



Russia in a Changing World

Edited by
Glenn Diesen · Alexander Lukin

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INTRODUCTION

Tectonic changes in the world are transforming the international system, which presents Russia with both threats and opportunities. The international distribution of power disrupts as the world transitions from a unipolar to a multipolar system, geoeconomic levers of power shift from the West to the East, global value chains are restructured, environmental degradation and water scarcity add additional considerations to foreign policy, green energy can disrupt the role of natural resources in great power politics, the sovereign state is challenged by secessionism and regional integration, and the crisis in liberalism is spurring a renewal of ideological rivalry. The emergence of new political, economic, and military realities can assist in overcoming flaws in the international system or merely exacerbate existing rivalries.

To understand how Russia endeavors to shape and adapt to the new world, it is imperative to assess conflicting views on the post-Cold War era as it is reaching its end. The collapse of the Soviet Union initially set an independent Russia on the path towards a partnership with the West. Without the bipolar international distribution of power supported ideologically by the communist-capitalist divide, Yeltsin charted a Western path and he believed that Russia was in a favorable position to continue Gorbachev's policies of constructing a "Common European Home." Yet, Moscow's "Greater Europe" Initiative, aimed to end dividing lines and harmonize interests across the pan-European space was largely rejected in the West. The West preferred the "Europe Whole and Free" initiative, advocated by President Bush in 1989, which sought to integrate most of Europe governed by liberal democratic rules under the authority of the

US/NATO and the EU. The West proclaimed the new Europe would be inherently benign due to the inter-democratic structures of Europe, while Russia feared that liberal democracy would merely become instrumental to revive ideological dividing lines to marginalize Russia on the continent. New divisions emerged on the European continent as Russia was not included in the main institutions, and the former capitalist–communist divide was recast as a liberal democratic–authoritarian divide. The failure to reach a mutually acceptable post-Cold War settlement with Russia became the source of estrangement and conflicts ever since. Putin opined:

We did everything wrong from the outset. We did not overcome Europe's division: 25 years ago the Berlin Wall fell, but Europe's division was not overcome, invisible walls simply moved to the East. This created the foundation for mutual reproaches, misunderstanding, and crises in the future.¹

Russian and Western perspectives on the post-Cold War era are diametrically opposite. The mere reference to the “post-Cold War era” demonstrates conceptual ambiguity about this period by reference to the era that had passed. Moscow tends to refer to the era as the unipolar era, which from a realist perspective implies systemic incentives for expansionism and unilateralism as constraints on the West were removed and it became unbalanced. In the West, the post-Cold War era is commonly referred to as the “liberal international order”—denoting an era when liberal democratic norms would reign supreme and lay the foundation for perpetual peace. Moscow views the Cold War as having ended in 1989 with a compromise and engagement as announced by Bush and Gorbachev at the Malta Summit, which was then betrayed after the collapse of the Soviet Union. In contrast, Washington argues the Cold War ended in 1991 in the form of a victory as the Soviet Union collapsed, and the subsequent leadership of the US would be undermined by Russian efforts to claim a seat at the table in Europe. Advocacy for a pan-European community as advocated by de Gaulle, Mitterrand, and Gorbachev is viewed with suspicion as another “peace offensive” to divide the West and demote the role of liberal democracy and the leadership of the US. From Moscow's perspective, the opportunity to develop a European security architecture based on a mutually acceptable post-Cold War settlement was missed.

¹ Putin, V. 2016. “Interview to German newspaper Bild. Part 1”, January 11, <http://en.kremlin.ru/events/president/news/51154>

The point of departure from the West's perspective largely reflects Fukuyama's "end of history" thesis, which expected that the world would slowly move towards a liberal democratic peace under the collective leadership of the West. Liberal democracy was argued to be an intrinsic component of security, thus merging security and democracy into inter-democratic security institutions fit within a liberal ideology of perpetual peace. The marginalization of Russia in Europe was considered the price to pay for the new Europe, a problem that could be resolved within the framework of the collective primacy of NATO and EU. The West substituted its guiding policy of containing the Soviet Union with a pedagogic socializing role of civilizing Russia in a teacher-student relationship by rewarding "good behavior" or punishing "bad behavior." Russia was subsequently given the option of either accepting its marginal role in Europe as an object of security, or alternatively, reassert its interests and then be castigated as a counter-civilizational force to be contained again. When Russia began its recovery and reasserting itself in Europe after NATO's first expansion and invasion of Yugoslavia in 1999, the West depicted it as a return to Russia's imperial traditions and self-serving ambitions of its political class, which is personified by a vilified Putin. The rapidly deteriorating relations are therefore presented by the West as being caused by Russia's rejection of democracy, while Russia considers the West to use liberal democracy as a thinly disguised ideological veil for hegemony and unilateralism.

Moscow is increasingly moving towards a consensus that the post-Cold War era has been an untenable and failed experiment as Europe's largest nation has been demoted to the only non-European nation in Europe. European integration takes on a zero-sum format where the shared neighborhood must choose between the West and Russia, while the failure to make the correct choice is rectified with Western-backed color revolutions. The post-Cold War era did not merely produce a new unfavorable status-quo for Russia, rather a new status-quo cannot be established due to what is perceived as Western expansionism—manifested as relentless NATO and EU expansionism, incremental missile defense construction, and military interventionism. NATO and EU policies towards Eastern Europe suggests historical continuity due to the resemblance with the Brest-Litovsk Treaty imposed on Russia by Germany towards the end of the First World War, which called for the independence of non-Russian peoples in Eastern Europe—but was really to be cast under German rule.

An international rules-based system under the West's collective leadership becomes a contradiction as the West's collective leadership is dependent on "alliance solidarity," which will always trump consistent application of international law and Russia will therefore always be in the wrong. Success in the West is defined by the ability to demonstrate solidarity by extending anti-Russian sanctions irrespective of failed outcome, or the ability of the British to have its allies expel Russian diplomats without presenting proper evidence. The inherent contradictions of the West's "liberal hegemony" are caused by a growing rift between power aspirations and liberal democracy. As Kissinger aptly noted, when a system is built on power but lacks legitimacy, it eventually destroys itself.

The unraveling of the current world order entails several risks, yet, in crisis, there are also opportunities to remedy the weaknesses of the former world order. The rise of Asia has presented Russia with alternatives that were absent during the time of Primakov—regions that are prepared to establish greater autonomy from the Western-centric order. The emergence of a multipolar world is welcomed by Moscow as it imposes constraints on the West and enables Russia to diversify its dependence on the West. The relative power of the West is diminishing and its ability to coerce Russia militarily, economically, and politically will gradually wane. Russia's decades-long project for Greater Europe ended with the Western-backed coup in Ukraine and has since been replaced with the "Greater Eurasia Initiative" that is seen to be more feasible. China inevitably becomes Russia's main strategic partner due to its ability and intention to restructure global value chains to construct a post-Western and multipolar world. Moscow has subsequently become a leading supporter of China's Belt and Road Initiative, new trade blocs, and development of new financial instruments. Russia sees itself as a balancer and the Greater Eurasia initiative is, therefore, neither anti-Western or pro-Western, rather the objective is merely to impose constraints and make the West matter less. However, uncertainties remain over the birth of the multipolar world order. Will the multipolar order be established peacefully and will it impose the constraints and order as theorized? As the world transitions from the unipolar to the multipolar, the willingness to take greater risks grows and the possibilities for miscalculations heighten. How will Russia navigate its way into a new world order?

A WORLD UNDER TRANSFORMATION

This book aims to present a comprehensive view of leading Russian foreign policy experts on the changing structure of the new international order, the major political and economic disruptions, and Russia's place in this uncharted system. Russia is pursuing novel approaches to international security, experimental formats for global governance, and new sources of influence in the changing world. Russia's aspiration to integrate the entire Eurasian space in concert with China and other prominent powers is a comprehensive foreign and domestic policy.

The authors in this book assess whether Russia has the resources required to implement its ambitious goals. Can Russia transition from the dual periphery of Europe and East Asia, and establish itself as an independent power in the heart of a new Eurasian constellation? The analysis and expectations of the authors vary, albeit the consensus is that Russia has wedded itself to transforming itself to both shape and adapt to the new world. The authors here are affiliated with influential universities and think tanks, such as the Faculty of World Economy and International Affairs of the National Research University Higher School of Economics (HSE); the Valdai Discussion Club, which works closely with the presidential administration and where President Putin often speaks; the Council on Foreign and Defense Policy (CFDP); and the *Russia in Global Affairs* journal. The political position of this school can generally be defined as centrist, which in the Russian context means criticizing both excessively pro-Western and extreme nationalist tendencies and proposals and supporting Russia's moderately independent course.

Most of the authors in this book are affiliated with the Higher School of Economics, a university established in 1992 with the objective of implementing liberal market reforms to bring Russia into the Western fold. Most of the authors have also been active in academic or political circles since the 1990s and were generally supportive of the course towards the integration with the West and its political and economic structures. Their turn to a more independent and national interest-oriented policy is an indication of the changing mood in the Russian academic community. The growing sentiment and consensus among the authors in this book are that Russia made some serious miscalculations in the early 1990s, and the current disruptions and transformation of the international system will work in the advantage of Russia, which is charting a new path for itself.

Chapter 1. The Military Underpinning of the Geopolitical Revolution

Sergey Karaganov, the Dean of Faculty of World Economy and International Affairs at the National Research University Higher School of Economics, deliberates on the military basis of the contemporary shift in the international distribution of power from the West to the East. While the rise of Asia is widely recognized as a geoeconomic phenomenon, Karaganov argues that military power underpinned this phenomenon. The rise of Europe in the early sixteenth century and the subsequent 500 years of Western-centric world order were largely due to military superiority, which then laid the foundation for economic, political, territorial, and cultural expansion. Similarly, the rise of the Soviet Union as a formidable military power oversaw the deconstruction of European empires and Moscow constrained the West's ability to impose its rule on the world. This historical role of Russia appears to continue as Moscow now supports the rise of Asian giants such as China, and blocks the ability of the West to impose its rule by military force. Karaganov, therefore, posits that Russia has "mid-wifed" the return of a global balance of power and expanded the freedom of choice to the countries and peoples of the world.

Chapter 2. Prefabricated World Order and its Decline in the Twenty-First Century

Fyodor Lukyanov, Research Professor at the National Research University Higher School of Economics and editor of *Russia in Global Affairs* journal explores the decline of the post-Cold War world order. The New World Order was an inspiring notion right after the Cold War. A new stable international system was envisaged, which would be based on cooperation and mutual understanding instead of confrontation. It didn't happen for many reasons, but one of the most important was a profound shift in world balance from Euro-Atlantic to Asia. New World Order, as described in the late 1980s, was supposed to be based on Western experience and European achievements, which had to be expanded to the rest of the planet. But the Wider Europe concept failed to produce even an enduring European order, not to talk about its extension beyond European space. The inability to cope with Russia was one of the most vivid problems, which generated erosion of the whole project. And now, when Asian powers with their political cultures and traditions start to shape international politics, the "prefabricated model" of the post-Cold War era cannot be applied anymore. Future World Order will be created anew.

Chapter 3. Russia and the Changing World Order: In Search of Multipolarity

Alexander Lukin is Head of Department of International Relations and International Laboratory on World Order Studies and the New Regionalism at *National Research University Higher School of Economics*. Lukin explores Russia's search for a multipolar world order by constructing a Greater Eurasian region. The crisis in Ukraine in 2014 became a cross-roads in world history as Russia decided no longer to follow the West and instead sought to embrace rival models. China becomes a key partner for Russia in the endeavor to create a multipolar world as China succeeded in doing what the Soviet Union failed to do—to create an alternative development model that did not follow the West. Supported by both economic and political interests, Russia has made formidable investments to rewire global value chains by linking itself to the Asian giants. With a growing number of states across the massive continent embracing some format for Eurasian integration, Russia is finding partners to enhance economic connectivity and develop new political realities. The growing sentiment among the Russian political class and society is that the West has less to offer and new opportunities await in Asia. Yet, a formidable struggle awaits as Russia is less experienced in the political, economic, and security environment of Asia and nobody is waiting for them with open arms.

Chapter 4. Russia's Economic Restructuring for the Fast-Changing Future

Leonid Grigoryev is a Tenured Professor at the National Research University Higher School of Economics, and a former Deputy Minister of Economy and Finance. Russia has come through the heavy crisis of minus 44% GDP in the 1990s and “negative restructuring” in the economy. It had lost a lot of productive assets, a mass of the human capital. The restoration of the economic capability to produce certain sophisticated goods and services, to recreate its human capital may be considered as a miracle done the people of Russia. Now Russia, its people, and elites must prepare themselves for the long-term competition for the wellbeing of citizens, status of the great power, and national identity. There will be obstacles for Russian prosperity from sanctions and political rivalry in the foreseeable future. It will move along the difficult path of social development, financial stability, and modernization with the new global technological revolu-

tion, high-tech advance regardless to the level of oil prices. The success on this path is expected with rational utilization of the Russian tremendous human, natural, and productive capital with a completion of transformation to the effective market institutional basis.

Chapter 5. Securitizing Her Foreign Economic Policy: Evolution of the Russian Security Thinking in the 2010s

Maxim Bratersky is a Professor at the Department of International Relations at the National Research University Higher School of Economics, where he is also a Senior Researcher at the International Laboratory for World Order Studies and the New Regionalism. Bratersky explores how the goals of Russia's security doctrine shifted from assuring national security by integration and cooperation with the West to the idea of Russia's own independent geoeconomic project reducing the country's dependence on the West. This chapter contributes to the rich body of literature on Russian security perceptions and analyzes how Russian security thinking evolved over the last 20 years. Russia shifted away from the goal of assuring Russian security by integrating and cooperating with the West and instead seeks security by developing its own separate geoeconomic projects. The impact on Russian economic policies has been profound as security is now dependent on reducing economic dependencies on the West and establishing new centers of power.

Chapter 6. The Crisis in Liberalism and Renewal of Ideological Conflicts

Glenn Diesen, Professor at the Department of International Relations at the National Research University Higher School of Economics and editor at Russia in Global Affairs, opines that the crisis in liberalism is causing a revival in ideological rivalry. The post-Cold War era has largely been defined by the absence of rival ideologies as liberalism could reign supreme by informing politics, economics, and globalization. The return of ideological rivalry is caused by both international and domestic incentives to discover alternatives to rebalance liberalism. Liberal hegemony suggests that the ideological victory of the Cold War was linked to a national cause by perpetuating and facilitating global hegemony. Failing to adequately accommodate Russia and China in the new order creates systemic pressures for these great powers to reject liberalism to the extent it legitimizes

unipolarity and sovereign inequality. Liberalism is also failing at the domestic level as it implodes due to its own excesses. Liberalism has traditionally been balanced as political liberalism was countered by social conservatism, while economic liberalism was constrained by state intervention to protect society from unfettered market forces. The crisis in liberalism and reintroduction of ideological rivalry will have a profound impact on the world. Ideology is imperative to organize domestic and international society, identify allies and adversaries, and to mobilize resources to advance foreign policy.

Chapter 7. Green Transformation of the World Economy: Risks and Opportunities for Russia

Igor Makarov, Head of the School of World Economy at the National Research University Higher School of Economics, assesses the risks and opportunities for Russia as the world transitions to an increasingly green economy. The growing focus on developing a more sustainable greener world economy presents both risks and opportunities to Russia. The move towards green technologies undermines Russia's economic model that has been excessively reliant on oil and gas, although opportunities also emerge due to the abundance of natural capital in Russia. Embracing the green wave could be a key driver for Russian technological development and modernization, and concurrently position Russia as a champion of global environmental security.

Chapter 8. Energy in World Politics

Alexander Kurdin, Senior Research Fellow at Lomonosov Moscow State University and Associate Professor at the National Research University Higher School of Economics assesses the altering energy market in world politics. Kurdin argues the global energy landscape is changing under the influence of green and digital technologies, restrictive climate protection policies, development of much more competitive global energy markets. Nevertheless, traditional energy powerhouses—and Russia among them—still have a good chance to maintain their leadership. This chapter describes key external and domestic determinants of Russia's past and current positions in the global energy sector and identifies probable paths of future developments. Carbon-intensive energy scenarios together with the out-running Asian economic growth give to Russia the most favorable envi-

ronment in terms of traditional energy supplies, though preserving the conservative structure of energy and economics in general. Low-carbon energy scenarios together with the mild economic growth seem less comfortable; nevertheless, the Russian energy sector still has high-tech solutions to go ahead: for instance, unique competences in nuclear energy. The choice partially depends on the structure of global energy governance, which is still highly fragmented, and Russia's role in its institutions.

Chapter 9. Global Water Challenge and Prospects for Russian Agenda

Anastasia Likhacheva, Director of the Centre for comprehensive European and International Studies at the Faculty of World Economy and International Affairs of the National Research University Higher School of Economics, explores global water challenges and the prospects for Russia's agenda. Russia ranks first in Greater Eurasia and second in the world after Brazil by one of the most precious resources of the twenty-first century—renewable freshwater resources. A potential and demand for positive role in provision of water (as well as food and energy) security based on water-related advantages of Russia are rising across the whole continent along with water deficit. However, Russia still has not set any proactive water agenda on a regional scale (not even speaking about a global one). Even profound shifts in Russian export policies since 2013—from mostly agro-importer to one of the biggest exporters of water-intense cultures like wheat are still viewed from a purely economic angle. This gap between Russia-driven agenda and local demands of its neighbors leads to marginalization of cooperative water agenda in the region. As our analysis shows, most of the recent international suggestions are framed by monstrous infrastructure projects like water pipes from Baikal to China or redirection of Siberian Rivers to Central Asia. While modern best-practices of water use focus more on targeted water use (more related to trade of water-intense goods and water technologies) than on possible rise of “raw” water supplies from Russia as it functions with oil. This chapter makes an attempt to systematize alternative opportunities for Russian water agenda based on modern concepts of efficient water transboundary management and various dimensions of water challenge across the world.

*Chapter 10. Integration and Separatism in Europe: A Chance
for Russia?*

Ivan Krivushin is Professor and Deputy Head of the Department of International Relations at the National Research University Higher School of Economics, and a leading researcher at the Institute of World History of the Russian Academy of Sciences. Krivushin discusses two major trends in contemporary world politics—supranational integration and the disintegration of the nation-state—and analyzes their nature, causes, and significance. The author concludes that these processes have a different character within and outside Europe and that the multidirectional trends in different parts of the world, on the one hand, complicate Russia's foreign policy-making and implementation, but, on the other, widen Russia's room for diplomatic maneuvering and increase the opportunities to exploit the contradictions between old and new actors in international relations.



CHAPTER 1

The Military Underpinning of the Geopolitical Revolution

Sergey Karaganov

Among the reasons for the ongoing geopolitical revolution, unprecedented rapid change in the global balance of power away from the West and Europe and toward China and Asia—profound yet rarely noted shift of the military-political foundation on which world order is ultimately based. The world was “multipolar” until the sixteenth century, when Europe started to achieve military superiority that served as the basis of its economic, political, and cultural expansion and its ability to channel global Gross Domestic Product (GDP) to its own advantage. This situation began to change after the Soviet Union, and later China, developed nuclear weapons. This increasingly deprived the West of its ability to impose its interests through military force. Seeking to ensure its fundamental security interests, Russia has become a sort of “midwife of history” by largely ushering in the current shift in the global balance of power and by expanding the freedom of choice available to the world’s countries and peoples.

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A BIT OF THEORY

The most important trend of the modern world is the relative weakening of the West—that had long dominated the world’s politics, economy, and culture—and the rise of other powers and civilizations, particularly those of Asia. This relative weakening is the main reason for the deepening Cold War-like rivalry today.

The many root causes of this macro-shift are the subject of much discussion in the international scholarly community. What is surprising, however, is how little attention has been given to what seems to me to be the single most important cause—namely, the loss by the West of its global military superiority, which Europe gained in the sixteenth and seventeenth centuries.

A great deal of literature examines how Europe managed to rise from its medieval nadir and come to dominate the world later alongside the U.S.¹

Previously, this success was attributed primarily to Christianity and its code of ethics—and particularly to the Protestant work ethic and the ideology of building up savings and wealth through honest labor. There might be some truth in this explanation, but the Reformation that gave rise to Protestantism occurred only in the late seventeenth and early eighteenth centuries and did not cover the whole of Europe.

The strong work ethic was characteristic only of Protestant Europe. In any case, modern Europe—and particularly the formerly Protestant countries—has become almost completely a-religious, such that they can hardly be called “Christian” anymore. Among Western countries, Christian beliefs remain strong in the U.S.—the country that is also the most successful materially. What’s more, many of the other devoutly Christian countries in the world are relatively underdeveloped, and the work ethic in Japan and China or Korea is at least as strong, if not stronger than in the Protestant world. The people of those countries also save more. And, unlike China, Japan, and South Korea, the work ethic is becoming less pronounced in most Western countries—possibly due to the relative prosperity they have achieved.

¹ For a better analysis and review of this literature, as well as an analysis of the issue, see Hoffman, P. (2015). *Why Did Europe Conquer the World?* Princeton and Oxford: Princeton University Press.

