actions, and by Western criticism of Russian behavior. And they are angry: there is a bitter feeling (which is reflected in the articles I have cited) that Russia has not been respected, but has been abused, exploited, ignored and made a victim. As Sergei Karaganov says, Moscow "does not want and cannot afford to integrate with the traditional West on the terms the latter proposed just recently... 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." Or, in President Putin's words, "Russia will either be independent and sovereign or will most likely not exist at all."

"Respect" is a key point in this debate. Russia "wants its legitimate rights to be respected and its views on major issues to be reckoned with," says Arbatov. It is worth pondering why Russia enjoyed more respect internationally in 2002 than in 2007. A state earns more respect by moderation, by applying the rule of law, by speaking softly while carrying a big stick, than by bullying, threats, accusations and manipulating or ignoring the law. In 1991, the United States and their allies earned huge respect for halting the first Gulf war once Kuwait's sovereignty had been restored – complying with UN resolutions and humanitarian principles, and preserving the unity of a wide coalition. By contrast they have suffered a major loss of respect and influence by taking the opposite approach in the second Gulf war. Russia is recognized as a force to be reckoned with; but too much force engenders opposition.

At the risk of over-simplification, there are two broad schools of thought about Russia's future direction.

One is that Russia has chosen its course. What we are seeing now is the future. There are not a few analysts within Russia and outside who believe that, having regained strength and self-confidence, Russia has now reverted to a historic model which is fundamentally incompatible with the West: "sovereign" should be interpreted as "separate." (As a retired Sovietologist from the U.S. Navy put it in a recent letter to *The Economist*: "Any scholar of Russia knows that Russian history revolves around long periods of authoritarian rule, broken only by brief periods of chaotic liberalization before a new kind of authoritarian regime comes to power to exploit the nationalistic anti-Western xenophobia of the Russian people.") Russia has a unique Eurasian character. Its national identity, in part founded on the Orthodox Church, is deeply conservative. It is not attracted by democracy: strong, centralized authoritarian rule is the only way of ensuring order in this vast land and – as opinion polls show – is widely supported by the people. Stalin (who in the West tends to be equated with Hitler and quantitatively was responsible for even worse atrocities) remains an admired leader. The country's future success can be built on its huge natural resources (in a resource-hungry world) and traditional strengths in heavy industry, with the State playing the dominant role in the economy.

The opposing school of thought is that what we are currently witnessing is a revisionist cycle in a long process of transition. Processes of change are underway which are not yet apparent at the political level – notably the growth of a new middle class, of new and competitive private sector businesses, and the gradual emergence of a generation of young, educated Russians who have been exposed to the outside world in a way that was denied to their parents, and wish to be part of it. It is also argued that the traditionalist model of Russia will not work – that an economy based on gigantic and massively inefficient (indeed value-extracting) state-run industries failed in the 1970s and 1980s, and will fail again. Likewise there are doubts about the long-term viability of a political model based on a single individual and the single institution of the "vertical of power" – a vertical heavily dependent on

the cadres and successor institutions of the former KGB. As Arbatov put it, "the main problem with Putin's 'managed democracy' and 'executive vertical' is that the country's present economic well-being and political stability rest on a very fragile and short-lived foundation." Speaking to the Valdai group on 14 September, President Putin himself expressed these doubts succinctly: "We cannot build Russia's future by tying its many millions of citizens to just one person or group of people. We will not be able to build anything lasting unless we put in place a real and effectively functioning multi-party system and develop a civil society that will protect society and the state from mistakes and wrong actions on the part of those in power."

It seems to me that the determining factor will be the economy. But the prosperity generated by high oil and gas prices has merely masked, rather than resolved, the underlying structural weaknesses in the system. Both Karaganov and Trenin (in the works already quoted) see the need for modernization of the economy as the probable catalyst for wider change in Russia's future internal and external policies.

Karaganov forecasts that, in five to seven years' time, "Russia will come down to earth after its present euphoria and will conduct a more cautious, although not less active, policy." This is because Russia's share of world GNP will tend to decrease unless "sustainable growth of 8 to 10 percent a year" (a very ambitious target) can be achieved; and because "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."

Trenin's verdict is not dissimilar: "Over time, Russia will acquire more and more rightful owners: from a few dozen today to a few hundred several years from now to hundreds of thou-

sands. Within a generation, having a single master of the land will first become impossible and then unthinkable. The powers of government will have to be separated in reality... Governance and competence are likely to emerge as criteria for grading the political regime and determining its fate. Russia circa 2025 will still not be a democracy, but it will be considerably more liberal and modern. The liberalism that has a chance to prevail in Russia will be economically driven."

We should not expect an early change in the atmosphere. For the next few months Russia will be preoccupied by the "2008 question." Whatever reshuffling takes place within the ruling elite in the spring of 2008 is not expected to lead to a sharp change of direction. But over time the facts of economic life and social development will require a reappraisal of where Russia's best interests lie.

How will Russia's future leaders view the world in 5-10 years from now? Let me hazard a few guesses:

• It will be clear to all – indeed it is already – that Russia has asserted its sovereignty. No one will be under any illusion about Russia's economic revival and determination to be regarded once more as a significant and independent actor on the international stage.

• The angst of the 1990s will have faded. It will have become obvious that raging furiously at the West and developing a national sense of victimhood is a political tactic, but not a strategy. If the aim is to regain respect, the tactic is counter-productive. The more the Russian Government accuses the West of failing to acknowledge Russia's strength or of seeking to undermine Russia, the more it conveys an impression of insecurity, of not feeling (as the French put it) comfortable in its skin. A siege mentality did not serve Russia well in the past. I believe that the bile will pass through the system.

• Economic integration will have advanced. Russia will want a modernized, diversified, competitive economy, making full use of its human capital, not one that qualitatively lags behind the developed world. The growing shortage of skilled personnel will have required higher levels of education, training, and investment to achieve the necessary productivity. Progressive private sector com-

panies, succeeding in global markets, will have shown the way forward – not state monopolies.

- Internal pressure to strengthen the rule of law and diminish corruption and the rule of bureaucracy will have increased.
- The array of global threats – including weapons proliferation, international terrorism, instability in the Middle East, climate change – will be no less acute.
- Adapting to the rise of China will be a difficult issue for Russia, as for the United States and the EU.
- The United States will have moved beyond the failed ideology of neo-conservatism.
- The EU will still be the world's richest bloc and Russia's largest trade partner, and will have developed a more cohesive foreign policy.

In these circumstances it is more likely that a future Russian leadership will wish to use the country's independent weight to be part of the solution, in concert with other powers whose interests overlap, rather than to be a part of the problem.

HOW SHOULD THE WEST CHANGE ITS APPROACH?

In the meantime, what approach should the West take?

The first requirement is to try to prevent a further deterioration in the atmosphere. The current agenda needs to be handled consultatively, with restraint and sensitivity, if we are not to slide into a mutually damaging confrontation. In place of strategic partnership, the West should seek cooperation with Russia on specific strategic issues.

Second, Western Europe and the United States must recognize that change in Russia will come from within, and over a long period. To the extent possible, they should continue to support processes of enlightenment there – but should not gear policy to unrealistic expectations of the pace of change. It is futile to fulminate that Russia does not meet the benchmarks of Western democracy. In the countries where it exists, democracy takes many forms, and took hundreds of years to develop. A fair amount

of personal freedom has developed in Russia over the past twenty years. Genuine democracy (which is a bottom-up process), not surprisingly, has yet to start – but may well develop over the next 25 to 50 years. It would make better sense for the West to focus on the rule of law, where the Russian government has clearly defined internal and international commitments: implementing them would unarguably be in Russia's best interests, and would provide a much stronger foundation for Russo-Western relations. The West, however, will have no credibility in Russia unless it practises what it preaches: the cavalier attitude of the Bush administration to international law has done insidious damage.

Third, the Western reappraisal should be geared to neo-engagement, not neo-containment. In fact no major Western government or organization is pursuing "neo-containment." If the West is to have an influence, it will be felt predominantly through the power of example, the flow of information and human contact. Isolation is wholly counter-productive: the case should not need arguing again.

The most important form of engagement is the mutually advantageous two-way interaction of business. The further development of the market economy will be the most powerful driver of the modernization of society and governance in Russia. In Trenin's words, "market forces can be relied upon to open up Russia even wider and help transform it even more deeply, but they need encouragement." Growing economic interdependence is already a constraint on negative behavior, and will become an even stronger one in the future.

Last, but by no means least, I believe that the European Union needs to articulate a clear and principled long-term view of its relationship with Russia – Europe's largest nation. The European Union should make clear that it:

– is resolutely opposed to a new division of Europe and commits itself to work over time for the progressive dismantling of barriers.

– recognizes that a strong, stable, prosperous and modern Russia will make a very large contribution to the well-being of the European continent; and seeks to cooperate with Russia to the greatest extent possible.

– fully acknowledges Russia's right to defend its own interests and pursue its own independent policies within the parameters of international law and of the sovereign rights of other states.

– has an equal interest in the sovereignty, stability and development of the Russian Federation and of all of the other states of the former Soviet Union, and in harmonious relations between them.

– is not seeking to expand its influence at the expense of Russia, but will oppose any encroachment on the sovereign rights of any European state.

– will defend its own interests and values robustly where they are challenged.

* * *

Policy should not be based on a misplaced presumption of confrontation. We are not – yet – in a confrontation. Confrontation would be unnecessary, mutually damaging and potentially dangerous; but the possibility exists.

We tried to become partners and allies. That turned out to be unrealistic. We have failed, for the time being. But that should not make us enemies. There is too much at stake, and we have too much in common.

We need to rebuild trust, step by step, by cooperating where we share interests. That will require levels of statesmanship and sobriety in rhetoric and behavior which have recently been conspicuous by their absence; and a realistic perspective on the situation we are in and the problems we face.

It will be a slow process. But if the analysis which I broadly share with Sergei Karaganov, Alexei Arbatov and Dmitry Trenin is well founded, a time will come a few years hence when genuine partnership is feasible. It may be inoperable now, but it is a worthy long-term objective. We may no longer be at the "dawn of a new golden age," but in a few years' time we shall be in a different situation and – with luck – a more rational environment.

Multipolarity and Demography

Anatoly Vishnevsky

The world's population grew at unprecedented rates in the 20th century due to asynchronous changes in mortality and birth in the course of a global demographic transition. World population growth rates peaked in the 1960s, then gradually declined over the next three decades and this tendency is continuing. Nevertheless, there will be five to seven times more people in the world by the middle of the 21st century than at the beginning of the 20th century. The planet's population has never been evenly distributed, but the global demographic explosion has sharply increased this unevenness.

The main global challenge of the population explosion, which in turn gives rise to other challenges, is economics. This challenge stems from an enormous increase in needs due to the emergence of billions of new consumers and the growth in the average level of needs for each consumer. As a result of this rapid growth in global needs and attempts to respond to this growth with an adequate intensification of production in all its forms, including traditional ones, the imbalance between people's activity and the natural resources they use has acquired global dimensions.

Anatoly Vishnevsky, D. Sc. (Economics), is Director of the Institute of Demography of the State University–Higher School of Economics and a member of the Board of Advisors of *Russia in Global Affairs*. This article is an abridged version of a chapter from the book Rossiya i Mir – 2020: Novaya Epokha (Russia and the World – 2020: New Epoch) co-written by several authors.

THE POLITICAL CONSEQUENCES OF THE DEMOGRAPHIC EXPLOSION

Economic and environmental problems can easily change into political or even military-political challenges in the modern world. Inasmuch as these challenges stem from the demographic situation, they may be caused by international or domestic reasons.

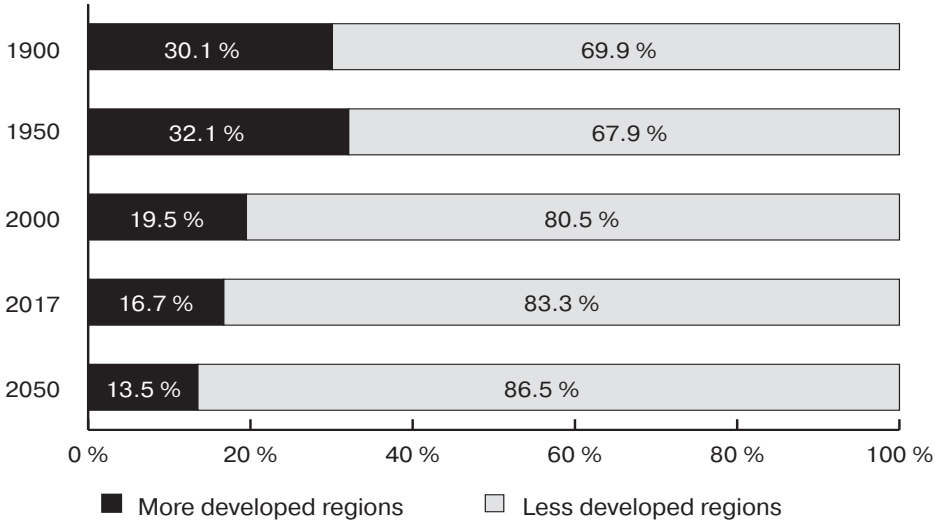
The international reasons are obvious. The world's demographic asymmetry dramatically exacerbates economic disparities, the conflict between poor and rich countries, and competition for resources amidst a growing shortage. At the same time, this course of events encourages modernization in developing countries, which drastically changes the correlation of forces in the world. The idea of redistributing global resources is in the air.

The domestic reasons stem from modernization, which destroys traditional social structures and institutions and the way of life of hundreds of millions of people. Modernization also creates a multitude of formerly unknown channels for economic and social mobility. People then embrace a new way of life and a new system of rules, institutions and values. However, many economic, social and demographic factors impede and slow down modernization. The throughput capacity of social mobility channels is increasing very slowly and does not meet the needs of new social groups. Discontent builds up in society, which increases in the face of an imminent conflict between the old, half-destroyed and the new, half-mature forms of life.

Counter-modernist (usually anti-Western) ideologies and political movements arise the world over. In idealizing the past, they look for support in traditional values, religious fanaticism, nationalist extremism, etc. The paradox of history is that the growth of traditionalism is usually caused by modernist aspirations.

Not even scientists realize how extremely complex this situation is and an analysis is often replaced with superficial reasoning. For example, we can take the 'clash of civilizations' concept put forth by Samuel Huntington, which emphasizes the impenetrability of borders between civilizations.

Graph 1. Share of the more developed and less developed regions in world population in 2020 and 2050 (according to an average forecast by the UN)



In reality, however, the achievements (and controversies) of an industrial-urban civilization are rapidly mastered by rural communities, which have to move from one historical era to another in a very short period of time. It is the difficulties of this rapid transition that bring about intermediate social states. These states are politically highly unstable and might bring about outbreaks of disorders and violence, coups, bloody ethnic conflicts, reckless military schemes, and the growth of domestic and international terrorism.

The situation is aggravated by an important demographic factor that is often underestimated. Remarkably, the term 'Third World' – as opposed to the First (Capitalist) and the Second (Communist) Worlds – was coined by French demographer Alfred Sauvy on the basis of an analysis of the demographic situation in the world.

As a result of the demographic explosion, developing countries have a very young population. One half of the Russian population is younger than 37 years old; the figure for Europe is 39 years, while in such countries as Germany and Italy it is 42, and 43 years in Japan. Children and teenagers under 16 years of age account for

half of the population in Afghanistan, and half of the population is under 15 years old in the Congo, which will overtake Russia in population over time. The average age of the entire African population is 19 years, while in Asia it is 28 years. By 2017, the median age of the Russian population will increase to 39 years, in Europe to 42 years and in North America to 37 years. At the same time, the median age in Africa will reach a mere 20 years and 31 years in Asia. So now and in the foreseeable future, teenagers and young people, the socially immature and largely uneducated, will make up a huge part of the population in developing countries. They do not have clear prospects, are easily manipulated and are inclined toward religious or political fanaticism.

These factors increase political instability, which is pronounced in many densely populated countries. Amidst the globalization processes, it may destabilize the situation in the world and bring about large-scale military conflicts. If conflicting parties possess weapons of mass destruction, such conflicts may pose a threat to all of mankind.

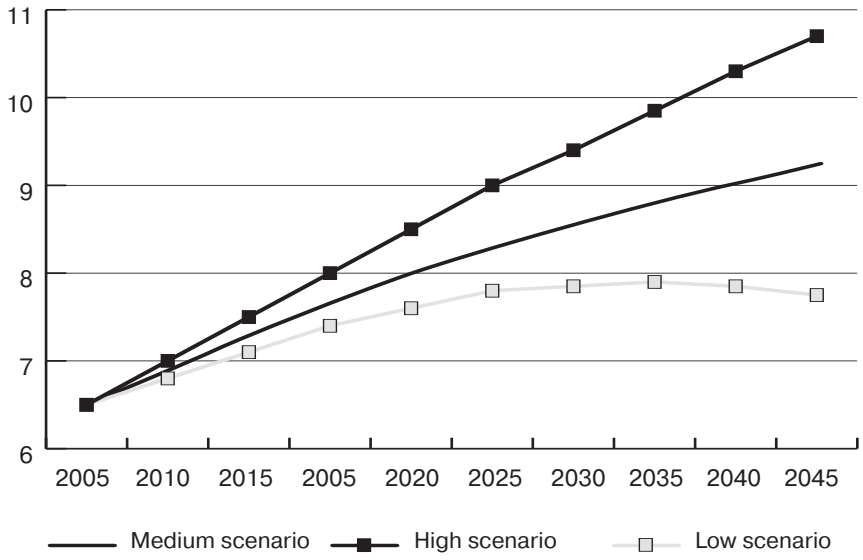
THE NEED FOR REDUCED POPULATION GROWTH

It is obvious that the international community must take special efforts to reduce pressure in the global "boiler." One way is to influence the global situation in order to stop the demographic explosion and gradually reduce the world's population. The only acceptable way to achieve this is by reducing birth rates in developing countries.

A great deal of success has already been achieved in this field. From the middle to the end of the 20th century, birth rates in less developed regions decreased by half. However, birth rates are still much higher than necessary (given the present mortality rates) even for stabilizing the population. Thus, the world's population is continuing to grow rapidly, although at a slower rate than in the 1950s-1970s.

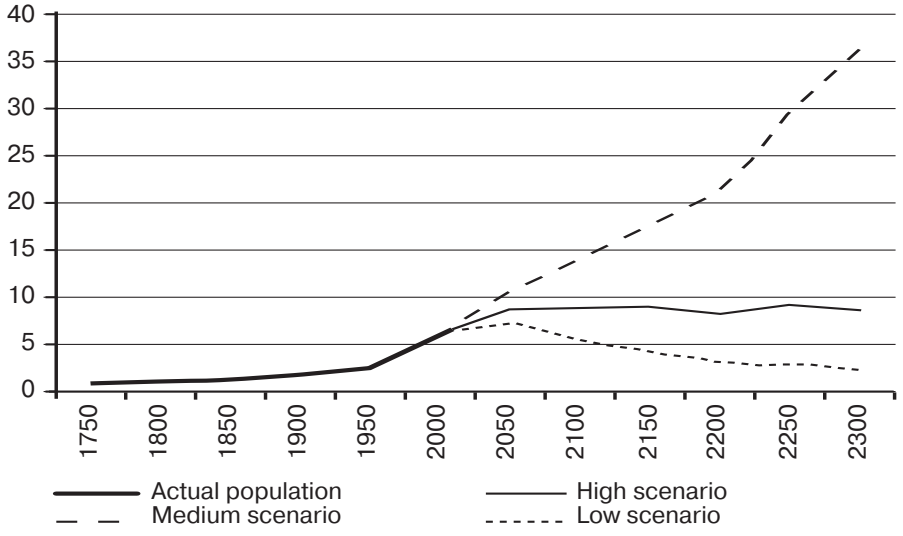
According to a 2006 long-term UN forecast, there are three ways that the world's population could grow. It would be the high road to disaster if the situation develops according to the high scenario. Yet, even the medium scenario does not inspire much optimism (Graph 2).

Graph 2. World population until 2050 (according to three scenarios of the 2006 UN forecast), bln people



Source: United Nations Population Division. World Population Prospects: The 2006 Revision and World Urbanization Prospects: The 2005 Revision, http://esa.un.org/unpp

Graph 3. World population until 2300 (according to three scenarios of a 2003 long-term UN forecast), bln people



Source: United Nations Population Division, World Population in 2300 (ESA/P/WP.187)

A "stable" nine billion people, coupled with the growing needs of the average resident of the Earth, add up to total requirements that can hardly be met. The only optimistic way is to develop according to the low scenario, where the population will gradually decrease. In the distant past (more than 200 years ago), the world's population was nearly the same as in the middle of the 20th century, i.e. before the population explosion (Graph 3). Therefore it is necessary to bring birth rates in the world below the simple reproduction level.

The strategy of slowing down demographic growth is, perhaps, the only way to successfully respond to global challenges without creating additional problems. At the same time, this strategy has not always been effective and sometimes involved tough measures (China).

GLOBAL REDISTRIBUTION OF THE POPULATION

Throughout human history, the migration of people from densely populated regions to lesser populated ones was an important mechanism to regulate global demography. In the 19th and 20th centuries, an accelerated growth in the number of Europeans started this mechanism once again. Until the middle of the last century, people usually moved from economically developed countries of the Old World to colonized regions, mainly to undeveloped or poorly developed territories in the New World and Oceania. More than 60 million people left Europe from 1820-1940.

However, in the second half of the 20th century, the demographic asymmetry and economic polarization of the North and the South changed the direction of intercontinental migration and its scope. Over 30 years alone (1960-1990), about 60 million people moved from southern regions to northern ones, and this flow still continues unabated. Moreover, annual growth rates in the number of migrants increased from 1.4 percent (in 1990-1995) to 1.9 percent (2000-2004). From 1990 to 2005, the number of migrants in the world increased by 36 million, of whom 92 percent (33 million) moved to industrialized countries. The average balance of migration between developed and developing countries in 2000-2005 stood at

2.6 million people a year, or 2.2 percent, in favor of developed nations. These figures were cited by the UN Secretary General at a May 2006 session of the UN General Assembly.

According to the UN medium scenario (which seems to be overly optimistic as it presupposes a drop in the flow of immigrants to developed countries after 2010), another 120 million people will move to these countries in the first half of the 21st century.

Migration from the South to the North has become a new global reality, bringing about essential changes in the ethnic composition of developed countries. Already by the middle of the century, the white non-Hispanic population may cease to be a majority in the United States. In many European countries, the share of immigrants and their descendants will approach 30 percent of the local population and will continue to increase.