In past centuries, theories of the racial “superiority” of white people were promulgated throughout most of Western culture, with the exception of Russia, as a way of explaining Europe’s success.

Political correctness and the powerful success of Asian countries have now pushed such theories aside.

The growth of democracy is often cited as one of the reasons for the success of the West. However, when Europe was developing at an especially rapid pace during the Industrial Revolution, most political regimes, even if they had formal elements of democracy, were, by modern standards, harshly authoritarian.

In other articles, I have written off the weakness of democracy (a very comfortable system for most) in terms of development. In fact, one can confidently state that democracy is not so much a tool of development as it is the prize for having achieved it.² In addition, capitalism’s reliance on inequality contradicts democracy’s emphasis on equal rights.

In his writings, and particularly in his book “Civilization: The West and the Rest,” popular British/American historian Niall Ferguson provides the most complete list of reasons for the West’s dominance. They include competition, science, protection of property rights, a highly developed medical system, the consumer culture, and the work ethic. Overall, he points to the West’s standards and institutions as the reasons³ without making any mention of its military superiority. The only correct item on this list is property rights. A legacy of Roman law and the feudal period property rights form the basis of modern capitalism. And where such protections are ineffective, as in Russia—due to unsuccessful reforms in both the 1990s and 2000s—the economy develops slowly.

The other reasons Ferguson cites do not entirely hold water. Extreme forms of competition remain intrinsic to Chinese political and economic culture. China’s meritocratic system of exams for state officials is an obvious example. The Chinese axiom “Let 100 flowers bloom” largely lies at the heart of the country’s current economic success: it represents Beijing’s willingness to permit numerous economic and even political experiments at the grassroots. The authorities then encourage and disseminate the successful forms and either deem as dangerous or eliminate the unsuccessful ones. Of the hundreds of “flowers,” only a handful thrive and bloom.

²For more detail, see Karaganov, S. (2019). “Predskazuyemoye budushcheye? [A Predictable Future?].” *Rossiya v Global’noj Politike* [Russia in Global Affairs], 17(2), 60–74.

³Ferguson, N. (2011). *Civilization: The West and the Rest*. New York: The Penguin Press.

Those who have met students from Asia, and especially those of East Asia, know that they are more tenacious and hard-working and that they struggle harder than others to succeed.

It is unlikely that the development of science was the main reason behind the success of the West. In fact, science was far more advanced in Eastern civilizations until the sixteenth and seventeenth centuries and their scholars occupied a higher position in social hierarchies. Up until about the sixteenth century, much of what we would now call innovations and technical inventions were developed in the non-European world—by Arabs, Persians, the residents of present-day India and, of course, by the Chinese. These non-Europeans produced most of the world's GDP, too. In modern phraseology, it was a multipolar world in the civilizational, political, cultural, and economic sense, with Europe being just one of the poles. Of course, the geographic scope of the world was smaller than today's global community, and so that multipolarity also differed from today's.

In Europe, relatively unhindered scientific research first appeared only four centuries ago. Recall the Inquisition, the mass burning of heretics like Giordano Bruno. The first universities appeared not in Europe, but in the Arab world. Relatively unrestricted scientific pursuits began developing in Europe only as recently as the seventeenth and eighteenth centuries.

The Age of Enlightenment, however, unquestionably played a significant role in strengthening first European, then Western, and from the eighteenth century, Russian civilization. But the accomplishments of the Enlightenment were also the result of these countries' ability to invest more in science and education, and were partially based on income received from, among other things, the redistribution of world GDP in favor of Europe. This process had begun in the sixteenth and seventeenth centuries largely due to Europe's ability to use its superior military might to impose its will on others (more on this below).

Similarly, 400–500 years ago, medicine was much more advanced in China, Persia, and the Arab world than it was in Europe.

The ideology of the consumer society apparently played a major role in the development of capitalism, especially in the Protestant, or lesser part of Europe. Catholicism and Orthodoxy, however, officially preached asceticism and detachment from material possessions.

Thus, these and similar explanations for the success of the West are either partially inadequate or entirely incorrect.

Although the combined effect of some of these factors might really have provided an advantage, they do not seem to explain fully how Europe and the West came to dominate the world for nearly 500 years.

This article will not dwell on the numerous reasons for the current weakening of Europe and the West. A vast body of literature already addresses that subject. I will, however, focus on what, as I have said, I believe to be the main reason, and one that is almost never cited—namely, the loss of the military superiority that Europe and the West enjoyed for the last half a millennium.

I will first allow myself to make several simple and almost trivial points. The cumulative power of states, their grouping, and even civilizations are determined by the dynamic combination of a number of factors. They include, though not necessarily in this order, military strength, economic power, their level of technological development, ideological and cultural attractiveness, the quality of leaders and ruling elites and their ability to adopt appropriate and timely policies, the governability of the countries and societies, the size and quality of the population and, most importantly—their will to fight, or what in Russian is referred to as “boldness of spirit” or “nerve.”

And of course, no country can succeed without a national goal and the willingness to pursue it by military means if necessary. J. Ortega y Gasset, perhaps the most famous Western philosopher of the twentieth century, formulated this idea as follows: “A people not experiencing any shame over the dissolution or poor organization of its armed forces is incapable of staying afloat or surviving.”⁴

Of course, it is a truism that foreign policy is an art, although such policy should be based on an accurate scientific understanding of trends in world development. Very often, however, it falls short due to intellectual or ideological limitations. Like traditional art, foreign policy is largely subject to the intuition and talent of leaders or ruling elites.

In addition, leaders’ roles vary in accordance with civilizational factors and the age in which they live. European monarchies became leadership democracies and then, in the last few decades, almost leaderless democracies (with countries such as Hungary and the U.S. the exceptions). In Asia, leaders play a much larger role, although the growing influence of

⁴Ortega y Gasset, J. (2008). *Vostanie mass, Degumanizatsiya iskusstva, Beshrebetnaya Ispaniya* [The Revolt of the Masses, The Dehumanization of Art, Invertebrate Spain]. Moscow: AST, p. 87.

public opinion born of the information revolution might limit their freedom of action.⁵

The great fourth century BC Indian strategist Kautilya (Chanakya) stated, as have many of his European and Chinese colleagues since: “From the strength of the treasury the army is born.”⁶ This is true, and a weak economy or excessive defense, security, and foreign policy expenditures have repeatedly undermined states—including my former country, the Soviet Union.

The role that excessive spending on defense and foreign policy has played in weakening the position of great powers is described in the almost classic works of British historian Paul Kennedy. His primary example is the U.S. of the 1960s–1980s. He also vividly described how excessive bureaucratization slows innovation and economic activity. In particular, he points to China during the Ming Dynasty (fourteenth to seventeenth centuries), and how the country began to gradually lose its lead in technology.⁷

In international competition, countries and societies naturally seek to emphasize their strengths.

During the heyday of U.S. economic might in the 1990s, President Clinton’s slogan, “It’s the economy, stupid,” seemed axiomatic. Accordingly, economists at that time occupied a leading position among the “high priests” of the social sciences—a standing they are now losing rapidly. For their part, European pundits almost always argued that the strength of the economy, the attractiveness of a high standard of living, and liberal democracy were most important. A great many people did, and still do believe them. Even while China is actually winning the game economically, while Russia, near the bottom of the Top Ten world economies, has managed—with its tough foreign policy, military might, and largely not liberal values that the overwhelming majority of the peoples of the

⁵ A brilliant, albeit controversial study devoted to leadership in world politics was recently published by Tsinghua University Institute of International Relations dean and leading Chinese international relations scholar Yan Xuetong. As a thinker cultivated in the Chinese system, he naturally exaggerates the role of leadership. Yan, X. (2019). *Leadership and the Rise of Great Powers*. Princeton, NJ and Oxford: Princeton University Press.

⁶ Baru, S. (2012). “Geo-economics and Strategy.” *Survival*, 54(3), 47–58.

⁷ Kennedy, P. (1987). *The Rise and Fall of the Great Powers: Economic Change and Military Conflict from 1500 to 2000*. New York: Random House.

world support—to surpass, in terms of aggregate power, all countries except China and the U.S.⁸

In the 1920s–1930s, ideologists of the poor and militarily weak Soviet Union promulgated the slogan of communism as the future of humanity. And until the 1950s–1960s, the country held an enormous influence in the world that far outweighed its economic, military, and even political might.

The theory of “soft power” by Joseph Nye arose during the wave of euphoria over the apparently decisive victory of “liberal democracy” and the West as a whole and served to underscore its strengths.⁹ That euphoria then led to a series of terrible failures. The interventions in Iraq and Libya ended in political calamities leading to hundreds of thousands of casualties and the rise of radicalism and terrorism. The NATO operations in Afghanistan also failed because they were based on the unreasonable idea of establishing a modern democracy in a traditional society.

Not only did the “Arab Spring” that the West supported ultimately fail, but it also destabilized the Middle East. The economic crisis that began in 2007–2008 also delivered a powerful blow to the ideological influence of the West. It undermined the myth of the infallibility of the Washington consensus model that the West had both offered and imposed on others. With the advent of D. Trump, something akin to a non-violent civil war against him by the majority of the U.S. elite started. The rise of so-called populism in Europe and the unfolding of multi-layered crises of the EU followed. In the process, the West somehow forgot about the ideological influence or its “soft power.”

Now the “information age” is being trumpeted, primarily in the West—one of the main bastions of influence of which is still exactly the sphere of information and mass media. Naturally, elites around the world who take part in that informational milieu support these ideas. Of course, the issue requires separate consideration. It is very likely that the information revolution not only empowers countries and social groups, but also weakens them by dumbing them down. Henry Kissinger made one of the most brilliant contributions to this discussion in his article “How the

⁸ Karaganov, S. (2018, September 4). “How to Win a Cold War?” *Russia in Global Affairs*. Retrieved from <https://eng.globalaffairs.ru/pubcol/How-to-Win-a-Cold-War%2D%2D19732>

⁹ Nye, J. (1990). “Soft Power.” *Foreign Policy*, (80), 153–171.

Enlightenment Ends.”¹⁰ It is possible that the people and countries that ultimately win will be those who are most active not in the virtual world, but in the very real one and those who are capable of protecting themselves from virtual reality.

Chairman Mao was remembered for, among other things, saying that “political power grows out of the barrel of a gun.” The Chinese communists did not yet have either an economy or a state, and they wielded less ideological influence than post-revolutionary Russia.

Without, of course, comparing myself in any way to Mao, but following in the footsteps of many “realist” theorists, I undertake to assert that the most important underpinning of the power and influence of states and even civilizations is military might, the ability to defend oneself and to promote one’s interests, institutions, and culture. In combination, of course, with other elements of power, military force constitutes the deep foundation of the strength and influence of states.

Strong, effective, and wisely used armed forces—and even better, military superiority—is often more economically advantageous than economic might *per se*, making it possible to draw on the world’s wealth. In its most brutish form, this entails looting colonies or those defeated in wars, and in somewhat less coarse form, it means imposing conditions for trade at gunpoint. In a more sophisticated form, it involves maintaining a system of free trade between countries with the most efficient economies and superior military and naval power, giving them the ability to impose those “free trade” rules on others. First Great Britain, and later the U.S. played this role. In an even more veiled form, this involved the creation of a system in which the U.S. dollar has served as the leading currency, and the system of international economic institutions established after 1945 has ensured central and advantageous positions in the global economic system for the U.S. and some of its allies.

Prominent British economist and political philosopher Robert Skidelsky expressed this reality eloquently. “It was Western power,” he writes, “which made Western thought seem universal in the first place. Conquest, not missionaries, spread Christianity around the world.”¹¹

¹⁰ Kissinger, A. H. (2018). “How the Enlightenment Ends.” *The Atlantic*. Retrieved from <https://www.theatlantic.com/magazine/archive/2018/06/henry-kissinger-ai-could-mean-the-end-of-human-history/559124/>

¹¹ Skidelsky, R. (2019, July 22). “The Fall of the Economists’ Empire.” *Project Syndicate*. Retrieved from <https://www.project-syndicate.org/commentary/western-power-underpinned-universalism-of-economics-by-robert-skidelsky-2019-07>

In this article, I focus on what I believe to be the single most fundamental and important variable in the complex equation that underlies states' cumulative power. It seems obvious that changes in this variable have played a key role in the current geopolitical revolution.

MILITARY STRENGTH AND ECONOMIC POWER

The balance in military power has been shifting for 70 years now, but has taken the final stage only since the 2010s. The possession of nuclear weapons has been the key factor in this process. After the U.S., the Soviet Union and later China were the first countries to build up nuclear arsenals. They were followed by Britain, France, Israel, India, Pakistan, and now North Korea. In all likelihood, the “nuclear factor” represents the most important systemic change in world politics of the twentieth century, and it continues to develop.

Employing military force has become increasingly difficult or prohibitively expensive, and its use on a large scale now threatens to destroy humanity.

Although changes in the military and strategic sphere are, of course, only some of the many reasons behind the current geopolitical revolution, they are, as I have stated before, the most fundamental and powerful.

Now, returning to the correlation between military force and geoeconomics, Europe began achieving military superiority over other countries and civilizations approximately 400–500 years ago. Prior to that, most of the global GDP was produced outside the European subcontinent. China, Central Asia, the Arab world, and the territory of present-day India were the main source of what would now be called innovation and scientific and technological progress. Gunpowder, of course, was invented in China. Cannons also first appeared there, but Europeans were more successful in using them. Ongoing internecine wars on the overcrowded subcontinent gave rise to the best military technology and organization. From 1550 until 1850, major European powers fought wars against each other from 30% to 70% of the time.¹² They created professional armies whose soldiers and officers were the best trained and additionally highly motivated.

And for reasons that remain unclear, China did away with its ocean fleet in the fifteenth century, even though it was many times larger than any other in the world. According to surviving records, the Chinese fleet

¹² See Hoffman, P. (2015). *Why Did Europe Conquer the World?*

numbered in the dozens, if not hundreds of ships and its 26,000 seamen sailed the Indian Ocean and as far afield as Africa. But by the sixteenth and seventeenth centuries, European ships and their weapons had become the main tools for capturing and robbing colonies and semi-colonies.

Military superiority made it possible not only to seize and steal, but also to impose political order and cultural stereotypes that naturally favored their originators.

The consequent flow of resources moving first toward Europe, and later toward the U.S., made it possible to accelerate the development of science, education, and culture and to consolidate their dominance in the world system.

It is very likely that the countries and civilizations that were first conquered and plundered by the Portuguese and Spanish, and later the Dutch, British, French and Germans, were relatively more peaceful communities. And their arms were definitely inferior to those of the Europeans. They did wage wars against each other also, but with much less intensity than in Europe. Cortez and Pizarro, with only several dozen men—albeit, with the additional help of local allies—managed to defeat the developed and densely populated civilizations of the Incas and Aztecs. The diseases that the Europeans carried over, genocide, and colonization led to the complete eradication of these two native civilizations.

In its movement toward the Pacific Ocean, Russia used the same European methods and tools, but in its own way. Its amazingly rapid expansion from the Urals to the Pacific Ocean from the late sixteenth to the late seventeenth centuries was the result not only of the great courage of those Russians we refer to as “Cossacks,” it also stemmed from their readiness to endure hardships in search of silver or the “soft gold” of fur, as well as their great desire to get “volia”—Russian freedom. It was also due to the superiority of Russian firearms and military organization over the bows and arrows of the local tribesmen.

True, the Russian Empire was formed in a different way than European empires. It did not extend beyond the oceans, but was built on a single landmass, and it emphasized the integration of the ruling elites among the conquered or annexed lands rather than the direct suppression and the rigid imposition of the Russian religion. Perhaps this was done in the spirit of the 250 years that ancient Rus was a semi-dependent and integral part of the empire of Genghis Khan. The Mongols also used their military superiority to rob and collect tribute, but they did not impose their

political order, religion, or culture—unlike what the Europeans, and later the U.S. invariably did.

Military power in its economic dimension played an extremely important role in the success of the Russian Empire. It was difficult to collect taxes in such a huge country. Thus, fur trade revenues from Europe and China helped greatly in filling government coffers. (The Chinese silk, tea, and other goods passing by caravan through Siberia in the seventeenth and eighteenth centuries constituted a late, albeit a smaller version of the Great Silk Road.) Little research has been conducted on its political and cultural implications.

Having, by the fifteenth and sixteenth centuries, assimilated, integrated with, and crushed the Mongols who conquered the Middle Kingdom in the thirteenth century, and then defeated the tribes that had attacked from the northwest, China relaxed in its newly restored dominance in Eastern Asia and stopped devoting serious attention to its armed forces. The ancient proverb that “A good man does not enlist as a soldier” became state policy and the country spent a diminishing amount of money on its armed forces. And China paid for these actions, especially when, in the eighteenth and nineteenth centuries, small flotillas of Western powers easily routed the weak and poorly organized Chinese troops, opening markets for European goods and then imposing a predatory trade in the opium made in colonial India. This caused widespread drug addiction. China was turned into a semi-colony for 150 years and reversed its progress as a civilization.¹³

In Europe, economic motives stood behind most wars. The seizure of territories and populations increased the tax base of the victors. The winners also received war reparations and their armies were largely fed by the population of the occupied territories.

As it turned out, English military and naval superiority served as the basis for the principle, or more accurately, the myth of free trade—that benefited primarily Britain itself. Later, in the twentieth century, the U.S. took its place. And now, in response to Beijing’s attempts to take a leading role in the South China Sea, Washington pursues its old policy of trying to dominate the major shipping lanes.

But let’s return to the general trend.

¹³ In the exchange for opium made in British-controlled India, the Chinese were obligated to overpay with their own goods.

Europe's almost undivided economic, political, and cultural domination based on its military superiority began to change after the Russian Revolution of 1917. The Bolsheviks pulled a part of the world away from the Western system and began openly supporting anti-colonial movements. They became increasingly active and hindered Europe's ability to collect revenues from those regions. Still, the West continued to dominate most of the planet. After World War II, the U.S. introduced the Bretton Woods system, in which the dollar dominated, to compensate for the fact that the territory over which it held sway was shrinking.

Initially, after World War II, guided by the desire to contain the Soviet Union and the leftist sentiments and forces in Europe (most of the rightists were collaborators), but also by enlightened altruism, Washington helped to rebuild Europe and then Japan. The military and political dependence of the allies, however, soon began to bring direct economic benefits—open markets among increasingly affluent countries. That political and military dependence was reinforced by increasing tensions with the USSR, both through NATO and by forbidding Japan to sign a peace treaty with the Soviet Union in 1956. The most striking example of the use of military and political dependence for economic purposes was the forced revaluation of the Japanese yen in the 1980s and the introduction of trade quotas. That halted that country's explosive economic growth, which the U.S. had felt threatened its leading position. Japan fell into a stagnation from which it has not emerged since. South Korea was forced to become overwhelmingly dependent on imports of U.S. agricultural products. Almost from the very beginning, the allies paid for the U.S. security umbrella with more than just political loyalty.

THE RUSSIAN "HAND"

The Soviet Union in the late 1940s and then China developed nuclear weapons, making it impossible for any side to win a major war. This also made it impossible to threaten with such wars or to escalate conflicts. Thus began the era in which the West no longer held military superiority.

The U.S. did not dare to use nuclear weapons in the wars in Korea and Vietnam, with the result that it failed to win the former conflict and lost the latter. Behind the troops of Kim Il-sung stood not only China, with its ability to deploy hundreds of thousands of soldiers in battle, but also the Soviet Union, with a nuclear arsenal the size of which the U.S., fortunately, had overestimated.

Two nuclear powers stood behind and assisted Vietnam. Whereas the U.S. had actually considered but ultimately decided against the use of nuclear weapons in the Korean War, by the time of the Vietnam War, if this issue was discussed at all it was considered, as far as is known, only as a theoretical option.

In 1954, the U.S. refused to use nuclear weapons against Vietnamese forces pummeling French troops at Dien Bien Phu, despite French pleas.

That refusal, along with de Gaulle's subsequent doubts (now known to be more than justified) concerning the reliability of U.S. nuclear security guarantees, began undermining the institutional basis of the West. France left NATO. Beginning in the early 1960s, the Germans launched a policy of *détente* in Europe that annoyed Washington. And despite fierce U.S. opposition, construction began on gas pipelines from the Soviet Union to Europe. Later, Soviet and Russian natural gas, and Moscow's revenues that were largely devoted to the purchase of goods in Europe, created a positive interdependence and gave the Europeans greater room for maneuvering.

In fact, the emergence of a balancing factor in the international system gave a number of countries greater maneuvering room and gave birth to a non-aligned movement. India and other former colonies could now set their own foreign and domestic policy agendas.

The so-called Reagan counterrevolution was Washington's reaction to the U.S. failure in Vietnam and the oil embargo by the newly emboldened Arab states in the 1970s. The key component of that counterrevolution was an attempt to revive not only the U.S. economy that had been weakened by too many wars and overseas entanglements, but also U.S. military superiority. Washington viewed the latter as a way to put teeth into the threats of military force it used to maintain its position in other areas.

Although it was probably already too late to restore military superiority, it did seem for a fleeting moment to be possible. The Soviet Union collapsed, mainly due to internal causes. These included the ineffective socialist economic system—primarily the agricultural sector that was unable to feed the populace—the monstrous burden of global imperial obligations, subsidies to Third World countries with a “socialist orientation” and Warsaw Pact states and as much as one-fifth (no one knows the exact figure) of Soviet GNP for the maintenance of a gigantic military budget.

The West viewed the Soviet Union's voluntary withdrawal from the confrontation and its subsequent collapse as a victory, one that would not only put a halt to any further worsening of the West's position, but that

would also enable it to achieve a “final victory” and bring about “the end of history.” Western institutions gained added prestige. Nowadays, it is difficult to believe that the IMF and World Bank dominated the global economic order in the 1990s. They are still important today, but increasingly occupy the periphery of the present international system.

With Russia weakened and demoralized by the events of the 1990s, the West no longer felt the need to take it into consideration politically or counterbalance it militarily. The popular belief was that Russia would be unable to recapture its former political, military, and technical prowess. Russia’s armed forces quickly fell into decline. Wanting to demonstrate and consolidate its new power, the West embarked on a series of interventions and acts of aggression—in Yugoslavia, Iraq, Afghanistan, and Libya—with most ending in political failure. (The one exception was the attack in 1999 on what was left of Yugoslavia. It came during the low point of Russia’s crisis, when it was shamefully unable to prevent the aggression or punish the countries bombing Belgrade.)

But this show of aggression shook the Russian elite, many of whom had believed that the West and Western democracies were committed to justice and peace. They saw the bombardment as a dress rehearsal for an attack on Russia, or at least as the threat of such an attack.

Having come to power at the turn of the century, Vladimir Putin still tried to reach some sort of agreement with the West. He maneuvered, retreated, and even proposed friendship as the first to proclaim his readiness to assist the U.S. after the terrorist attack on September 11, 2001. However, the Russian elite had become convinced that U.S. military superiority was unacceptable and directly threatened both the country and the world as a whole. Russia was still poor. But after the U.S. withdrew from the ABM Treaty in 2002, thereby demonstrating its desire to reestablish its military superiority, Kremlin leaders apparently made a series of decisions that led, over the next 15 years, to the creation of a number of ultra-high-tech weapons systems designed to put an end to Washington’s hopes. We will see more about those systems later.

But even before that, in the early 1990s, the U.S. and Europe made perhaps the greatest political mistake of recent history. Tired of the squalor of socialism and having lost faith in the dogma of communist ideology, a significant portion of the Russian elite and society wanted to integrate with the West and its institutions, to “return to Europe.”

But Russia’s prerequisite for such integration was to retain the sovereignty it considered as almost sacred and to receive guarantees for its

security—something no less sacred for a country that had survived dozens of aggressions, a civil war with interventions in the twentieth century, and the horrific losses of the Great Patriotic War of 1941–1945. That idea of basic security included the retention of a buffer zone with the West, from which waves of interventions had been launched over the previous 600–700 years.

Russia raised the question of its inclusion in NATO, or the creation of an effective all-European system of security that would supersede the Alliance.

However, the West refused Russia's overtures at integration. In its euphoria over what seemed to be its decisive victory, the West chose to expand its alliances and its zone of influence and control into territories that Moscow considered vital for its own security.

At the same time, its dominance enabled the West to ensure a huge inflow of GDP and other resources from Russia and the countries of the former socialist camp. Exploiting Russia's weakness and with the blessing of part of Moscow's ruling elite, the West imposed very unfavorable terms of trade on the country, roughly squeezing it out of the markets. Things even became a little bizarre, with the West trying to dictate domestic fuel prices to reduce the competitiveness of the Russian economy still further. And, as late as the 2000s, the EU tried to force Russia to export round timber in an attempt to limit the development of the Russian timber processing industry and support its own.

Russia's desire to integrate would have been so tremendously beneficial for the West—by securing its key role in the international system, not least through the preservation of its military superiority—that when this aspiration was rejected, I got scared and concluded that the West wanted to finish Russia off. I began urging my colleagues among the Russian elite to conceal their desire to revive the country's fortunes and to prepare for the worst.

It turned out, however, that the reason for that rejection was the decline in the intellectual abilities of the Western elite, in their disregard for history and their greed.

They repeated the Weimar mistake by imposing unfair economic and political conditions on Russia, albeit in a milder form than those imposed on Germany after its defeat in World War I.

The expansion of the EU, and especially NATO, in violation of earlier promises,¹⁴ included not only countries of the former socialist camp, but also the Baltic states—a part of the territory of the former Soviet Union and the former Russian Empire. When, according to reliable information, the U.S. administration tried to drag Ukraine and Georgia into NATO in 2007–2008, it provoked Russia to not only carry out a harsh military response to Georgia's bold attack on South Ossetia and its killing of Russian peacekeepers there, but also to launch a massive program for the modernization and rearmament of its general-purpose military forces. Russian leaders began to realize that further Western expansion was fraught with a major war that had to be prevented.

In the late 2000s, Russia laid the groundwork for the pivot it later made in the 2010s to the newly rising Asian markets. Initially, it was primarily an economic reorientation. Over time, however, and as Russia's confrontation with the West deepened, that shift took on an increasingly geopolitical character.¹⁵ In any case, it accelerated the shift in the Eurasian balance of power away from Europe and sharply expanded Russia's field of maneuver.¹⁶

Whereas Europe accounted for almost 60% of Russia's foreign trade and Asia for less than one-third in the 2000s, Russian trade with Asia and Europe had equalized by the late 2010s.¹⁷

Its newly reinvigorated military gave Russia much wider room to maneuver and pursue sovereign politics, a development that the West sorely disliked. Although the increasingly confrontational trend in Western policy was noticeable in the late 2000s, it had become unmistakable by 2013. The only question was when and where a direct clash would occur.

¹⁴The promises and even political obligations not to expand NATO are now well documented. See: Savranskaya, S. & Blanton, T. (2017, December 12). "NATO Expansion: What Gorbachev Heard." *National Security Archive*. Retrieved from https://nsarchive.gwu.edu/briefing-book/russia-programs/2017-12-12/nato-expansion-what-gorbachev-heard-western-leaders-early#_ednref3

¹⁵Karaganov, S. (2016, January 13). "A Turn to Asia: The History of the Political Idea." *Russia in Global Affairs*. Retrieved from <https://eng.globalaffairs.ru/pubcol/A-turn-to-asia-the-history-of-the-political-idea-17926>

¹⁶Diesen, G. (2018). "The Global Resurgence of Economic Nationalism." *Russia in Global Affairs*, 16(2), 150–163.

¹⁷Federal'naya tamozhennaya sluzhba [Federal Customs Service]. (2019). *Itogi vneshnej torgovli s osnovnymi stranami* [Results of Foreign Trade with Major Countries]. Retrieved from <http://customs.ru/folder/511>

In 2014, Moscow put an end to NATO's expansion into countries neighboring Russia by reuniting with Crimea and supporting the rebels in Donbass. This sparked an explosion of hatred in the West, but Russia's new military might made it inconceivable to even consider mounting a military threat. Once again, the West leveled sanctions that were unpleasant in terms of development, but largely symbolic. A stop was put to the slide toward the major war that had begun to look likely, if not inevitable because of NATO's expansion. The main outcome of the Crimean episode, however, was that it finally and conclusively proved that the West was not omnipotent, as many had believed in the 1990s and early 2000s.

Russia was aiming at a specific goal—that of halting Western expansion into territory Moscow considered vital to this country's security. In fact, it demonstrated to the West that, despite having briefly grown stronger in the 1990s and early 2000s, it could no longer impose its will and interests by force.

Russia delivered another blow to the idea of Western omnipotence in 2015. Guided primarily by its own security interests: the desire to stop the terrorist threat as far from its own borders as possible; to destroy the maximum number of terrorists, many of whom hailed from Russia itself and the countries of the former Soviet Union; and to demonstrate its new military power and train its armed forces, Russia came to the aid of the legitimate regime in Syria and helped it survive and vanquish its foes. At the same time, this put an end to one more form of Western expansion—the so-called color revolutions that, as a rule, lead to the destabilization of countries and regions.

Taken together, these moves demonstrated that there were, in fact, alternatives to the Western model of development and the idea that the Western approach set the geopolitical “gold standard.” This further greatly expanded the range of choices available to all countries, and not only those in the Middle East. And naturally, it also strengthened their positions in the competition for shares of global GDP.

And finally, in 2018, President Vladimir Putin announced that Russia had created and begun deployment of a new generation of strategic weapons. These included air-launched hypersonic long-range missiles, high-precision cruise missiles, super-heavy missiles with hypersonic gliding warheads that can attack the enemy from any direction, including through

the South Pole, and a number of other systems.¹⁸ These weapons systems preemptively make all anti-missile defense systems and American attempts to regain military superiority pointless. They also devalue many investments the West has already made like making aircraft carriers highly vulnerable.

By creating and initiating the deployment of these systems, Russia has pulled ahead in the arms race without getting deeply entangled in it, and has secured a “window of security” for the next 10–15 years. Nevertheless, the threat of war remains very high due to a number of other factors, which could lead to the accidental or unintentional outbreak of military conflict.¹⁹

Having predictably managed to revive its military, political, and, to a lesser extent, economic strength, Russia did not become a part of the West as most of its elite had wanted in the 1990s, but has instead become a key part of the non-West, sharply accelerating changes in the global balance of power.

Now the West must compete as an equal without relying, at least in the foreseeable future, on military superiority—as it has done for almost the last five centuries.

For its part, Moscow did not set out to achieve these changes. No such desire was expressed in its official documents or expert discussions.

Its primary goal was to ensure the security and sovereignty of Russia itself and to secure an advantageous position in the international system.

Clearly, though, Russia’s military, political, and moral revival has qualitatively changed the balance of powers in the world and created more favorable conditions for dozens of countries wanting to develop freely, including through the use of their competitive advantages. It has given formerly marginalized countries and civilizations the chance to revive their fortunes as well.

It has sped up the erosion of institutions and regimes that were established primarily by the U.S. and whose object had been to ensure a privileged position for the West in the world economy.

¹⁸ Putin, V. (2018). *Presidential Address to the Federal Assembly* [Transcript]. Retrieved from <http://kremlin.ru/events/president/news/56957>

¹⁹ Karaganov, S. & Suslov, D. (2019). “Sderzhivanie v novuyu epokhu [Deterrence in a New Era].” *Rossiia v Global’noj Politike* [Russia in Global Affairs], 17(4), 22–37. Retrieved from http://svop.ru/wp-content/uploads/2019/09/REPORT_Eng_1.pdf

The current globalization crisis and the growth of protectionism are also largely the result of the new balance of military forces. Globalization spread according to rules dictated by the U.S. and with the support of Europe. It reached first the non-socialist world, and later, with the collapse of the Soviet Union, the rest of the planet. The U.S. is now losing its ability to dictate terms and has discovered that globalization is no longer as profitable because the “new” centers of power—namely, China and India—are deriving greater benefit from it. But the U.S. is not accustomed to playing on equal terms. It is openly using trade wars—while other Western countries are indirectly and less decisively using, among other things, hundreds of sanctions—undermining the old system of globalization, raising the banner of protectionism by exploiting their former dominance of the world’s political and economic systems. They are also waging an information war against Russia, China, and some of the other “new” centers of power. In this struggle, they make use of their superiority in the world media that they had achieved during the era of their military, political, economic, and ideological dominance—a superiority they earned also with the help of the relative freedom of the press that we now see ebbing away.

After their first strategic mistake of shunning Russia, the West made two more major strategic miscalculations.

First, driven by the illusion of the “end of history” and the advent of the age of liberal democracy, the West predicted that China would become more democratic as a result of its development in the open global market. It was thought that China would inevitably become more democratic and thus more poorly governed, less able to concentrate its resources and would fall into line with Western policy. China’s millennia of historical and cultural tradition and the might of its civilization were not taken into account.

The West, therefore, allowed—if not encouraged—China to accelerate its economic growth, making it one of the world’s top two economic powerhouses and putting it in a position to overtake the U.S., first according to many economic indicators, and later, in terms of overall power.

Second, having applied confrontational pressure on Russia, the U.S. and, to a lesser extent, the rest of the West as a whole, unleashed something of a “Cold War” against China as well. This pushed Russia and China—that had already established friendly relations and a “comprehensive strategic partnership”—to form semi-allied relations that fall only one step short of a formal alliance. Under this arrangement, China can partially rely on

Russia's military and strategic strength, and if the situation demands, Russia can rely on China's economic resources. (There is reason to believe that Beijing offered economic assistance in 2014–2015, but that Moscow decided to go it alone.)

In addition, faced with increased U.S. pressure from the East, China turned westward with its “One Belt, One Road” project.²⁰ Russia, by that time, had already pivoted east and met China halfway. The two major powers agreed not to compete in Central Asia, but to “couple” the “Belt and Road” with the Eurasian Economic Union (EAEU). They signed the relevant agreements in 2015.²¹

Several years later, the two countries agreed to support two overlapping projects. The first is the “Belt and Road,” with its strong cultural component and strategic implications. The second is the Russian concept of a “Greater Eurasia,”²² primarily a geopolitical construct, but one that includes strong economic and ideological components.²³

By partially integrating Russia's military potential with China's economic might, the combined power of both countries has grown. It has also accelerated the decline of the West as it follows its chosen path of confrontation. The hegemony of the U.S. that lasted from the early 1990s to the late 2000s is, perhaps, the “swan song” of the “liberal world order.”

It is unlikely that Trump's “counter-revolution” will manage to stop the decline of the position Western countries hold in the world. Starting with the Obama era, but especially now, the militant branch of the U.S. elite has been attempting, with some adjustments, to repeat the “success” of Ronald Reagan. As this elite has convinced itself, Reagan's heavy pressure,

²⁰ Xi, J. (2017). *Work Together to Build the Silk Road Economic Belt and the 21st Century Maritime Silk Road* [Transcript]. Retrieved from http://www.xinhuanet.com/english/2017-05/14/c_136282982.htm

²¹ *Sovmestnoe zayavlenie Rossijskoj Federacii i Kitajskoj Narodnoj Respubliki o sotrudnichestve po sopryazheniyu stroitel'stva Evrazijskogo ekonomicheskogo soyuza i Ekonomicheskogo poyasa Shelkovogo puti* [Joint Statement of Russian Federation and People's Republic of China on Cooperation to Link the Construction of Eurasian Economic Union and The Silk Road Economic Belt]. (2015). Retrieved from <http://kremlin.ru/supplement/4971>

²² For the concept of a Greater Eurasian Partnership, see: Karaganov, S. (2017). “Ot povorota na Vostok k Bol'shoj Evrazii [From Turn to East to Greater Eurasia].” *Mezhdunarodnaya Zhizn'* [International Affairs], (5), 6–18.

²³ For the concept of mutual support, see the speeches by V. Putin and Xi Jinping at the 2019 St. Petersburg International Economic Forum—Putin, V. & Xi, J. (2019). *Plenary Session of St. Petersburg International Economic Forum* [Transcript]. Retrieved from <http://en.kremlin.ru/events/president/news/60707>

his threat of an arms race and achievement of strategic superiority through the creation of a global missile defense system (“Star Wars”) were what caused the collapse of the Soviet Union.²⁴

The situation in Russia is better now. The people are well fed at last, a more viable state nationalism has taken the place of the communist ideology, and, as mentioned earlier, Russia has won the arms race for now, without ever having become enmeshed in it.

The U.S. will apparently fail to subject China the way it did Japan in the 1980s. China is an independent and sovereign state, both militarily and politically, and it is unlikely that the current trade war unleashed against it (and, simultaneously, against the old liberal trade and economic system as a whole) can qualitatively slow its development.

Measures for stimulating the U.S. economy, including D. Trump’s protectionist policies, will probably strengthen the country. But it will no longer be a global hegemon, and will revert to the status of a superpower with reduced external obligations and partially refocus its sights on the Western Hemisphere.

Two global geoeconomic and geopolitical macro-centers will take shape: “America +” and Greater Eurasia.²⁵

* * *

The world is going through a long period of the collapse of the previous world order and the creation of a new one. At the same time, the former two-bloc system is crumbling to pieces, despite efforts to revive it through the confrontation with China and the rallying around the farcical confrontation in Europe. The “liberal world order”—hegemony that the U.S. enjoyed in the 1990s and 2000s are gone. The Bretton Woods system is breaking down under the blows inflicted by the U.S.—the same country that created it, but that now finds it unprofitable without the aid of its military “handicap.” And perhaps the most important of these historical processes is the fact that the political, economic, and ideological

²⁴ This was not how it happened I venture to reiterate. The Soviet Union was already coming apart at the seams as early as in the 1970s. Communist ideology had become increasingly unattractive and the socialist agricultural system was unable to feed its own people, even as it fed an enormous number of freeloading socialist states.

²⁵ For the cause behind the development of the world system, see: Karaganov, S. (2019). “Predskazuyemoye budushcheye? [A Predictable Future?].” *Rossiia v Global’noj Politike* [Russia in Global Affairs], 17(2), 60–74.

dominance that the West has enjoyed for the last 500 years is beginning to decline. As I have attempted to show here, that decline is largely connected with the fact that Russia has put an end to the underlying foundation of Western dominance—its military superiority.

Thus, without having fully realized it, Russia has served as a “midwife of history.” It did so by preventing the world from sliding into a major war. Russia, itself not especially free, has made the world much freer. Countries and peoples now have a much greater opportunity to choose their own political, economic, and cultural paths.

Perhaps ensuring peace and the freedom to develop economically, politically, culturally, and civilizationally is Russia’s new mission, the new “Russian idea”—something that seems to be sorely lacking today.

The creation of a new global order will require considerable time. It cannot happen until a new foundation—a new balance of military power—is laid. It will remain unfinished until the West adapts to the new state of affairs, until the resurgent powers and civilizations, including Russia, develop, together with the West, the habits and tools of responsible global governance in accordance with the new conditions.



Prefabricated World Order and Its Decline in Twenty-First Century

Fyodor Lukyanov

When winding up his well-known article “The End of History,” published in the summer of 1989 by *The National Interest*, Francis Fukuyama voiced apprehension that the rational consumer-oriented post-historical world, the inevitability of which he declared after the collapse of Communism, would be so boring that people would feel “a powerful nostalgia for the time when history existed” and it would for some time “fuel competition and conflict.” “Perhaps this very prospect of centuries of boredom at the end of history will serve to get history started once again,” Fukuyama wrote.

The author should not have worried. Over the three decades that have passed since then there has not been a second of boredom in the world, and history has come to “a new start” hardly having caught its breath after the previous race.

Fukuyama’s catchy metaphor was inspired by events in Europe. The communist system was crumbling like a house of cards and the continent, which had been the scene of fierce confrontation and a symbol of division, promised to become a prototype for a new model of international relations. Actually, bright ideas about Europe and the world free of confrontation first appeared in the middle of the 1980s and were worded most

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clearly by Mikhail Gorbachev. But the disintegration of the Soviet system created a situation where a “common European home” could be built using Western European and Euro-Atlantic integration templates rather than his blueprints. One way or another, Europe was at the heart of changes that would occur in the world in the years and decades that followed.

With the second decade of the twenty-first century around the corner, we can say that Europe, the way it formed after the Cold War, has not become a prototype of a new world system, but an exception to it. And this exception is struggling to maintain its uniqueness in an extremely unfavorable environment. Fundamental shifts in the global balance of power are bringing Asia to the fore. Following its economic successes Asia is beginning to claim political influence, particularly an active role in building a new world order. World politics is becoming global in the wake of the global economy, drawing in countries with very different political cultures and traditions. As the Valdai report put it in 2018, “the inevitable outcome is that the European strategic culture and foreign policy algorithms, which predominated until recently, are being eroded. In a natural way, the new giants are introducing their own behaviour models—ones rooted in their national strategic culture—to regional and world politics.”¹ And so the main message of the “end of history” metaphor that there can be no alternative to the liberal Western model, which would sooner or later spread to the whole world, is losing its relevance amid emerging alternatives.

The current developments in Europe provide the most vivid illustration of why no new world order has emerged in the past thirty years. The example of Europe is quite interesting in that it shows how it moved from expectations and attempts to project them outward to defense in a bid to survive in an unpredictably changing world. And current shape of a “greater Europe,” alongside the emerging debate about “Greater Eurasia,” marks a profound shift from the whole pattern provided by changes in the late 1980s–early 1990s.