Having created an effective mechanism for redistributing financial resources between the South and the North, migration has become an important economic component of modern international relations. According to World Bank estimates, money transfers by migrants to their relatives in the late 1980s totaled $65 billion a year. (This amount was second only to overall revenue from crude oil sales at the time.) In the early 1990s, the share of migrants' incomes sent to Third World countries stood at 31 percent of profits from the foreign-economic activities of Egypt, 26 percent of Bangladesh and Jordan, 25 percent of Sudan, and 23 percent of Morocco and Mali. Since then, the role of international money transfers by migrant workers has increased significantly. Between 1995 and 2005, the total amount of money transfers to developing countries increased from $58 billion to $167 billion (these figures may be understated), by far exceeding all international aid to the Third World. According to UN estimates, money transfers to developing countries in 2004 made up 1.7 percent of their GDP. China, India and Mexico were the largest recipients of those incomes. But of the 20 countries where money transfers account for at least 10 percent of GDP, small developing countries make up a majority.

Although much of this money is used for consumption, it is not spent on food alone. Money transfers by migrants are often the

main source for covering spending on education and health services, thus contributing to the accumulation of human capital.

However, the significance of migrant workers is not only measured in money terms. The professional knowledge and social experience gained by these workers turn them into agents of modernization, carriers of new technological and institutional ideas, and conductors of new social and political thinking.

LIMITATIONS OF THE NORTH'S MIGRATION CAPACITY

The migration from the poor South to the rich North seems quite logical. It is only natural that the migration flows, established in the second half of the 20th century, are not slowing down, but are continuing to grow. However, migrants are facing serious obstacles more and more often as the capacity of developed nations to absorb migration flows is limited.

These countries began to encourage immigration in the postwar years when they were experiencing a shortage of manpower, especially unskilled labor. Immigration contributed to their economic growth. The Third World also gained economically as well as culturally. Initially, the parties' interests coincided (at least partially), but conflicts have now arisen.

First of all, there is a numerical disproportion. The need of developed nations for imported labor, especially if it serves as a structural supplement to the existing workforce, is limited, while the potential labor supply for developing countries is virtually unlimited.

According to the latest estimates, the developed world will need 513 million jobs in 2050 – 84 million fewer jobs than in 1995. At the same time, the developing world will need 3,928 million jobs – 1,806 million jobs more than in 1995. Even if we consider that these estimates are approximate, the dramatic discrepancy in these figures, which attests to the North's inability to meet the developing world's demand, is evident.

But the capacity of the labor market is not the only problem. Serious problems arise from the limited ability of immigrants to adapt to a new environment both socially and culturally. When the

number of immigrants with different social, cultural, legal and political traditions and stereotypes is relatively small, they manage to assimilate fairly quickly in their new country. But when the absolute and relative number of immigrants becomes significant and keeps increasing rapidly, they form more or less compact enclaves. Integration processes slow down and cross-cultural tensions emerge, increased by economic and social inequality between the local and immigrant population. These factors inevitably bring about the marginalization of immigrants (at least temporarily) and a crisis of their cultural identity. As a result, broad masses become receptive to simplified "fundamentalist" ideas which they believe help them to overcome their cultural duality and "find themselves" once again. The integration process thus becomes blocked and many (although certainly not all) immigrants find themselves in opposition to their host societies. This confrontation can sometimes take very aggressive forms.

The situation is aggravated further by the simultaneous exacerbation of the cultural identity crisis in an immigrant's country of origin. As they gradually move toward modernization, Third World countries enter an extremely painful period of internal conflict and rigid confrontation between the values of traditional and modern societies.

At the same time, states that use foreign labor start realizing the limited nature of their immigration capacity. Heated debates are held over the immigration problem that becomes a political card. Anti-immigrant sentiments then arise and tough measures are taken to curb the inflow of foreigners. Yet a real drop in the exodus of people from developing to developed countries is unlikely, and the migration pressure of the South on the North is turning into another global challenge.

RUSSIA AND THE NEW DEMOGRAPHIC ORDER

Russia belongs to the world's demographic minority and the Golden Billion club of countries. This factor brings it closer to other countries of the North and, at the same time, requires a

rethinking of the situation inside the Golden Billion and its attitude toward the rest of the world.

Recent developments have put the idea of a bipolar world, which allegedly existed until recently, to a serious test. Actually, it was the bipolarity not of the world, but of the North, where most of the population of the Golden Billion countries lives. This idea came into doubt through changes in the correlation of forces within the North and by the gradual loss of the role of the world's only decision-making center. For the first time in its history, Europe, enlarged to the "Atlantic North" and even farther if we count Japan, has ceased being the only center of global politics.

The development of the international situation prompts a search for an optimal inner configuration of the Golden Billion countries. Will it be monocentric, bicentric or polycentric? What better meets the interests of the "world demographic minority"?

A monocentric North, which presupposes certain inequality and the existence of one decision-making center seeking to assume full responsibility, is hardly feasible.

Countries with a European culture, which have a more or less common historical past and a common values system, are richer and, most importantly, are at the stage of industrial-urban civilization, are countered by the densely populated, but poor, developing world. To protect their common interests, the Golden Billion countries need to pool their efforts and resources. However, it is difficult to imagine developed countries, formerly separated by the ideologies of Capitalism and Communism, as something completely homogeneous. The nature of complex systems requires their inner differentiation and the structuring of the growing internal diversity.

The search for a new structure that would meet the conditions of a changing world has been underway for decades. Northern countries are increasingly aware of being economic, political and military entities that are not large enough to act on the international stage separately. This consideration was taken into account, for example, in creating, strengthening and enlarging the European Union. Not one European country can act as a center of economic or political power that would be commensurate with the United States, where-

as the EU can. (Germany, the largest EU country, had a population of 82 million people in 2007, while the EU's total population stood at 497 million.) At the same time, relations between the European Union and the United States are not changing from competition to confrontation, which is largely due to an understanding of their common vital interests in the face of global challenges.

Has Russia fully realized the requirements of the new global structuring? Most likely not. Moscow has expressed its ambitions weakly and vaguely to create a "third Northern center of power" (in addition to the United States and the EU) and has made no serious practical steps in this direction. But when Russia tries to play the role of such a center in global dimensions, this attests to an obvious overestimation by Moscow of its economic and demographic weight.

Even if we remain within the logic of demography, Moscow's present policy cannot but cause concern. Russia is the most populated country in Europe, but its demographic ranking in the global demographic hierarchy is steadily decreasing. Russia's population reached a record high of 148 million people in 1993; since then it has dropped by more than six million and is still falling. But even the 148 million people of today is not the same as the 130 million citizens of the Russian empire at the end of the 19th century, when they accounted for eight percent of the world's population. For comparison, the population of the United States now stands at 306 million and that of the EU at 497 million.

In the middle of the 20th century, Russia – within its present borders – had the world's fourth largest population after China, India and the United States. It had dropped two places, putting it behind Indonesia and Brazil by 2000. After 2000, Russia fell behind Pakistan, Bangladesh and Nigeria and moved to ninth place. According to the UN medium scenario (revised in 2006), Russia will retain ninth place in 2017 and even in 2025, but by the middle of the century it will drop to 15th place. (When the UN revises its forecasts every two years, they change somewhat. For example, the 2000 forecast put Russia 17th in population in 2050; the 2002 forecast changed this figure to 18th; and the 2004 forecast put it at 17th again; see Table 1.)

Table 1. Russia's place in the world demographic hierarchy

1950			2000			2007			2025 Forecast of 2006			2050 Forecast of 2006		
A	**B**	**C**	**A**	**B**	**C**	**A**	**B**	**C**	**A**	**B**	**C**	**A**	**B**	**C**
1	China	554.7	1	China	1275.2	1	China	1328.6	1	China	1445.8	1	India	1658.3
2	India	357.6	2	India	1016.9	2	India	1169.0	2	India	1447.5	2	China	1408.8
3	USSR	178.5	3	U.S.	285	3	U.S.	305.8	3	U.S.	354.9	3	U.S.	402.4
4	U.S.	157.8	4	Indonesia	211.6	4	Indonesia	231.6	4	Indonesia	271.2	4	Indonesia	296.9
5	**Russia**	**102.7**	5	Brazil	171.8	5	Brazil	191.8	5	Brazil	228.8	5	Pakistan	292.2
			6	**Russia**	**145.6**	6	Pakistan	163.9	6	Pakistan	225.0	6	Nigeria	288.7
						7	Bangladesh	158.7	7	Nigeria	210.1	7	Brazil	254.1
						8	Nigeria	148.1	8	Bangladesh	206.0	8	Bangladesh	254.1
						9	**Russia**	**142.5**	9	**Russia**	**128.2**	9	Congo	186.8
												10	Ethiopia	183.4
												11	The Philippines	140.5
												12	Mexico	132.3
												13	Egypt	121.2
												14	Vietnam	120.0
												15	**Russia**	**107.8**

A – Ranking; **B** – Country; **C** – Population, mln

Whatever the economic or military capabilities of the "third Northern center" might be, it cannot be viable and competitive without boosting its demographic weight.

If Russia is interested in the emergence of a "third Northern center," it must try to establish a larger supranational interstate community, something like the European Union. The only way to do this now is to restore, at least partially, the geopolitical unity of the former Soviet territory, but on an entirely different, non-imperial basis, without any attempts to restore the Soviet Union.

The potential of the Commonwealth of Independent States, which has been steadily weakening, could be used to help move along this path. Considering the demographic and economic situation, the most natural and advantageous way would be to start with the creation of a common labor market in the CIS. This would remove the threat of a manpower shortage, which is looming large over Russia, and help create an interim mechanism for preparing part of the migrants for naturalization in Russia. Thanks to its current economic advantages, Moscow would then automatically take the place of the universally recognized non-confrontational leader of the Commonwealth.

In the future, a unified labor market could play the role of the European Coal and Steel Community (an organization founded in 1951 with the active participation of recent mortal enemies – Germany and France, and later reorganized into the European Economic Community). Today, however, things are developing in the opposite direction.

Yet even the total demographic potential of all CIS countries is not large enough. The population of many of them will keep decreasing – apart from Russia, these countries include Armenia, Belarus, Georgia, Moldova and Ukraine. The overall number of people in the region will decrease and the gap in population between the CIS, on the one hand, and the European Union and the United States, on the other, will increase (see Table 2).

Table 2. Population of CIS countries, the U.S. and the EU in 1950, 2007, 2017 and 2050 (according to the UN 2006 medium forecast), thousands of people

	1950	2007	2025	2050
Azerbaijan	2,896	8,467	9,508	9,404
Armenia	1,354	3,002	2,908	2,458
Belarus	7,745	9,689	8,668	6,960
Georgia	3,527	4,395	3,945	3,134
Kazakhstan	6,703	15,422	16,987	17,312
Kyrgyzstan	1,740	5,317	6,208	6,566
Moldova	2,341	3,794	3,496	2,883
Russia	102,702	142,499	128,193	107,832
Tajikistan	1,532	6,736	8,929	10,760
Turkmenistan	1,211	4,965	6,068	6,780
Uzbekistan	6,314	27,372	33,963	38,386
Ukraine	37,298	46,205	39,879	30,937
CIS	**175,363**	**281,718**	**268,752**	**243,412**
U.S.	**157,813**	**305,826**	**354,930**	**402,415**
EU-27	**377,103**	**497,105**	**502,674**	**484,768**

Source: Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat. World Population Prospects: The 2006 Revision

Therefore, even if the rapprochement of the former Soviet republics does result in the establishment of a "third Northern center," Russia will have to take measures in three major fields to build up its demographic potential: increase birth rates, reduce death rates and attract immigrants.

We should not entertain utopian hopes that success in the first two fields would eliminate the need for Russia to seek large-scale immigration. All available forecasts show that this is not so and that a strong demographic growth is possible only through immigration, largely from outside the CIS. This is why Russia should vigorously build up possibilities to integrate immigrants into Russian society, but this is not going to be a likely probability in the near future, at least not until 2020.

Russia is not ready today to receive large numbers of foreigners. Public opinion in the country is very negative toward immigration, which has an impact on the position of the authorities as

well. This situation does not meet the imperatives of the global demographic evolution, nor Russia's interests, but it will hardly change any time soon.

RUSSIA AND THE THIRD WORLD

In building its relations with the Golden Billion countries, Russia should also address issues of its cooperation with the rest of the world, above all with its Asian neighbors.

In Asia, internal economic, social, political and cultural tensions will be stronger and will continue longer than in other parts of the world (perhaps with the exception of Africa, but this is a case of a more distant future) – largely because of an unprecedented population growth. This is why Asia will continue to be a troubled region. Building stable relations with Asian powers is one of Russia's foreign-policy priorities. Yet the logic of demography requires a carefully weighed approach to interaction with these states.

Despite all the above reservations, Russia's current positions in the "Northern Club" can still largely rely on its demographic weight and on the fact that in terms of population it is the world's second largest country after the U.S. and the first country in Europe. However, this factor loses its importance if Russia is compared with China or India. The population of these two countries will reach 1.4 billion and 1.3 billion people respectively in 2017, and by the middle of the century their total population will exceed 3 billion. Too close alliances with such giants can fully deny Russia an independent role or, at best, can turn it into an appendage country.

Russia, especially its scarcely populated Asian part, has enormous natural wealth. This does not only include hydrocarbons, but also its invaluable freshwater resources, as well as boundless expanses of land. By 2050, the per capita area of arable land in the world will decrease to 0.08 hectares, whereas Russia by that time will have 1.14 hectares of arable land per capita. An excessive rapprochement with, say, a growing China, which lacks resources of its own, may impose "allied obligations" on Russia,

which can ultimately result in the limitation of its rights to its own resources and to territories where they are located. Moscow will be able to successfully defend its interests only by relying on the solidarity of countries of the North, which are in the same demographic boat with it.

Russia, like the Soviet Union in the past, has taken an equivocal position on the issue of the drop in birth rates in developing countries. The "anti-Malthusianism" of the Soviet era is popular again in Russia. Criticism is leveled at international organizations advocating family planning and at the decisions made at the United Nations International Conference on Population and Development in 1994 in Cairo, Egypt, which were aimed at slowing down growth rates in the world's population. These developments are in line with traditionalist sentiments widespread in developing countries, but which are different from Russia's interests. Like other states of the North, Russia is objectively interested in an early end to the demographic explosion in the Third World. The reduction of birth rates in developing countries is probably the only non-contradictory response to many global challenges.

Economic Options

Prozhektor magazine, 1925

Russia, apart from its membership of the G8, has been on the global economic architectural sidelines. It is still outside the WTO and there is growing doubt whether membership would actually benefit Russia. Given Russia's heavy reliance on oil and gas, it is difficult to make a purely economic case for Russian adhesion to the WTO. But it is vital for all nations to look beyond narrow short-term economic calculations, even though none of them are doing so at present.

Russia and Europe Are Doomed to Cooperate

Philip Hanson

A state of mutually assured energy dependence exists between Russia and the European Union. Understandably, both parties worry about energy security. European policy-makers worry about relying too much on one supplier. Russian policy-makers worry about relying too much on one market. Both are likely to take action to limit that mutual dependence. Meanwhile, both Russia and the EU face practical problems in energy production and delivery on which they could usefully cooperate more than they do.

The mutual dependence is simple: Europeans want the oil and gas; Russians want the money they can get from that oil and gas. The European Union of 27 states currently obtains around a quarter of its total consumption of hydrocarbons from Russia. Russia, in turn, is delivering to the EU more than half its oil production and just under a quarter of its output of gas (though part of that export flow is balanced by imports of Central Asian gas). Russia has lately been deriving almost half of its federal-budget revenue from taxes on oil and gas – natural-resource extraction tax plus export duties plus profits tax. It is true that by no means all that tax revenue depends on sales to Europe. But European sales contribute more than their share of the volumes involved, because the prices (including export duties) in those sales are substantially above the prices paid by domestic and CIS customers.

Philip Hanson is Professor of the Political Economy of Russia and Eastern Europe, University of Birmingham.

The worries, on both sides, are primarily about gas, with some secondary concern about electricity. Exports of crude oil and oil products in 2006 brought in about three-and-a-half times as much revenue for Russia as gas, and were a larger contributor to European energy balances than Russian gas exports were; but oil markets are comparatively open and flexible. It is over long-term, bilateral gas supply arrangements, mainly through pipelines, that the worries arise. Will the customer commit himself to a 'take or pay' deal large enough and for long enough to justify the supplier's investment in extraction and transport? Will the supplier "turn off the tap" to extract some political concession?

Russia exports some, but so far very little, electricity. But gas is a comparatively clean and attractive fuel for electricity generation, and Gazprom has been interested in downstream investment in Europe in electricity as well as in gas distribution; therefore some questions have been raised about Russian involvement in European generation and distribution of electricity as well.

Two recent developments shed light on the practical problems in the relationship.

One is the publication of the draft outline *(kontseptsiya)* of the new Russian government energy strategy up to 2030. The strategy document is due to be finalized in 2008, when it will replace the existing strategy for the period to 2020. The draft indicates a real problem: that Russian production capacity in gas may be insufficient to meet growing domestic and European demand for Russian gas.

The second development is the proposal by the EU competition commissioner, Neelie Kroes, to liberalize energy markets in EU countries, opening up gas and electricity, in particular, to more competition from new market entrants. This would entail "unbundling" companies in the two industries to separate production from distribution. That cannot be a purely internal EU matter. It would be absurd to prohibit EU-based companies from controlling both distribution networks and production assets while allowing foreign companies that controlled production and distribution in countries outside the EU to acquire distribution net-

works inside the EU. And, of course, the foreign company that is usually mentioned in this connection is – you guessed it – Gazprom.

These two documents – the Russian energy draft strategy and the European commission energy market proposal – were not intended by their authors to be primarily about EU-Russia cooperation. They do however suggest an agenda for cooperation.

THE PROSPECTS FOR RUSSIAN ENERGY SUPPLIES TO EUROPE

For those in Europe who fret about the security of Europe's supplies of Russian gas, the Russian draft – from the Ministry of Industry and Energy (Minpromenergo) Energy Strategy Institute – identifies what should be the main worry: not Russia's willingness, but its capacity to supply increasing amounts of gas to Europe.

The likelihood of Moscow manipulating gas supplies to Europe in order to win political concessions has been greatly exaggerated. For Moscow deliberately to "turn off the gas tap" with the intention of depriving Germany, France, Austria or Italy of gas, there would have to be a state of tension not far short of war. Such a situation is conceivable but not at all likely. If it did arise, it would not have arisen without warning; that would enable the potential target countries to take at least some protective measures. Short of this state of affairs, Moscow has too much revenue at stake to consider any such action.

The flurry of alarm about gas supplies to Europe in January 2006 was, in my judgement, a reaction to collateral damage sustained by Europe from a conflict between Russia and Ukraine. That conflict was at least partly commercial. Moscow's management of it was clumsy, and the collateral damage should not have been allowed to occur. But it was probably an unintended consequence, all the same.

The prospect of Russia being unable to supply appreciably more gas to Europe than at present is a more serious worry. It emerges clearly in the draft new energy strategy. The authors of the 2030

Energy Strategy draft (ES2030 henceforth) assume that not only Russian but world production of hydrocarbons will soon 'stabilize' – that is, be close to stagnating. Partly for that reason, the draft does not even explore the possibility of any large and long-lasting fall in oil prices. It offers two scenarios, Conservative and Favorable. The latter is the one put forward as the basis for policy. In both scenarios Russian output of both gas and oil never falls. Many energy analysts would see that as unduly optimistic, but let us leave that to one side. The most striking aspect of the projections, from a European perspective, is that even the Favorable scenario has Russian gas production and exports growing very slowly.

Table 1. Russian Gas to 2030 (ES2030 Favorable Scenario) (bcm pa and % pa growth)

	2005	2030	% pa growth
Output	638	800	0.9
Exports	207	275	1.1
Of which, to Asia-Pacific		78	

Source: Minpromenergo, ES2030, 2007; Eastern Gas Program, 2007.

That looks, on the face of it, like a reduction in aggregate export supplies to the CIS, Turkey and Europe. Moreover, non-Asia-Pacific exports by 2030 would include any liquefied natural gas (LNG) deliveries from the Shtokman field to the East Coast of the U.S. that might be developed during this period. So the prospects for Europe (including Turkey) do not look at all encouraging. Even if sales to CIS countries fall still further in response to price increases, deliveries to Europe would probably be, on the face of it, flat, at best. Yet EU27 aggregate consumption of natural gas is not flat: it rose at 1.7 percent p.a. in 2000-2006. What is still more worrying is that these export figures, modest though they are, rest partly on success in substituting coal and nuclear power for gas in Russian electricity generation, thus releasing gas from domestic consumption for export. That plan requires a huge growth in nuclear capacity. The nuclear power-station building program

must be achievable; it is rather doubtful, however, whether it can be achieved as quickly as the planners are counting on.

Moreover, this is the favorable scenario, and that scenario rests on Russia achieving a turn-around in energy-sector investment and a sustained improvement in energy use domestically. If these improvements did not take place, the situation for Europe would be still more unpromising.

The draft sets out clearly the problems that hamper hydrocarbons output growth and energy saving in Russia. The authors note that the rules governing state involvement in the sector need to be clarified soon; that taxation of the oil industry is probably too high; that decisions need to be made soon on future domestic prices for gas and electricity; that the rules governing relations with international energy companies need to be clarified; and that by these and other means investment in hydrocarbons and in electricity needs to be raised substantially.

The shortfall in energy sector investment in the first five years of the existing Energy Strategy (2000-2020) is striking.

Table 2. Fixed investment in energy, 2000-2005, as % of energy strategy 2020 "requirements"

Oil	85.1
Gas	49.5
Electricity supply	54.1

Source: Minpromenergo, ES2030, p. 18.

Moreover, if one takes the annual figures on investment by branch of the energy sector, given in current prices for 2002-05 in ES2030, and deflates them with the Rosstat producer price index to get a rough-and-ready measure of real investment, the trends over time are extraordinary. Real fixed investment in oil extraction rises by a healthy 23 percent between 2002 and 2003, and then falls, reaching 78 percent of the 2002 level in 2005. Real investment in gas extraction also rises in 2003, by 13 percent,

edges up marginally in 2004 and then falls precipitately in 2005 to a mere 45 percent of the 2002 level.

Some of the likely reasons for this shortfall in investment have been widely discussed: the disturbing effect of the YUKOS affair and the subsequent diversion of Gazprom and Rosneft finance to the acquisition of existing assets in the sector, at the expense of the creation of new assets, for a start. But price controls and tax policies also play a role. As long as gas and electricity prices to Russian customers (residential and commercial) remain below long-run marginal cost, producers lack both the finance and the incentive to invest in their core business. Gazprom makes large profits from its exports, and has borrowed extensively, but is often criticized in Russia for putting so much of its investment into activities other than gas extraction. At the same time, consumers have a much weaker incentive to economize on energy usage than they would have if gas and electricity prices reflected real scarcities. The authors of ES2030 estimate that 75-80 percent of the drop actually achieved lately in energy-intensity of production is the result of structural change in the economy – in other words, the shift from industry to services and the shift within industry toward consumer goods. These structural shifts cannot continue indefinitely; they are likely to slow down soon.