The emergence of “Greater Eurasia” is an important process. In East Asia, China has faced increasing pressure and resistance from the US and their allies. This is one of the reasons why Beijing has turned toward the west, to Eurasia, which is making a difference for the region. The Eurasian

¹“The Rise of Rimland: The New Political Geography and Strategic Culture.” *Valdai Discussion Club Report*, June 2018. <http://valdaiclub.com/files/18692/>

continent, including its western end, is becoming more integral and interconnected. The fact that since 1991 Russia had not been included as an equal in the rearrangement processes both in Europe and globally, gave rise to a sense of inferiority and a desire to secure an independent place for itself. The relative decline of the EU combined with growth in China and Asia at large are gradually starting to influence Russia's identity and have enhanced its ambition to fit into the Asian trends. Admittedly, the process has been slow and ineffective, but nothing suggests that it is going to stop soon. Due to the fact that the influence in Ukraine was lost, the Eurasian integration project that initially was Eurasian in name only,² while in essence it was an attempt to create a second pole of the "European world," has been gradually developing truly Eurasian features. The effect only deepens as China intensifies its activity in Eurasia. At this moment, it is hard to predict how the relations between Russia and China will evolve, given the changed situation. Russia's dramatic turn toward the Peoples Republic of China (PRC) at the height of the Ukrainian crisis resulted in a brief spell of euphoria, which rapidly faded as the objective issues attributable to cultural and ideological differences became apparent. Meanwhile, the expectations that competition between Russia and China cannot be avoided, primarily in Central Asia, do not appear so evident. Their interests and possibilities in this part of Eurasia are quite compatible. China admittedly has much greater capabilities in the economic sphere. However, the more it invests in the region, the more it will be interested in preserving stability and security. No other state except Russia is ready and able to provide such services. Besides, China, who has faced increased tensions along its borders, will definitely appreciate a stable and constructive neighbor. However, the adjustment of interests of Russia and China will be a long and painful process, and its rapidity will also depend on how the relations will develop between Beijing and Washington and how the competition will evolve. There has been increased evidence that the competition may be expected to grow.

At the same time, the creation of a new geopolitical and geo-economic entity in Eurasia seems to be a long-term and indispensable trend, which will shape international politics decades from now. The most important element of this change in our context is the fact that the emerging constellation differs fundamentally from design envisaged to the moment of

² Putin, V. 2011. "A New Integration Project for Eurasia: The Future in the Making." *Izvestia*, October 3, 2011. <http://www.russianmission.eu/en/news/article-prime-minister-vladimirputin-new-integration-project-eurasia-future-making-izvestia-3->

changes thirty years ago. The European/Western centric world view, which defined the whole thinking about the new international order then, is being replaced by a different picture.

On July 1, 2019, after twenty hours of futile attempts to elect new heads of European governing bodies, French President Emmanuel Macron sharply remarked to the journalists: “It is time to fundamentally change the rules. Unless we reform the way our intergovernmental institutions work, we will not be accepted on the international level. We will not be accepted by our own citizens, and any further expansion of the EU is completely out of the question... We create the impression that Europe is something that is not serious at all.”³

“A serious Europe” was a key element of the construction that began (seemingly successfully) to be built after the end of confrontation in the second half of the twentieth century. Having survived the disasters of the twentieth century and learned all the lessons, Europe became a model, if not a prototype, for a political system of the whole world. Prominent Anglo-German sociologist Ralf Dahrendorf argued that “the fortunate Europe to which we belong exists and has a certain magnetic effect even if it does not discharge its evident responsibility very impressively.”⁴ To increase responsibility and take the lead—such was the ideological basis of the phase that came after the collapse of the Soviet Union and the emergence of a completely new political configuration on the former Cold War-era battlefield.

The Cold War ended under the two slogans, both originally coming from Moscow and personally Mikhail Gorbachev: “A new world order”⁵ and “a common European home.”⁶ In the understanding of the last Soviet Secretary General and his allies, a “new world order” was supposed to be created by joint efforts of former opponents through reasonable convergence. In other words, it had to be a merger, a joint creation by equals, not by any means absorption. A “common European home” seemed to be the natural core of this very order. In fact, there is logic in this: divided

³ https://www.euractiv.fr/section/institutions/news/macron-fustige-lechec-du-sommet-de-bruxelles/?_ga=2.206572755.1904626387.1568719083-1166636653.1568719083

⁴ Dahrendorf, Ralf. 1997. *After 1989: Morals, Revolution, and Civil Society*. Palgrave.

⁵ Gorbachev, Mikhail Sergeevich. 1987. *Perestroika: New Thinking for Our Country and the World*. New York: Harper & Row.

⁶ https://www.cvce.eu/en/obj/address_given_by_mikhail_gorbachev_to_the_council_of_europe_6_july_1989-en-4c021687-98f9-4727-9e8b-836e0bc1f6fb.html

Europe was the symbol and the main arena of confrontation in the second half of the twentieth century, and there was hardly anyone else who could better set an example of overcoming confrontation, which it did by adopting the Charter of Paris.

Then the Soviet Union ceased to exist, and “new political thinking” became history. And yet, both concepts remained but were fleshed out by new people. The idea of a “new world order” was adopted by George H. W. Bush, who understood it as the primacy of the United States in a changed world system.⁷ Interestingly, it was never specified what exactly a new world order should be like. In other words, no detailed plan was offered—just American leadership. However, “Greater Europe” was a rather concrete project, contrary to quite abstract descriptions of the Gorbachev-era “common European home.” It was intended to be based on Euro-Atlantic institutions: the European Union (officially created precisely when the Soviet Union fell apart) and NATO. Their gradual eastward expansion was supposed to create an ideological, political, and legal basis for a new Europe either by admitting new countries to these organizations or by engaging them through association or some other form that would allow them to adopt Brussels’ rules and regulations. Those forms included, among others, the Council of Europe, whose membership was considered in the 1990s an admission pass to “a decent society.”

It did not mean that Moscow was happy with the emerging arrangement, and strategic disappointment steadily grew until it exploded. As a result, to refer to Sarotte’s words, “Russia was left on the periphery of a post-Cold War Europe.”⁸ The paradox was, as Sarotte notes, “the struggle to recast Europe after the momentous upheaval of 1989 resulted in pre-fabricated structures from before the upheaval moving eastward and securing a future for themselves. Americans and West Germans had successfully entrenched the institutions born of the old geopolitics of the Cold War world—ones that they already dominated, most notably NATO—in the new era.”⁹

⁷ See Miller, Eric A. and Yetiv, Steve A. 2001, March. “The New World Order in Theory and Practice: The Bush Administration’s Worldview in Transition.” *Presidential Studies Quarterly*, vol. 31, no. 1, pp. 56–68. https://www.jstor.org/stable/27552166?seq=2#metadata_info_tab_contents

⁸ Sarotte, Mary Elise. 2014, September/October. “A Broken Promise? What the West Really Told Moscow about NATO Expansion.” *Foreign Affairs*, vol. 93, no. 5, p. 97.

⁹ Sarotte, Mary Elise. 2009. *1989: The Struggle to Create Post-Cold War Europe*. Princeton, NJ: Princeton University Press.

Germany's reunification presumably provided a universal model, which Sam Charap and Tim Colton, following Mary Elise Sarotte, called "prefabricated structures": "Prefab change by definition did not allow for adjustment of the formula or give-and take among current and prospective members about its design, thus excluding countries (like Russia) that demanded a say in such matters."¹⁰

But at some point, the expansion of Euro-Atlantic institutions came across insurmountable obstacles, Moscow's resistance being only one, albeit the most noticeable, of them. In any case, by the middle of the current decade, Europe had so many serious problems within its core that any attempts to arrange things elsewhere became irrelevant. A line under the era that began with a series of Eastern European revolutions in 1989 was drawn by the Euromaidan in Kiev 2013–2014. In some way, it epitomized the entire political twentieth century, which trailed off into the post-Cold War period. This sounds like a paradox. In fact, the protests organized by the pro-European part of Ukrainian society against President Victor Yanukovich's refusal to sign an association agreement with the EU were perceived at that time as a direct continuation of Huntington's "third wave of democratization." French philosopher Bernard-Henri Lévy, who a couple of years earlier had supported military intervention in Libya in the name of democracy and human rights, passionately urged Europe to support the Maidan. Not for its sake, but for Europe itself in order to revitalize the waning European idea. "History is being written hour by hour on the ground in Ukraine,"¹¹ British historian Timothy Garton Ash said in February 2014, referring not only to Ukrainian history, but also to the future of liberal Europe. And his American colleague Timothy Snyder pointed out that Ukraine, which was striving to become part of the EU, could not be left in the paws of Putin's Eurasianism, because it was a battle between democratic law and authoritarian arbitrariness. Putin wants Ukraine in his Eurasian Union, which means that Ukraine must be authoritarian, which means that the Maidan must be crushed... The Eurasian

¹⁰ Charap, Samuel and Colton, Timothy. 2017. *Everyone Loses: The Ukraine Crisis and the Ruinous Contest for Post-Soviet Eurasia*. New York: Routledge, p. 45.

¹¹ Ash, Timothy Garton. Ukraine Stands on the Brink—And Europe Must Bring It Back. <https://www.theguardian.com/commentisfree/2014/feb/02/ukraine-europe-intervene-russia>

Union is the enemy of the European Union, not just in strategy but also in ideology.¹²

This dichotomy fully reproduced the Cold War-era thinking, the only difference being that ideological confrontation was not formalized, and barricades had moved a thousand kilometers east. It was believed that the eastward expansion of Euro-Atlantic structures after the collapse of the Soviet Union had no alternative and essentially was automatic. It combined classical geopolitical expansion, absorbing the patrimony of the defeated enemy, and a deep belief in the moral and political rightness of the West, in its belonging to the “right side of history.”

The aforementioned “prefab” approach played a crucial role here. Collision between different visions about the future of Ukraine (Association Agreement with the EU or integration into Eurasian Union), which theoretically had to produce a discussion about how to reconcile mutual interest and foster development of an important “in-between” state, turned into a fatal clash.¹³

All this left no room for any “bargaining” or “deals” with Russia it was counting on. At first, it was considered an under-reformed state in transition, but eventually reclassified as incorrigible. The decline of relations between Russia and the collective West did not begin in 2014, of course, but in the second half of the 2000s. The first term of Vladimir Putin’s presidency was marked by unprecedented expectations and statements of institutional rapprochement. But in the second half of the 2000s, it became clear to both sides that Russia was not ready to become part of the Western domain on its terms (i.e. subordination to Washington and Brussels), while more or less equal models offered by Moscow were not even considered.

The year 2008 was the turning point. The pattern that emerged back then would eventually lead to dramatic events in Ukraine six years later. The NATO summit in Bucharest declared a new reality: the alliance intended to move eastward regardless of Russia’s opinion. This was stated in the final document of the meeting, which said that Ukraine and Georgia would be admitted to NATO. The fact that this decision was adopted in a

¹² Fascism, Russia, and Ukraine by Snyder, Timothy. 2014, February 24. *The New York Review of Books*. <https://www.nybooks.com/articles/2014/03/20/fascism-russia-and-ukraine/>

¹³ Barroso Reminds Ukraine that Customs Union and Free Trade with EU are Incompatible. <http://old.nrcu.gov.ua/en/148/524816/>

difficult struggle, and that Germany and France resolutely blocked the start of the formal admission procedure for the two former Soviet republics did not change anything. The future expansion was formalized officially despite Russia's objections and Vladimir Putin's not-so-subtle hints about the fragility of the "artificial state" of Ukraine.¹⁴

Russia's response followed four months later. The military operation to "coerce Georgia to peace" clearly showed that Moscow no longer intended to look passively at the expansion of the Western zone of influence. But the West drew no conclusions from this as the belief that the "right side of history" would put everything in its place prevailed over the realistic view of the consequences.

The demolition of the Soviet Union, quite peaceful and unexpected almost for all, apparently hypnotized Western politicians and ideologists and assured them that it could not have been otherwise. However, everything that occurred in Europe and a considerable part of the world between the end of the 1980s and the middle of the 2010s became possible either because Moscow played along, as it did during the late Gorbachev or early Yeltsin periods, or did not resist too much, as it did during the late Yeltsin period and Putin's first two terms. When Russia began not just to object, but also to take practical steps, it turned out that (a) risks for the Western community were high, and (b) the process was thrown out of gear and off the preset trajectory. In other words, Russia never fully agreed with the "new world order," which the West took for granted, even though it put up with it as a given until the middle of the 2000s. As Ivan Krastev and Mark Leonard rightfully observed, "Europeans had mistaken Russia's failure to block the creation of the post-Cold War order as assent. They mistook weakness for conversion."¹⁵

The idea that each state had the right to become a member of any alliance provided the basis for solving the German issue in 1990. Mikhail Gorbachev found it difficult to publicly agree with united Germany's membership in NATO, and came up with a sort of neutral formula. But it was misleading already back then because there was nothing to choose

¹⁴At the 2008 NATO-Russia Council, Putin called Ukraine "artificial formation" and "mistake in history"—Linkevicius. <https://www.unian.info/politics/10368393-at-2008-nato-russia-council-putin-called-ukraine-artificial-formation-and-mistake-in-history-linkevicius.html>

¹⁵Krastev, Ivan and Leonard, Mark. 2014, November. *The New European Disorder*. European Council on Foreign Relations, http://www.ecfr.eu/publications/summary/the_new_european_disorder322

from, since the Warsaw Pact was clearly in its final days. But it helped solve the German issue only to become a stumbling block that crushed all of Russia's subsequent objections against NATO's expansion. Leading Western countries simply cited the German precedent as a default practice.

With the Warsaw Pact on the rocks, the sole alliance on offer was NATO. Gorbachev, Brent Scowcroft writes, "appeared unable to come up with a better idea than what we were urging on him." Had he been resolute about German neutrality, "he perhaps could have accomplished that."¹⁶

Veteran of Russian diplomacy, Anatoly Adamishin, who was actively involved in Soviet-Russian relations during Gorbachev's perestroika, summarized his feelings from that time: "The Soviet leader viewed the end of the Cold War as a mutual victory of the Soviet Union and the United States and, moreover, of all sensible political figures of those times... But the algorithm of projecting the American might onto the foreseeable future and further on was chosen consciously. The voices of advocates of a more balanced approach were shouted down by those who believed that America would have enough strength for everything."¹⁷ As a result, "the Cold War between West and East, centered on if not confined to Europe, came undone with amazing swiftness. The outcome, while an undeniable advancement on the way things were, fell short of the promise of a continent united and democratically governed, as many had hoped. We are still living with the consequences of the unfinished business."¹⁸

The concept of Wider Europe was, in many respects, intended as the core of the much expected world order that failed to take form when the Cold War was over, and the fate of this core is rather illustrative in terms of general processes. The result of the end of the Cold War, "Wider Europe" was an ideological notion rather than a geographical one. More precisely, it implied rapidly overcoming the European geopolitical divide, creating a single space of security and sustainable development based on the model of the European Community/Union with NATO's dominating role in the sphere of security. Today, both of these institutes that were to become a backbone of the "new Europe" are in crisis. Apart from failing to become a major and independent international player, the EU has

¹⁶ Bush and Scowcroft. *A World Transformed*, pp. 300–301.

¹⁷ Anatoly Adamishin. About the Past that Still Continues. https://eng.globalaffairs.ru/number/n_10939

¹⁸ Charap, Samuel and Colton, Timothy. 2017. *Everyone Loses: The Ukraine Crisis and the Ruinous Contest for Post-Soviet Eurasia*. New York: Routledge, p. 30.

witnessed the defeat of its policy in relation to the neighboring states. The Eastern Partnership contributed to the crisis in Ukraine, and paralysis of the Union over the Mediterranean by the Arab Spring and the subsequent developments. The strategic partnership with Russia ended up in a sanctions war. Each specific crisis, regardless of its cause, be it the euro-related issues or the migrant crisis, tends to turn into a structural crisis for the European institutions. Brexit fueled uncertainty and dysfunction of the EU, which now for a long period will be consumed by internal problems and will give up ambitions for further expansion.

NATO expanded more than twofold since the USSR ceased to be, but has failed to find a clear and well-defined mission. The Ukrainian crisis and the accession of Crimea to Russia made it appear that the model of the Cold War may well be brought back, which meant consolidating against a known enemy, the old familiar one. However, even at the height of the crisis in Ukraine, NATO was far from unanimous. The conflict in Syria, and especially the escalation of tensions following the downing of a Russian fighter jet by Turkey, poses the question point blank as to the solidarity inside the Alliance. In the times of the Cold War, one could hardly imagine a situation when a member state takes serious military actions without consulting its allies. These days, a state may act rashly at its own peril and then turn for support to its allies, who may happen to have a different view of the situation. Brexit may have an impact on NATO, since the alliance remains the only Euro-Atlantic structure which includes all, and the US is interested to strengthen NATO as its hand in Europe.

The Ukrainian crisis became a watershed in several respects. First of all, it became clear that neither Europe nor the U.S. was ready to risk a big war for the sake of their geopolitical goals. Their (especially Europeans') commitment to these goals is strong as long as they do not have to pay a serious price for them. Otherwise, their enthusiasm vanishes immediately. Russian commentators who say that the year 2014 put an end to NATO's eastward expansion are quite right.

Part of Ukrainian society dashed toward Europe at a time when the EU's ability to absorb had declined dramatically and the European model itself was going through a series of systemic crises. Just ten years earlier, in 2004, when Ukraine celebrated the victory of its Orange Revolution, the European Union had totally different opportunities and a much more powerful internal drive. And Russia was clearly demoralized by the defeat of the forces it had supported, and was more likely to rally for coexistence than go into opposition. But the Ukrainian political and economic

leadership made a spectacular show of incompetence and missed the most favorable opportunities for development.

By the next Maidan, Europe was in a very different state (hence the calls to drink in Ukrainian enthusiasm). Events in Crimea and Donbass produced a shock that crashed the views the Old World had habitually stuck to since the end of the Cold War. And then the migrant crisis of 2015 reversed the entire system of priorities for Europeans. The crisis, accompanied by Angela Merkel's optimistic "we will cope" mantras, set in motion deep nationalist strata in European societies, which became fully manifest when the peak of the migrant influx had passed. Europe failed to cope as planned. Elections to the European Parliament in 2019 exposed a new reality. It is not the triumph of anti-EU forces, as many feared, but fragmentation of the political field, which makes it barely governable. This is exactly what Macron was lamenting about after negotiations with an endless number of participants who have to be listened to and taken into account. By all appearances, this is just the beginning of a long process, with a full transformation still in store for the EU. It may not necessarily be orderly and many things may change spontaneously.

The UK referendum and its aftermath have put a spotlight on the future of European integration. The political atmosphere in the EU is changing, and future principles will most likely be determined by the political forces which are now entering the arena and for which the legacy of 1989 is either insignificant or looks completely different from how it has always been presented.

The history of post-communist transformations knows no examples of any Western liberal model growing and gaining strength anywhere all by itself, without the European Union's strong institutional patronage. But present-day developments show that patronage gives no guarantees either now that Central and Eastern Europe is treading its own path. Hungarian Prime Minister Viktor Orbán and the leader of Polish conservatives, Jarosław Kaczyński, are clear examples of such evolution. The former, in 1989, was the most enthusiastic liberal anti-communist; the latter was an active member of Solidarity. Today, both are believed to represent nationalism and traditionalism alien to European ideals. As is often the case in history, revolutionaries have been turned into restorers who are understandably preoccupied primarily with restoration, that is, internal problems. All the more questionable is success at a time when the European Union will not show much interest, but rather will try to minimize its own costs and maximize its gains.

The Ukrainian Euromaidan turned out to be the antipode of the “model” revolutions of 1989—violent change of power, which divided society and caused internal and then external conflict, but hardly changed the essence of the state system and failed to ensure accession to the desired supranational associations. It is just the exact opposite of what Central Europe was striving to build thirty years ago. The Euromaidan brought the European liberal revolution to an end. All parties to the conflict—internal and external, direct and indirect—are facing acute questions, to which there are no answers: about the future of Ukraine, the prospects of Europe, the U.S.’ place in the world, and Russia’s further development.

In the logic of “Greater Europe,” neighborhood countries were a rather significant part of the project, because one of the principles important for the sustainability of this construct was the continuous expansion of the “European sphere.” This provoked constant struggle due to Russia’s relentless, and increasingly strong, reaction to what it viewed as attempts to push it farther away into Eurasia.

Now the motivation has changed. The European Union is *de facto* adopting a protective stance. It can be called “The EU first!” by analogy with its overseas ally. This position means by far not isolationism, but pragmatism, which, in the case of the European Union as an integration association built on a set of values, means a revision of the ideological base and a reduction of power projection, including soft power.

The importance of “in-between” countries, which provoked the greatest rivalry, is clearly declining in the eyes of those who recently considered it extremely important to assert their superiority. This is partly due to the tragic Ukrainian development as both sides have learned their lessons. But what is more important is that interest in Europe is dwindling as the focus of global attention is shifting from the Euro-Atlantic to the Indo-Pacific region. In plain words, this issue sharply degraded in setup of priorities, at least compared to the situation a few years ago, when this topic was truly exciting. Current events in almost all of the Eastern Partnership states—Moldova, Georgia, Ukraine, Armenia, Belarus—show that these countries are facing acute issues of further development: how to develop and strengthen their own sustainability, rather than making an endless “geopolitical choice” between putative alternatives.

The situation is also changing in the countries that were directly involved in the fight for “the spoils.” Russia slowly, but steadily, is shaking off the inertia of thinking, according to which all territory of the former Soviet Union was considered priority and obligatory for active presence. Now this

automatic logic is going away, in no small measure because the other side has obviously lessened its pressure. The U.S. is turning toward Asia, while Europe is getting engaged in its own transformation and has other things to deal with, more important than the periphery. All history of Russian foreign policy after 1992 was a chain of reactions to something which was initiated from the West, primarily expansion of Western institutions.

The European Union is curbing its ambitions not so much because of overstrain, but above all because public sentiments are changing.¹⁹ Put simply and shortly, people just want to keep the quality of their life. This includes security, a comfortable sense of self-identity (one can even say spiritual harmony), a favorable environment, especially measures to counter irreversible climate change, a balanced social policy, equality, and the protection of basic rights. This is a conservative agenda that requires some efforts, but they are directed inwardly. It is no coincidence that the Greens, a party that addresses many of the abovementioned issues, scored the most striking success in recent elections to the European Parliament. The international discussion on climate change has given various environmental movements a winning leitmotif, the core message of their political campaigns. Expansionism, which for nearly thirty years dominated Europe's worldview, is going away.

The deconstruction of the "European home" means a different, much more chaotic, situation in Europe. Communication must be established between different segments of the "European world," especially since conflict will have no clear-cut structure as it did during the Cold War, and it is likely to be fluid and changing. Previously, the Organization for Security and Cooperation in Europe was considered the main instrument—the creation of both the Helsinki Final Act and the Charter of Paris for a New Europe. But it has long lost its capacity, since the current situation does not resemble the period of Europe's division in the 1970s–1980s, when the Conference on Security and Cooperation in Europe (CSCE) was established, or "Greater Europe" of the 1990s–2000s. The linkage between the military-strategic and humanitarian "baskets," which was so deftly made by the Helsinki process participants, does not work in modern Europe. Actually, it does, but the other way around. When values were mixed up with military-political issues and the humanistic "good" acquired armed "fists" (starting with the campaign against Yugoslavia and further on), "Greater Europe" sank into a fatal crisis of confidence.

¹⁹ See for example, <https://blogs.lse.ac.uk/europpblog/2019/04/30/eu-enlargement-in-the-western-balkans-the-missing-issue-in-the-2019-european-election-campaign/>

For Russia, the Euromaidan and the subsequent events became a pivotal point as well: the collapse of the entire Ukraine policy pursued since 1992; official (not only actual) confrontation with the West and rejection of a joint future (that there will be none became clear much earlier, but after 2014 it was no longer even mentioned); the rise and disappearance of the Russian World concept, which did not become a real political instrument; and the end of the post-Soviet space as a virtual community—the reincorporation of Crimea drew a line under it as for the first time the administrative boundaries of the Soviet Union were changed. Until March 2014, this remained unspoken taboo, a product of the Belovezhye Agreements. Even in 2008, when Russia recognized Abkhazia and South Ossetia, it did not incorporate them, thus leaving the border lines intact. But Crimea turned the page of the contour map that showed the silhouette of the Soviet Union. The latter stopped to be a main framework for Russia. “While Russia repositions itself as a stand-alone power in the north-central portion of the world’s largest continent, its leaders are seeking to create a distinct national entity amid a vast and highly diverse neighborhood. The country’s new geopolitical framework is being referred to as Greater Eurasia.”²⁰

We attach so much importance to the situation in the post-Soviet space because it was here that acute contradictions caused by the “unfinished” Cold War manifested themselves so graphically. After the collapse of the Soviet Union, Russia lost its international status and sank into a long socioeconomic crisis. This allowed Western countries to realize their ideas of world order without paying much attention to Russia. But since it was Russia that sustained the greatest geopolitical damage as a result of those events, and was never offered the prospect of admission into the Western project on acceptable terms, confrontation was a matter of time. Once Russia started to regain international positions in the 2000s, the conflict potential began to build up, culminating in a clash over Ukraine.

The global shifts in the world that have taken place since the beginning of the twenty-first century are associated primarily with the rise of Asia, but relations between the West and Russia played a key role in them. According to many Russian commentators, the inability of Western capitals and Moscow to agree on the terms of mutual coexistence and Russia’s

²⁰Trenin, Dmitri. Russia’s Evolving Grand Eurasia Strategy: Will it Work? <https://carnergie.ru/2017/07/20/russia-s-evolving-grand-eurasia-strategy-will-it-work-pub-71588>

transition into the camp of the West's opponents have spurred the general trend toward redistribution of influence on the global stage. The main issue of mutual disagreement was politics in "Greater Europe." And now narrative is changing: "Now Russia can and should cooperate with Europe, but it can no longer be the prime source of development for us. The only exception is environmental regulation where 'discoveries'" are still possible; maybe some elements of municipal democracy and self-government as well. As for all the rest the West has, either we already have it or it is no longer something we can grab because we are simply unable to master it. Russia is genetically an authoritative country. This must be calmly accepted and used as a competitive advantage. Another factor that pushes us toward the pivot is that Europe is stagnating, locked in a complex crisis, and not really capable of much, while Asia is growing rapidly."²¹

Thirty years after the "end of history" declared by Fukuyama, the atmosphere in the world resembles the confrontation of the second half of the twentieth century. The essence of the conflict, however, is quite different, as the previous bipolar structure of confrontation is gone.

Despite the power transition looming, it is hardly possible to imagine circumstances under which Russia will consider any possibility of returning to the model which seemed inevitable at the beginning of the century and which envisaged some sort of participation in a common political and economic project with the European Union. The reason is the accumulated negative experience and the growing importance of Asia, primarily China. As Russia is building its own institutions, such as the Eurasian Economic Union, it is guided by much more instrumental and practical considerations than before. In other words, there is no task of enlarging it at any cost, but rather making its more functional. As the EU experience shows, enlargement is not always good for efficiency.

* * *

Was there a chance to establish the New World Order which would replace the confrontational stability of the Cold War? In alternative history—yes. It would require an utterly creative approach on all sides, but primarily from "winners" in the West. It did not happen. Prefabrication prevailed,

²¹ Karaganov, Sergei. We Have Used Up the European Treasure Trove. <https://eng.globalaffairs.ru/pubcol/We-Have-Used-Up-the-European-Treasure-Trove-19769>

but the prefab model predictably didn't work in profoundly changed circumstances. Rise of powers with different political cultures in the twenty-first century makes this prefabrication even theoretically impossible. And creation of a new order based on taking into account multiple views and interests, which didn't start after the Cold War, will start now.



Russia and the Changing World Order: In Search of Multipolarity

Alexander Lukin

Near the turn of the twenty-first century, one of the two poles of the system that had prevailed since the end of the Second World War destroyed itself. The Soviet communist project had become uncompetitive, leading to its failure. Soviet ideology had cornered itself. Derived from the Western Enlightenment tradition, its ideas of technological progress and the satisfaction of people's physical needs were not new. But Soviet ideology vowed that faster progress would be achieved not by enhancing self-rule

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and respect for individual rights and private property, but by concentrating resources in the hands of the state, nationalizing property, and ensuring its fair distribution. This project proved economically unviable. In addition, the Soviet Union set for itself the ideological goal of spreading its system to as many countries as possible and, eventually, to the whole world. This ambition wasted considerable resources and exacerbated economic problems.

Prior to the Soviet collapse, the world's first-ever bipolar system had both positive and negative aspects. On the downside, people living in countries and territories controlled by the Soviet Union enjoyed very little freedom and had to struggle with the indignities of life under totalitarian regimes. Perhaps more significantly, the control (and ambitions for control) exercised by the United States and the Soviet Union over large parts of the world, and the rules they imposed on the conduct of international relations, provoked conflicts on neutral territories, with virtually any local dispute in the Third World becoming contested between the two powers. On the upside, these did not approach the scale of the world wars. The Soviet Union and the West were able to find consensus on the principle of non-interference in each other's spheres of interest, and on some mutually accepted rules, which sometimes took the form of written documents, such as the Helsinki Accords, nuclear non-proliferation agreements, and documents reducing and banning weapons of mass destruction.

The collapse of the Soviet Union under the weight of its own internal problems appeared at first to be a triumph for the West. Certainly, the United States and its allies enjoyed a strong, if not decisive, influence over international affairs in the early 1990s. Their apparent victory in the confrontation with the Soviet camp had made the Western political and economic model more popular. Many of the former communist states sought to join NATO and the European Union, while others, including Russia itself, elected leaders who appeared sincere in their appreciation for the West. The United States and its allies also found themselves unmatched in terms of military capabilities.

Yet the break-up of the Soviet bloc did little to alter certain key trends in global development. Non-Western centers of power, such as China, India, and Brazil, continued to become stronger, seeking to solve their own problems and protect their own interests, at least along their borders. Although they were open to cooperation with the West (and certainly sought no confrontation with it, in part because they lacked the means),

they did not necessarily share the West's goals, and in some cases were quite worried about them.

The remains of the Soviet empire itself contained a range of attitudes. While some Eastern European countries (excluding Serbia, which had not been part of the Soviet empire) had agreed to join the Western system, the new Russian authorities hoped for cooperation based on equality and a common understanding of global goals. The Central Asian republics, fearing a drive for Western-style democratization, gravitated toward Russia, tried to balance between Russia and the West, or opted for autarky.

Given these trends, the United States and its allies could have pursued a balanced policy to maintain their influence through improved relations with other global players. Russia, for example, could have been integrated to a significant extent into the Western system if it had been admitted to NATO, as James Baker, US secretary of state under George H.W. Bush, suggested,¹ or if it had benefited from a flexible policy combining real assistance with due respect for Moscow's interests and concerns. This might have produced a close partnership with Russia without requiring any formal alliance, in much the same way that the United States had partnered with Mexico or with Egypt under presidents Anwar Sadat and Hosni Mubarak.

This was a realistic scenario, but it would have required concessions and compromises which were seen as incompatible with the ideological goals that were then being pursued with increasing vigor by Western politicians.

Intellectuals in the United States and Europe had long been tilting toward the ideology of 'democratism', a one-sided mixture of political liberalism, human-rights thinking, Enlightenment secularism, and theories of Western supremacy that strongly resembled colonialism. As a result, the West attempted, as it had done so many times before, to impose upon the world its own model as a universal solution.

THE RISE AND FALL OF THE WESTERN MODEL

The desired end state of Western universalism has taken many forms over the years. A drive to spread the Christian faith worldwide during the Crusades eventually gave way to the "civilizing" mission of the colonial

¹James Addison Baker, "Russia in NATO?," *Washington Quarterly*, vol. 25, no. 1, Winter 2002, pp. 95–103, https://muse.jhu.edu/login?auth=0&type=summary&url=/journals/washington_quarterly/

era, which, in turn, has been replaced by the pursuit of “democracy” and “human rights.” What has never changed, however, has been the idea of supremacy underpinning these goals. Many civilizations, such as the Chinese and the Greek, have considered everyone but themselves to be barbarians. Yet they did not necessarily attempt to impose their ideas upon the rest of the world. Before the collapse of the twentieth century’s bipolar order, there were two systems attempting to do so, one guided by the totalitarian ideology of Soviet communism, and the other by that of Western democratism. Soviet ideology vanished together with the Soviet Union, but the ideology of democratism, which gained new impetus after the Soviet empire’s disintegration, not only survived, but began to grow in ambition.

The foreign policies that emerge from the ideology of democratism are quite simple. Western political ideologists believe that the best way to introduce the ‘backward’ nations of the world to the joys of freedom and democracy is to incorporate them into Western-dominated economic and political alliances. For this to happen, the target countries must have leaders who understand the benefits that membership will bring (that is, Western leaning ones) and who will therefore work toward that end. If these leaders happen to fall short of democratic standards, this need not be a deal-breaker. Once they submit economically and politically, they will be pushed up to the required level with Western prodding.

This approach was on full display after the break-up of the Soviet Union. Exhilarated by their perceived victory, Western leaders saw no reason to show any regard for the interests of other countries, convinced as they were that governments would be lining up to align themselves with the West on the basis of its ‘universal’ values. In fact, most of the world rejected, and not without good reason the bulk of these values as an ideological smokescreen for the West’s attempts to impose its hegemony. Moreover, many of those values were at variance with the traditional cultures and religions prevalent in other major civilizations.

The West, in short, had overestimated its abilities, both politically and culturally. The world was more complex, and its values more diverse, than Western leaders—intoxicated by their success, but restricted by their ideology—had thought. At the same time, the attractiveness and objective possibilities of the West were dwindling due to the economic and political rise of non-Western powers, and to demographic trends. Yet Western capitals, especially Washington, continued to act as if history were on their side, using pressure, and often force, to assert their own vision of the

world in countries—and, indeed, whole regions—that did not want to westernize. This policy produced chaos in Iraq and Ukraine; Western support for anti-government forces in Egypt and Syria was based on the same fallacy, with similar results.

Some Western observers eventually noticed this pattern. Council on Foreign Relations President Richard N. Haass, for example, has conceded that US actions have exacerbated global disorder. “The post-Cold War order,” he writes, was premised on U.S. primacy, which was a function of not just U.S. power but also U.S. influence, reflecting a willingness on the part of others to accept the United States’ lead. This influence has suffered from what is generally perceived as a series of failures or errors, including lax economic regulation that contributed to the financial crisis, overly aggressive national security policies that trampled international norms, and domestic administrative incompetence and political dysfunction ... The net result is that, while the United States’ absolute strength remains considerable, American influence has diminished.²

Henry Kissinger, meanwhile, has pointed to problems in the increasingly ideological character of American policies, though he uses a different term. “The celebration of universal principles,” he says, needs “to be paired with recognition of the reality of other regions’ histories, cultures, and views of their security.” “Vast regions of the world,” he notes, “have never shared and only acquiesced in the Western concept of order. These reservations are now becoming explicit, for example, in the Ukraine crisis and the South China Sea.”³

Europeans, too, have recently (some would say belatedly) begun to criticize triumphant policies. An essay issued by the European Council on Foreign Relations, for example, points out that the way of life promoted by the European Union as a model for the whole world actually represents an exception for that world: “The remaking of Europe took the shape of extending Western institutions, most of them created for a bipolar world ... Europeans were aware of the distinctive nature of their order but they were

² Richard N. Haass, “The Unraveling: How to Respond to a Disordered World,” *Foreign Affairs*, November–December 2014, https://www.foreignaffairs.com/articles/united-states/2014-10-20/unraveling?cid=nlc-foreign_affairs_this_week-111314-the_unraveling_5-111314&sp_mid=47406003&sp_rid=ZXNjaG51cmVyQHBlYmxpYy13b3Jrcy5vcmcS1

³ Henry Kissinger, “Henry Kissinger on the Assembly of a New World Order,” *Wall Street Journal*, 29 August 2014, <http://www.wsj.com/articles/henry-kissinger-on-the-assembly-of-anew-world-order-1409328075>

also convinced of its universal nature ... Intoxicated by its own innovations, the EU became increasingly disconnected from other powers—and saw only where others fell short of European standards rather than try to understand their different perspectives.”⁴

Thus, even some Westerners have begun to perceive the growing gap between the West’s ideological ambitions and its dwindling relative capabilities. Faced with external challenges, including the rising influence of non-Western powers, and internal ones, such as changing demographics, many have begun to accept that the West is objectively losing its influence in the world. The rapid rise of China, along with the economic and political failures of many countries on which the United States and Europe had tried to impose their model of development (Russia in the 1990s, Iraq and Libya in this century) have raised questions about the universal effectiveness of favored Western solutions such as democratization, market economics, and free trade. In addition, the West’s imperious and often violent policies showed that the ideology of democratism was often being used to cover up attempts to establish political dominance. This understanding both seriously undermined the West’s influence and, at the same time, contributed to the growing popularity of other models, notably the ‘Beijing Consensus’, as an alternative to the so-called Washington Consensus.

Still, many in the West have failed to understand that the expansion of its model has reached its cultural and civilizational limits. The Western system was easily established (or restored) in Eastern Europe, where countries weary of Soviet control sought to join Western alliances for political and cultural reasons. But this model is far less palatable in North Africa and Eurasia. Both Islam and Orthodox Christianity, which are gaining popularity in the post-Soviet space, reject a wide range of Western cultural trends. Something like this has happened before, in the context of the Soviet totalitarian project. Communist ideals, once popular around the world (particularly during anti-fascist and de-colonization campaigns), lost their luster when it became clear that, far from bringing prosperity, the Soviet model was only breeding dictatorships, corruption, and stagnation in those Third World countries where it had been adopted. The deployment of Soviet troops to Hungary in 1956, Czechoslovakia in 1968, and

⁴Ivan Krastev and Mark Leonard, *The New European Disorder* (London: European Council on Foreign Relations, November 2014), p. 2, http://www.ecfr.eu/page/-/ECFR117_TheNewEuropeanDisorder_ESSAY.pdf

Afghanistan in 1979 undermined Moscow's pretensions to build a better world, and heightened suspicions that Soviet ideology was little more than a smokescreen for geopolitical interests.

Yet geopolitical goals, no less in the Soviet Union than in the West, can hardly be separated from ideological ones. All totalitarian ideologists believe that their own political model guarantees prosperity and happiness, and can effectively be realized with the 'brotherly help' of 'progressive' states (to use Soviet political jargon)—that is, under their political supervision.

The goals of establishing political control over as many countries as possible, and bringing them happiness by imposing the only correct model of development, are inseparable in this political frame. Thus, claims by Western commentators that Kosovo and Crimea cannot be compared come as no surprise. Within the framework of democratism, this is not a case of double standards. After all, Kosovo separated from Serbia, a backward, non-Western state, to join the world of freedom and progress.

The Crimean case is different, because non-Western Russia is drawing it into the world of regress and dictatorship. It is a worldview that is completely in thrall to ideology, and hence impervious to logical argument. It is unlikely, however, that this worldview will be able to withstand the changes currently underway within Western societies for much longer. What will the United States be like in 20 or 30 years, when a considerable part of its population is Spanish-speaking? In Britain, several cities have large Muslim populations, and in France, polls indicate that Muslims make up about 8–10% of the population.⁵ Will growing numbers of migrants provoke a reaction from right-wing traditionalists? Fears of growing migration have already played a major role in Britain's vote to leave the EU and Donald Trump's election in the U.S. Western countries can respond to the migration crisis by shutting down their borders or taking other radical steps, but this will signify serious backtracking on many postulates of "democratism" and significant changes in foreign policy.

The first signs of change are already evident. The referendum victory by "Brexit" supporters and the election of Donald Trump to the U.S. presidency were the results of the frustration that large segments of the population feel toward the policies and ideologies of the elites. Those elites amass great wealth from globalization by using cheap migrant labor and opening

⁵ US Department of State, "France: International Religious Freedom Report 2008," <http://www.state.gov/j/drl/rls/irf/2008/108446.htm>

markets in developing countries under the banner of “free trade.” At the same time, they ignore the negative consequences that their actions have had on ordinary citizens: the loss of jobs, a growing gap between the richest and poorest segments of the population and between the richest and poorest regions, the breakdown of families, the erosion of traditional values, and so on. In fact, the ideology of “democratism,” “free markets,” and “free trade” has essentially turned into an ideological justification for a course that enables major multinational companies that are largely controlled from the U.S. and Europe to earn enormous profits, and that imposes the social and political value system of the Western elites on the rest of the world. At the heart of that ideology lies what Singaporean diplomat Bilahary Kausikan has aptly termed “The myth of universality: i.e. the postulates of [U.S. and European-led and approved] universal values, universal human rights, a united international community, international law, etc.”⁶

In the meantime, while US and European elites were talking about growing universality, new centers of power have been forming in such diverse states as China, Russia, India, Brazil, and others. Also, religious revivals are occurring not only in former Soviet republics but also in the Muslim world and among both Christians and Muslims in Africa. And everywhere, in spite of all their differences, this integrative process is most often based on values differing from those preached by modern Western society. China speaks of collective Confucianism, the role of Hinduism is on the rise in India, traditional Christians in Africa firmly reject questionable moral innovations sanctioned by mother churches in Europe, and the Muslim world generally views modern Western society as the center of sin and depravity. Even moderate Muslim leaders do not accept Western civilization in its entirety, but try to create something of their own, using its achievements. Former Malaysian Deputy Prime Minister, current leader of the largest party in the ruling coalition and well-known theorist of Islamic civil society Anwar Ibrahim made this interesting statement on the subject: “The Civil Society we envisage,” he argues, “is one based on Moral Principles... the Asian vision of civil society departs in a fundamental respect ... from the social philosophy of the Enlightenment ... that religion and civil society are intrinsically incompatible. ... Religion has been a

⁶ Bilahary Kausikan, “The Myth of Universality: The Geopolitics of Human Rights,” in Bilahary Kausikan, *Dealing with and Ambiguous World* (Singapore: World Scientific Publishing Co, 2017), pp. 93–113.

source of great strength to Asian society and will continue to be a bulwark against moral and social decay.”⁷

At the same time, the West is losing its moral leadership; its military dominance, though still in force, has weakened significantly and the appeal of its material prowess is diminishing as other effective economic models emerge, most particularly China’s. Events have repeatedly shown the error of the idea that Westernization is both a universal goal and an inevitable outcome once the authoritarian regimes resisting it are removed. The most recent examples are the anti-authoritarian revolutions in Arab countries that brought to power forces even more anti-Western than the governments they overthrew. It turns out that Europe is surrounded not by hostile rulers hindering Westernization, but by entire populations who consider Western society alien and undesirable. And it is their leaders who, as Alexander Pushkin once said of the Russian government, are often ‘the only Europeans’ in their country.⁸ The international system is changing, shifting toward greater diversity.