The current state of affairs and the prospects set out in the new draft outline of the Russian energy strategy are therefore disturbing for European customers. What does that imply for possible cooperation?

The first step should be to review the ES2030 projections to explain more clearly what is expected to happen to Russian westwards export of oil and gas. Is the interpretation of the ES2030 numbers given here somehow misleading with respect to future levels of non-Asia-Pacific exports, particularly of gas? Ideally, that might be done by Russian specialists in close consultation with Western colleagues, both from international energy companies and from independent think-tanks.

Then, if all grounds for concern in Europe have not been disposed of, there should be more consultation with Western

companies and analysts about the institutional barriers to adequate investment in the energy sector – including, sooner rather than later, a clarification of the rules of engagement for foreign energy companies in Russia. There is no question that Western capital and technology would help, but on what basis will that happen? President Putin sought in spring 2005 to provide early clarification. He called on Russian ministries to prepare legislation on strategic industries and strategic natural-resource deposits by autumn 2005. Neither is now expected before some point in 2008 – at best.

This is not a call for an end to the re-nationalization of the Russian oil industry and for a fully open door for Western investors, desirable though (in my view) those would be. It is a call merely for more consultation and more clarity soon about the rules of the game.

ENERGY MARKET LIBERALIZATION IN EUROPE

The European Competition Commissioner's proposals for making the EU energy market more competitive have been received by many Russian commentators as calling for action against Gazprom in Europe. The "reciprocity" element in the proposals is a recommendation that companies from outside the EU be refused control of EU energy distribution networks if such access is not granted in their country of origin to EU-based companies. That would indeed be inimical to some of Gazprom's reported plans. But, again, more consultation and clarification would be helpful.

The proposal to liberalize gas and electricity markets in the EU is not aimed at, and is not primarily about, Russian interests. It is about extending the kind of energy-market liberalization that has worked well in the UK and a few other countries to the EU as a whole. Vertically integrated energy companies with strong market power – E.ON Ruhrgas, Gaz de France, Eni, etc – derive substantial profits from the distribution end of their businesses. When distribution networks are opened to competition from new market

entrants, the gap between retail and wholesale energy prices falls. That gap is far larger, for example, in Germany than in the UK. Lobbies of energy-using industries naturally support the change, and the benefit to residential consumers is clear.

The real struggle in the EU over this is between reformers like the Competition Commissioner and energy users, on the one hand, and vertically-integrated national monopolists or oligopolists and their political allies, on the other. Gazprom, though based outside the EU, is aligned with the latter camp. This is hardly surprising. German, French, Italian and Austrian 'national champions' have worked closely with Gazprom for a long time and they share joint ventures and other assets.

Either the competition proposals do not go through – in which case Gazprom cooperation with E.ON and others continues much as before – or it does not. In the latter case, there is still much to be clarified. Could Gazprom, for example, retain substantial minority stakes in European distribution companies?

* * *

The issues raised here lend themselves to detailed assessment by specialists. This could be done in consultation ahead of the periodic EU-Russia summits. One of the many difficulties in relations between the European Union and Russia is that Russian policy-makers see their own state as meriting, by its size, resources, history and location, a right to be consulted on EU policies and not treated simply as one of many neighbors or potential members. When so much of the business between the two entities is to do with energy, closer consultation on policies in precisely that sphere makes sense. That should work both ways: over Russian policies as well as EU policies.

Is Free Trade Heading for Eclipse?

Jean-Pierre Lehmann

The answer to the question posed in the title, seen from the perspectives and trends of how things stand in the last quarter of 2007, would seem to be "yes." The great dream of the early 1990s, when President George Bush Senior proclaimed that a "new world order" was about to dawn, has now become a nightmare. It is true that the global economy is booming, like never before, with growth occurring in all continents, coupled with low inflation. And yet, the geopolitical picture – which obviously influences trade – is bleak. While the Middle East has long been a cauldron, it has reached an unprecedented state of frenetic ebullition.

Much of global instability and tensions can be ascribed to the disastrous policies of the current American administration since 2001. In the 1990s, the U.S. appeared as a benign hegemon, combining seemingly formidable 'hard power' – military, geopolitical and economic might – with unparalleled 'soft power' – the arts, academe, the media, lifestyle, etc. Today, with the humiliating failure in Iraq, the U.S.' hard power appears inept and impotent; the economy is in a state of uncontrolled disarray, while on soft power, the U.S.' prestige in the world has plummeted to depths not seen for decades.

The weakness of the U.S. results in the aggravation of problems and indeed turning what should be opportunities into threats.

Jean-Pierre Lehmann is Professor of International Political Economy at International Institute for Management Development (IMD) based in Lausanne, Switzerland; he is also an advisor to the WTO Director General.

The most evident example is China. Thus, while China's massive entry into the global economic arena since the 1980s should be heralded on all counts as a tremendous positive boost, America's economic disarray and weakness of leadership are in grave danger of transforming this great opportunity into a conflict.

Generally speaking, while much of the responsibility must, per force, lie with the global hegemon, the U.S., the global "mood" is generally unhealthy. Between the great powers, the U.S., Russia, the EU, China, India, Brazil and Japan, there is an acute absence of trust. American weakness, geopolitical volatilities, the spirit of mistrust, and lack of political will also explain why the global trade agenda is at a paralytic standstill. In fact, the current round of the WTO, the so-called Doha Development Agenda, is effectively dead – certainly brain dead – though trade negotiators, for reasons of their own, like to pretend otherwise. This in turn both causes and reflects the growing obsolescence and irrelevance of the international economic institutions.

Without a solid global governance framework and the collective commitment of the major trading powers to solidify the framework and adhere to its rules and principles, and with the global economy bound to dip, free trade will undoubtedly erode and protectionism, in various guises, reappear. The outlook is not good.

FREE TRADE AND POLITICAL POWER

There is no serious economic theory that questions the basic premise that free trade is the preferred form of cross-border economic relations and that the benefits on balance accrue to most stakeholders. Both material and welfare gains are considerable, including not only standards of living but also the quality of life. Contrast North Korea with South Korea or Myanmar with Thailand – or indeed Vietnam – to get a sense of the costs of autarky in contrast to the great gains, at all levels, of an open economy.

All great civilizations have been great traders. Nayan Chanda's excellent new book (*Bound Together: How Traders, Preachers, Adventurers and Warriors Shaped Globalization,* 2007), demonstrates how over the millenniums trade has enhanced not only the

consumption of goods and the movement of capital, but also the flourishing of the arts and sciences. Trade ultimately brought the Chinese invention of the printing press to Europe, which in turn allowed Gutenberg to publish his eponymous bible and thereby herald a cultural revolution, bringing the written words to the masses, hence breaking the monopolistic power on reading of the ecclesiastic and civil autocracies. Trade with China also enabled the rich and powerful of the West to decorate their palaces with Chinese porcelains and scrolls, collectively known as *chinoiseries*. Today, trade with China benefits millions, indeed billions, thanks to the tremendous reduction of costs that Chinese production has brought about. The price of a T-shirt in the U.S. is estimated to have fallen by close to 40 percent this decade, clearly a great boost to the poor, notably single mothers on social security.

Free trade cannot be disassociated from the broader phenomenon of globalization. Globalization in essence means the growing integration of markets through the cross-border movements of goods, capital, information, technology and people. Free trade is the engine of globalization. A car may look beautiful, but unless it has an engine it will not move. The same applies to the relationship between globalization and free trade.

While there are certain absolute fundamental realities about free trade, there are also a number of myths. Thus there is the quite powerful myth, propounded by some of the more enthusiastic advocates of free trade, that there is a close correlation between trade and peace. Tell that, as they say, to the Chinese. In the course of the Qing Dynasty (1644-1911), China opted for an isolationist unilateralist policy. By the late 18th and early 19th centuries, Britain, followed by other Western powers, engaged in aggressive imperialist trade policies. Dissatisfied with the meager results of its trade with China, the gaping trade deficit and outflow of specie that ensued, Britain sought, successfully, to force by war the Chinese government to open its market to the one product that at the time Britain knew was in great popular Chinese demand – Bengali opium. Thus the Opium Wars (1838-1841, 1858-1860) stand in condemnation of the view that free trade is

peaceful and moral. Indeed, throughout most of the 19th and early 20th centuries, China and other non-Western countries (by the late 19th century joined by Japan) were the victims of the West's rapacious trade policies.

The modern historical narrative of trade demonstrates that there is in fact a very close correlation between economic trade and political power, which at times has been transformed into military might. Gunboat diplomacy during the era of Western imperialism more often than not consisted of utilizing national military means for commercial interests. This was the case with the Opium Wars. The Royal Navy bombarded and invaded China to serve the interests of the great Scottish opium traders of the period, notably Jardine, Matheson & Co. Free trade, therefore, can be said to be the lance of the powerful and protectionism the shield of the weak.

TRADE POLICIES AFTER WORLD WAR TWO

After World War II, when the power of the West seemed to have eroded, when decolonization occurred and developing countries found new sources of self-confidence and identity, and the prestige of the Soviet Union soared, there was in the Second and Third Worlds a rejection of the principles and practice of free trade and indeed of trade in general, which was perceived, at best, as a necessary evil. The adoption of protectionist policies ranged right across the political spectrum, from democratic to dictatorial, from right to left. Import substitution industrialization (ISI) policies were premised on the theory that nations must build up strong domestic industries before considering opening their markets; otherwise their colonial conditions would remain. Thus India engaged in a state-sponsored policy of quite extensive industrialization across multiple sectors. As a senior Indian government official told the author on a visit to New Delhi in 1981, "We [India] can make everything from nuclear power stations to hairpins."

One of the most influential proponents of protectionism and import substitution was the Argentine economist Raúl Prebisch who developed the theory of *dependencia*. Whenever a developing country engages in trade with a developed country, the theory

goes, inevitably the developing country will be caught in a trap of dependence whereby it is doomed to remain forever a supplier of low value added commodities to the industrialized country, in exchange for which it imports manufactured goods, hence postponing irredeemably its own process of industrialization. This perspective, indeed doctrine, prevailed in most of the developing world until the late 1980s and the early 1990s.

The post-war developments in the West, however, were quite different. Three forces propelled the West to a greater degree of market integration and trade liberalization. First, it was quite widely recognized that the aggressive protectionist and trade war policies engaged in by Western countries in the wake of the Great Depression of 1929 had not only caused great economic devastation, but also contributed powerfully to the ultimate outbreak of war itself. Second, the emergence of what Winston Churchill dubbed the "Iron Curtain" and the ensuing Cold War acted as a major lever in bringing about greater Western cooperation on all fronts, including on trade. Third, the U.S. led forcefully in setting global economic policy. Through both capital transfers, notably the Marshall Plan, and opening up its own booming post-war market, it acted as a formidable economic locomotive, allowing both its allies and its erstwhile enemies (the Federal Republic of Germany, Italy and Japan), to engage in economic reconstruction, ultimately leading to a series of "economic miracles."

An absolutely key and indeed momentous lesson that the architects and leaders of the post World War II economic system took away from the 1930s was that trade between states needs an overarching framework and a set of rules. It was the lawlessness indeed anarchy of the 1930s that had caused, or certainly exacerbated, the economic conflicts that occurred. Hence, the establishment of the General Agreement on Tariffs and Trade (GATT) based on certain fundamental principles, notably that of non-discrimination, and the compilation of rules that would seek to ensure "fair" trade.

The consequences were remarkable. The Western nations and Japan engaged in binding multilateral trade agreements based on

the principle of non-discrimination. Their economies boomed, the specialization emerging from trade allowed the Japanese, for example, to excel in transport equipment (cars and motorcycles) and in electronics, providing Western consumers with high quality low-cost goods. Furthermore, while the countries of Western Europe, Japan, the U.S., Canada, Australia and New Zealand had spent most of the first half of the 20th century in various alliances at war with each other, the new order brought both peace and prosperity.

However, the West's prosperity brought by the free trade came to stand in stark contrast with the stagnation of the autarkic East increasingly in the course of the latter decades of the 20th century. As popular dissatisfaction mounted in the former Socialist states, the developing countries that had been practicing import substitution policies were facing financial crises. A group of developing countries, which were initially referred to as the NIEs (newly industrialized economies) of Hong Kong, Korea, Singapore and Taiwan, were seen as models. These Four Dragons, as they were subsequently called, had come to spurn import substitution industrialization strategies in favor of remarkably successful export oriented strategies (EOS).

As it became increasingly seen that while central control and command economies had failed, in contrast to the thriving market economies, the world was also approaching what was about to become the information and communication technology (ICT) revolution, the most profound technological change since the industrial revolution or indeed, as some have argued, since the publication half-a-millennium ago of the Gutenberg bible.

Thus in the early 1990s, there occurred a dual global market and information technology revolution that had great seismic force and indeed shook the world. The outcome has not been a "new world order," as President Bush Snr argued, but a chaotic transition to a very different, uncertain and still undecipherable paradigm. It was in the midst of the early stages of this transition that the WTO was established in 1995. In fact, the last GATT Round, the Uruguay Round (UR), launched in Punta del Este in

1986 and concluded in Marrakech in 1994, can be said to mark the transition from the familiar paradigm of the world market economy that emerged from the ashes of World War Two to the new globalization era.

THE CONSEQUENCES OF THE OPEN MARKET SYSTEM

The trade system that prevailed from 1945 to 1995 (or thereabouts) cannot be termed global. It was international in the sense that it engaged multiple nations and it was multilateral in that the trading nations adhered to a set of principles – though often violating them in practice – that derived from the GATT. However, it excluded all of the Socialist nations, and most of the Third World countries were either not members or simply passive. The GATT was effectively controlled by four players who called the shots, in fact mainly the first two: the U.S., the EU, Canada and Japan, collectively known as the "Quad."

This system could be characterized as an oligopolistic cartel. It should be also stated that these four accounted for 80 percent or more of world trade. The result was that negotiations were conducted, compromises were made and conclusions were reached in a manner and on terms that benefited the Quad. The interests of other actors, notably the developing countries, were not taken into consideration and indeed they were disadvantaged in many ways. The advantages possessed by the Quad – and also some of its peripheral members, such as Switzerland, Norway and Australia – included the *"savoir-faire"* of trade negotiation.

However, the institutional "culture" that emerged during the GATT era has been one of bureaucratic complexity and obfuscation. Trade documents tend to be hellishly and totally unnecessarily complicated. The GATT/WTO is also possibly unique in that its rhetoric, which is unashamedly mercantilist, is in contradiction to its principles, which are founded in liberalism. Thus the GATT/WTO has, rightly, been derided by a number of its critics as a bastion of hypocrisy. The most egregious example is agriculture, in which European negotiators posture and pant that cutting

subsidies and reducing tariffs will impose great sacrifices, pain and, indeed suffering, whereas in fact the great beneficiaries of European agricultural reform and liberalization would be the European consumers, especially poorer ones. The visceral inclination to bare-faced lies on the part of negotiators has inevitably resulted in what can only be termed a very warped institutional ethos, which undoubtedly has contributed markedly to the deterioration of trust in global governance.

For most of the GATT era, this did not matter, as the key players, the Quad & Co, knew the nature and "rules" of the game. But with a radically changed environment, there is now a growing dissonance between the game and reality and also between the defendants of the status quo and the aspirations of new entrants.

The victory, if that is the word, of the open market economic system has been truly overwhelming and its consequences very wide-ranging and profound. As the global market revolution occurred and more and more and more nations came to embrace trade liberalization, the reflex in the West was to salivate and leer over what were termed as "emerging markets." The fact that the "emerging markets" might also become "emerging competitors" had not been thought through. The figures, however, are revealing: in the period from 1994 to 2004, trade increased among various countries as follows: India – 333 percent, China – 487 percent, Chile – 550 percent, and Vietnam – 575 percent.

All of this has resulted in a number of concurrent and intertwined trends:

A number of developing countries have dramatically increased their share of world trade.

This is leading not only to much increased penetration of Western (above all, the U.S.) markets, but also to ever-increasing flows of what is termed 'South-South' trade and investments.

The accumulation of huge piles of foreign exchange reserves and the windfalls generated in oil rich countries by the huge increases in energy prices have brought about a change in the balance of global prosperity, illustrated by the emergence of Sovereign Wealth Funds (SWF).

In the meantime, developing countries continue to feel discriminated against by the system that the Quad club concocted over the decades.

While the new aspiring nations that are enjoying the fruits of globalization – even though they may not be distributed equally – have become enthusiasts of an open market economy, in the West there is a rising backlash against open trade and increasingly strident protectionist calls.

Consequently, there is in fact a systemic failure in the global trading system.

While free trade has become the lance of the strong, protectionism has become the shield of the weak. Firms in the West that are innovative and competitive remain committed to free trade, but their political clout is decreasing. At the same time, the power of uncompetitive firms and the lobbies of those vested interests that wish to maintain their privileges has been rising. An ever increasing number of the workforce feel insecure. While traditionally open markets only "threatened" blue collar workers, with the rise of outsourcing – as a consequence of the ICT revolution – white collar workers are also affected.

This rising insecurity, the uncharted and seemingly turbulent waters in which the global economic ship is heading, is occurring amidst frightening environmental degradation and climate change, apprehensions related to "identification" and immigration, the steep decline of the U.S. and the quagmire of the Middle East, the seemingly daunting industrial and financial muscle of China, rising inequality and high levels of poverty, and the fear of possible devastating pandemics.

The omens are not good. And this is happening precisely at a time when the system should be strengthened, not weakened, both in order to accommodate the new players, China especially, and to ensure that the benefits of trade are more evenly spread in order to enhance global prosperity and hence reduce poverty.

There is a need, indeed an imperative, for a new 21st century global contract, something along the lines of the Atlantic Charter of 1941 that heralded both the spirit and the structure of the post-

war settlement. There is the need, indeed the imperative, for the refurbishing and possible restructuring of the existing institutions.

Russia, apart from its membership of the G8, has been on the global economic architectural sidelines. It is still outside the WTO and there is growing doubt whether membership would actually benefit Russia. Given Russia's heavy reliance on oil and gas, it is difficult to make a purely economic case for Russian adhesion to the WTO. But it is vital for all nations to look beyond narrow short-term economic calculations, even though none of them are doing so at present. These are times that demand statesmanship.

When reading the history of the 1930s, one quite striking thread was how the League of Nations in Geneva became increasingly impotent and irrelevant. When the WTO ministerial meeting in Seattle in 1999 failed spectacularly, the then WTO Director General Mike Moore expressed the fear that the WTO might become "the League of Nations" of the 21st-century world economy. Eight years later, that fear would seem to be materializing.

The Change in the External Factors of Russia's Development

Mikhail Delyagin

The Russian election campaign and related political events have distracted the public's attention from the fact that the country has found itself in new circumstances. Luck, which has helped Moscow to greatly consolidate its positions over the past few years, is giving way to increasingly growing problems. The general situation may be far less favorable in the new political cycle.

WORSENING GLOBAL ECONOMIC TRENDS

Food prices shot up in Russia at the end of 2007.

A combination of fundamental and short-term factors fueled the global growth in food prices. The European Union abolished subsidies for milk and dairy products, and there was an epizootic situation in China.

Climate change also contributed to the growth in food prices. There was a large-scale drought and a poor corn harvest, which means that global wheat reserves in 2008 will be at their lowest in the past 28 years, while the reserves of the world's five leading exporters (Argentina, Australia, the EU, Canada and the United States) will be at a 34-year record low. Other factors include increased food consumption by developing countries, first of all China, and the growing popularity of biofuels.

However, there is at least one fundamental reason behind the increase in food prices that is not given enough attention – the

Mikhail Delyagin, Doctor of Science (Economics), is Director of the Institute of Globalization Studies.

migration of global speculative capital ("hot money") into new markets. After the painful adjustment of the American stock market in April 2000 and the collapse of the "new economy," money was put into exchange-traded mineral resources – oil and metals. Now these two speculative resources are giving way to food, which is no less important for human development than oil and demand for which is not very elastic in price.

The growth in food prices will deliver a terrible blow to poor countries that import food. If the present trend continues, these countries will be hit by famine, and if they do not learn to produce food for themselves to meet their requirements, the population of those countries will gradually die out. Moreover, even a modest step toward self-sufficiency in food supply would require serious efforts from these countries to improve the quality of state governance and introduce modern agricultural technologies on a large scale (which often requires a modern educational system and developed infrastructure). In order to develop their own agriculture amid the current global competition, poorer countries will need moderate protectionism; that is, at least a partial revision of the economic policy based on liberal ideology, meaning they should reject the dogmas of the Washington Consensus. For underdeveloped countries, rejecting these dogmas would mean a deep, systemic conflict with the West, since Western food producers would receive less profit. Strictly speaking, these countries cannot afford such a conflict politically – unless they enlist the support of China.

Russian imports of foodstuffs exceeded food exports by 290 percent in January-August 2007 and totaled $17 billion compared to $4.4 billion. The growth in food prices means that the foreign trade surplus is dropping more rapidly. Global speculative capital forced up the prices of Russian exports in previous years, whereas the pendulum has now started swinging in the opposite direction – speculative capital is beginning to push up the prices of Russian imports.

Since Russia is highly dependent on farm produce imports (it imports half of the milk it consumes, about half of the pork, and almost three-quarters of the beef), the worldwide growth in food

prices has an automatic impact on the domestic market, boosting inflation. The price hikes hit, first of all, the poorest groups of society, who spend most of their income on food.

It is important that Russia has not yet reached even the average consumption level it had in Soviet times. Meat consumption in Russia was estimated at 73 kg per capita a year in 1989, while the norm was about 80 kg. However, meat consumption was a mere 55 kg in 2006. The same is true for the consumption of milk and dairy products: at present, Russians consume 235 kg per capita, compared with an average of 392 kg in the Soviet Union. Fish consumption stood at 12 kg per capita in 2006, compared to 20 kg in 1989.

The drop in food consumption by Russians due to price hikes might bring about serious social and political destabilization.

INFLATION GETTING OUT OF CONTROL

The above-said would not be frightening for a healthy economy with a sensible government. But Russian inflation is expected to grow to at least 11 percent in 2007 from last year's 9 percent. Moreover, these are official figures, which are often set too low. Some specialists estimate the real growth in inflation at no less than 150 percent in 2007.

Inflation is not likely to slow in 2008: budget spending in the fourth quarter of 2007 increased by 1.07 trillion rubles (not only for the election campaign or due to corrupt sentiments, but also in order to support bank liquidity), exceeding the planned figure by 130 percent and accounting for 46 percent of all expenditures in 2007. This growth will bring back monetary inflation for the first time since Russia's financial default of 1998. The growth rate for the domestic wholesale price for natural gas will almost double to 25 percent – in addition to a growth for electricity tariffs and utility rates.

Food prices are growing as well – not only for global, but also for purely domestic reasons.

The immediate cause of increased prices on the domestic market was the rapid growth of grain exports: in January-August 2007 they doubled to almost $1.5 billion and kept growing afterwards

(Russia exported 2.4 million tons of grain in September and grain exports reached 3.1 million tons in October). Export duties are unable to hold back these sales, while commodity interventions are insufficient, too late and only play into the hands of re-wholesalers rather than producers.

The price was high for the government's incapacity in the sphere of market regulation. Bread prices soared 20 percent in January-September, compared with 7.6 percent in the same period of 2006; macaroni prices increased by 13.8 percent (compared to 3.8 percent), and groat prices went up by 15.9 percent (11 percent).

Wholesale prices for new harvest sunflower seeds almost doubled, and even the price of sunflower oil from old harvest seeds increased by 17.2 percent, although it fell 1.2 percent in the first nine months of 2006.

The inflation wave is even hitting new sectors of the economy that saw stable prices in the first nine months of the year.

For example, retail gasoline prices grew by a mere 2.3 percent in January-September 2007, compared with a 12.2-percent increase in the same period of 2006 – primarily because the price growth potential was exhausted (similar things happened on the sugar market).

However, in the second half of October, wholesale gasoline prices soared to a point where the profitability of independent refuellers fell to a critical level. The reason was not only a growth in world oil prices, which stimulated the export of oil products, but also a drop in production due to repairs at oil refineries and the inefficient distribution of oil to refineries that were recently placed under Rosneft control.

The recent freezing of prices for six 'socially significant' product groups will only have a temporary and limited effect, even if the state ensures their universal availability for sale. First, because the price freeze is voluntary and non-participating monopolists can raise prices. In addition, even those who have pledged to freeze prices can engage in cross-subsidization, thus offsetting their profit shortfall with price hikes on "socially insignificant" goods. And after the price freeze agreement expires on February 1

or April 1, monopolists can drastically raise prices. So the price freeze is simply a measure to win time, which the government will not be able to make use of since an effective antimonopoly policy is in conflict with business interests and the dogmas of liberal fundamentalism.

The government has not fully understood that an underdeveloped agricultural sector and a servile dependence on external markets is behind the surge in inflation. Measures to comprehensively develop agriculture, which would combine reasonable protectionism (at least at the level of developed countries), the development of agricultural infrastructure and the lifting of artificial barriers on domestic markets, remain beyond the government's consciousness. The most that the government can do is to take pinpoint protectionist measures to support lobbyists, not the economy.

For example, the government added fuel to the price fire by almost doubling the import duty on sugar on December 1 — as if this measure could help increase the amount of the already harvested sugar beets in Russia.

The government's activity has caused panic buying of long-term staple goods, whose prices are regulated (in anticipation that prices will increase once the regulation period expires), and long-term storage substitute goods (primarily canned food).

The main cause of the price increases was not the price jump on global markets and not the weakness of agriculture, but the monopoly in trade. This was already evident during the undoubtedly man-made food crisis in the Kaliningrad region. Similar crises had been arranged in the past, as well — to condense the market and oust small companies from it (e.g. the 'wine crisis' in early 2007, caused by the introduction of the Unified State Automated Information System), or simply for the sake of a clearance sale (the salt crisis and several small sugar crises).

This time food prices jumped before imported goods purchased at higher prices or liable to higher duties entered the market, and before the government raised pensions. On the whole, prices rose not because of increased demand or costs, but merely on news about expected increases. This means that inflation was caused by

a total abuses of monopoly. Fighting such abuses is not only technologically and legally difficult (Russian laws still require evidence of direct collusion, which may not take place at all), but also politically dangerous. Indeed, putting an end to monopoly overpricing would deprive businesses of funds for bribing the corrupt bureaucracy, who would thus lose this money.

CHANGES IN CAPITAL MOVEMENT

The mortgage crisis in the United States, which has also hit the UK and shaken the global financial system, was not accidental. It reflects the end of the economic recovery stage in developed countries achieved by easing financial policy. Now the time has come to toughen this policy, appreciate the national currency, raise the cost of borrowing, and return capital from risky markets (including Russia) to developed ones.

It is important that the mortgage crisis only acted as a catalyst and accelerated the reduction of capital inflow into Russia, which began long before the subprime lending crunch. The inflow of private capital into Russia began to grow in March 2007 when its net volume reached $17.4 billion. The growth continued to $18.8 billion in April and accelerated to $29.1 billion in May. But the net inflow of private capital dropped to only $4.8 billion already in June (before businesses went on holiday).

The massive inflow of private capital into Russia ended in the second quarter, although statistically it hit a record high, giving rise to new yet unfounded hopes. Private capital outflow again exceeded inflow in the third quarter by $9.4 billion – a record for the entire Putin presidency.

The changes in capital movement are even more evident if we analyze the gross inflow and outflow by month (we do not consider here the movement of 'shadow capital' which is totally illegal and invisible to the state – see Table 1). Capital outflow and inflow were a respective $3.5 billion and $3.7 billion in January 2007. Capital outflow grew to $11.1 billion in February and stabilized at that level for three months ($10.8 billion in March and $11.3 billion in April). At the same time, gross capital inflow dur-

ing the same months grew rapidly: to $13.4 billion in February, $27.1 billion in March and $28.1 billion in April. May was a record month for capital inflow when gross capital outflow fell by half to $6.4 billion, while capital inflow jumped to $38 billion. However, the trend reversed in June as capital outflow grew to $14.3 billion, while inflow fell to $15.2 billion.

Table 1. Private capital movement trends, $ bln

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Outflow	-15.4	-5.4	-28.4	-31.1	-20.5	-14.4	-18.4	-11.4	-19.6	-25.6	-41.3	-63.3	-71.2	-81.7
Inflow	2.2	10.7	12.3	21.6	8.3	2.1	3.2	6.4	17.9	33.4	38.8	71.6	103.9	148.7
Balance	-14.4	-3.9	-23.8	-18.2	-21.7	-20.8	-24.8	-15.0	-8.1	-1.9	-8.9	0.1	40.1	56.8
Balance as % of current account	-184.6	-55.7	-220.4	-18.2 /-0.08	-21.7 /0.2	-84.6	-53.0	-44.3	-27.8	-5.4	-15.0	0.1	41.7	99.5
Balance as % of GDP	-5.2	-1.2	-6.1	-4.5	-8.0	-10.6	-9.6	-4.9	-2.3	-0.4	-1.5	0.0	4.1	6.4

Source: Bank of Russia
Note 1. *The gross outflow and the gross inflow of capital are given excluding the movement of fully illegal capital. The balance was calculated considering the net movement of fully illegal capital; this is why the total gross outflow and gross inflow do not coincide with the overall balance of private capital movement.*
Note 2. *The 2007 figures are given for the first three quarters of the year.*

CAPITALIZATION – THE END OF THE "LAST FREEBIE"

The practice is widespread among Russian businesses to adjust accounting reports by reporting expenditures as investment. This measure inflates profits and hides losses, while increasing capitalization and improving a business's image. This, in turn, helps the business to borrow more money (or place shares) in order to cover reliably concealed running losses.

Worsening global financial trends caused by the mortgage crunch in the U.S. and higher food prices are putting an end to this business practice.

The flow of money from the West has almost stopped and the scale of ruble borrowings has shrunk dramatically. The average interest rate on loans given to mid-sized and large businesses has increased from 10 to 13-14 percent, which is a disaster for businesses that used to cover their growing losses by borrowing money against capitalization growth.

The situation is aggravated further by a possible crisis in private foreign debt, which has been growing quickly since 2002. Whereas private debt grew by 7.5 percent (from $29.2 billion to $31.4 billion) in 2000 and by 10.6 percent in 2001, it increased by 36.4 percent in 2002, by 66.7 percent in 2003, by 35 percent in 2004, by 62.1 percent in 2005 and by 49.1 percent in 2006. Private foreign debt grew by 31.4 percent to $343 billion in the first half of 2007. The share of private debt in Russia's overall foreign debt jumped from 20.9 to 89.1 percent.

A large part of private borrowings abroad – at least since 2005 – is used to service and renew loans. Loan allocations peak in the fourth quarter of a year, causing an accelerated growth in private foreign debt at that time of the year. For example, foreign debt in Russia's private sector grew by 20.2 percent in the fourth quarter of 2005, while the growth for the whole year was 62.1 percent. The growth was even more impressive in the fourth quarter of 2006, making almost half of the yearly figure – 21.4 and 49.1 percent respectively.

Businesses were no longer able to refinance and increase their foreign debt for free in 2007. Therefore, the most natural way to go is through the practice already underway of taking insolvent debtors into the ownership of creditors. However, banks do not want to recognize the loans they have provided as hopeless (this would hurt their reputation and financial standing). Their silence will ensure that there will be no scandals, yet it will not solve the problem, but only postpone it: banks will not be able to improve the management of companies that come under their control and ensure their financial recovery. Russian businesses are built to exist if the cost of borrowing is about 10 percent, and most of them will not survive a growth of this cost.

Shifting the burden of corporations that hide their losses onto their creditors will only postpone a general crisis and increase its dimensions, and bring the banking system into it. At the same time, the number of Russian businesses bought with foreign capital has fallen to a point where there will be no shock-absorbing effects.

THE PROSPECTS OF THE BANK LIQUIDITY CRISIS

A falling foreign trade surplus, coupled with a drop in capital inflow, sharply cuts the inflow of hard currency, which forces the government to spasmodically toughen its financial policy — precisely at a time when the economy begins to badly need easier policies. This will hit the banking system first of all.

In particular, the government made a decision which testified to the depth of the liquidity problem — a decision on an unscheduled allotment from the 2007 budget of 180 billion rubles "for development," but it was actually used to provide liquidity to Russia's three largest banks (two of them — Sberbank and VTB — recently raised considerable resources in IPOs).

Correspondent accounts at Moscow banks fell to a record low in late October compared to the past nine months of 247.7 billion rubles, while interbank rates rose again (to 8-8.5 percent for first-tier banks and 8.5-9 percent for second-tier banks). Russian banks continue to experience a shortage of ruble liquidity as they build up their accounts at foreign banks. Their funds at foreign banks rose by 37.8 billion rubles in September, while loans and deposits for non-resident banks increased by 210 billion rubles. At the same time, banks had reduced their funds at correspondent accounts in other banks by 30 percent to 80.5 billion rubles by the end of September. Several banks reduced blank limits and many banks got rid of them entirely.

Banks withdrew 320 billion rubles from securities in September. According to expert estimates, Russian banks had built a pyramid scheme on the bond market by buying bonds, investing them in repos and obtaining funds for purchasing new bonds. Now, this pyramid is falling to pieces.

Debts to banks increased by 644 billion rubles to 12.9 trillion rubles in September, as banks gave more loans to businesses and other banks. This partially reflects the general desire to reduce investment risks, giving preference to loans (as opposed to securities).

THE END OF STABILITY?

Russians have unfounded social expectations in a situation like this that are not related to the actual state of the economy.

According to the Levada analytical center, 58 percent of Russians believe that President Vladimir Putin does have a plan, highly publicized by the United Russia party, that would "make Russia a strong, rich and prosperous country" (although only 6 percent think that they know what this plan is) and expect that it will be successfully implemented, rather than face upcoming difficulties.

The key question for the present stage in Russia's economic development is whether the government can close the gap in the financial balance of businesses and gradually cool down the overheated economy, reorganizing it and improving the quality of corporate governance.

The national budget and the Central Bank have accumulated enough funds to solve this problem, yet the government will not cope with it due to the following factors:

- shortsightedness (the government is not even aware of and has not set such a task);
- a lack of specialists;
- bureaucratic disunity (the Finance Ministry had to replenish the liquidity of state banks from the national budget, probably because the Bank of Russia refused to violate its corporate policy for the sake of the common cause).

The government will keep the general situation "within the bounds of decency" until the presidential election and it will keep promptly addressing individual problems as they become more acute. At the same time, the government will not be aware that these problems are manifestations of a gradually escalating general structural crisis of the economy. Therefore, it will not so much

solve these problems as only make them less acute, thus postponing their manifestations on a larger scale for later.

Due to general irresponsibility, poor coordination and management, and fear of opening oneself up to attacks from hostile political clans, decisions will be delayed with unjustified material costs.

The policy of ineffective and delayed neutralization of individual manifestations of the general structural crisis will continue until the presidential election, after which there will be a new government and Central Bank management. However, due to the nature of the present corruption-oriented state, their effectiveness will not improve.

After the election, since everyone will be absorbed in political problems and the start of summer vacation, the government will manage to maintain stability until the end of July 2008 (when market participants will see dangers and take the lead), but later the danger that the structural crisis may evolve into an open crisis for the Russian economy will become real. This danger will manifest itself in:

- some companies will stop servicing debt;
- a divestiture of assets (above all, non-core assets), which will fuel a drop on the stock market and push down property prices;
- a serious crisis in bank liquidity.

Inflation will step up as the state tries to ease these problems by allocating poorly controlled funds and the ruble could weaken.

But this will happen after the next president is appointed (under the guise of presidential elections).

Geopolitical Maneuvers

"Excuse me, Sir."
The European vision of Russia's policy.
The late 19th century

"Russia still lacks the resolve to drop the image of a "peace-loving" country and to switch from general discussions about international law to open protection of its interests. This could be partly explained by the poor ability of the Russian bureaucratic machine to formulate clear doctrines."

Nuclear Disarmament: Problems and Prospects

Victor Yesin

Disarmament issues, which faded into the background of global politics over the past decade, have become relevant again. The fate of treaties that once marked the end of bipolar confrontation is now in the focus of international attention. The situation in this sector requires a very careful analysis, as hasty actions may undermine international stability.

There are only bilateral treaties between Russia and the United States in the sphere of nuclear arms control. The participation of Belarus, Kazakhstan and Ukraine in the Soviet-U.S. Treaty on the Reduction and Limitation of Strategic Offensive Arms (START I Treaty) can be considered to be purely formal, especially as these countries now do not possess nuclear weapons.

Major nuclear arms control agreements between Moscow and Washington include the Intermediate-Range Nuclear Forces Treaty (INF), the aforementioned START I Treaty, and the Treaty on Strategic Offensive Reductions (SORT), better known as the Moscow Treaty. One can also add here unilateral initiatives on deep cuts in non-strategic, or tactical, nuclear weapons, made by U.S. President George Bush Sr. and Soviet President Mikhail Gorbachev in 1991.

Victor Yesin, Colonel General (Retired), is First Vice President of the Russian Academy of Security, Defense and Law. This article is based on materials prepared for the conference "Overcoming Nuclear Danger," organized by the World Political Forum, the Gorbachev Foundation, and the Belfer Center for Science and International Affairs (December 2007, Harvard University).

How do things stand now with the implementation of these treaties and initiatives, and with the verification of their implementation? Is there a need and is it feasible to prolong the existing agreements or to make some of them into new agreements?

The INF Treaty was signed on December 8, 1987 in Washington and came into force on June 1, 1988. The treaty has an unlimited duration. In 1991, the parties completed the destruction of weapons slated for reduction by the treaty. The Soviet Union destroyed 1,846 missiles, while the United States destroyed 846 missiles. Inspections by the two nations of each other's military installations and verification of the termination of the production of intermediate-range and shorter-range missiles continued for 10 years until the middle of 2001. At present, Russia and the United States monitor how the other complies with the INF Treaty by means of the national technical means of verification (NTM) and exchanges of notifications.

However, Moscow is concerned over tests conducted by the U.S. for the creation of its national missile defense system. These tests involve new ballistic target missiles which, in fact, are intermediate-range missiles. This can be viewed as a direct violation by the Americans of INF Treaty provisions. Attempts to clarify the situation within the Special Verification Commission (SVC), set up to oversee the implementation of the INF Treaty and work out measures to improve its effectiveness, are blocked by the U.S. (the last SVC session was held in October 2003). The United States has said since 2004 that it will not hold SVC sessions. Washington insists that Russia's questions concerning the production of American ballistic target missiles are not directly relevant to the INF Treaty.

In fact, the United States only stands to lose from negotiations on unilateral violations of the INF Treaty. Diplomatic correspondence on this issue resembles a dialogue between a deaf man and a blind man, while Russia's passivity makes it easy for the U.S. to violate the INF Treaty.

START I was signed on July 31, 1991, in Moscow and came into force on December 5, 1994. The treaty, which is to remain

in force for 15 years, provides for a wide range of verification measures: observance by national technical means of verification; exchanges of data (notifications, telemetric information on missile launches, etc.), and 13 kinds of suspect-site inspections.

In accordance with START I, Russia and the U.S. completed the reduction of their strategic armaments on December 4, 2001, limiting them to 1,600 for deployed intercontinental ballistic missiles (ICBMs), deployed submarine-launched ballistic missiles (SLBMs), and deployed heavy bombers; and to 6,000 for warheads attributed to the above missiles and heavy bombers. The parties fulfilled their commitments and reduced the number of deployed strategic delivery vehicles and warheads attributed to them: Russia – to 1,136 delivery vehicles and 5,518 warheads, and the United States – to 1,238 delivery vehicles and 5,949 warheads.

As of January 1, 2007, in keeping with the START I counting rules, the respective number of deployed strategic delivery vehicles and warheads attributed to them was 880 and 4,162 in Russia, and 1,225 and 5,866 in the U.S.

When reducing nuclear weapons under START I, Russia actually eliminated its armaments, while the United States largely used its treaty-stipulated right to "lower" the number of warheads attributed to deployed ICBMs and SLBMs. In reality, the U.S. eliminated only an insignificant part of its strategic delivery vehicles. Thus, the United States has created the so-called breakout potential in its strategic offensive forces, which enables it to build up its arsenal of deployed strategic nuclear warheads by more than 3,000 units within four to six months if necessary.

As regards the verification of the implementation of START I, Russia today has much less capability than the United States in this field, although initially there was a parity between the two countries. Due to reduced financing for verification measures, for several years Russian specialists have not been using the established quota for suspect-site inspections, conducting about half of such inspections. In addition, the shortage of national technical means of verification, above all surveillance satellites, does not give Russia any compensation for the reduced monitoring activi-

ties. In May 2001, Russia even terminated the continuous monitoring over the missile-producing Hercules plant in Magna, Utah.

In contrast, Americans fully use the established quota for on-site inspections every year. For example, in 2005 they carried out 47 inspections of facilities of Russia's strategic nuclear forces. U.S. specialists still conduct continuous monitoring over the missile-producing Votkinsk machine-building plant in Udmurtia. In addition, American NTM have virtually unlimited capabilities.

Selective inspections carried out by Russia have revealed several violations by the U.S. of START I provisions. The violations included the testing of a Trident II SLBM; the shore-based support for strategic submarines at an undeclared facility, namely Cape Canaveral; and the conversion of silo launchers for ICBMs and SLBM launchers into launchers for armaments of other types (in particular, interceptor missiles and cruise missiles). In addition, the inspections revealed uncontrolled production of the Castor 120 first rocket stage, which is interchangeable with the first stage of the MX ICBM and therefore is subject to control under START I as a strategic delivery vehicle. Americans, however, declare this rocket stage as a "commercial" first stage.

Russia's complaints about the above violations are regularly discussed at Geneva sessions of the Joint Compliance and Inspection Commission (JCIC), set up under START I, but Americans have not yet allayed Russia's concerns over their departure from START I provisions. There is an impression that the violations by the United States of individual provisions of START I are not incidental, but are part of a consistent policy intended to erode the treaty's verification mechanism in order to ensure unilateral advantages for the American military-industrial complex involved in the development of advanced strategic weapon systems.

The inclusion of a new type of SLBM, the RSM-56 (Bulava), and the RS-24 ICBM in the START I legal field, as well as the beginning of their flight tests in 2005 and 2007, respectively, were new major stages in the implementation of START I by Russia. Also, Moscow openly announced its new strategic offensive arma-

ments facility – the Kapustin Yar test range. It appeared as a result of a Russian Defense Ministry decision to carry out launches of the RS-12M (Topol) ICBM to test combat equipment of ICBMs and SLBMs.

The SORT Treaty was signed on May 24, 2002 in Moscow and came into force on June 1, 2003. The treaty expires on December 31, 2012. By that time, Russia and the United States must reduce and limit their deployed strategic nuclear warheads so that the aggregate number of such warheads does not exceed 1,700-2,200 for each party (which is approximately three times lower than the limits for warheads established by START I).

The SORT Treaty's format makes it basically different from START I. SORT does not provide for verification mechanisms or stage-by-stage implementation of the parties' commitments. The parties only reiterated their commitment to START I, which expires in December 2009.

Moscow and Washington fulfill the SORT Treaty in accordance with their own concepts for building nuclear forces. Russia is guided by the expediency of really liquidating delivery vehicles for strategic nuclear warheads so that by the end of 2012 it could achieve the levels specified by the SORT Treaty. The United States prefers to use the START I practice, when the reduction of deployed strategic nuclear warheads is achieved mainly by "downloading" warheads from delivery vehicles or converting the latter to fulfill non-nuclear missions.

This situation has made it necessary to form new confidence-building and predictability measures, especially as this is provided for by the Joint Declaration on New Strategic Relationship, signed by Presidents Vladimir Putin and George W. Bush in Moscow together with the SORT Treaty. Such efforts are made on Russia's initiative. In April and October 2005, Russia formally submitted the relevant proposals to the Bilateral Implementation Commission (BIC), which provide for control and verification measures. However, the American delegation to the BIC has been very passive. The Russian proposals remain unconsidered, and Washington does not view them as necessary. The U.S. insists that

regular exchanges of data between the two parties at BIC sessions on the state of their strategic nuclear weapons are enough to achieve transparency with regard to strategic offensive armaments.

The parties have also not yet reached agreement on how to count strategic nuclear warheads subject to limitation under the SORT Treaty.

The Americans believe that warheads to be counted under SORT in ground-based and sea-based strategic nuclear forces comprise only "operationally deployed nuclear warheads" in ICBMs and SLBMs that are on alert during a specific period of time. This approach ignores missile systems that can be quickly put on alert. And here Americans have an obvious advantage over Russians.

The U.S. approach concerning practical implementation of the SORT Treaty is aimed at evading the working out and harmonization of any measures and mechanisms for verifying its implementation. Also, Washington is reluctant to structure and specify information on the state of strategic nuclear weapons, which the parties exchange. Obviously, the United States seeks to obtain unilateral advantages through its exceptionally high capacity to quickly build up the potential of its strategic offensive forces. In contrast, Russia has a very limited capacity with regard to the breakout potential of its strategic nuclear forces.

It is difficult to foresee how discussions in the Bilateral Implementation Commission will further proceed, although there are serious grounds to believe that Washington will continue to ignore Moscow's concern.

As regards the implementation of the ***unilateral initiatives of 1991 on reductions of tactical nuclear weapons***, it should be noted that these initiatives are a classic example of an informal regime which, thanks to well-balanced mutual concessions, allowed the parties to achieve very impressive results within a short period of time. At the same time, the parties avoided many difficulties inevitable in the course of negotiations, such as the ratification process, whose dependence on internal political developments was vividly demonstrated by the Russian-American START II Treaty,

which was signed on January 3, 1993 in Moscow, but which has never entered into force.