However, in the foreseeable future, while “democratism” adapts to the new realities, the West can hardly be a source of peace and stability. On the contrary, its policy will continue to produce global conflicts that will most often erupt in territories that border on other non-Western centers of power with their own values. The main source of these conflicts will be attempts to impose the ideology of “democratism” on the population which is not willing to accept it.

RUSSIA STANDS UP

The year 2014 was a pivotal one for Russia’s foreign policy. The crisis in Ukraine solidified Moscow’s refusal to follow the West, leading to open confrontation. This marked a dramatic turn in the policies pursued by Moscow since 1991. Although the period between 1991 and 2014 saw both close cooperation and disagreements with the West, Moscow had always made strategic concessions in the end. Today, concessions are highly unlikely.

Instead, tactical arrangements are the best that can be hoped for, now that Russia has lost faith in the United States and Europe as political and

⁷ Anwar Ibrahim, *The Asian Renaissance* (Kuala Lumpur: Times Books International, 1996), p. 51.

⁸ Aleksander Pushkin, Chaadaevu, http://www.skeptik.net/skeptiks/push_rel.htm

economic partners. Moscow, having realized that it cannot establish friendly relations with Western countries without offering its complete political submission to them, has begun a real, not just rhetorical, political, and economic turn to the non-Western world.

Why has this happened? The post-Soviet consensus between the West and Russia was based on at least a Russian understanding that both sides would move toward closer cooperation, respect each other's interests, and make mutually acceptable compromises. Yet, only Russia followed this understanding in practical terms. While it never completely sacrificed its national interests, it nevertheless demonstrated its readiness to give some of them up for the sake of cooperation with the 'civilized world' (to use the common Russian phrase), which it wished to join. But the 'civilized world', despite its encouraging rhetoric, continued to view its relations with other countries in Cold War-era terms, sincerely regarding itself as the victor of that conflict. Having forgotten or ignored what Russians understood as promises—for example, not to expand NATO eastward—the West tried to make up for what it had failed to do during the Cold War because of Soviet resistance: it drew more and more countries into its orbit, and moved its military infrastructure closer to the Russian border, including onto the territory of Russia's historical allies. When an attempt was made to extend this policy to Russia's closest partner, Ukraine, by supporting a riot against a legitimate, democratically elected government, Russia could no longer tolerate this expansionism. It has now committed itself to taking whatever actions it can to resist it, subject to the limitations of its weak economy.

It should be noted that the new Russia has rejected Soviet, and any other, totalitarian ideology. It is not seeking to force its political model upon other countries. Moreover, despite its authoritarian character, this model has been proclaimed by Russian authorities as conforming to Western standards, albeit with certain distinctive features deriving from Russia's cultural traditions.

In Ukraine, as elsewhere, Russia was fighting not for the right to impose its version of the perfect society, but for purely geopolitical reasons, and, in effect, for its survival as a truly independent state. It simply wants to avoid being encircled and subjected to the political control of the United States and its allies, and for its neighbors to remain friendly, or at least neutral.

Speaking at a news conference on December 18, 2014, Russian President Vladimir Putin attributed changes in the country's foreign policy not to the deteriorating relationship with the West but to global trends:

I often hear comments about Russia's turn towards the East. Now, if you read American analysts, they also write about the United States' turn toward the East. Is this true? Partly yes. Why? Is this political? No. This stems from the global economic processes, because the East—that is, the Asia-Pacific Region—shows faster growth than the rest of the world. New opportunities open up. As for energy, the demand for resources is racing in leaps and bounds in China, India, as well as in Japan and South Korea. Everything is developing faster there than in other places. So should we turn down our chance? The projects we are working on were planned long ago, even before the most recent problems occurred in the global or Russian economy. We are simply implementing our long-time plans.⁹

By and large, this is true, but there is a diplomatic element as well. At any rate, political problems with the West clearly make Russia's turn toward the East more practicable, in the absence of viable alternatives. Although the United States and the West in general, view the conflict with Russia as a local one, they still regard it as dangerous in that Moscow's actions have undermined the West's global development project designed to gradually engage all countries on its own terms. It is local because Russia is not the most dangerous challenge on the horizon, though it may be the most acute for the time being. In fact, the West is much more worried about the prospects of a multipolar world emerging in the future. It has no idea how to westernize vast China, and things are not going quite as planned in India, Brazil, and many other places either.

THE CHINA CHALLENGE

In the long term, a rising China will present a much bigger challenge to the Western ideology of global dominance than Russia, which remains weak. China, the world's second-largest economy and most densely populated country, poses a threat not because of its military capabilities, which still fall short of the United States' and even Russia's, but because communist China has succeeded where the Soviet Union failed: it has built an effective and attractive economy that is not based on the Western political model.

⁹ Kremlin, "News Conference of Vladimir Putin," 18 December 2014, <http://en.kremlin.ru/events/president/news/47250>

This is threatening for the West because it raises doubts about its fundamental postulate that an economy can be effective and generate prosperity only if a country accepts the ideology of democratism. Moreover, the Chinese economy has become so interdependent with the American and European economies that it would be very difficult to deal with Beijing in the same way that Russia has been dealt with. The West depends on China economically just as much as China depends on the West. If a serious conflict were to break out, a united West might eventually prevail but only at unbearable cost to the global economy.

In keeping with its growing economic clout, China has begun to pursue a more vigorous foreign policy. Initially, it sought to convince its neighbors (and indeed the whole world) that its expanding power would not endanger their interests. This is the main message of the ‘peaceful rise’ concept put forth in 2003 during Hu Jintao’s presidency. However, the word ‘rise’ caused concern, and was replaced with the concepts of ‘peaceful development’ and a ‘harmonious world’.

Under President Xi Jinping, Beijing has pushed ahead with ambitious plans to launch the Silk Road Economic Belt (which targets parts of Central Asia, the Near East, and Russia) and Maritime Silk Road (Southeast and South Asia, and Oceania). While the economic aspects of these projects remain vague, their political meaning is clear: China hopes to build a common framework for the economic, and possibly political, future of at least parts of Asia based on its own development concepts, which offer an alternative to Western ones. Moreover, its concept of co-development is backed up by substantial material resources. The fact that, despite Washington’s objections, several American allies have already joined the Asian Infrastructure Investment Bank proposed by Beijing is a clear indication that Chinese projects are quite appealing.

Another sign of China’s enhanced role in foreign affairs is the frequent calls to revisit the concept of *tao guang yang hui* (keep a low profile and bide your time) put forth by Deng Xiaoping in the early 1990s to help guide the country’s foreign policy during a period of reform and openness.¹⁰ Igor Denisov, one of Russia’s leading experts on Chinese foreign

¹⁰ Deng Yuwen, “Hu Wende zhengzhi yichan [The Political Inheritance of Hu and Wen],” 31 August 2012, <http://www.chinaelections.org/article/1779/226783.html>; “Guofangdaxue jiaoshou: xia yi sou hangmu juebushi xianzai zheige shuiping [Professor of the National Defence University: The Next Aircraft Carrier will not be the Same as the Current Level],” 17 December 2012, <http://mil.huanqiu.com/observation/2012-12/3387054.html>

policy, comes to the conclusion that “China’s present-day political discourse clearly reveals both the continuity of foreign policy ... and attempts to make Chinese diplomacy more initiative-driven so that China could eventually become one of the states that set the rules of the game in accordance with their increased interests.”¹¹ Although China’s strategic planning continues to be restricted by the country’s ‘key interests,’ the range of these interests keeps expanding.

Under Deng Xiaoping, these focused only on the issues of Taiwan and control over Tibet and Xinjiang. Today, however, they have been broadened to include the protection of China’s positions in territorial disputes with Japan over the Senkaku/Diaoyu islands and in the conflict in the South China Sea. Some Chinese experts also insist that the country’s key interests should include the need to secure a worthy place for China in the world more generally.

It is widely believed in China that the main obstacle to achieving this final goal is the United States. Many Chinese analysts insist that the US, as a global power that is losing influence but struggling to keep it, is trying to contain China as its main competitor. They believe that Washington is seeking, with the assistance of its allies and friendly states, to encircle China militarily and strategically, antagonize its neighbors and generally blow the ‘Chinese threat’ out of proportion. Military analyst Dai Xu, for instance, concludes in his book *C-Shaped Encirclement* that China has been encircled almost completely, except in Russia and Central Asia.¹² Some experts have suggested taking action to break through this encirclement by, for example, building naval bases abroad or tasking the army with protecting Chinese entrepreneurs’ investments in other countries.

The official Chinese position, however, is much milder. While the Chinese certainly consider the prevailing theory and practice of global governance to be a Western scheme designed to protect US and European dominance around the world, Beijing does not wish to see it undermined or scrapped, but rather overhauled so that China and other non-Western states receive proper representation within it. This perspective can be seen

¹¹ Igor Denisov, “Evolutsiya vneshney politiki Kitaya pri Si Ts’in’pine [The Evolution of China’s Foreign Policy under Xi Jinping],” *Mezhdunarodnaya zhizn’*, May 2015, p. 45.

¹² Dai Xu, *C-xing baowei—neiyouwaihuanxiade zhongguo tuwei* [C-Shaped Encirclement: China’s Breakthrough under Domestic Problems and Foreign Aggression] (Shanghai: Wenhui Press, 2010), pp. 3–4.

in China's response to the idea of the "Group of Two" put forward by Zbigniew Brzezinski in 2009.¹³ Brzezinski's proposal was fully in line with the ideology of American dominance. It basically offered China the position of a junior US ally that would help solve American problems where Washington could not do so on its own, for example, by assisting in the resolution of the North Korean nuclear issue, helping the United States deal with the global economic crisis, getting directly involved in the dialogue with Iran, mediating in the Indo-Pakistani conflict, and even joining the Middle East settlement process. China would also be expected to pool efforts with the United States in addressing climate change; contribute to large UN peacekeeping forces for deployment to 'failed states'; and strengthen the non-proliferation regime by encouraging other countries to reject the acquisition of nuclear weapons. Beijing, for its part, politely rejected this idea, which would have required that it ignore a basic tenet of its own foreign policy barring interference in the internal affairs of other countries and regions. Instead, it made a counteroffer, inviting the United States to build a "new type of relationship between major powers." The idea was that China, rather than acting as Washington's agent in the world, would be seen as its equal partner, sharing the responsibility for addressing global problems on the basis of mutual advantage and compromise.¹⁴

It is clear, then, that China, like Russia, no longer desires to impose its model of development upon others. Instead, it seeks to occupy a place in the world that matches its new-found power and historical role, surrounded by peaceful and friendly states. That said, its economic interests extend far beyond its own territory. These aspirations, supported by the country's economic success, significant financial resources and unique model of modernization without democracy (which is becoming increasingly popular among authoritarian leaders in developing countries), present a real challenge to Western democratism.

¹³ Zbigniew Brzezinski, "The Group of Two That Could Change the World," *Financial Times*, 13 January 2009, <http://www.ft.com/cms/s/0/d99369b8-e178-11dd-afa0-0000779fd2ac.html>

¹⁴ See "Remarks by President Obama and President Xi Jinping of the People's Republic of China after Bilateral Meeting," *White House Press Office*, 8 June 2013, <https://www.whitehouse.gov/the-press-office/2013/06/08/remarks-president-obama-and-president-xi-jinping-peoplesrepublic-china->; Cheng Li and Lucy Xu, "Chinese Enthusiasm and American Cynicism Over the 'New Type of Great Power Relations'," *Brookings Institution*, 4 December 2014, <http://www.brookings.edu/research/opinions/2014/12/05-chinese-optimism-american-cynicism-great-power-li-xu>

Despite this, many in the West hold that China, in accordance with popular theories of modernization, is basically treading in the footsteps of Japan and the Asian Tigers, and that its economic modernization should therefore be followed by democratization, as in South Korea and Taiwan.

The Chinese reply to this argument is that China is so much larger than these countries that it cannot be compared with any of them. According to this view, the country constitutes a separate civilization, and will develop in its own way, using traditional Chinese recipes, not Western ones. Numerous publications have appeared in China to advance the view that traditional Chinese concepts of world order are more useful than Western approaches,¹⁵ and anti-American and anti-Japanese sentiment is stronger among the public than among the Chinese leadership. It is doubtful, therefore, that even a democratized China would look to the United States or anyone else, for policy guidance, and certainly not at the cost of giving up its own interests. What about the predictions by some US experts, such as David Shambaugh,¹⁶ that communist China faces imminent collapse? Although this is most likely wishful thinking, at least for the foreseeable future, it is possible that economic problems could in the long term produce serious complications, or even a crisis, for the Chinese system. But as the experience of the Soviet Union and Russia shows, even the collapse of communism and a drawn-out crisis need not lead to the westernization of such a large country as China, nor its submission to Western interests. At any rate, on the current trajectory, tensions between China and the West will increase. This will not be because of differences in moral values, as in the case of Russia or other Eurasian countries. Western moral novelties are much more acceptable for the pragmatic Chinese, whose traditional culture rejects monotheistic religion. But Chinese culture is very different from Western culture in terms of social goals, and many Chinese cannot understand the West's eagerness to put the individual and personal rights above the public good and social justice. Nor is the Western ideal of a minimal state that expects citizens to take care of themselves widely accepted.

¹⁵ See, for example, Yan Xuetong, "Gongping zhengyide jiazhi guan yu hezuo gongyingde waijiao yuanze [The Value Approach of Honesty and Fairness and the Diplomatic Principle of Mutually Beneficial Cooperation]," *Guoji wenti yanjiu*, no. 1, 2013; Yu Xintian, "Zhongguo jiazhi guande shijie yiyi [The Meaning of Chinese Values to the World]," *Guoji wenti yanjiu*, no. 4, 2013.

¹⁶ David Shambaugh, "The Coming Chinese Crackup," *Wall Street Journal*, 6 March 2015, <http://www.wsj.com/articles/the-coming-chinese-crackup-1425659198>

Instead, the highest value among most Chinese is a well-organized society that can guarantee the well-being of the majority. Differences like these will ensure that China remains distinct from the West, even as economic interdependence helps to curb tensions and to keep them from evolving into direct confrontation.

Other centers of power in addition to Russia and China, India, Brazil, and several other states are emerging as formidable, non-Western centers of power. India may be the world's most populous democracy, but it does not blindly follow the West. Like China, it pursues an independent foreign policy and tries to maintain constructive relations with all major global actors. Many Indian experts believe that their country's experience is a unique one: having existed for centuries as a multicultural and multi-confessional nation, it has preserved its civilizational unity based on respect for the views and traditions of other people. This experience, which has laid the foundation for Indian democracy, is one the country would like to share with the rest of the world, but in a peaceful way. India refuses to put pressure on other countries and never joins military actions initiated by the West, or even by broader global coalitions. At the same time, India is a key supplier of troops for UN peacekeeping forces.

Clearly, this ideal disagrees with the Western ideology of democratism. While sharing its respect for democracy, it rejects the idea of imposing 'progressive' ideals by force, and of handing out punishments for any deviations from them. And although India follows the West morally, it firmly adheres to its own traditions. The government that came to power in 2014, led by Narendra Modi of the Hindu nationalist Bharatiya Janata Party, has only amplified traditionalist tendencies inside the country. This is not to say that India has no difficulties in its relations with other countries. New Delhi would like to improve relations with China due to economic imperatives, but serious problems in bilateral relations remain, and the two countries are still locked in a territorial dispute. In addition, their interests have begun to clash over several island states that previously were within India's sphere of influence, but which are now a target of Beijing's economic expansion (the Maldives, the Seychelles, Mauritius, and Sri Lanka). This shows that India, just like Russia and China, is beginning gradually to behave as a normal great power, pursuing independent policy and trying to maintain security around its borders. Its decision to abolish the autonomous status of Jammu and Kashmir despite the harsh reaction from Pakistan and China is a vivid example of this tendency.

In 2018, Brazil was the world's ninth largest economy by nominal GDP and eighth largest by purchasing power parity. Politically, it is a typical Latin American country with strong left-wing tendencies that have always existed in this part of the world in response to U.S. attempts at domination.

The country's two left leaning presidents, Lula da Silva and Dilma Rousseff, are representatives of left-wing forces, and this is the main reason for growing disagreements with the United States. During their terms in office, Brazil's foreign policy in many ways counteracted the American one.

Its foreign policy concepts stress autonomy, which implies autonomy from other major powers, most importantly from the US. The earlier concept of "autonomy through distance," "autonomy through participation" of the administration of Fernando Henrique Cardoso (1995–2003) and "autonomy through diversity" of Lula da Silva (2003–2010) and Dilma Rousseff (2011–2016) differ only in the level of engagement with international institutions and the role of cooperation with non-Western emerging powers such as India, China, and Russia. According to a leading Brazilian foreign policy expert and diplomat Gelson Fonseca, "Autonomy ... does not mean 'distance' from controversial international issues in order to protect the country against undesirable alignments... Autonomy means participation, means the wish to influence the open agenda with values that express traditional [Brazilian] diplomacy."¹⁷

Tullo Vigevani and Gabriel Cepaluni summarize the gist of various versions of Brazil's autonomy as follows:

1. *Autonomy through distance*: a policy of not automatically accepting prevailing international regimes; belief in partial autarchy; development focused on the domestic market. Consequently, a diplomacy that goes against certain aspects of the agenda of the great powers so as to preserve the nation-state's sovereignty.
2. *Autonomy through participation*: the adherence to international regimes, especially more liberal ones, but without the loss of foreign policy management. The objective would be to influence the formulation of principles and rules that dictate the international system.

¹⁷ As quoted in Tullo Vigevani and Gabriel Cepaluni, "Lula's Foreign Policy and the Quest for Autonomy Through Diversification," *Third World Quarterly*, vol. 28, no. 7, 2007, p. 1311.

3. *Autonomy through diversification*: an adherence to international norms and principles by means of South–South alliances, including regional alliances, and through agreements with non-traditional partners (China, Asia-Pacific, Africa, Eastern Europe, Middle East, etc.), trying to reduce asymmetries in external relations with powerful countries.¹⁸

Brazil did not support the U.S.-led operations in Iraq and Libya; it advocates a peaceful settlement in Syria and opposes the sanctions against Iran. In 2010, Brazil and Turkey signed a joint declaration with Iran, whereby Tehran pledged to send its low-enriched uranium to Turkey in exchange for enriched fuel supplies for its research reactor. The agreement was criticized by the United States and Europe. Washington even voiced concern about Brazil's own nuclear program.

On the economic front, Brazil refused to support the American project of a Free Trade Area of the Americas (ALCA), which was one of the main reasons for its failure. The United States often criticizes Brazil for protectionism and alleged dumping practices, as well as violations of intellectual property rights, while Brazil responds by blaming Washington for pursuing a “monetarist” policy and provoking “currency wars” against emerging markets. In the future, as the Brazilian center of power grows stronger and gains more influence in Latin America and the world in general, disagreements with the United States will increase, but, like in the case of India and China, economic considerations will not allow them to develop into fierce hostility.

The autonomy strategy did not change significantly under a more right-wing president, Michel Temer. The new president, Jair Bolsonaro, is often seen as an extreme right-winger who favors a more pro-American and pro-NATO orientation. However, according to his first moves, for example, his expressed wish “to work actively in favor of strengthening” the BRICS group,¹⁹ the autonomy paradigm is unlikely to change in the future although it may return to the ‘participation’ approach.

¹⁸ Ibid., p. 1313.

¹⁹ “Discurso do Presidente da República, Jair Bolsonaro, durante abertura da Reunião Informal dos Líderes do BRICS—Osaka/Japão, Osaka-Japão, 28 de junho de 2019,” <http://www2.planalto.gov.br/acompanhe-o-planalto/discursos/2019/discurso-do-presidente-da-republica-jair-bolsonaro-durante-abertura-da-reuniao-informal-dos-lideres-do-brics-osaka-japao>

CONSOLIDATION OF NON-WESTERN CENTERS

The collapse of the Soviet Union in the early 1990s caused a fundamental change to the long-standing system of international relations that was based on the confrontation between two centers of power. Although, back in the Soviet era, some researchers noted a trend toward a multi-polar world, as the leading states in each region grew in power, the Soviet Union's sudden departure from the scene left something of a vacuum. Although many states, even outside the Western world, disliked the Soviet Union and even criticized it, its absence left many states, especially larger ones, wary of a certain threat. That threat stemmed, first, from the instability in the international situation resulting from the end of a bipolar system that had guaranteed a certain order, and second, from the possibility that the one remaining center of power—now freed from any external checks and balances, might encroach on the interests of others.

Thus, when the United States celebrated its victory in the Cold War and Francis Fukuyama declared the “end of history,” China, India, Brazil, and many other countries of Asia, Africa, and South America viewed that development with some uneasiness. Had the U.S. shown restraint, subsequent events might have unfolded somewhat differently, but under Bill Clinton and to a greater extent under George W. Bush, Washington set out to secure that victory and achieve world dominance for the United States. Europe either could not or would not pursue an independent course and, as always, kept in line with Washington's policy.