Of course, an informal regime has its drawbacks, as it is based not on legal obligations, but on political statements.

However, in the last decade of the 20th century, when relations of trust were established between Moscow and Washington, neither party had any suspicions that the other party was not fulfilling its unilateral commitments. As a result, by the end of 2001 the arsenals of tactical nuclear weapons in the United States and Russia were reduced by about 70 percent. The parties also resolved the issue of sea-launched nuclear cruise missiles, which are a long-range weapon. The missiles were removed from warships and submarines and were stored in arsenals.

An assessment of how Moscow and Washington are implementing their nuclear arms control agreements suggests that, despite some friction in their relations, the parties are fulfilling their commitments regarding compliance with the required levels of the reduction and limitation of nuclear weapons. This undoubtedly has a positive impact on international stability. However, the time is approaching when the START I and SORT Treaties will expire, and their future remains uncertain. This situation may bring about complete chaos in the sphere of nuclear arms control.

What must be done to avoid a negative scenario?

First of all, the parties must ***resume a high-level dialogue on nuclear arms control issues***.

In March 2007, in accordance with the agreement reached by Vladimir Putin and George Bush a year earlier, Russian and U.S. officials met in Berlin to discuss the future of START I. Commenting on these consultations, Daniel Fried, the U.S. Assistant Secretary of State for European and Eurasian Affairs, said the parties would discuss "transparency issues for the post-START regime after the START Treaty expires."

It seems, however, that such a negotiating format is too narrow and the parties will not make any headway in nuclear arms control if they do not broaden it. START I and SORT are mutually dependent. They regulate rules of conduct for the parties in

one and the same area, namely strategic nuclear armaments. Therefore the future of these treaties must be negotiated simultaneously. Also, such an approach is advantageous tactically, as it will give more room for compromises. Besides, the negotiations should be put on a high level. Without this, expert estimates will prevail in the negotiations, and former experience shows that such estimates are very difficult to harmonize. Political decisions are required to achieve success.

On the whole, considering Washington's desire to equip its strategic missiles with non-nuclear warheads, Moscow should insist on signing a new legally binding treaty. This treaty would replace START I and SORT and would provide for a specific mechanism of control over strategic offensive armaments, taking into account both nuclear and non-nuclear warheads. The position of some members of the Russian leadership, who believe that equipping strategic delivery vehicles with non-nuclear warheads is inadmissible, can hardly be considered viable. Experience has shown that if the parties want to reach agreement, they should take into account each other's interests. Otherwise – as was the case, for example, with attempts to adapt the Soviet-U.S. Anti-Ballistic Missile (ABM) Treaty, signed on May 26, 1972 in Moscow, to a changed international environment – the result will a priori be negative. Since the Americans seek to possess strategic armaments equipped with non-nuclear warheads, Russia must take this into account and focus its diplomatic efforts on the introduction of reasonable limitation to minimize damage to its strategic stability from the deployment of such weapons. An uncompromising position will backfire on Russia when the United States will get its own way.

Russia and the U.S. have also been actively discussing of late the future of the Intermediate-Range Nuclear Forces Treaty (INF). An opinion has formed recently in Russia that this treaty no longer meets the country's interests and therefore the issue can be raised about Russia's unilateral withdrawal from it. Advocates of such a move offer various arguments in its favor – from apprehensions that several states near Russia's borders possess interme-

diate and shorter-range missiles while Russia does not possess such weapons and "things can no longer continue in this way," to assertions that such a move would be an adequate response to U.S. plans to deploy missile defense bases in Europe.

Remarkably, none of these arguments corresponds to the letter or the spirit of the INF Treaty. Its Article XV says that either party has the right to withdraw from the treaty "if it decides that extraordinary events related to the subject matter of this Treaty have jeopardized its supreme interests." However, one can hardly seriously argue that ten ground-based interceptor missiles deployed in Poland can jeopardize Russia's supreme interests.

Moscow should consider the issue of expediency of a unilateral withdrawal from the INF Treaty in all its bearings. Haste in this matter would be extremely harmful.

An analysis of this matter may reveal that militarily Russia vitally needs non-nuclear intermediate and shorter-range missiles. From the military point of view, there seems to be no need for Russia to possess nuclear missiles with such a range. In this case, Moscow should come forward with an initiative to adapt the INF Treaty to meet the requirement for non-nuclear intermediate and shorter-range missiles. It is important that non-nuclear missiles do not pose a fatal threat to Europe or other neighbors of Russia and particularly to the United States. Therefore one may expect that the U.S. reaction to such a move from Russia will be moderate. This will create conditions for U.S. agreement to the proposed adaptation of the INF Treaty.

Certainly, the above considerations do not cover all aspects of the matter and are open for discussion. The stagnation that has settled in the field of nuclear arms control must be overcome. The control regime must be preserved. For all its imperfections, it is much better for international security than the absence of nuclear arms control. Such control may be lost after 2012 if the leaders of Russia and the United States do not display political will.

The Competition for Security Roles in Central Asia

Ivan Safranchuk

Russia has clearly demonstrated to its partners and competitors over the past few years that it considers the space of the former Soviet Union as part of its zone of interests. Moscow kept speaking about the Commonwealth of Independent States in the 1990s as a foreign policy priority as well, but it did little in practice to enforce those statements. That is why Putin's publicized ambitions to intensify Russian policy in the CIS did not draw much attention at the beginning. However, the past six years have shown that Russia is prepared to take real steps toward protecting its interests in the post-Soviet space, above all in Central Asia. This policy has become necessary because of Russia's security problems and economic considerations. An intensification of CIS policy also reflects a fundamental change in Russia's overall stance on foreign policy.

CONCEPTUAL DISCUSSION IN RUSSIA

The current situation can be characterized as the coexistence and competition of two essentially different approaches to foreign policy, which may be conventionally called 'the Primakov doctrine' and the 'liberal empire concept.'

Ivan Safranchuk, Doctor of Political Science, is Director of the Russian branch of the Security Institute and Editor-in-Chief of the *Bolshaya Igra* (The Great Game) magazine dealing with politics, business and security in Central Asia.

The Primakov doctrine proceeded from the assumption that the Soviet Union played an active role in forming international law and was, to a significant extent, a beneficiary of that law. That is why Russia, as the country that inherited all of the Soviet Union's positions in this sphere, stands to benefit from international law, especially if one considers Russia's present weakness and that it is not prepared for "brawling outside the legal format." The doctrine implies that Russia does not feel capable enough of defending its national interests openly and, quite possibly, is even unable to formulate them clearly. That is why Moscow should wait for better times under the shield of international law.

This approach was never laid out in writing, nor was it ever precisely verbalized. But it was exactly this logic that showed through Russia's foreign policy in the second half of the 1990s when Primakov was foreign minister and later prime minister. Strenuous diplomatic efforts were also made then to keep the U.S. and NATO within the format of law.

The 'liberal empire concept' was aired in 2003 by Anatoly Chubais, CEO of Russian energy monopoly Unified Energy System. In a nutshell, it suggests that Russia simply has no other choice than to expand its economic and political influence in the post-Soviet space. At the same time, it should not act as a tyrant or hegemon but, on the contrary, it should serve as a source of progress and a guarantor of human rights. Such a policy embodies Russia's national mission through which it should realize its national interests.

There is an entire spectrum of diverse outlooks and opinions in between these two positions.

The Primakov doctrine can be seen much more in declarative politics today, while the liberal empire concept is present in practical politics. As a result, one might get the impression that Moscow lacks consistency. This is evidenced in the growing flow of accusations with "double standards" – a phrase that Moscow itself used quite often as a diplomatic tool in the 1990s.

Russia still lacks the resolve to drop the image of a "peace-loving" country and to switch from general discussions about inter-

national law to open protection of its interests. This could be partly explained by the poor ability of the Russian bureaucratic machine to formulate clear doctrines.

One way or another, the idea that came into existence under the "liberal empire" motto is winning over an increasing number of politicians (especially as more and more people forget about its controversial author and as greater emphasis is put on the second element of the notion). At the same time, the Primakov doctrine is gradually losing ground in spite of support by many professional diplomats.

SETTING UP PRO-RUSSIAN ORGANIZATIONS

Russia has initiated four projects: the Commonwealth of Independent States (CIS), the Collective Security Treaty Organization (CSTO), the Eurasian Economic Community (EurAsEC), and the Shanghai Cooperation Organization (SCO). Three of them tackle security problems. Moscow hoped to gain efficacious mechanisms of coordination and cooperation in implementing collective decisions as these organizations were being set up. Russia needs instruments to implement its policy, and these four institutions provide levers of impact over various functional and geographic areas. Their stated goals may sometimes overlap as they were created at different periods of time and in different political situations, but generally these organizations pursue different objectives. Russia tries to sort out their zones of responsibility, but is still unable to do so completely. For instance, virtually all of them except EurAsEC have the same governing bodies (see Table 1).

Table 1. Governing Bodies of Organizations

CIS	CSTO	SCO
Council of Heads of State	Collective Security Council (consists of heads of state)	Council of Heads of State
Council of Prime Ministers	–	Council of Prime Ministers

Council of Foreign Ministers	Council of Foreign Ministers	Council of Foreign Ministers
Council of Defense Ministers	Council of Defense Ministers	–
–	–	National Coordinators Council
Antiterrorist Center (Moscow)	–	Regional Antiterrorist Center (Bishkek, Kyrgyzstan)
Council of Border Troops Commanders	–	Council of Border Troops Commanders
–	Committee of Secretaries of the Security Councils	–
Sectional cooperation agencies (several dozen, have no financing as a rule)	–	Sectional cooperation agencies (about ten)
Standing Coordination/ Consultative Committee (Minsk)	–	–
Human Rights Commission (Minsk)	–	–
Inter-Parliamentary Assembly (St. Petersburg)	–	–
Economic Court (Minsk)	–	–
Executive Committee (Minsk)	Secretariat (Moscow)	Secretariat (Beijing)

Source: Table compiled by the author

The Commonwealth of Independent States does not have any distinct formulated goals, and many experts have for a long time started describing it as a kind of divorce following the breakup of the Soviet Union. However, another definition seems to be more exact – "the club of First Secretaries;" that is, a club made up of territorial leaders of the Soviet Communist Party, who took the reins of power either when the former Soviet republics were gaining their independence or soon after the short-lived rule of local popular fronts.

The main problem of the CIS lies in its inability to transform itself into something greater. As "the First Secretaries" gradually leave the political arena, their successors are losing interest in the organization and are beginning to distance themselves from it. This tendency applies equally to the explicitly pro-Western presi-

dents – Ukraine's Victor Yushchenko and Georgia's Mikhail Saakashvili, and to such leaders as Azerbaijan's Ilham Aliyev and Russia's Vladimir Putin. Furthermore, it also applies to Belarusian leader Alexander Lukashenko, who could have become a perfect "First Secretary," but still he had never been one.

The CIS's limited spectrum of functions was one of the reasons for setting up the CSTO and EurAsEC. The Commonwealth had turned into a safe haven for countries not ready yet to join the CSTO and/or EurAsEC and undersign certain obligations or simply reluctant to do so at all.

The CIS has kept three projects pertaining to security in the Central Asian region – peacekeeping, the unified Air Defense System, and the Antiterrorist Center. However, parallel agencies have appeared in other formats as well. The CSTO has set up a united Air Defense System and considered a peacekeeping agency of its own, while the SCO has established a regional antiterrorist structure.

Security projects (the Antiterrorist Center, the common Air Defense and peacekeeping) under CIS auspices will not be shut down, but there will not likely be either a broadening or intensification of CIS operations in the security field.

The Shanghai Cooperation Organization grew out of successful cooperation among five countries in delimitating the state borders between them. A Shanghai Quintet was formed in 1996, and the countries transformed the organization into the SCO in 2001 and included Uzbekistan. Security issues were given priority when the participating countries formulated the SCO's goals, but soon after that the scope of their interests broadened – under some influence from China.

Now the SCO positions itself as a Euro-Asiatic organization of a universal type. Its inter-departmental councils are mushrooming and their activity embraces an ever-greater scope of problems, as they de facto replicate CIS agencies with a similar status. The SCO's economic component will be growing at ever-increasing rates, but security issues will naturally remain on its agenda as well. The forum has shown its readiness to assume responsibility for security in Central Asia and for the region's general development.

The SCO has its own position toward the U.S. Many in the West view this organization as an "anti-American union," but the veracity of this assessment can be doubted merely due to the fact that India and Pakistan – the two countries that are not adversaries of the U.S. in any way – have an observer status in the SCO.

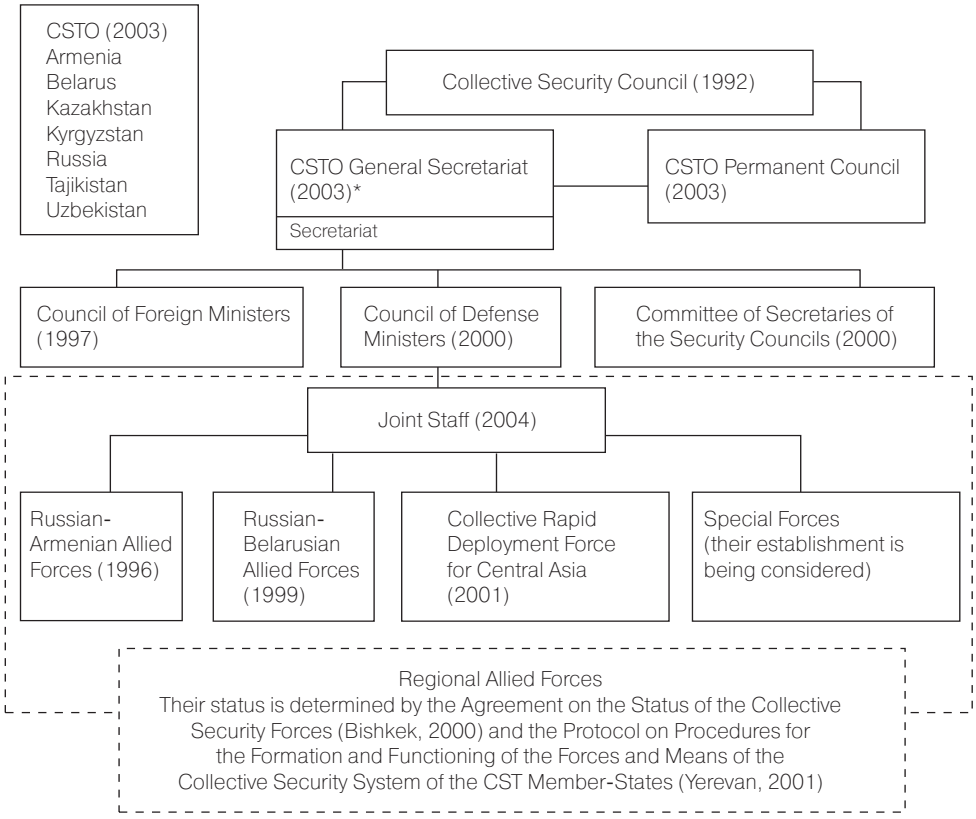
And yet the talk about the SCO's anti-American stance did not spring out of nothing. The organization openly pursues the goal of doing without the U.S. in resolving all challenges facing Central Asia. While it does not seek to oppose Washington either globally or regionally, the SCO does not want any links with Washington either. This means it wants to get along without the U.S., but not go against it. The SCO is rather interesting as a model of relationship with a superpower. There are other institutions in addition to the SCO that stand outside the American context, but these are institutions with which the U.S. itself is not really interested in contacts or cooperation. The situation is different with America's interest toward the SCO, yet the "Shanghaians" show reluctance for such contacts. At the same time, a dialog between the SCO and the European Union seems quite possible.

The Collective Security Treaty Organization. Vladimir Putin's administration came up with an initiative at CIS summits in Minsk and Bishkek in 2000 to fortify the Collective Security Treaty. The initiative followed armed clashes in Kyrgyz mountainous regions in the summers of 1999 and 2000. It was the first time that the signatories of the treaty needed to pool their efforts for joint military operations. This experience and its analysis paved the way for attempts to breathe new life into the treaty, and these efforts led to the creation of the Collective Security Treaty Organization in 2002 and 2003 (the documents were signed in 2002 and took legal effect in 2003).

It is important that the organization was not set up from scratch and this factor influenced its structure and functioning. The CSTO combined disconnected elements that came into existence between 1992 and 2001 under different conditions and for various purposes. It was a real uphill battle to bring all the elements together. Graph 1 shows the organization's structure, with indications of the

years when its elements were created. The initial goal of the CSTO was to coordinate the activity of a number of regional units that were already in existence by 2002, including the East European Allied Forces (Russia and Belarus), the Caucasus Allied Forces (Russia-Armenia), and the Collective Rapid Deployment Force for Central Asia. Their convergence was legally formalized in the Protocol on the Formation and Functioning of the Forces and Facilities of the Collective Security System of Collective Security Treaty Signatory Countries. It was signed in Yerevan in 2001.

Graph 1. CSTO Structure



* Prior to the CSTO's establishment, the General Secretariat of the Collective Security Council.

In terms of chronology, Russian-Armenian structures were the first ones to appear and their initial objectives were to patrol the Armenian-Turkish state border. The formation of the Russian-

Belarusian Allied Forces helped promote military cooperation that began after the start of NATO's eastward expansion in 1997 and gained momentum after the alliance's attacks on Yugoslavia. The emergence of the forces was part of a plan for building the Union State of Russia and Belarus, and thus it depended heavily on political relations between Moscow and Minsk.

In both cases the allied forces had to contain the external threat and their establishment was part of the process of providing mutual military aid. The sides preferred using the legal multilateral format of the Collective Security Treaty and fitting bilateral relations into it rather than signing a new agreement. The latter fact made it possible to bring all these elements together under the umbrella of a single organization.

The actions of the allies were initially coordinated through the Council of Defense Ministers and the Committee of Secretaries of (National) Security Councils, both set up in 2000 when the Collective Rapid Deployment Force for Central Asia did not exist yet. Later, these structures were integrated into the revamped Collective Security Treaty Organization.

Given the CSTO's eclectic nature, the political and legal interaction of all of its elements requires much effort, which in turn makes it necessary to have efficient procedures in place for endorsing and implementing decisions.

The CSTO was perceived at first as an organization built on the Russian military platform (personnel training, provision of Russian weaponry and defense technologies, and joint exercises) — or, in other words, as a military organization. However, it was quickly decided to transform it into a universal security institution. The CSTO views its zone of responsibility today as one that embraces both traditional and new threats (for instance, it organizes the annual operation Kanal [Channel] to curb drug trafficking).

THE SCO AND THE CSTO: COOPERATION OR CONTENTION?

The zones of responsibility of the SCO and CSTO overlap considerably from the functional and geographic points of view. Five

of the CSTO's seven member-states are also members of the SCO. Five of the six member-states of the SCO are simultaneously members of the CSTO. However, this overlapping does not make relations between the two entities any easier. It would be much more correct to speak of covert and dangerous competition that the two organizations are getting drawn into.

The CSTO stands to lose more from this competition since it is more likely that the SCO will be able to resolve more issues of security with much greater efficiency, and especially the issues falling into the group of so-called new threats. This will reduce the CSTO to the level of running the common Air Defense System, training personnel and supplying Russian weapons to other member-states. In essence, it will change into a defense organization with limited responsibilities.

Some of the countries that are members of both organizations will definitely be glad to see the CSTO weaken and the SCO gain strength, while others will be alarmed by an excessive change in the balance in favor of the "Shanghaians."

The intricate relations between the CSTO and the SCO are an open secret, as contacts have been tense for the past several years between their secretariats. Some steps were made toward resolving the frictions in 2007. SCO member-states decided at the organization's Bishkek summit conference to coordinate activities between the SCO and the CSTO. As a result, Secretaries General Nikolai Bordyuzha (CSTO) and Bolat Nurgaliyev (SCO) signed a joint document in Dushanbe in October 2007. It does not say anything about "coordination" though, and is titled Memorandum of Understanding Between the Secretariat of the Collective Security Treaty Organization and the Secretariat of the Shanghai Cooperation Organization. This title amply reflects the main positions and intentions of the two groups of countries.

The Memorandum featured an agreement among the parties to exercise cooperation between their secretariats, invite each other's representatives to various events, design joint programs and organize joint events. These forms of cooperation embrace virtually all spheres of activity. However, it is an open question how cooper-

ative ties between the two secretariats will develop in the future and what they will bring about in practical terms. Two scenarios are possible here.

First, the CSTO and the SCO may view the Memorandum as an agreement on peaceful coexistence and non-interference in each other's affairs. In this case, they will have to somehow mark off the functional zones of responsibility, which is a difficult thing to do, as neither organization will drop parallel security projects. However, the Memorandum makes a reservation for this parallelism.

Under the second – and most plausible – scenario, the CSTO and the SCO will keep their parallel projects, but will coordinate their plans to avoid open conflict. In essence, this will give China access to how the CSTO drafts its plans and makes decisions. However, one of the main specific features of the CSTO is that its operations do not encompass China, and if Beijing gets access there (and this access will expand as long as cooperation increases up to joint programs and events), will there be any sense in the existence of two identical institutions? This does not mean that the CSTO will formally disappear, but it will run the risk of repeating the plight of the Western European Union – a defense organization that lost practical sense after the formation of NATO.

Some of the countries that are members of both organizations are interested in competition between them. While some would like to balance off Russia's influence in the CSTO by their own participation in the SCO, others are seeking to neutralize China's influence in the SCO through participation in the CSTO. However, both organizations clearly do not want open competition, but this competition can only be avoided at the expense of one of the organizations. Right now it looks like the CSTO will be making step by step concessions to the "Shanghaians." Decisions on cooperation will not get rid of the concerns of the CSTO Secretariat. Moreover, they might even play against it, as they will provide the Chinese with instrumental access to the organization.

However, much will depend on the amount of influence that China has over the SCO. One often comes across a widespread

opinion in the media and among Western experts that the SCO is a "Chinese organization," but this is not the case. Beijing has veto power in the SCO at the moment implying that no decision can be made that runs counter to its interests. Yet the Chinese do not have freedom of action, and thus the organization cannot deal with all the tiny wishes that it might get. The role of the SCO Secretariat will continue to grow (for instance, its Secretary General got the status of an executive in 2007) and it may eventually begin to take more and more unaffiliated positions. That is why much will depend on the Secretary General. A Kazakh official will occupy the post for another two years and then it will go to a Kyrgyz, a Tajik, and a Russian, each to hold this post for three years. The secretariat might prefer not to aggravate relations with the CSTO, and peaceful coexistence, as well as equal cooperation, would be quite possible by then.

Russia's East Asian Strategy: The Korean Challenge

Georgy Toloraya

The situation in the Korean Peninsula has changed radically since the end of 2006. Although these changes are not irreversible, they have lain the groundwork for a new geopolitical reality in which Korea will play a greater and a much different role than it has done in the past.