Under such circumstances, the disgruntled states have begun building bridges between each other. That cooperation was not initially directed against the West because all of the participants in that process are largely tied to the Western system and value their collaboration with it. However, they looked for ways to coordinate their positions on those aspects of the new Western-dominated world that did not suit them. That desire led to the creation or strengthening of institutions and groups in which Western states did not participate: ASEAN and various formats of associated cooperative endeavors, SCO, The Community of Latin American and Caribbean States (CELAC) and, of course, BRICS.

The BRICS group is, perhaps, the most important example of the kind of cooperative relationships that have emerged among countries, which have found themselves dissatisfied, for various reasons, with the Western-dominated, post-Cold War regime. As Russian foreign minister Sergey Lavrov pointed out in June 2019, like each of its member countries,

“BRICS plays a key role in making transition from a unipolar world to a polycentric global structure.”²⁰

The BRICS group, although not a formal organization, has been important, firstly because it brings together the largest and most influential non-Western countries, and secondly because, unlike some regional groupings, it claims to represent the entire ‘South’—or, more broadly, the entire non-Western world. Thirdly, BRICS actively puts forward its own initiatives as an alternative to Western projects for organizing the global economic and political order.

It is clear from an examination of BRICS’ evolution that the basis for cooperation among its members has been primarily geopolitical in nature, not economic. The group, which today comprises countries that can be seen as natural leaders within their regions, took its current form by stages. Its source can be traced to two decades of Sino-Russian rapprochement based on shared geopolitical interests. Later, India was added to the equation with the emergence of the RIC (Russia–India–China) model of cooperation. RIC became BRIC with the inclusion of Brazil. (Formally, RIC still exists, but it became passive after the emergence of BRIC.) The final step was to add South Africa.

BRICS has gained geopolitical significance by offering its own views on world affairs. One of the main topics it addresses is the need to reform the global economy. The BRICS member states have been forceful advocates for increasing the representation of non-Western countries in international financial institutions, despite resistance from the traditional masters of global finance. When the group failed in its attempt to reform the World Bank and the IMF along more equitable lines, it was inspired to create its own development bank and pool of currency reserves. These institutions may not offer a comprehensive alternative to existing international financial institutions, but they should help correct the Western bias of these institutions and provide non-Western states with an alternative when choosing a partner for their financial development and in the event of a serious economic crisis.

While the reform of the global financial system has been identified as the most important of what Vadim Lukov, ambassador-at-large of the

²⁰ “Foreign Minister Sergey Lavrov’s Remarks at BRICS Foreign Ministers Meeting, Rio de Janeiro, July 26, 2019,” 26 July 2019, http://www.mid.ru/en/web/guest/meropriyatiya_s_uchastiem_ministra/-/asset_publisher/xK1BhB2bUjd3/content/id/3739893

Russian Ministry of Foreign Affairs and Russia's BRICS sous-sherpa, sees as the group's four strategic interests, he considers the other three as strengthening the central role of the UN Security Council in the international system, making maximum use of the complementary nature of the member states' economies in order to accelerate economic development, and modernizing the social sphere and economic life of those countries.²¹ These goals clearly extend beyond the purely economic realm. Moreover, the Ukrainian crisis has been highly significant for BRICS, as it has shown that the West remains determined to build a unipolar world order, pulling an ever greater number of satellites into its foreign-policy orbit and demanding conformity, in both their foreign and domestic policies, with what the West calls 'international' and even 'universal' standards. Many states in the non-Western world view this approach as a new wave of colonialism that substitutes the ideological slogan of 'democracy' for 'more advanced culture', but that retains the same methods and goals. Of course, such circumstances will only increase the desire of the non-Western world to increase its mutual coordination.

For its part, Russia has a strong interest in cooperation within the BRICS framework, not just because Moscow is seeking support in its current confrontation with the West, but because the complete breakdown of mutual trust that has accompanied the crisis has accelerated the Russian pivot toward the non-Western world, which had begun even before the conflict broke out. Given the sanctions that the West has imposed on Russia, Asian and South American states are poised to gradually replace Europe as the principal exporters of many goods, especially food and agricultural products.

Russia's hydrocarbon exports, meanwhile, are gradually moving in the direction of China and other parts of the Asia-Pacific. Members of Russia's political elite are beginning to understand that they cannot achieve the strategic goal of developing Siberia and the Far East without cooperating with their neighbors in Asia. Europe and the United States, on the other hand, are starting to be seen as unreliable partners that are prepared to sacrifice economic ties for the sake of political pressure at any moment.

²¹ "Interv'yu Posla po osobym porucheniyam MID Rossii V.B.Lukova 'RIA Novosti' [Interview of Ambassador-at-Large of the Russian Ministry of Foreign Affairs V.B. Lukov to 'RIA Novosti']," 14 April 2014, http://www.mid.ru/brp_4.nsf/newslne/33A1D346558B4C3944257CBD0032BFDD

Thus, not only ideology but also objective circumstances and economic interests are compelling Russia to shift its attention to other regions.

The Shanghai Cooperation Organization (SCO) is another important structure of this non-Western cooperation system. It grew out of the so-called Shanghai process, which initially involved five countries: Russia, China, Kazakhstan, Kyrgyzstan, and Tajikistan. The process originated from border negotiations between the Soviet Union and China. Member states of these countries, the so-called Shanghai Five, inherited unsolved problems of the former Soviet-Chinese border after the collapse of the USSR and made up the core of the SCO.

Having solved problems which stemmed from the legacy of the Soviet era, member states of the Shanghai Five went further. Realizing the need for broader cooperation, they established a new regional organization: the Shanghai Cooperation Organization. It turned out that countries in the region also had other common interests. Gradually, the members of the new international organization moved from resolving border issues to discussing a wide range of issues pertaining to security and economic and cultural cooperation. In other words, they found a sphere of common interests that went far beyond the initial tasks of the Shanghai Five.

On June 15, 2001 in Shanghai, the leaders of the six nations signed the Declaration on the Establishment of the SCO. Its members included the former Shanghai Five plus Uzbekistan. Uzbekistan's accession indicated that the Shanghai process went beyond issues related to the former Soviet-Chinese border: Uzbekistan does not border China, and it is other interests that bring it closer to the other five countries.

The main principles of the SCO are mutual respect for sovereignty, the equality of all member states, openness, and no bias against other states and international organizations. All decisions in the SCO are taken by consensus, except for issues pertaining to the suspension or termination of membership in the organization.

SCO members cooperate in three main areas: regional security, economics, and culture. Cooperation in the field of security is what the SCO is now focused on. The organization's approach to international security issues, particularly the fight against terrorism, is much broader than the approach used by the US and its allies. Washington assigns primary importance to military strikes against international terrorist centers and attacks against states supporting terrorism (these may be any regime Washington does not like), whereas the SCO members see a direct link between international terrorism, on the one hand, and separatism and religious

extremism, on the other. The SCO members actively develop their military cooperation, including joint military exercises.

The accession of India and Pakistan in 2017, and possibly Iran in the not-too-distant future will radically change the very nature of the SCO. The organization would then count all the leading non-Western powers of Eurasia among its members. Belarus, a European nation with a somewhat peculiar political system, has already become an SCO observer state. An increasingly Euroskeptic Turkey the same, and Sri Lanka, which has become disillusioned with the West for pointlessly defending Tamil separatists, has received the looser dialogue partner status.

With these new members, the SCO could be regarded as an emerging cornerstone of the multipolar world in the making, a platform offering a Eurasian alternative to Western Europe. If the BRICS group is about to become an alternative to Western structures in terms of global governance (narrowly speaking, an alternative to the Group of Seven within the Group of Twenty), the SCO could assume the role of a second, non-Western center of gravity in Eurasia (since Western Europe is also part of Eurasia).

Another interesting phenomenon of post-bipolar international system is the emergence of a community of Greater Eurasia. Russian expert circles developed the concept of a “Greater Eurasia” in 2015 after concluding that the deterioration in relations with the West over the Ukrainian crisis was irreversible. In May 2015, Dmitri Trenin, director of the Carnegie Moscow Center, published an article titled “From Greater Europe to Greater Asia? The Sino-Russian Entente.” In it, he noted that, because of Russian-Chinese rapprochement, “Putin’s vision of a ‘greater Europe’ from Lisbon to Vladivostok, made up of the European Union and the Russian-led Eurasian Economic Union, is being replaced by a ‘greater Asia’ from Shanghai to St. Petersburg.”²² He also mentioned that the SCO and BRICS might play a role in that scheme.

In August of the same year, in an article “Russia, China and the Emerging Greater Eurasia,” published first in the South Korean journal *The Asan Forum* and later in Russia, the author wrote about Greater Eurasia not as a goal of Russian and Chinese diplomacy, but as an objective reality reflecting fundamental processes in world politics. Speaking of the formation of a system based on Russian-Chinese rapprochement and the

²²Dmitri Trenin, “From Greater Europe to Greater Asia? The Sino-Russian Entente,” *Carnegie Moscow Center*, 9 April 2015, <http://carnegie.ru/2015/04/09/from-greater-europe-to-greater-asia-sino-russian-entente-pub-59728>

linkage that began at that time between the Eurasian Economic Union and China's planned the Silk Road Economic Belt (SREB), along with the expansion of the SCO, with its planned inclusion of India and Pakistan, as well as BRICS and ASEAN, the author noted:

The above and other groups over time will comprise the system of Greater Eurasia, the states of which will not be tied by alliance relations, as are the United States and its European satellites. Some of them may turn to different centers of power; however, on the whole, they will form a unity, brought together by core interests. Precisely, this kind of democratic unity of Greater Europe could not be established by the United States and its allies. Attempting to subordinate every state to their dictates, they have united allies from most of Eastern Europe but lost Russia and Central Asia, and are increasingly antagonizing China and India, forcing them to draw closer to each other even in spite of significant contradictions. Only the future will tell who will succeed and who will not.²³

As a result, President Vladimir Putin incorporated the idea into his speech and interview at the St Petersburg International Economic Forum in June 2016. The Russian president referred the emerging system as a "Eurasian partnership." He attributed the idea to Kazakh President Nursultan Nazarbayev, with whom Putin had discussed it on the eve of the forum. Putin mentioned that over forty states and international organizations had expressed the desire to establish a free trade zone with the Eurasian Economic Union (EAEU) and suggested that the EAEU could become one of the centers of an emergent greater integration area. On that basis, he proposed to consider "the prospects for more extensive Eurasian partnership involving the EAEU and countries with which we already have close partnership—China, India, Pakistan and Iran—and certainly our CIS partners, and other interested countries and associations."²⁴

Putin's formulation was incorporated into the Russian-Chinese declaration signed by the leaders of the two countries during the Russian president's visit to China later in June 2016. That document stressed the paramount importance attached by the two sides to implementing the Russian-Chinese agreement on linking the formation of the EAEU with the realization of the SREB. The document also called for creating a

²³Alexander Lukin, "Russia, China and the Emerging Greater Eurasia," *Asian Forum*, <http://www.theasianforum.org/russia-china-and-the-emerging-greater-eurasia/>

²⁴"Plenary Session of St Petersburg International Economic Forum," 17 June 2016, <http://en.kremlin.ru/events/president/news/52178>

“comprehensive Eurasian partnership based on the principles of openness, transparency, and mutual interests, and including the possible involvement of EAEU, SCO, and ASEAN member countries.” The governments of the two countries were tasked with developing measures to implement the initiative.²⁵

During the visit to Russia by Chinese premier Li Keqiang in November 2016, Russian Prime Minister Dmitry Medvedev said that Russia was continuing to work with China on forming a comprehensive Eurasian partnership that would include EAEU and SCO member states. According to Medvedev, Russia and China had conducted a joint study on what should serve as the basis of that partnership. He and Li Keqiang discussed and approved the results of that study during their meeting and instructed experts from the two countries to formulate the economic basis of the project.²⁶

In mid-May 2017, President Putin was the main guest at the Beijing top-level Belt and Road Forum for International Cooperation, where he fully supported Chinese initiatives. At a meeting with President Putin in Moscow on May 25, 2017, Chinese foreign minister Wang Yi said that China welcomed and supported “Mr President’s personal initiative on creating a Eurasian partnership.” According to Wang, the Chinese Commerce Ministry and the Russian Economic Development Ministry are currently examining possibilities for developing a Eurasian trade partnership and are preparing a relevant agreement.²⁷

On July 2017, during Xi Jinping’s visit to Russia, Chinese Minister of Commerce Zhong Shan and Russian Minister of Economic Development Maksim Oreshkin signed the Joint Declaration of Feasible Study on Eurasian Economic Partnership Agreement. According to an official Chinese comment, the signing of the declaration “is a significant trade and economic achievement of President Xi Jinping’s visit to Russia, showing the steadfast determination of China and Russia to deepen their mutual beneficial cooperation and promote trade liberalization and regional economic integration. It also shows the common willingness for a comprehensive and high-level trade and investment liberalization arrangement

²⁵ “Sovmestnoe zayavlenie Rossiyskoy Federatsii i Kitayskoy Narodnoy Respubliki [Joint Statement of the Russian Federation and the People’s Republic of China],” 25 June 2016, <http://www.kremlin.ru/supplement/5100>

²⁶ “Medvedev: Rossiya formiruet evraziyskoe partnerstvo s Kitaem” [Medvedev: Russia Forms a Eurasian Partnership with China], *RIA Novosti*, 16 November 2016, <https://ria.ru/east/20161116/1481497327.html>

²⁷ “Meeting with Chinese Foreign Minister Wang Yi,” 25 May 2017, <http://en.kremlin.ru/events/president/news/54576>

which opens to other economics in the future. It will inject new strength for the comprehensive strategic partnership of the two countries.”²⁸ The Study was announced to have been completed during president Putin’s visit to China in early June 2018.²⁹

Most Russian and Chinese experts see Eurasian Economic Partnership only as a part of a larger comprehensive Eurasian partnership, or Greater Eurasia. The media and expert community literature all began referring to a “Greater Eurasia.” Thus, according to Sergei Karaganov, “Russia’s pivot to Asia which had been announced many times but really only began in 2011–2012, for the most part was completed.” This made it necessary to move further. “Russia and China came up, jointly and officially, with the concept of a Greater Eurasia partnership or community as a common space for economic, logistic and information cooperation, peace and security from Shanghai to Lisbon and from New Delhi to Murmansk.” In his view, the reason was the crisis of the world order, “which the West tried to impose since the 1990s,” and which “was badly aggravated in the 2010s when it was challenged, rather straightforwardly by Russia and less so by China and other new leaders but still quite openly, as unfair, disadvantageous for them and dangerous for the world, and, on top of it all, dysfunctional. That’s when new alternative was proposed.”³⁰

The authors of the idea see the following as the main features of a “Greater Eurasia”:

1. “Greater Eurasia,” as a new unified international entity of some kind, is arising from Russian-Chinese rapprochement and efforts to link the EAEU and SREB.
2. Other non-Western organizations and groups—primarily the SCO, ASEAN, and BRICS—will play a major role in this process.
3. “Greater Eurasia” is not yet a formal organization or even a group. It is a partnership of sorts based on the common interests of non-Western states.

²⁸ “China and Russia Sign the Joint Declaration of Feasible Study on Eurasian Economic Partnership Agreement,” Ministry of Commerce, People’s Republic of China, 6 July 2017.

²⁹ “China and Russia Sign the Joint Declaration of the Joint Feasible Studies on Completing Eurasian Economic Partnership Agreement,” 9 June 2018, <http://english.mofcom.gov.cn/article/newsrelease/significantnews/201806/20180602754961.shtml>

³⁰ Sergey Karaganov, “From East to West, or Greater Eurasia,” *Russia in Global Affairs*, 25 October 2016, <http://eng.globalaffairs.ru/pubcol/From-East-to-West-or-Greater-Eurasia-18440>

4. The states involved share two types of interests: political and economic. The former is based on the concerns over a unipolar world in which the US and its allies attempt to play a dictatorial role and fail to respect the interests—and, often, the sovereignty—of other states. In this respect, “Greater Eurasia” is developing a fundamentally different approach to world politics, one based on respect for international law as it took shape following World War II, the leading role of the United Nations and its Security Council, respect for various cultural traditions and the political systems to which they gave form, and pluralism and democracy not only within countries but also in international relations. These principles are very similar to the principles of “peaceful coexistence” that developing countries first expressed as far back as the Bandung Conference in 1955, and to the so-called Shanghai spirit of the SCO. Economic interests could serve as the basis of a broad partnership. These interests include the linkage of the EAEU and SREB and the strengthening of the economic component of the SCO following accession by India and Pakistan, and possibly Iran. The future creation of a broad free trade area (FTA) is also a possibility. It is important to note that Russia and China already proposed the creation of a bilateral FTA in 2016. In addition, China has already created such areas with several ASEAN countries, and a single market was also created within the Eurasian Economic Space that preceded the EAEU. As a result, all of those FTAs could expand or even merge, possibly based on the Regional Comprehensive Economic Partnership proposed by China and ASEAN. Another important economic interest is the creation of new transport routes through Central Asia to Europe as part of the linkage with the SREB, and as part of the Maritime Silk Road initiative that would connect Eurasia with ASEAN countries.
5. “Greater Eurasia” will be an open partnership for everyone, including Europe. Individual European countries or the EU as an organization would be most welcome to cooperate with “Greater Eurasia” if they are willing to uphold its pluralistic principles. The interest that European states have shown in China’s proposed Asian Infrastructure Investment Bank, the SREB, and more recently, the EAEU, indicate that such an eventuality is possible. However, the new Eurasian system will not be centered in Europe or include the condition that all participants adopt so-called European values, but will be located in Eurasia and operate on the principles of pluralism and multipolarity.

Most Chinese experts are also supportive of the project or at least the idea of closer cooperation with Russia in Eurasia. Ruan Zongze, executive vice president of the China Institute of International Studies, a Chinese Foreign Ministry think tank, commented: “Promotion of the ‘One belt, one road’ initiative has had a significant impact on Russia. In Russia, they are also thinking about how to achieve linkage. There is some overlap between the ‘One belt, one road’ and Putin’s recent proposal to establish a partnership in Greater Eurasia. In effect, they create an opportunity for cooperation between China and Russia on the Eurasian mainland region, to expand the reach of Sino-Russian cooperation.”³¹

An article, located on the website of China’s State Information Center, argues that “practical realization of the idea of an ‘All-encompassing Eurasian partnership,’ advanced by the Russian president Putin, has great strategic significance for the reconstruction of the world structure, for agreement on the Eurasian continent, and also for China’s deep entry into the world economy.”³²

Li Ziguo from China Institute of International Studies, explaining Russia’s motives, basically agrees with the mainstream Russian view. Li shows that ever since 1960 leaders of the Soviet Union and Russia envisaged fostering a “greater European family,” and as late as 2010 the then president Dmitry Medvedev put forward a draft of a new European Security Treaty and Prime Minister Vladimir Putin proposed a new European economic system “from Lisbon to Vladivostok” as moves toward realizing the Greater Europe ideal. But “Western countries perceive themselves to be the victors of the Cold War and have constantly imposed strategic pressures on Russia, forcing it to accept its total defeat in the geopolitical confrontation with the West. Russia eventually realized that it would be impossible to integrate into the Western world.”³³ This became the reason for Russia to turn to Eurasia.

³¹ “Xi Jinping yu Eluosi zongtong Pujing juxing huitan dazao Daouya huobanguanxi [Xi Jinping Conducted Talks with the Russian President Putin on Establishing Relations of Greater Eurasian Partnership],” *Ifeng*, 27 June 2016, http://news.ifeng.com/a/20160627/49247845_0.shtml

³² Zhang Xiaolan, “Goujian ‘Ouya quanmian huoban guanxi’ de yiyi ji cuoshi” [Significance and Measures of Creating “Comprehensive Eurasian Partnership”] 26 January 2018, <http://www.sic.gov.cn/News/456/8816.htm>

³³ Li Ziguo, “The Greater Eurasian Partnership: Remodeling the Eurasian Order?,” *China International Studies*, 20 March 2017, <https://www.pressreader.com>

According to Li Ziguo, “The Greater Eurasian Partnership (GEP) is an initiative by Russia for pan-regional economic cooperation in the context of a new economic situation...Therefore, the GEP could go hand-in-hand with the Chinese initiative and ensure development and stability in the Eurasian region while also serving as a lever for reshaping future global order.”³⁴

Today, one can say with full confidence that Beijing supports the Russian idea of closer cooperation in Greater Eurasia on an official level and has become involved in the realization of this project and the examination of variants for its realization. This project, in full measure, can be called not Russian, but Russo-Chinese. The concept of a “Greater Eurasia” is still under development and its exact boundaries remain undefined. Experts from a number of countries, Russia and China foremost among them, are working to flesh it out. They have encountered a number of difficulties on the path to its creation: the destructive policies of the United States, international terrorism, and the differing interests and disagreements between major Eurasian players and organizations. However, global trends favor the creation of a “Greater Eurasia,” indicating that the process is irreversible.