These changes could have happened earlier. A meeting between the leaders of the Democratic People's Republic of Korea and the Republic of Korea signaled a crucial step toward North-South reconciliation back in 2000. However, charges made by the U.S. against Pyongyang in 2002 that it is implementing a covert highly enriched uranium program and North Korea's subsequent withdrawal from the nuclear non-proliferation treaty grew into a profound crisis that disrupted the peace process.

However, an agreement reached on September 19, 2005 at Six-Party Talks in Beijing that had started in 2003 suggested that North Korea would denuclearize in exchange for synchronized steps by its partners at the talks (above all, the U.S.) toward normalizing relations. The document envisioned security guarantees and multilateral economic aid to North Korea. But once again it was practically torpedoed a mere two months later. Accusations that Pyongyang had engaged in illegal financial transactions and

---

Georgy Toloraya is the Research Director at the Center of Contemporary Korean Studies of the Institute of World Economy and International Relations of the Russian Academy of Sciences, and currently a Visiting Fellow at the Brookings Institution in Washington.

the freezing of North Korean accounts at Macao's BDA bank by Washington played an important role. As a result, North Korea found itself cut off from the global financial system.

Pyongyang aggravated the situation further when it conducted a missile test on July 4, 2006 and it carried out what is believed to be a nuclear test on October 9, 2006. Paradoxically, this did produce a result. In spite of sanctions imposed by the UN, Washington made direct contact with North Korea – something it had rejected before – at the end of the same month. A secret bilateral meeting between the North Koreans and the Americans took place in January 2007 in Berlin where the sides coordinated the main details of a mutual compromise. The six negotiating countries "ratified" the accords in a public statement on February 13, 2007.

The agreement stipulated that all nuclear facilities known to exist in North Korea be disabled and all nuclear programs by Pyongyang be disclosed, while the U.S. agreed to move toward normalizing diplomatic relations and economic aid. Working groups to discuss issues related to specific areas were formed. The parameters of the process were later coordinated and the first practical steps were made. North Korea started disabling its nuclear facilities with U.S. aid in November 2007. Furthermore, Washington promised at bilateral talks that it would drop North Korea from its list of countries that sponsor terrorism and exempt it from the Trading with the Enemy Act.

WHERE DID THE BREAKTHROUGH COME FROM?

Why did the peace process suddenly acquire an almost jump-like dynamic after fifteen years of stalemate, especially since at least 80 percent of the current plan of action was featured in the Agreed Framework that the Clinton administration and the North Korean government signed back in 1994? This agreement broke down in the 1990s due to the White House's inaction and North Korea's nuclear activity. The Bush administration classified Pyongyang as part of the 'Axis of Evil' and wanted to isolate and pressure the country. The nuclear issue history neatly falls into a chain of

attempts to ensure security and the status quo on the Korean Peninsula using not non-military means, but muscle-flexing and blackmail – by the weaker partner in this case.

Paradoxically, one must admit that the situation eventually improved thanks to Pyongyang's offensive – and often provocative – policies toward the world's only remaining superpower.

The situation can be characterized by the following.

• North Korea has de facto obtained nuclear status. Although this status has not been recognized by the world community, it exerts influence on political processes and decisions;

• This development resulted in an about-face in U.S. policy that ranged from pressure and attempts to bring down the North Korean regime to engagement. The explanation lies at the surface. Washington badly needs achievements in foreign policy against the background of growing problems in Iraq and Iran and the intensifying internal political struggle. The normalization of relations with Pyongyang does not threaten U.S. strategic interests in any way, except for stirring ideological idiosyncrasies;

• After the stereotypes were discarded, U.S. and North Korean diplomats easily found agreement on the terms for halting Pyongyang's nuclear program in exchange for security guarantees (including the normalization of bilateral relations) and economic aid;

• There is no confidence at this time that the pivot in U.S. policies, which was borne out of tactical, transitory and personal factors, is irreversible. Progress in this sphere actually hinges on the persistency of the President and the Secretary of State. There are well-grounded doubts as to whether influential forces in Washington have fully renounced the strategic goal of replacing the North Korean regime, albeit by milder methods rather than through the use of force. Yet the existing reality prevents the materialization of such aspirations – over the short term at least. This will help consolidate positive tendencies. Even if this deal is not fully implemented during President Bush's term in office, it will serve as lasting legacy for the future U.S. administration;

• The emergence of a basis for peaceful coexistence between North and South Korea has proven to be a tangible factor and the

inter-Korean summit of October 2007 provided a graphic illustration of this. Pyongyang and Seoul de facto reached a consensus on maintaining separate statehoods simultaneously with a growing economic and, at a later date, cultural integration of both countries. South Korea has assumed the role of a self-styled sponsor and an advocate of North Korea in the international arena, pushing China aside in this traditional capacity. South Korean economic aid has turned into the main factor for North Korea's survival. New conservative president Lee Myon Back is unlikely to fully reverse such a policy;

- The steady progress of six-nation talks builds up the potential for transforming them into a permanently functioning mechanism for peace and stability in Northeast Asia.

All of these factors inspire hope that, regardless of internal political changes (such as a new president in South Korea and possible leadership changes in the countries opposing North Korea), a sudden return to a tense confrontation would not happen easily. It looks like the political elites in the West, to say nothing of South Korea, have developed a clear realization of the catastrophic aftermaths (ranging up to a civil war) that cataclysms in North Korea might have for the entire region. Additionally, rising awareness in Seoul that a collapse of North Korea and the subsequent need to shoulder responsibility for the neighbors (the cost of restoring the North Korean economy might run over $1 trillion) would demolish South Korea's own model of economic progress as a country integrated into the global economy.

DEVELOPMENT SCENARIOS

Finding a solution to the nuclear problem will be the most crucial factor for political processes both inside and outside of North Korea. The following scenarios are possible in this regard.

Scenario 1. The talks make successful progress, Pyongyang discloses and dismantles all nuclear facilities and programs it has and, most importantly, signs an agreement to destroy its stocks of fissile materials and nuclear explosive devices at its disposal. This lays the basis for the normalization of North Korea's relations

with the U.S. and Japan. The sides lay the foundation for a multilateral maintenance of peace, while other countries refrain from interfering in Pyongyang's internal affairs. The world community provides large-scale aid to Pyongyang. One delicate problem may be the construction of light water reactors (something that was promised to North Korea in the statement of September 19, 2005). This may predetermine the further pace of denuclearization and continuation of the peace process. A reduction in external threats and interaction with the world economy (first of all with South Korea) may prompt Pyongyang to attempt to introduce market economic levers that will be handled by the existing political elite.

It remains to be seen whether such impressive results can be achieved before the 2008 presidential election in the U.S. The new U.S. administration might not feel that it has to fulfill the agreements reached by its predecessors, all the more so that a legally binding and verified plan of action has not emerged so far. If the Democrats win the White House, the fear of rebukes for liberalism will restrict their freedom to make concessions to countries like North Korea, especially if new grudges against Pyongyang are voiced, including claims that it ostensibly handed over nuclear technology to third countries. One should remember that Israel bombed a facility in Syria in September 2007 that supposedly was a nuclear power unit being built with North Korean assistance.

Japan, which is concerned about the fate of its own citizens kidnapped by North Korea in the past, is also standing in the way of normalization between the U.S. and North Korea and Washington cannot ignore the interests of its closest ally.

Scenario 2. A situation in which North Korea maintains the status of a country having a limited nuclear potential also looks quite realistic. The world community may reconcile itself to this fact and become unwilling to press for full denuclearization. Pyongyang in its turn will abstain from perfecting the nuclear devices it already has, increasing their stockpiles, resorting to nuclear blackmail or proliferating nuclear technologies, the latter being the most important for the West. Dismantling nuclear facil-

ities and programs should be a precondition in this case. One cannot rule out that North Korea intentionally overstates the problems that the elimination of its nuclear industry evokes, as this may help them get as much aid as possible, including construction of nuclear power-generating facilities.

If the international community eventually puts up with Pyongyang's "Indo-Pakistani" status, this will result in highly deplorable international consequences and will impact the non-proliferation regime. That is why the halfway solution may be disguised in a continuation of talks on North Korea's final nuclear disarmament or on the country's reverting to the format of the non-proliferation treaty as a non-nuclear state. The fruitlessness of these negotiations will prevent full normalization of relations with the West, but will not stop it altogether. Displays of "dignified" conduct on the international stage will enable Pyongyang to continue receiving economic aid even in the absence of visible changes inside the country. However, the liberalization of the regime will continue in one form or another.

If a changed North Korea manages to ensure its external security through diplomatic methods, it will eventually not need weapons of mass destruction in a more distant future and will give them up voluntarily (remember that South Africa destroyed its nuclear arsenals). This is far from the worst scenario and it will eventually bring a solution to the problems of the Korean Peninsula. Implementing this scenario depends on the continuity of U.S. policies toward a dialog with North Korea, on the one hand, and on the North Korean leadership's self-restraint and preparedness to avoid provocation.

Scenario 3. One cannot rule out a possible deterioration in the situation due to conflicts, for instance, involving North Korea's ambitions to keep nuclear weapons or ways of suspending the nuclear program or over the problem of providing a nuclear power plant to North Korea. This may be fuelled by a number of circumstances, such as the success of U.S. troops in Iraq, an unexpected untangling of the Iranian nuclear problem, collisions of internal political grappling in the U.S., a tougher approach toward

the North on the part of a new South Korean conservative leadership, or Pyongyang's own reckless actions.

Scenario 4. A reverting to forceful methods of action may be caused by a crisis inside North Korea, for instance, by Kim Jong Il's departure from power and the subsequent fight for "succession to the throne," by popular unrest or by a collapse of the system of governance as a result of an economic crisis. However, this scenario is not very likely and, should it materialize, it does not necessarily imply a re-emergence of attempts for a military solution. China and South Korea are the two powers that have paramount interest in preventing military intervention in North Korea and they will attempt to use all possible measures (including economic ones) to minimize the risks of a U.S. incursion.

In the short term, a stabilization of developments around the North Korean nuclear program with gradual positive trends seems to be the most realistic prospect. All the main actors are interested in this, but everyone should be ready for possible new breakdowns and for nerve-wracking moments that Pyongyang will yet give to negotiators in a chase for maximum concessions. However, if the efforts prove successful, possibilities may appear for the modernization of the country with support from other states and for its opening to the outside world, while the ruling class will keep their hands on the levers of power.

Such a course of events would not contradict Russia's interests either. It would not demand a major readjustment of approaches on our part. But the consistency of political priorities does not mean that Moscow should not step up its role in the Korean settlement process, including economic projects. On the contrary, Russia must play a more active role in order to consolidate its positions in Asia, especially in the light of the growing competition on "the Korean front."

Long-term prospects conceal far more serious strategic challenges. It is important to weigh up now what the future geopolitical layout of Northeast Asia will be like after the ongoing processes draw to a logic end there. For the first time after the Korean War of the 1950s the geopolitical balance in the region

will experience a major change. Idle watching may bring up trends detrimental to Russia's national interests. At the same time, opportunities are opening up for more fruitful strategies.

HOW MAY NORTH KOREA CHANGE?

These processes may be catalyzed by ***changes inside North Korea*** and by its increased interaction with the outside world. The totalitarian regime cannot last forever with a bankrupt economy, although the current improvement in the country's international standing and economic aid has already sparked attempts by North Korean leaders to crack down on "petty proprietary instincts," "bourgeois showings," and "penetrations of alien culture" (coming from South Korea in the first place). Conservatives and *siloviki* continue to have a large influence on the political elite and young cadres are still being recruited in those milieus.

Yet there are quarters in Pyongyang that want change. There is growing dissatisfaction among the people and an increasing external influence. This is a natural result of a withdrawal from self-isolation and the normalization of relations with the West and it will push the country's leadership toward a tough choice – between a collapse and an all-embracing systemic transformation. The problem is whether the political elite will be able to lead the transformation or will act as a diehard and watch the country fall naturally downhill.

It looks like the North Korean leadership has recognized that it would be impossible to escape that choice and it is ready for reforms, apparently hoping that this will help prop up the regime and avoid collisions. The main condition here is one hundred percent external security. However, issuing guarantees of security should not become a mandate for Pyongyang to conserve the old system. On the contrary, the international community should precondition guarantees to the North Korean state by the latter's "drift toward the norm" (or 'conventionalization').

Some ***novel features in the North Korean economy*** show that changes are budding. They are emerging in the form of a paradigm that has been tested many times in transition economies. It would

be appropriate to make references to China here, as well as to Vietnam and Russia.

North Korea's centralized command-and-control system of the distribution of commodities and finances came to a virtual standstill in the 1990s. The abrupt ending of aid from Socialist countries and isolation ignited an economic crisis and caused a massive famine, which forced the North Koreans to bartering. The process became irreversible and the North Korean economy has become diversified. Market economy outlets – retail trade, shuttle traders, joint ventures and free economic zones – coexist with a practically dysfunctional state sector. A shadow (criminalized) economy also exists.

Ownership relations are also showing signs of change. One should not exclude in a longer perspective the emergence of semi-state-owned – and eventually privatized by the political elite – conglomerates like the South Korean chaebols. But these processes are gradual and hidden from view, as their failure may not only cause a change in the regime, but also destroy the North Korean statehood as such.

Change is creeping into ***ideological priorities*** at the same time. Communist phraseology is step by step giving way to the nationalistic one, and growing cooperation with South Korea plays a noticeable role in this process. The Koreans in the North and the South may possibly consolidate around the idea of winning a worthy place in the world for the nation. This perfectly fits the North Korean Juche (Self-Reliance) ideas, which incidentally were invented in Korea long before the import of any Communist theories.

The North Korean regime has a chance to survive if it implements a cleverly designed policy and simultaneously improves the living standards of its citizens. We may see a totally different North Korea in fifteen to twenty years – an authoritarian (not totalitarian) country with a market (or quasi-market at the beginning) economy and broad links to South Korea. There are other such countries and if North Korea's confrontation with the West and especially with the U.S. and Japan ends, there will be no reason anymore for assigning the 'rogue status' to Pyongyang.

Nationalistic moods in the North strike home to the South Koreans and the emergence of new generations of leaders may

lead to a revaluation of the problem of Korea's reunification. Seoul has realized that the two Korean states must work toward a long-term peaceful coexistence for a start. The most sagacious South Korean politicians may harbor egotistic considerations, realizing that only the maintenance of North Korea's independence in one or another form can prevent a spread of its problems to the rest of the nation and thus avert the outbreak of a sweeping political, social and economic crisis.

It can also not be ruled out that a confederation based on a significant regional autonomy will prove the most viable form of a unified Korean state in the future. This formula was de facto agreed on by the leaders of the North and South at their first summit in 2000. Their agreements indicated that the processes of national reconciliation and rapprochement should develop in an evolutionary way beginning with non-political spheres, and should take account of the integration experience of nations in other parts of the world.

The reunification of the two countries is something for the long term. The two countries should first level out their development and overhaul their relationship before practical discussions of this issue can begin.

SIX-PARTY TALKS AND THE REGION'S FUTURE

The process of peace-building in the Korean Peninsula started with a search for solutions to the North Korean nuclear problem, but the success of this process looks problematic without the adoption of broader principles of interaction between the countries involved. The confrontation paradigm between blocs that guaranteed the status quo in Korea in the past should be replaced by a new model of security preservation. This is critical especially in the light of a nascent standoff between China, on the one hand, and the U.S. and Japan, on the other, which both sides would like to avoid in principle. All these factors lay the ground for a broader mandate to the ***six-nation process*** and would be essential for fulfilling the agreements reached, as well as for coordinating economic aid to North Korea. The experience the six negotiating

countries have accumulated could lead to a gradual expansion of the scope of the problems discussed.

The growing internationalization of economic life, the cross-border nature of the new challenges and threats, and the current migration problems in Northeast Asia require an instrument of interstate coordination that would function irrespective of the Korean problem. The idea of giving an institutional status (up to creating a Northeast Asia Security and Cooperation Organization) to the six-party mechanism became a subject of discussions long ago.

What mandate could such a multilateral organization have in the Northeast Asian region?

- A search for precursor approaches to forming a collective and comprehensive security system. For this purpose, the sides should begin designing confidence-building measures for the prevention of maritime and air incidents, notifications about military exercises and inviting observers to monitor them, annual reviews of defense doctrines (The White Books), etc. Ensuring security of maritime communication lines in Northeast Asia and to the south of it may also be relevant;
- Elaboration of countermeasures to unconventional threats and challenges — assistance during natural disasters, as well as fighting epidemics, environmental problems, cross-border crime, drug trafficking, and illegal migration;
- Discussion of multilateral economic projects and coordination of regional economic policies, particularly laying out common approaches to setting up new free trade areas and reforming existing ones. Russia is particularly interested in the latter as an intensification of regional integration may leave it on the sidelines otherwise;
- The setting up of an infrastructure for inter-civilizational and inter-ethnic contacts and rapprochement in the region where there is historical ethnic strife. It is important to develop joint projects in culture, science and education and to stimulate multilateral humanitarian exchanges with due account of experience gained at bilateral negotiations.

This multilateral process is desirable — in one degree or another — for most countries in Northeast Asia, and especially for

China as the "host" of the diplomatic process. Beijing looks inclined to turn the six-party talks into one more international organization under its auspices (considering its experience in the formation of the Shanghai Cooperation Organization). The Chinese would like to consolidate their influence in the region and on the global plane, and "soft adhesion" to U.S. policies in Northeast Asia might be instrumental in this sense.

The U.S. is typically pessimistic about such regional associations, but it has recently shown interest in this particular opportunity. Washington might regard multilateral formats as an instrument for containing China and a leverage for strengthening its own position in the region.

Seoul wants to turn the Korean Peninsula into the economic 'hub' of the region. South Korea is positioning itself as a balancer and a go-between power that could have mediatory functions precisely in the format of the multilateral mechanism.

North Korea is so far undecided, but its negative attitude toward organizations that "restrict sovereignty" is well known. Nonetheless, Pyongyang might become interested in the opportunities offered by an international structure committed to observing North Korea's legitimate rights in the international arena, as well as in access to resources.

Russia has traditionally spoken in favor of a multilateral system of security in Northeast Asia, although the specific advantages of Russia's participation in an association of this kind have not been clearly stated so far. Given the relative weakness of Moscow's positions in Northeast Asia, engagement in a multilateral mechanism would presumably reward Russia with a full-fledged role in regional decision-making. The multilateral format is also useful for equitable presence in Russia's Far East, which would help it avoid a slide into the position of a resource vault for Northeast Asia's economic growth.

If the processes described above continue progressing, they will kick off sizable geopolitical shifts. A decrease in the U.S. role in Korea may bring about a relocation of the line of China's "deterrence" eastwards to Japan. Until fairly recently it was impossible

to imagine that American troops would pull out of the Korean Peninsula, but this is very possible to imagine today. A deeper integration between the two Koreas would contain China's ambitions to "global domination." Japan, too, will see its field for maneuvering shrink, as the two Korean states will then play a much more independent role in regional and global affairs.

RUSSIA'S INTERESTS AND POLICIES

How will all this affect Russian policy and interests in the region? It appears that the possible benefits outweigh the hypothetical problems.

- There are not many disagreements between Seoul, Pyongyang and Moscow. A deepening of contacts depends first and foremost on Russia's readiness to give them more attention and resources. Good-neighborly relations with both Koreas would help Russia use the Korean factor to balance off the influence of China and Japan in the region and even strengthen its positions in the dialogue with the U.S. All the more so that the Koreans would also need a counterbalance as they build more independent relations with the centers of global power. Russia is quite suitable for this. In this light the progress of relations with both Koreas not only has a value per se, but also has a broader political significance;
- Russia successfully avoided being drawn into in the inter-Korean confrontation on either side in the 1990s and now it can get some of the political and economic dividends. Innovative trilateral projects in railway transportation and in the energy sector seem to be particularly promising. Russia may become a "Eurasian bridge," which will speed up the development of its Far Eastern regions and facilitate its deeper integration in the Asian economic space;
- Moscow should make its interest in North Korea's denuclearization more pronounced, show its readiness to assist this process, and take part in providing economic aid to Pyongyang in the framework of multilateral agreements. This is necessary for a deeper understanding with other parties to the peace process (and China and the U.S. in particular), as well as to convince them that Russia does not have any hidden agendas and its increasing pres-

ence in Korea will not damage the interests of other players. It is inadmissible to let Russia's role in regional processes slide, especially as it is often criticized for its inactivity. The maintenance of that role needs political will backed up by resources. This in turn will require the elimination of inter-departmental miscommunication and the coordination of efforts at the political level;

• Participants in multilateral processes can promote their interests through a search for compromise rather than through face-to-face collisions (the way it has happened in the past). This means that an institutionalization of the Northeast Asian security and cooperation mechanism does not run counter to Russia's interests at least. It might play an important role in a changeover from contentions based on mutual deterrence to a system of cooperation/competition grounded in the balance of interests, i.e. in a 'concert of powers.'

It is time Russia contemplates a more inventive and vigorous diplomacy toward the situation in Korea. There are no obstacles to Russian leadership in designing the concept of Northeast Asian security and cooperation; all the more so that, as shown by past experience, other parties to the six-nation process do not object to ceding this role to Moscow.

Washington and Beijing would obviously like to avoid confrontation around a problem that does not translate into practical policies yet, and hence they have taken a wait-and-see stance. Japan is fixed on narrower problems and it has not formulated the basic ideological parameters of its positioning in the region so far. South Korea, in spite of all its ambitions, will scarcely have enough vigor to claim the role of a regional leader for integration, although its resources can be drawn in for this purpose.

Russia has a chance of getting an attractive niche in Northeast Asian affairs now – peacefully, without irritating its partners and avoiding considerable costs. The Russian position in the region may in some measure resemble (although with a much smaller military element) the one that Russia had in post-Versailles Europe, when the absence of conflicts with other major players allowed it to play a balancing role.

FOREIGN AFFAIRS

Before it becomes policy, it's in *FOREIGN AFFAIRS*

When you want to be the first to know what the experts in foreign policy and economics have to say about world events — turn to *FOREIGN AFFAIRS*. With contributions from distinguished authorities like Condoleezza Rice, Richard Holbrooke, Fouad Ajami, Donald Rumsfeld, Kenneth Pollack, and Samuel Huntington—this is the forum for leaders who shape the world.

SUBSCRIBE TODAY TO FOREIGN AFFAIRS

" The most influential periodical in print." *– TIME*

"*FOREIGN AFFAIRS* is essential reading." *– FORTUNE*

"*FOREIGN AFFAIRS* [is] the most prestigious of America's many foreign policy journals." *– FINANCIAL TIMES*

SPECIAL OFFER for readers of *Russia in Global Affairs:* One year only US$57.00!

You will receive 6 bimonthly issues delivered via air mail. Your satisfaction is guaranteed or you will receive a FULL REFUND on all unmailed issues.

To order, send payment to: FOREIGN AFFAIRS SUBSCRIPTION SERVICES,
P.O. Box 420190, Palm Coast, FL 32142-9970 U.S.A.
TEL: (386)445-4662 FAX: (368)446-5005 or EMAIL: ForAff@palmcoastd.com

All international orders must be prepaid, therefore, please make checks or international money orders payable to Foreign Affairs in US$ only. We also accept MasterCard, Visa, and American Express as payment. Please allow 6–8 weeks for the delivery of your first issue.

www.foreignaffairs.org/ordernow

Controversy

“The Nagorno-Karabakh conflict was the first armed conflict in the post-Soviet space and the biggest in terms of the scale of military action. It also has a very specific configuration and dimensions. The long history of the conflict adds to its acuteness. There is no other conflict in the former Soviet Union where there is such an overt desire for revenge.”

Is There a Way Out of the Karabakh Deadlock?

Vladimir Kazimirov

The political settlement of the Nagorno-Karabakh conflict is entering a phase of stagnancy, which is unavoidable in the run-up to the presidential elections in Armenia and Azerbaijan. This makes it possible to examine the problem in more detail and to look for ways out of the long stalemate.

The Nagorno-Karabakh conflict was the first armed conflict in the post-Soviet space and the biggest in terms of the scale of military action. It also has a very specific configuration and dimensions.

First, it began back in 1988, when the territory was still part of the Soviet Union, and reached its peak in the period between 1992-1994, when military operations involved an already independent Azerbaijan and Nagorno-Karabakh proper that enjoyed strong support from Armenia. That is why the Nagorno-Karabakh problem is further complicated by internal and external contentions.

Second, the conflict involves two military camps – the Armenians and the Azerbaijanis, but three political forces, since the governments in Nagorno-Karabakh's capital Stepanakert and in Yerevan have similar, but not identical interests.

Third, Baku was unpleasantly surprised by its military failures, as well as by a full loss of control over five districts around Nagorno-Karabakh and a partial loss of control over another two districts.

Vladimir Kazimirov is an Ambassador Extraordinary and Plenipotentiary of the Russian Federation, Deputy Chairman of the Association of Russian Diplomats. Vladimir Kazimirov headed Russia's intermediary mission to Nagorno-Karabakh in 1992-1996.

The long history of the conflict adds to its acuteness. The clashes of 1905 and 1918, the expulsion of ethnic Armenians from the Nakhichevan area and the squeezing-out of Azerbaijanis from Armenia, the tragic and bloody events in times of peace (in the cities of Sumgait and Baku) and during military operations (Hojali and Maraga) fertilized the mutual animosity fanned by radical nationalists and pseudo-patriots. Mutual mistrust is still slowing down the entire process of a peace settlement.

Finally, there is no other conflict in the former Soviet Union where there is such an overt desire for revenge. In this light, the position and arguments of the Azerbaijani side require close attention.

THE STATUS OF DISCORD

The Nagorno-Karabakh conflict stems from and spins around the problem of the future status of Nagorno-Karabakh. Yerevan is seeking to legitimize the region's withdrawal from Azerbaijan, but Baku has ruled out any prospects for this. The positions of both sides have remained practically unchanged during the 13-year armistice – they remain widely different and mutually exclusive. Azerbaijan continues to postpone decisions on Nagorno-Karabakh's status and confines itself to pledging the broadest possible autonomy for Nagorno-Karabakh.

It is clear that no one will be able to determine Nagorno-Karabakh's status without the region's own participation in the process, and yet an attempt to use a resource as democratic as a plebiscite has also caused sharp discord. Azerbaijan's 1995 Constitution only allows the holding of nationwide referendums (the young state has an inclination for unitarianism due to its patchy ethnic make-up). The Constitution slashes the mechanism of direct democracy in Azerbaijan for the exact purpose of denying the Nagorno-Karabakh population's right to independently decide its future. (Yet it is well known that far from all Canadians voted in a referendum on the status of Quebec; far from all Spaniards on the status of Catalonia; far from all Ethiopians on the status of Eritrea; and obviously far from all the British will vote in a possible referendum on the status of Scotland.) References to the inviolability of the Azerbaijani Constitution do not hold water, as any changes in

Nagorno-Karabakh's status (including the cultural autonomy proposed by Armeniaphobes) will require constitutional amendments.

In the meantime, Baku is unwilling to recognize Nagorno-Karabakh even as a party to the conflict, although it signed ten various agreements with Stepanakert during the war, and none of those documents involved Yerevan. No one can explain in Azerbaijan now what capacity Nagorno-Karabakh was perceived in when it was a warring side. Alas, there are many such logical controversies. Persecutions of Armenians from Nagorno-Karabakh and a refusal to have any contact with them stand in discrepancy with the promises of recognizing their status as fellow-citizen and granting them a most advanced autonomy. This lack of realistic thinking and the logic of "total" struggle block any positive acts, even measures to build trust.

THE ROOT-CAUSES OF OCCUPATION

Officials in Baku realize only too well that Nagorno-Karabakh's status is the main problem, and yet they are reluctant to recognize it and do their best to emphasize the importance of eliminating the unfavorable aftermath of military action – the occupation by Armenians of seven districts in Nagorno-Karabakh – as the top priority. Azerbaijan claims that the territory of Nagorno-Karabakh is also occupied. Ethnic Armenians, who constitute three-fourths of Nagorno-Karabakh's indigenous population, control most parts of the region with the assistance of neighboring Armenia, and Baku interprets this fact as occupation of Nagorno-Karabakh by Armenia, all the more so that Azerbaijanis have fled those places.

Occupation is a product of incursions and combat operations. This should have turned into an anomalism with the arrival of the twenty-first century, but zones of occupation still exist in other parts of the world. Take Afghanistan, Iraq, or the territories around Israel for example. It is equally important to clarify the situation with the seizure of lands in Karabakh, to trace down the logic that the parties to the conflict espoused in the 1990s, and to analyze the aftermath of their actions at the time. No claims about occupation would have been made if military action had been avoided, and the repercussions would not have been so perilous had it been curbed quickly. Military action would have stopped somewhat earlier then,

and the towns of Susa and Lacin would not have fallen to the Armenians. Consequently, there would have been no seizure of Kelbajar, Agdam, Fizuli or southwest Azerbaijan.

Mediators called constantly for an immediate end to the fighting, but the chances for a truce were ignored for more than two years. Four ceasefire agreements and other peacemaking initiatives were disrupted. Although the intermediaries condemned seizures of territory and the expansion of the conflict, the overwhelming spirit of the struggle pushed the sides toward giving increasingly more attention to military, not political, strategies. It was the dragging out of the hostilities – and not "Armenian appetites" at all – that led to the seizure of Azerbaijani lands and the occupation.

As an intermediary, I remember perfectly well who would evade the cessation of hostilities then – it was the side that would eventually sustain the most telling blow. Azerbaijan bet on a quick, forceful resolution to the conflict for too long (and there are still relapses of such thinking). It was Baku that abolished the Nagorno-Karabakh Autonomous Region in 1990, yet it accuses the Armenians of failing to stay within its borders during the military conflict. The side that for more than a year (from 1993 to 1994) ignored a UN Security Council Resolution demanding that military operations be stopped and continued to pile on preconditions should realize its immediate responsibility for the consequences – for the loss of ever more territories and for the swelling waves of migrants and refugees.

The events also had a purely military underpinning. In addition to superior numbers, Azerbaijan found itself with many more weapons than Armenia did after the breakup of the Soviet Union and this predestined the tactics of the sides to some degree. Baku attempted and launched offensives, set up a blockade around Nagorno-Karabakh, and frequently subjected its territory to shelling and bombing. The imbalances of manpower and armaments, the lack of military aircraft, rugged terrain and irregular supplies forced the Armenians to adopt more flexible tactics. They had to concentrate their forces on the most decisive sections of the front line and to organize raids and seizures to push the enemy away from the region, to interfere with the bombing and shelling, and to make the front narrower to adjust for the shortage of forces.

The Armenians were helped greatly by an ability to mobilize quickly and the motivation for survival (which is stronger than considerations of prestige or anything else). Disorganization and feuding in enemy ranks also proved helpful.

This is a brief outline of the beginning of Karabakh's occupation that eventually had repercussions. Had Baku held back from furnishing the Armenians with the above-mentioned chances, they would not have seized so much land. On their part, the Armenians cut all corners skillfully – they would not reject or disrupt ceasefire proposals and would sometimes accept unfavorable recommendations from mediators, doing so in the hope that the enemy would act as predicted and would frustrate ceasefire agreements anyway. The May 12, 1994 armistice agreement fixed the quo status at the time – Armenian control over Nagorno-Karabakh and seven adjacent districts of Azerbaijan proper, as well as Azerbaijani control over some areas that had had a mostly Armenian population.

In pushing Armenian occupation into the spotlight in every way, official Baku hushes up (mostly from its own citizens) how it came about and what role betting on the use of force and regular disruptions of the ceasefire played in it. The incumbent authorities look incapable of analyzing the past. They only rebuke the Popular Front of Azerbaijan and former president Abulfaz Elcibey, and misrepresent the occupation for the sake of beefing up the image of Heydar Aliyev (incidentally, his rule was marked by far more rejections and disruptions of the ceasefire, as well as by the loss of five out of seven districts). There are numerous instances where the situation regarding Karabakh was hushed up. For example, each side accused the other of ethnic cleansing, while refusing to admit that its own actions can scarcely be described otherwise.

Azerbaijan, by citing its own sovereignty and the hardships of refugees, is seeking a virtually unconditional withdrawal of Armenians from the lands they have occupied. In order to gain more time, Azerbaijani President Ilham Aliyev has shifted the focus to what he calls "the occupation of Nagorno-Karabakh by Armenia" and is demanding a pullout of troops from there. This provides him with a reliable guarantee against an agreement that would be much more dangerous for him now than it was for his father.

LANDS IN EXCHANGE – FOR WHAT?

By "staying behind" in the occupied territories, the Armenians said at first that they did not have claims on the territories, except for the Lacin corridor that ensures land communications between Nagorno-Karabakh and Armenia. A mistrust of Baku's amicability compelled the governments in Stepanakert and in Yerevan to reinforce the line of contact as much as possible, as Armenia had deployed its military there. The Armenians started asserting later that the occupied territories were their historical lands which they had ostensibly liberated and which were not subject to return. Officially, Yerevan was more cautious in this respect, pledging its readiness to pull out of the territories gradually and holding back Kelbajar and Lacin for the time being until a referendum on the status of Nagorno-Karabakh was held. Diehards in both Armenia and Nagorno-Karabakh are sharply critical of the withdrawal concept and are quite able to fight against its implementation.

The sides have been impeding the settlement process for years by making inordinate demands and using versatile gimmicks. The Armenians, under the slogan 'territories for status,' pressed Azerbaijan to give them Nagorno-Karabakh in exchange for the Armenian withdrawal from the occupied lands. On his part, Heydar Aliyev put all the blame on the Popular Front in the hope that public opinion would accept the deal if, by way of compensation, control was ensured over a road linking Megri and Nakhichevan (i.e. Azerbaijan proper and its enclave via Armenia). However, the idea failed to take hold in both Baku and Yerevan.

The 'territories for status' formula is imbalanced and looks like an arbitrariness of the victor, since it is based on "the last test of forces." On the other hand, Baku's eagerness to offset it by calls for revenge looks highly unpromising, too. While the Azerbaijani calls refer to a future war, the Armenian formula refers to a past war. This is a quagmire, since no one will resurrect the victims of the past, and revenge would mean numerous new victims and unclear results. A more modest equation suggesting 'territories for security' would look much better, as it would reflect the balance of interests of people living in Nagorno-Karabakh and in neighboring parts of Azerbaijan. It also implies much more justice. Compared with the

current situation, all the sides involved would be winners then, and each in its own way. The key here lies in the degree of reliability of general security and in the sides' commitment to their obligations.

HOW TO BEGIN WITHDRAWAL FROM FOREIGN LANDS

From the very start, the Karabakh talks recognized that finding a solution to the status of Nagorno-Karabakh would take time and would be formulated after the consequences of the military conflict were eliminated. At the same time, Armenia and Nagorno-Karabakh insisted on a package resolution to all problems.

The argument over whether to adopt a gradual or a package method lost its significance over time as the mediators and parties to the conflict opted for a mixed version, incorporating both gradual and package elements. Now the package focuses not on the region's final status but on the procedure for determining it by the free will of the Nagorno-Karabakh people. The Armenians have agreed to an initial withdrawal from five districts around Nagorno-Karabakh before its final status is determined. All the sides have agreed to a stage-by-stage implementation of any agreements that they may reach.

An agreement on Nagorno-Karabakh's provisional status might defuse tensions during the transition period during which talks will continue and the sides will effectuate coordinated steps. However, unlike Azerbaijani political analysts, the government in Baku does not see any sense in such an agreement, even though Nagorno-Karabakh's provisional status is inescapable and already exists – de facto without being endorsed de jure.

What is needed then to pull the Nagorno-Karabakh settlement problem out of its long deadlock and to begin a gradual cession of the occupied – mostly Azerbaijani – lands?

In the first place, it is essential to pull the problem out of the previous military context and to put it into the domain of politics, law and morals, given the importance of the quickest possible – and unconditionally voluntary – return of displaced persons and refugees to their former homes.

This is where psychological and emotional factors trouble the Armenians, who claim that these territories form a security belt

around Nagorno-Karabakh, especially since so many lives were lost fighting for these lands. Radical nationalists insist that the population be moved there as a kind of compensation for the fact that scarcely none of the 350,000 to 400,000 Armenian refugees will want to live under the authority of Azerbaijan again (although the Azerbaijanis may also demand a return to Armenia of their fellow-countrymen expelled in 1988). Or the other party may issue counterclaims for the expulsion of Armenians from Nakhichevan. These appeals to the past might roll on endlessly.

THE MAIN OBSTACLE

The biggest obstacle to freeing the territories, however, is posed by regular threats on the part of the Azerbaijani leaders to resort to the use of force. These threats contain an element of bravado that aims to support domestic politics, but Baku's eagerness to intimidate Nagorno-Karabakh and Armenia has forced them to consider the problem in the previous military key and to hang on to the well-reinforced line of contact. Besides, this is the best present to those who condemn a pullout from the occupied lands. Will anyone reduce their line of defense, especially given the current degree of mistrust and incessant threats from official quarters? Yerevan and Stepanakert believe that it could only be possible to pull out of any of the occupied districts (and thus destroy the 'Maginot Line') if there is total confidence that hostilities will not resume.

Political scientist Fikret Sadykhov characterized Baku's mood this way: "For the past ten years Azerbaijan has been placed on the same bench with a country that occupied the territories belonging to us. We are forced into talks with it and it is demanding that we find a peaceful solution, although the occupation of our lands was carried out militarily. Naturally, this state of affairs rests on elemental injustice." Could it be that Dr Sadykhov is unaware of what happened and how? His line of logic looks somewhat strange.

The interests of a peaceful resolution and an end to the occupation demand that all the parties strictly abide by the principles of the OSCE that call for a peaceful settlement of disputes and refraining from the threat or use of force. These principles

were laid out in the Helsinki Accords as a basis for the peaceful resolution of conflicts.

WHY REVENGE IS DANGEROUS FOR THOSE WHO SEEK IT

A resumption of hostilities, should it become a reality, might have far worse an impact and inflict far greater losses and devastation than the military action of 1992-1994. This time, well-equipped armies would replace the then semi-guerilla groupings. Still, none of the sides will be capable of a blitzkrieg of this sort in the next four or five years, given the current proportion of forces. Moreover, protracted military operations play havoc primarily on those who launch them. The fact per se requires a conscientious approach on the part of top leaders.

A war would be equally dangerous for the international community. The South Caucasus is not the region where one should stand by and watch indifferently as things unfold. It would not be easy to justify a new slaughter by references to the Armenian occupation, since everyone sees that both Armenia and Nagorno-Karabakh are insisting unequivocally on a compromise peaceful solution. Amid this background, Baku is threatening them with a war if they do not capitulate, which means a demand for an unconditional retreat from everywhere, including Nagorno-Karabakh itself. A new use of force in this region would be viewed as a still greater anomaly than the detestable heritage of the past war – the occupation of foreign territories.

The side which violates the armistice will come under fire as an encroacher on OSCE principles and on its obligations to the Council of Europe. It will be condemned by member-states of the OSCE's Minsk Group and by its powerful co-chairmen. High-ranking officials from a number of countries and influential international organizations have spoken out openly against armed action. Many may recall that war is against Azerbaijan's Constitution, in which Article 9 denounces hostilities as an instrument for resolving international conflicts. Bellicose threats from Azerbaijani leaders are already undermining respect for the country's basic law. They keep citing the Constitution on the

issue of a Nagorno-Karabakh referendum, but never say a word about Article 9.

New hostilities will also give others an opportunity to remember the buildup of the arms race in the region and a sharp increase in Azerbaijan's defense spending. The disregard with which Baku treated the February 4, 1995 agreement with Nagorno-Karabakh and Armenia on stopping incidents at the line of contact (signed at Heydar Aliyev's instruction) will also contribute to this. Barely a day goes by without a report by the Azerbaijani Defense Ministry on violations of the armistice by the Armenians and on victims of Armenian gunfire. Here we come across another flaw in logic. If Baku wants to see an end to these armed incidents, why does it not think about meeting the provisions of a document officially signed under the auspices of the OSCE?

Armenia and Nagorno-Karabakh have on many occasions issued statements that they are ready to observe the agreement if Azerbaijan shows its readiness to do the same, but Baku has kept silent on this issue for more than ten years. If Baku finds the agreement imperfect, it would only be logical to adjust it, amend it or sign a new one. Yet it looks like victims are more preferable as a pretext for fanning tensions and conducting vociferous propaganda.

So for the time being forceful revenge seems to be an unprofitable adventure at least, but it might entail very grave consequences. As the U.S. Assistant Secretary of State Daniel Fried indicated, a war would ruin Azerbaijan's future.

A COURSE TOWARD HISTORIC RECONCILIATION

Hawkish blinders are not letting Azerbaijan see that it will benefit from renouncing an armed solution to the conflict. Not only will this renunciation help funnel more money to the development and improvement of people's lives, but it will also strip Armenians of the arguments in favor of 'the Nagorno-Karabakh security zone.' The return of many districts without a single shot being fired would mean an important success for the Azerbaijani authorities and would find broad international support. This will not solve the problem of Nagorno-Karabakh's status, but it

would radically improve the atmosphere and open up ways to find a compromise at further negotiations.

The sides have so far ignored the apparent benefits of a productive approach toward a peace settlement. None of the sides is ready to declare a long-term course toward a historic reconciliation between the Azerbaijanis and Armenians that would be the only correct solution in this situation, and none is ready to offer to the opposing side that this be done together. In the meantime, an evasion or rejection of this offer is fraught with dire costs in the international arena. The international community would actively support even a unilateral declaration of this kind of course and would thus put the other conflicting side into an unprofitable position. And yet Armenia and Nagorno-Karabakh underestimate this resource, while Azerbaijan fans negativism and is pushing itself deeper and deeper into a blind alley where it will be still harder to turn toward a constructive solution, which might simply resemble a capitulation against today's background. A change of leaders will give the Armenians more room to maneuver, since it will be easier for new people to take steps toward a settlement. In contrast, an Azerbaijani president seeking re-election is much more shackled by the policies he conducted during this term of office.

The only way to a political breakthrough in Karabakh and to the earliest possible withdrawal from the occupied lands is to completely abandon the chimera of a forceful resolution to the conflict. The sides should ensure comprehensive conditions for the non-resumption of hostilities under the mediation of the international community. This is not an area where one can exclusively rely on oneself or on external patronage. Neither way is reliable if taken alone and there need to be a combination of efforts.

It is widely known that the sides have pledged to resolve the conflict peacefully. So what is stopping them from formalizing those pledges in an agreement on the non-resumption of military actions, considering that the case in hand is a confirmation of previous obligations, not the assuming of new ones? There is no doubt that these pledges were given to international organizations, not to the opposite sides in the conflict, but this does not change the whole situation. The parties should create grounds for attain-

ing the first plausible shifts in the settlement process and eradicate the calls for war that one could hear over recent years.

The sides could sign an agreement declaring that there is no alternative to a peaceful solution. A divergence of this kind would be difficult for the Azerbaijanis, but Baku cannot blame anyone for this. Guarantees from the UN Security Council or, at least from the co-chairmen of the Minsk Group, are needed to ensure that the document does not boil down to a sheer declaration and to prevent the sides from renouncing or disrupting the commitments it specifies.

It looks rather strange that high-ranking officials at the OSCE have not yet proposed an agreement like that, since their mission is to promulgate an exclusively peaceful resolution to the conflict. They do not have the right to offer feeble reactions to serial threats coming from officials, to incidents at the line of contact, or to the acceleration of the arms race. Mediators are not referees, and yet they are obliged to defend the peace mission that the parties to the conflict undersigned a long time ago. The OSCE is first of all an organization for security, and cooperation in Europe comes second.

A practical question unavoidably arises then: Where should the Armenian-Karabakh troops retreat to until the final status of Nagorno-Karabakh is defined? Both the central Azerbaijani government and the Nagorno-Karabakh government eliminated the borders of the former Nagorno-Karabakh Autonomous Region long ago. In addition, those borders had an overly indented contour that is totally unsuitable for placing forces along their perimeter even during a transition period. In order to begin an earliest possible withdrawal from these occupied territories, the parties need direct talks on straightening the border and making it serve as a conventional border between Azerbaijan and Nagorno-Karabakh. However, Yerevan will hardly take upon itself the organization of such talks. And will the Nagorno-Karabakh authorities allow it to do this?

It would be highly desirable to launch talks between Baku and Nagorno-Karabakh as early as possible, even prior to an agreement on the exclusively peaceful resolution of the conflict, in order to avoid intentional delays in the pullout of troops. As Baku brushes Nagorno-Karabakh aside at the negotiations with Yerevan, it only impedes the start of direct talks with the much-troubled region, all

the more so that "contacts between the two communities in Nagorno-Karabakh" are a poor replacement for negotiating.

COERCION TO PEACE

Considering the heavy burden of past conflicts between the Azerbaijanis and Armenians, there have been many specific demands issued to the international peacekeeping operation in Nagorno-Karabakh. It must be flexible in form and tough in essence, short in deadlines (just two to three years) due to its huge cost and reliable in what concerns final results.

It will require a two-stage mandate, including the right to use force at any time against those who violate the agreement. Control over demilitarized territories in the first phase will require that military observers be deployed along the line of contact and the line of disengagement (especially in the spots where communication routes cross the two lines). A mobile strike force will also need to be deployed. Once a signal is received from the observers, the force should be able to advance quickly to the place where the violation occurred (or, possibly, to two places at once) to block or even repel the enemy. Moreover, measures against violators, ostensibly coming from the civilian population, should also be considered.

The mandate for the second phase should from the very start predestine the transformation of peacekeeping efforts into the enforcement of peace. The countries taking part in it will be expected to offer firm guarantees for resuming it in this very form. A changeover from peacekeeping to peace enforcement, if need be, would rule out or considerably limit the possibility that one of the sides would be tempted to return to forceful methods after the first phase is completed.

Such toughness of the international operation in Karabakh is justified by the fact that, unlike in Abkhazia, South Ossetia or the Dniester region, much more is at stake here than the settlement of this particular conflict. The case in hand deals with the importance of fully eliminating bloody clashes between the Azerbaijanis and Armenians in the long term, as such misadventures have regularly plagued life in the entire Caucasian region in the past and can aggravate the international situation on the whole in the present.

Who Is to Blame for the Karabakh Impasse?

Fuad Ahundov

Contrary to expectations, the end of the Cold War did not bring about a strengthening of general security and one of the reasons for this was a sharp deterioration of 'local' conflicts, most of which flared up in the territories of former socialist federations – the Soviet Union and Yugoslavia.

The conflict between Azerbaijan and Armenia over the Nagorno-Karabakh region stands out among other conflicts: the government in Baku and a number of international organizations – first of all the Council of Europe and the Organization of the Islamic Conference – have qualified it as Armenian aggression against Azerbaijan.

Diplomats from many countries are working toward finding a settlement for this and many other conflicts. Yuri Merzlyakov, co-chairman of the Minsk Group of the Organization for Security and Cooperation in Europe, is taking care of the problem on Russia's behalf. It goes without saying that a durable peace settlement and finding a long-lasting stable peace is impossible without understanding – including on the part of the mediators – the essence of the conflict. In this light, it is totally counterproductive to apply highly stereotypical and unimaginably oversimplified schemes to this conflict.

MANIPULATIONS WITH SELF-DETERMINATION

One of the over-simplistic formulas (which is popular, but still highly erroneous) suggests an opposition between the right of nations to self-determination and the principle of territorial

Fuad Ahundov is a political scientist.

integrity. This was the opinion of Tigran Torosyan, speaker of the Armenian parliament, who commented on the Karabakh conflict in *Russia in Global Affairs* (No. 4, 2007).

It is hardly possible to consider such interpretations as correct. First and foremost, the right of nations to self-determination does not automatically mean the right to secession and endless fragmentation of states. Russian President Vladimir Putin made a note once on the dangers inherent in "broad interpretations" of the right to self-determination when applied to local conflicts in former socialist federations. As he commented on the West's readiness to press forward with recognizing Kosovo's independence in spite of objections from the Serbian government, Putin said: "Do you ever think that employing the principle of self-determination for nations will fuel negative processes far beyond the former post-Soviet space?" "Why provoke this? I think this is highly detrimental and dangerous," he said.

Scrupulous politicians and diplomats have always recognized the degree of risks coming from broad interpretations of the right to self-determination, which Putin warned about. The UN Charter, as the cornerstone of international law, does not contain anything that would make it possible to consider this right as a basis for an endless partitioning of countries up to the 'self-determination of streets' and 'sovereignty of households.' Many researchers, including Dr. Yuri Reshetov, point out the absence of an equation mark between the right to self-determination and the right to secession. The former right can and must be implemented in the form of autonomies, local self-government, etc. Moreover, one should not mix up the notions of nationality, nation, and ethnic group.

The evolution of the principle of self-determination can be traced throughout the process of forming the UN Charter. The proposals examined at a conference in Dumbarton Oaks did not include provisions concerning self-determination. They were put in the charter at the San Francisco conference as amendments by the great powers. The materials summarizing the process of looking over the amendments said that the principles of equality of nationalities and the right to self-determination are two integral

elements of a single norm. Participants in the conference also stipulated that the principle of equality and self-determination of peoples conforms to the UN Charter's objectives by virtue of the fact that implies only the right to self-government as opposed to the right to secession. Thus, the origin and legitimate content of the principle of equality and self-determination state unambiguously that the principle initially ruled out secession. The Universal Declaration of Human Rights did not contain the right to self-determination of a nationality either.

The principle of self-determination received a boost as the colonial system collapsed. As huge 'colonies,' 'overseas dependencies' and 'overseas territories' that previously had names like British Tanzania, the Belgian Congo, etc., shook off the colonial yoke, European governments thousands of kilometers away could no longer exercise power in the lands they had controlled in the past. Colossal territories with huge populations were left without any government at all, and this process, unique in its own way, required a legislative framework, for which the principle of self-determination alone could provide legal grounds.

Still, the wars for mineral resources that broke out soon after (like the rebellions in the Katanga province of the former Belgian Congo and in Nigeria's Biafra) made it very clear what staking on the rights of peoples to self-determination was fraught with after the power of far-away metropolitan European countries had disappeared. European power was replaced with a chain of bloody wars of extermination, the splitting of countries and the monopolization of power by feudal princes, tribal chiefs, etc.

One way or another, the UN agencies reaffirmed some significant postulations in the wake of tough anti-colonial and, more importantly, post-colonial experiences.

First, the right of a nation to self-determination should not be mixed up with the rights of ethnic minorities, as the authors of the UN Charter did not intend this right for minorities.

Second, self-determination must not undermine a nation's unity or create obstacles to exercising this unity to the detriment of national sovereignty.

Last but not least, a research paper *The Right of Nations to Self-Determination*, which the UN compiled in 1981, indicates that the principle of equal rights and self-determination, as put in the UN Charter, does not grant an unlimited right of secession to people living in the territory of an independent sovereign state, and such a right cannot be regarded as a provision of lex lata. Support for the right of secession or instigation for it on the part of foreign countries should be viewed as a gross contradiction to the principle of respect for territorial integrity that underlies the principle of the equality of states. It states further that it would be dangerous to include recognition of a general and unrestricted right to secession in international law, since the rights of the population living in the territory of one or another country are regulated by the national constitutional law of that state.

The authors of the paper said at the same time that the principle of equality and self-determination must serve the unification of peoples on a voluntary and democratic basis and must not break up the existing national state entities. It is important to avoid any formulations of the principle that might be interpreted in terms of expanding the sphere where it has an effect or preconditioning its application to the peoples that already constitute an integral part of an independent and sovereign state.

Acting in any other manner would be tantamount to connivance with separatist movements in sovereign countries and might provide a pretext for putting the national unity and territorial integrity of sovereign countries into jeopardy. The authors also believe that the right to self-determination has been put into international documents for purposes other than instigation of separatist or nationalistic movements.

Also, the authors voiced confidence that the international community has become mature enough to be able to tell genuine self-determination from ones that are fronts for acts of secession.

Dr. Natalia Narochnitskaya, deputy chairman of the State Duma's International Affairs Committee and the chairperson of the Duma's commission in charge of studying the practice for ensuring human rights and basic freedoms in foreign countries,

summed up both the theoretic development of international law and the political experience painfully gained by the world community. "One should not make references to the right of peoples to self-determination," she said. "In the first place, contrary to illusions, international law does not recognize this right. Otherwise it would plant a bomb under any federated or multiethnic state. This immediately sets a precedent and gives a pretext for analogies – for example, Chechnya in Russia or the Basques in Spain. The international community will never accept this, all the more so that international law really does not recognize it. International legislation interprets that right currently as the right to cultural autonomy, in the first place, that is, the right to maintain ethnic life within the boundaries of a state where a different nation is dominant."

Dr. Valentin Romanov, a professor of international law at the Russian University of People's Friendship, said that although the UN Charter lists self-determination as a principle, the latter does not show up among the principles that, according to the Charter's Article 2, provide guidelines for the activity of the organization and its members. The principle of self-determination is not a self-domineering concept but, rather, one of the basics for peaceful and friendly relations between nations. Add to this that the UN Charter inseparably links self-determination to equality of peoples, which presupposes respect for the rights of not only a self-determining ethnic entity, but also the rights of the remaining part of the population, the life and future destiny of which will be affected by the self-determination process.

An analysis of international documents (as opposed to their quasi-scientific interpretations) dispels all doubts that the thesis on the right of peoples to self-determination does not apply to local conflicts in the former Soviet Union in general and to the Armenian-Azerbaijani conflict in particular, to say nothing of the fact that it cannot provide grounds for sawing off a part of territory of an internationally recognized sovereign state. It is noteworthy that quasi-states usually ignore the internationally accepted meaning of self-determination and cling to its so-called Leninist version, which suggests "self-determination up to seces-

sion" that first appeared in the documents of the Russian Social Democratic Workers' Party (Bolsheviks). It showed up later on many occasions in the documents of various Communist parties, and yet one will easily notice that international law operates according to a different interpretation, which straightforwardly says that secession is inadmissible.

The process of self-determination – especially secession – can only be implemented through legitimate methods. It means that secession is possible only where it is envisioned in the national legislation. As life shows, this clarification is more than important.

Armenian "self-determination" in both mountainous and lowland Karabakh went hand in hand with acts of genocide and ethnic cleansing of Azerbaijanis. The Hocali Massacre on February 26, 1992, was the bloodiest, but far from the only such episode.

But most importantly, the involvement of the Armenian army's regular units made up of draftees in military operations in Azerbaijani territory rules out any talk of "self-determination." The whole story stirs up memories of the Third Reich's concern for the "oppressed ethnic Germans" in Czechoslovakia, Poland and other European countries at the end of the 1930s.

Many analysts say that the May 9, 1992, seizure of the town of Susa, where Azerbaijanis made up the majority of the population and were totally unwilling to accept 'self-determination in the form of secession,' as well as the seizure of Lacin located outside of the former Nagorno-Karabakh Autonomous Region, provided evidence of a war for territory. Even more, it is impossible to classify the seizures of districts adjoining Nagorno-Karabakh and the expulsion of all the population from there as acts of self-determination.

In other words, unlike numerous other conflicts, the Armenian-Azerbaijani standoff over Nagorno-Karabakh reveals the presence of territorial claims on the part of Armenia.

Incidentally, in 1988 when, according to Armenian claims, "deputies of Nagorno-Karabakh's regional council passed a resolution" [at a session that was illegitimate, in fact, since the council's deputies of Azerbaijani ethnicity – 30 percent of the total list – were not informed of its convocation – F.A.], the document

spoke precisely of "Nagorno-Karabakh's unification with Armenia." Two years later, the Armenian parliament passed a constitutional act on the region's merger with the then Soviet republic of Armenia.

Realizing that this was an overt territorial claim, Armenia tries to pass it off today as a nation's right to "self-determination," i.e. secession from Azerbaijan. Armenians living in the North Caucasus, where their population is almost as large as in Armenia proper, could claim secession from Russia in much the same way, for instance.

Imagine a homeless person who seizes a house belonging to legitimate owners, then throws them out along with their possessions. When the case goes to court, a lawyer says that the right to housing falls into the category of basic human rights, that each person must have shelter over his or her head, that society should not sit back and watch how people are reduced to a life on the streets, that it must fight poverty and help the homeless to find a place to live. These arguments do have grounds, and yet the right to housing and the importance of fighting poverty do not justify the seizure of someone else's house. References to self-determination of nations as a tool for legitimizing self-proclaimed quasi-states are nothing more than juridical trimmings, or attempts to impart the consonance with international law postulation to completely unlawful acts. They represent an overt misuse of notions and terms.

Another thing is obvious, too. The Armenians living in Nagorno-Karabakh are not a nation in the legislative sense of the word. The commonly accepted understanding of a nation as a stable, historic community of people living within certain boundaries and who perceive themselves as an entity cannot be applied to the community of ethnic Armenians living in one of the regions of Azerbaijan. What is more, this formulation shows that the notion is losing the former ethnic underpinning today. The existence of the Republic of Armenia per se furnishes the Armenian people with enough opportunities for self-determination and development of its own statehood. It is amid this background that one can and should raise the issue of local self-government and development of the humanitarian sphere, but not in any way the issue of secession

and creation of a fourth independent state in the South Caucasus, which would be the second Armenian state in the region.

BIAS IN THE GUISE OF FAIRNESS

While discussions on an alleged contradiction between the right to self-determination and territorial integrity go on continuously in the pages of research periodicals, attempts to provide a systemic analysis of the conflict are much scarcer. Vladimir Kazimirov has tried to do something along these lines in *Russia in Global Affairs* (No. 1, 2008, pp. 188-199). Alas, his article will mislead readers rather than fill in existing blanks.

The prehistory of the conflict is so recondite and tragic that even the conflicting sides themselves stay away from sorting out (at least in public) who of them was the first to throw a stone at their neighbor's house. Such sorting outs have fallen out of fashion in both Baku and Yerevan. Yet Kazimirov, who has not taken part in the real settlement of the conflict for quite some time and thus has overlooked the progress of the situation, finds it necessary to delve into the past. The historical references he makes abound in inaccuracies and look overtly biased and apologetic.

Even a cursory analysis of events in the zone of the Nagorno-Karabakh conflict, actions and statements by the sides leaves no doubts that the case in hand has evolved from territorial claims of one state to another state. This is a conflict of philosophies, if you like it – tolerance versus monoethnicity, harmonious co-existence with neighbors versus the tactics of endless territorial claims to neighboring countries.

There are very few countries where a single nation makes up more than 99 percent of the population. The best known examples are Japan and Iceland - insular state entities that formed amid conditions of a natural geographic isolation. Armenia is the only monoethnic state in the Caucasus, a multiethnic and multi-religious part of the globe where even neighboring villages sometimes speak different languages. Most remarkably, Armenia is not surrounded by water but, rather, by multi-ethnic countries, namely Azerbaijan, Iran, Turkey and Georgia.

However, Armenia was not always ethnically homogeneous. At the time when the Armenian Soviet Socialist Republic was established within the boundaries of the modern Republic of Armenia, i.e. with the inclusion of Geicha and Zangezur, Azerbaijanis were equal in number with Armenians, according to some data, or even surpassed them, according to other data. "Armenianization" was carried out quite artificially and to no small a degree with the aid of multiple resettlements and ethnic cleansings. The resettlements and ethnic cleansings were not only a Soviet practice: they began in the early 19th century when Russia invaded the Caucasus. It was the time when hundreds of thousands of ethnic Armenians began to move to Russia from Persia and Turkey. In 1828, the Russian Empire's ambassador to Teheran, Alexander Griboyedov, who was named in charge of the Armenians' resettlement, drew the Tsar's attention to what he described as "inept Armenian propaganda against local Moslems" (who had to make room for Armenian resettlers).

Take for instance the mass deportation of Azerbaijanis from Armenia on the basis a decree from Stalin in 1948-1953. While the Crimean Tatars, Chechens and other nationalities were deported under the formal pretext of punishment for their collaboration with the Nazis during World War II, the Azerbaijanis were forced to move out simply because of their ethnic origin. Other repressed peoples were deported from all major places of residence, but Azerbaijanis were only deported from Armenia, obviously because it was to be "cleaned up." The authorities also decided to "clean up" all place-names in Armenia. The Soviet Council of Ministers, in numerous resolutions, changed more than 2,000 names. Yet, the Soviet period was not enough for such an "epoch-making" Armenianization of place-names. According to Manuk Vardanian, the head of Armenia's State Real Property Cadastre Committee, "the process of renaming populated localities in the country, whose names have Turkic origin, must be completed in 2007."

The reader needs only to look up familiar place-names in Armenia or in Azerbaijan's Nagorno-Karabakh in the Great

Soviet Encyclopedia or its abridged version. After a place-name, one will see in parentheses the date when it was renamed and its historical name. For example, Yerevan (Erivan, named after Revangulukhan), Sevan (Gekcha, "wonderful" in Azerbaijani), Stepanakert (Khankendi, "khan's village" in Azerbaijani), etc. The next wave of resettlements and ethnic cleansings occurred in 1985 and in 1988-1989 (the last wave also affected Russians belonging to the Molokans religious group, Kurds and other nationalities).

In fact, the conflict around Nagorno-Karabakh did not begin in 1988, as Vladimir Kazimirov claims. It began much earlier – at the instigation of Armenian nationalistic quarters. On December 11, 1985, the newspaper GAMK, which is published in Armenian in France, published a political manifesto from the nationalistic party Dashnaktsutiun. It said, in part, that the organization had plans to fight for a "free and united Armenia" with the inclusion of "Armenian territories listed in the August 1920 Treaty of Sevres, such as Nakhichevan, Akhalkalaki and Karabakh." Not only Azerbaijani politicians, but Armenian ones too, including the leader of the National Democratic Union of Armenia Vazgen Manukian, admitted that the tone of the standoff in the Karabakh issue was set by "parties of the Spiurk," or the Armenian diaspora.

Kazimirov, who tries to be evenhanded, resorts to outright stretching along the way. For example, he puts an equation mark between the ethnic cleansing in Armenia from 1985-1989, in which no less than 200 people were killed by the roughest count, including several dozens killed very brutally, while another 240,000 people were forced to flee their homes, and the amorphous allegations that "Armenians were squeezed out of Nakhichevan." Armenian nationalists have been fanning the latter story in recent years, but they have failed to present any proof to the world community and will not likely present any. Attempts to counterbalance the genocide in Hocali with Armenian myths about a "tragedy" in the village of Maraga look equally awkward.

Kazimirov turns a blind eye to the main element of the conflict – the terrorist methods that the Armenians resorted to from

the very start of the confrontation with Azerbaijan. Influential people in Nagorno-Karabakh, some of them law-abiding Armenians, were the victims of terrorist acts.

The April 14, 1992 murder of the regional legislature speaker Artur Mkrtchian, the director of Stepanakert airport A. Shukhanian, and Valery Grigorian, a senior official at the Stepanakert Communist Party City Committee, was just the tip of the iceberg.

Armenian terrorists have repeatedly bombed buses and subway trains in Azerbaijan. They even used the services of North Caucasian militants who had received training in camps run by Armenia's secret services. A number of terrorist acts were committed in Russia too. It is enough to recall the assassination of Colonel Vladimir Blakhotin, the commander of the Soviet Union's Interior Troops in the North Caucasus and Transcaucasia, in April 1991. He was killed by a group of Armenian militants who had arrived from Nagorno-Karabakh. The investigation of explosions in the Baku metro and at a Baku railway station also exposed a criminal grouping headed by Armenian secret services officer Jaan Oganessian. Its members also committed a number of terrorist acts in Russia, including in Chechnya.

On November 20, 1991, a Mi-8 helicopter was brought down near the village of Karakend. It was carrying a group of important Azerbaijani government officials, Russian military observers Major General I.D. Lukashov and Lieutenant-Colonel M.V. Kocharov, and Kazakhstan's First Deputy Interior Minister S.D. Serikov, who were traveling to the region on a peacekeeping mission.

International terrorists Monte Melkonian, Vazgen Sisliyan and others took an active part in the military fighting against Azerbaijan. *The New York Times* reported that Armenia's President Levon Ter-Petrossian attended the funeral of terrorist Monte Melkonian (who had been on Interpol's most wanted list and who was killed in Nagorno-Karabakh) in the summer of 1993. In 2001, the French authorities released from jail Varoujan Karapetian, who had been sentenced to life in prison for planting a bomb at Orly airport in Paris. Armenia gave him

– and other terrorists who had finished their terms in prison – a state welcome.

Kazimirov throws out all pretences of impartiality when he gets down to the seed of the problem. He states bluntly that "there is no other conflict in the former Soviet Union where there is such an overt desire for revenge. In this light, the position and arguments of the Azerbaijani side require close attention." He says this at a time when international observers, including co-chairmen of the OSCE's Minsk Group, admit that the settlement process is being obstructed by Armenia and not by Azerbaijan. A one-sided analysis of this sort is nonsensical in mediatory diplomacy.

Kazimirov exclaims pathetically that high-ranking officials at the OSCE "do not have the right to offer feeble reactions to serial threats coming from officials, to incidents at the line of contact, or to the acceleration of the arms race." He purports that mediators are not referees, "yet they are obliged to defend the peace mission that the parties to the conflict signed a long time ago. The OSCE is first of all an organization for security, and cooperation in Europe comes second."

The answer to why the OSCE does not react to statements by Azerbaijani officials is all too obvious – whatever the intensity of the willingness to bring the conflict to a peaceful settlement, no one has taken away the right of a country to self-defense yet. Like the principle of territorial integrity, this is a cornerstone element of world order. This gives a still clumsier look to Kazimirov's desire to pedal on the allegation that combat operations and the occupation continued due to official Baku's aggressiveness and commitment to "forceful solutions" and not due to aggression on the part of Armenia. As a mediator, he must know perfectly well that it was Armenia that repeatedly broke the ceasefire.

Finally, when Kazimirov tries to compare the Azerbaijani and Armenian defense potentials at the time when hostilities broke out, he somehow hushes up the massive "lending" of combat units by the Russian army to Armenia and Nagorno-Karabakh during Pavel Grachev's reign at the Russian Defense Ministry. Illegal supplies of weaponry skyrocketed too. Members of the State

Duma, the late General Lev Rokhlin and incumbent Siberian governor Aman Tuleyev estimated those supplies at $1 billion in 1997. Russian servicemen who took part in operations on the Armenian side were taken prisoner more than once by Azerbaijani forces. They were handed over to Russia at the personal requests of Boris Yeltsin and Pavel Grachev, and Kazimirov is fully aware of this.

The retired diplomat's efforts to apportion all responsibility for military action and its aftermath exclusively to Azerbaijan look unconvincing, to put it mildly, as does his desire to accuse Baku of encroaching on four UN Security Council resolutions. Remember that those resolutions demand a pullout of troops from the occupied territories and are addressed to Armenia.

Kazimirov's claims that Armenia has ostensibly repeatedly accepted even unfavorable proposals from the mediators and that Azerbaijan rejected them are bewildering.

In reality, Yerevan also rejected the 'package' and 'stage-by-stage' peace plans. It only accepted a plan promulgating a 'common state' concept.

Kazimirov's fumbling to find a criminal element in the fact that the Azerbaijani Constitution does not envision a referendum on a part of the country's territory is ludicrous, as legislation in many countries also does not envision this.

The plan he proposes boils down to an "exemplary flogging" of Azerbaijan for calling for a military resolution to the conflict, but this plan hinges on the thesis that "the Azerbaijanis are to blame for everything" and it a priori will not lead to a durable peace, the same way that the craving to appease Hitler at the expense of Austria and Czechoslovakia did not.

Amid the background of Kazimirov's openly pro-Armenian stance, his calls for guarantees for the non-resumption of military actions are viewed in Baku as Moscow's intention to officially extend protection to Armenia. Thus it is not at all surprising that Yuri Merzlyakov, as the Russian co-chairman of the Minsk Group, has to regularly disavow the statements of his predecessor as ones that do not reflect Russia's policies in the region. Otherwise they could deal a blow to Russia's image in the region and to its mediatory role.

Index of Articles Published in 2007

EDITORIAL BOARD