CONCLUSIONS

Russia’s refusal to follow the Western course is only the first sign of conflict between the West’s united-world project and an emerging multipolar system. In a multipolar world, the influence of the West will diminish, while that of other centers of power (China, India, Brazil) will grow as they seek to build zones of influence around their borders. This policy will be fiercely resisted by the West, as is now the case with Russia and China. Weaker, non-Western centers of power (such as the BRICS member states) will try to coordinate their actions against the more powerful centers, but this does not mean they will aspire to create an anti-Western alliance. Indeed, it is possible that conflicts may emerge between non-Western powers if their zones of influence collide (as between China and India, for example). The West, and especially the United States, may use such struggles to further its own interests. At the same time, medium-sized or regional powers with goals and interests of their own, such as Vietnam, South Africa, Nigeria, and Venezuela, may form temporary alliances with

³⁴ Ibid.

larger powers to achieve certain local goals (as Vietnam is now doing in attempting to use the United States in its territorial conflict with China).

All this is not to say that the post-bipolar world will be completely divided into big and small centers of power. It will still face the same, if not even more, acute global problems that can only be solved jointly: a shortage of resources, overpopulation, pollution, the proliferation of nuclear weapons and weapons of mass destruction, and others. In addition, the rise of Islamism, and the terrorism it can breed, cannot be traced to any one state, but rather represents another totalitarian ideology that wields influence over those inclined to reject, in radical fashion, the ‘immorality’ and ‘sinfulness’ of the modern world. This is one of the reasons why young Muslims living in Western countries, where the discrepancy between their beliefs and Western civilization is thrown into sharpest relief, often become radical Islamists.³⁵

The resolution of these problems will require a mechanism for interaction, which can be created if the main centers of power reach a consensus on those limited areas where their views converge, and agree to disagree on all other issues, while avoiding overt confrontation. This will mean, in essence, reviving the notion of ‘peaceful coexistence’ that was part of the bipolar world, according to which the great powers, while not sharing global-development goals or social-system ideals, refused to wage wars against each other, and tried to come to agreement where possible. Existing institutions of global governance, such as the UN and its Security Council, would be the best choice to serve as the working bodies of this mechanism, simply because there is no alternative. But this does not mean that this system should not change. On the contrary, it should be gradually reformed by mutual consent to ensure adequate representation for emerging powers. The only alternative to this would be an unpredictable world with no rules and hence constant conflict.

The role of Russia in this transitional world is only just beginning to take shape. The country is working to become a major independent center of power and is positioning itself as the linchpin of Eurasian integration. Whether it has enough resources to sustain this project is unclear. What is clear is that Russia cannot afford an open-ended confrontation with other powers because of its heavy economic dependence on the West. It would

³⁵ See, for example, Simon Cottee, “Pilgrims to the Islamic State,” *Atlantic*, 24 July 2015, <http://www.theatlantic.com/international/archive/2015/07/isis-foreign-fighters-political-pilgrims/399209/>

be much more prudent to position Russia and the Eurasian Union as part of Greater Europe, while reinforcing the distinction between this and the European Union. This would be a more realistic goal, and one that most segments of Russian society would find acceptable (only the advocates of extreme pro-Western and nationalistic views would be excluded). At the same time, this policy would win the support of those within Europe who oppose US dominance and favor a more independent course, while allowing Russia to continue its economic cooperation with Europe. Moreover, Moscow should revive its role as a kind of bridge between Europe and Eurasia, allowing for the transmission of certain European political standards to Eurasia, while also making clear to Europeans that Eurasian countries, including Russia, have their own traditions, and will not accept the wholesale imposition of Western values where these contradict their own moral principles.



CHAPTER 4

Russia's Economic Restructuring for the Fast-Changing Future

Leonid Grigoryev

RUSSIA PREPARING FOR AN UNKNOWN FUTURE

The future of the Russian economy depends on several major factors: national institutions for development, human capital, technological and financial resources, and external environment. As a country with long-term ambitions, Russia is prioritizing the prosperity of its citizens, strategic security, and reviving the arts and sciences. Russia's economic restructuring is unique in its complexity following the triple transition in the early 1990s: from the USSR to the Russian Federation, from a planned economy and state property to a market economy and private property, and from the socialist ideology to democracy. As the continental superpower with a long history of domestic and international political rivalries and conflicts, Russia has struggled to reach the current level of development. The deconstruction of global governance, as it was structured following World War II, is causing concerns to Russian

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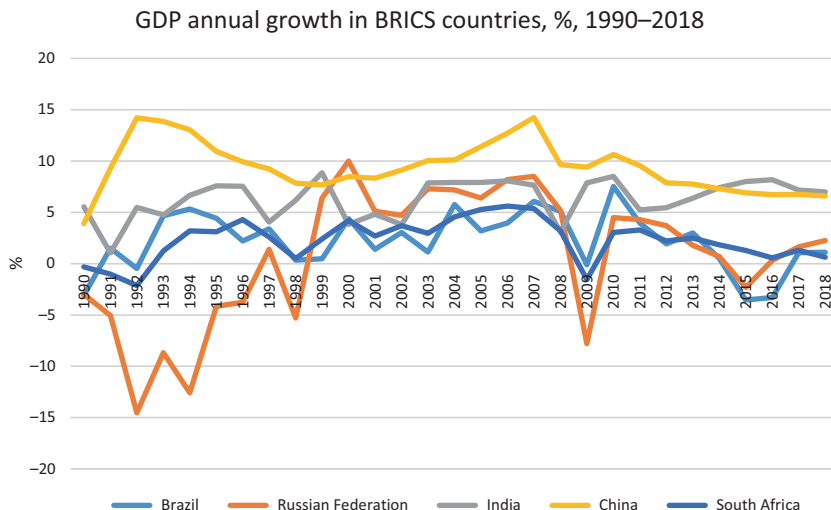
political elites.¹ In the twenty-first century, the ability of the Russian economy to retain a prominent place in the world will depend on our human capital, territory, resources, political influence, arts, and sciences. Due to the modest size of the Russian GDP, Russia will have to adapt to the world with a bigger China, the USA, India, and the European Union. Russia will stay in a group of countries with similar GDP but very different levels of development, such as Brazil, Japan, Germany, and Indonesia.

From an economic point of view—not symbolical—it is not so important whether Russian GDP ranks, for example, as number five or seven in the world. Citizens of the world do not concern themselves too much of the rankings, although they understand quite well the actual well-being of families and lifestyles. Russia will need to compete for quality of life in a very broad sense of this meaning, which includes variables such as household consumption, health care, quality of education and general upbringing of children, the level of art and sciences as a way of self-realization of talents, recreation, and family lifestyle. And we should not forget the socio-political considerations: the democracy and the feeling of living in the democracy; free speech and travel; full access to information; and the free decision making on personal and public affairs.

In short, the future survival of mankind as it approaches ten billion people will need to address practical problems such as poverty, climate, and water scarcity. Receding privacy and stability will demand coordinated actions by key countries, which requires political elites to engage each other in rational resource management and coordination and to accept compromises to advance the global governance agenda. Russia should set a good example of a safe and happy life for its citizens that would be not less important than the size of the GDP or space exploration.

Citizens of this planet will be more and more concerned about global security issues that are not simply a zero-sum game: poverty and migration; climate change prevention and adaptation; and water supplies. National identity will be part of the process defining the approach to global problems and everyday affairs. There will be more vocal demand for minority rights. Also, the necessity for global cooperation will put pressure on all participants and actors to cooperate and compromise, and their resources. In this context, we may see more efforts by the elites to

¹ See L. Grigoryev & A. Pabst (Eds.), *Global Governance in Transformation—Challenges for International Cooperation*. Springer, 2020.



Graph 4.1 GDP growth in BRICS countries, %, 1990–2018. (Source: World Bank)

address the common interests of mankind, while a growing middle class will support the strengthening of national civil societies and more active role of global civil society. The Russian state and Russian civil society will respectively need support from a thriving economy to meet these goals (Graph 4.1).

Russian objectives toward 2040–2050 may be described as following (the sequence is the subject to adjustment, but for now it is taken by the intensity of debates). Traditionally, as the first objective, most political specialists would prioritize fast economic growth to catch up with leading states in the world. The GDP growth rate in 2010–2019 was close to about 3%. The well-being of Russian citizens is the key priority in the long run, especially after the hardship of the previous generations. Long-term forecasts paint a rather bleak picture of the Russian economy: demographic decline and 2.5% growth rate (Table 4.1). Not surprisingly, the political leadership of the country endeavors to reach a 4% average growth rate as the official target in the medium term,² although that growth alone is not sufficient for a strategic position for global competitiveness, the people, intellectual elites, or the political elites. Russian economists individually

² Presidential Ukazy 2018, May.

Table 4.1 The world of 2040—some estimates

	Population (million people)		GDP PPP (trillion dollars)		GDP growth (%)		Share of world GDP (%)		Primary energy consumption (million tons)		Share of primary energy consumption (%)	
	2015	2040	2015	2040	2015–2040		2015	2040	2015	2040	2015	2040
Russia	146	146	3.8	5.7	1.6		3.3	2.5	660	790	4.9	4.6
USA	320	374	18.4	30	2		15.8	12.9	2219	2162	16.4	12.6
China	1405	1426	20	49.5	3.7		17.2	21.4	3019	3847	22.3	22.3
Brazil	206	232	3.3	4.3	1.1		2.8	1.9	301	416	2.2	2.4
EU-28	508	510	19.6	26.9	1.3		16.8	11.6	1672	1390	12.3	8.1
Japan	128	115	5.2	5.8	0.5		4.5	2.5	441	381	3.3	2.2
World	7386	9221	116.4	231.7	2.8		100	100	13,566	17,218	100	100

Sources: UN World Population Prospects 2017, “Global and Russian Energy Outlook 2019”, IES AS—Skolkovo, 2019

and collectively are not satisfied with the objective of merely catching up with global growth and increasing personal consumption. For Russian intellectuals, there are also other socioeconomics considerations: the decline of fundamental sciences, education, financing of arts, and especially brain drain due to the emigration of talents. Quality of growth is an extremely important objective for Russia, including the restoration of the capability of leading at least in some areas of arts and sciences, and employment of national talents at home rather than sending them outside for better salaries to develop other countries.

There is no tangible forecast of the main features, especially the path of the global economy for the next 20–30 years. Existing works give mainly the estimates of some general parameters for some point in the future, like in Table 4.1. Better estimates are available for short periods or for demographic trends, which are much more reliable. Our research shows an interesting picture for the period of 1992–2016: seven groups of countries (clusters by GDP per capita, selected for 1992) slowly deviated till 2016 from each other in terms of average “distance” (GDP per capita) between clusters.³ Significant global economic growth in this period (globally 70% per capita or 41% without China) has not brought the reduction of an intercountry inequality. We have reasonable ground to expect future inequality rigidity or even widening, especially after excluding two unique cases of India and China. Simply put, developing countries are growing somewhat faster in percentage terms than the most developed but the linear distances between averages between clusters are still growing.

Key global actors—countries and regions—will struggle to pursue their own agendas and advance their interests in terms of catching up and moving to the next stage of development (say—the post-industrial society), retaining the affluence of the middles classes, supporting poor strata by welfare state, and hoping for the poverty eradication in the world. The current trade imbalances between the USA and China will continue to produce political tensions. In the long run, more focus will be needed on stability issue for the middle class across countries, good jobs, and political stability in unequal societies. For Russia, this is also the case.

Reaching the objectives of the Sustainable Development Program of the UN will be very difficult without reestablishing some workable global governance on the basis of a new system capable of making compromises. The

³L. Grigoryev & V. Pavljushina, “Inter-country Inequality in Dynamics and the Problem of Post-industrial Development”, *Voprosy Ekonomiki*, 7, 2018.

latter will be a precondition for successful global cooperation for climate change prevention and limiting potential conflicts associated with water shortages, mass migration events, and so on. If the future will bring less predictability of cooperation and less stability of economic governance—in this case the more efforts, finance, and ingenuity by key countries will be diverting from global social issues into long-term protection of vital interests of big actors, including Russia.

Current conflicts have spawned numerous sanctions that are reducing the trust in the normal conduct of businesses, finance, trade in goods, and services. Russia and other great powers will seek to protect critical supplies, especially energy and some minerals. This process is already unraveling global supply chains. Technological sovereignty with a sovereign internet, space, nuclear, and artificial intelligence projects may receive high importance at least for securing non-interrupting service of all facilities: banking, energy, management, and personal lives.

Russian society will be engaged in multiple interactions with world civil and political actors, some neutral or friendly—and some will be overtly hostile. We may expect the continuous brain drain of Russian specialists in physics, biology, and information—the global profitable asset of the Soviet—the “technological” society. Vast losses of human capital have been stimulated by a few factors, which will not disappear in the near future. First, the world economy, relying heavily on business development and education, will need skills from the best Russian universities. Russian innovative talents are attracted by opportunities abroad with grants and stipends, a more comfortable life, and much higher salaries. A simple relocation to another country like the USA or Germany makes for some scientists the huge step up in their rate of return on investments in human capital, made by its owner, his family, and partially the state. This is a challenge for our future—and our country’s place in the global intellectual pyramid has to be defended.

In this respect, some role may be attributed to BRICS countries and the developing world, which is beginning to enter the new industrial (or post-industrial) revolution. Catching up to the developed world is not only about personal consumption, running water, or health care. It is increasingly about intellectual skills, with South Korea’s advancements as a key example to be emulated. Russia’s input in the current global transformation may not be concentrated in providing commodities, energy, or big invested money—rather in the organization of big projects, ideas for a better life, and an innovative approach to the use of new technologies.

Meeting the targets of Sustainable Development Goals of the UN of 2015 will be a problem for many countries. Some international coordination will be necessary and Russia's role will be one of the most important.

Russian dependence on the export of fossil fuels, other commodities, grain, and import of technologies will stay for quite a while as the external factors. BRICS may bring some supplies and some markets. Climate change to some extent (up to +1.5 degree) looks inevitable due to conflict of interests between major players, a weak global civil society, and disruption in Global Governance. The intensity of natural disasters and their density are visibly growing with the still high CO₂ emission. We would expect the major dissatisfaction in the world on the results of the Paris Agreement implementation by the audit report in 2024. At that point, the world community may try to return to cooperation on the vital structural problems. There is no doubt that world problems cannot be solved or regulated and softened without reestablishing some sort of global governance and a serious political, intellectual, and technical role of Russia. And Russia should be prepared to meet this demand.

Regarding defense expenditures, there will likely be an increasing push for an arms race as this has been the trend over the past years. In 1988 military expenditures of the USSR were 42.6% of those of the USA, but by 1998 this had been reduced to 3.5%. Russian military capabilities have been partially reestablished to a rate of 9.5% in 2018.⁴ And the problem of establishing a new equilibrium, based on different technological approaches, will replace the balance between tanks and missiles of the past. It will require supporting the advanced fundamental and applied technological edge as, for example, for cybersecurity and space-based and anti-satellite weapons. International affairs appear to become more volatile and the military component of security will not be relaxed in the foreseeable future, although global stability will also become dependent on positive-sum security issues and Russian participation will be important for big projects in areas such as slowing down climate change.

RUSSIA AFTER “NEGATIVE RESTRUCTURING”

The difficult transformation of the Russian economy in the 1990s led to substantial negative changes in the structure of production, employment, and the level of sophistication of output and jobs as a by-product. The

⁴SIPRI, 2019.

logic of transforming of the Soviet state was natural: to change ideology, introducing the market efficiency, and exiting from the hostile relations with the developed democratic world. But retaining the middle level of development would have been a good starting point to advance the progress of the peoples of the USSR. We cannot describe in this chapter those political and other processes, which led to different results—contrary to intentions. Answer to the question—“What went wrong?”—would require another volume. Here we may recognize the “negative restructuring” effect of the 1990s on the economy: less industrial production, less financing health care and education, arts, and sciences. The crisis of –44% of GDP magnitude was a huge step back in the development of the Russian economy. The general situation may be defined as a survival of few relatively sophisticated industries: space-craft, nuclear, information, math and physics, and defense equipment in different branches. Here we should add mining of commodities for export and agriculture. Unfortunately, an easy import of technologies for oil and gas undermined (at least before sanctions of 2014) the financing of the domestic research. The restoration of grain production and exports came after 20 years of transition, while the selection and high-quality grain output have not yet restored. Not surprisingly—among the research and employment that survived are mostly those branches that had not gone through deep and fast privatization. Few leading universities, especially in natural sciences, keep producing new talents, although the talent pool to some extent filled jobs abroad rather than in Russia. The Russian state finances research and development in the range of 1% GDP like many other countries. But the privatized companies have so far not reached research and development on any significant scale.⁵

The Russian economy has now been struggling in the competitive, and partially “unfriendly”, global environment for three decades since the transition began. Soviet elites had failed to devise a comprehensive plan for reforms in the late 1980s. Academician Abel Aganbegyan in his article (*ECO*, November 1987) had registered the major slowdown of economic growth in the Soviet Union in the 1980s, partially connected to extensive factors of growth squeeze (including the drop in oil prices in 1986).⁶

⁵Natalia Ivanova, “Technological Breakthrough in the Modern Economy”, *Economy, Taxes, Law*, 3, 2019, pp. 6–16.

⁶Abel Aganbegyan, “...”, *ECO*, 11, 1987. Also: A. G. Aganbegyan, E. A. Hewett, A. Bergson, G. Grossman, H. S. Levine, & J. Vanous, “Basic Directions of Perestroika”, 1987.

These problems created the incentive to initiate reforms, which had been delayed for years despite vigorous domestic debates on stagnation while looking toward the sound growth in the developed market economies. What was also documented in the same issue of the magazine *ECO*: "In the leading capitalist countries the level of R&D expenditures has reached 2–2.5 percent of GDP. Radical changes in industry and information accelerated. The countries that fell behind found themselves in some kind of a modern "middle ages"... Leading capitalist countries are developing on the ground of the new type of scientific-technical revolution in the 1980s".⁷ Actually, this was an "early warning" for elites to start reforms as developments further intensified in the 1990s. In combination with the opening of more sober assessments of the problems in the Soviet Union, this call could become a timely reason for major reforms. But it happens to be not a magic kick—domestic debates were going on for years and did not turn into actions until the serious socioeconomic crisis in the USSR.

The difficulty of radical institutional transformation was inevitably connected with a recession, but the extent of the recession was greatly underestimated in the very beginning. The reformists' leadership universally ignored heeding the early warnings from the population, which an author had described as follows: "No leader has yet had the courage to tell the peoples of the Soviet Union of the obvious: that the transition to a market economy will entail much hardship. Western living standards will not be achieved overnight. The creation of a middle class that can stabilize social and political life will take time. After a lifetime's worth of a centrally controlled economy, there are no alternatives to hard work, modesty, and patience."⁸

The period of the multifaceted transformation in the 1990s was accompanied by the prolonged economic decline by 1998. Russia has restored the level of real GDP of 1990 only by 2008, which required huge reductions in military expenditures and overall government spending in areas such as social assistance, although increasing the share of personal consumption within the GDP. Some deindustrialization in ineffective branches was inevitable, but it went too deep and too wide. Most problematic for the long-run global competition was the decline in

⁷Leonid Grigoriev, "Economy of Developed Capitalist Countries", *ECO*, 11, 1987, p. 154.

⁸Leonid Grigoriev, "Soviets Need a Unified Free Economy", *New York Times*, September 12, 1991.

spending on human capital. The country and its future have lost hundreds of thousands of intellectuals and scientists.

One may say that Russia has anew begun its historical upswing after the deep crisis, as it had happened a few times before.⁹ The economic history of Russia is a cyclical story of lost opportunities. The Russian Empire lost the opportunity for modernization before World War I and the Revolution of 1917. It missed certain chances in 1956–1990 due to inadequate reforms. The absence of a soft landing and the extreme losses inflicted in the turbulent transition of the 1990s made Russia’s survival itself a miracle.

The recovery between 2004 and 2019 was to a large extent fueled by oil and gas export revenues. Russian economists have been worrying about the energy dependency for a long time as Russia needs new sets of reforms to thrive. By 2012–2014 the Russian economy had reached a low rate of poverty, consumption had risen drastically, and some productive assets and human capital elements from the Soviet “engineering” society had been reactivated. The ideology of socialism was gone and was not replaced by any solid political or moral platform.

Restoration of military capability to new technical level was based on “old ingenuity” connected to a new technological level. Since abandoning the pretense of advancing the mission of a worldwide ideological revolution had been abandoned, the level of military expenditures was adjusted to a more modest and non-offensive level. Reliable sources (SIPRI 2019) rate the decline of military expenditures of the USSR in 1988 as \$250 billion, which plummeted to \$14 billion in 1998 (in 2015 prices), and then grew to \$61.4 billion in 2018. The Russian military’s share of GDP has increased from 3% at the crisis peak of 1998 to 5.3% in 2018.¹⁰ Russian defense expenditures reflect a new and increasingly more hostile environment, and the necessity to protect not only territory but also long-term interests of development. For this chapter, it would be sufficient to point out that the whole world is building up armaments and rising military expenditures for some years (Table 4.2). All countries—actually all political elites—keep explaining to their respective taxpayers the importance of strengthening their defenses. Against this backdrop, the Russian defense expenditures in the twenty-first century appear rather modest.

⁹ Leonid Grigoryev, “Russia in the System of Global Economic Relations”, *Strategic Analysis*, Delhi, October 2016.

¹⁰ SIPRI, 2019, see Supplement Table 4.3.

Table 4.2 Military expenditures, key countries, in constant (2015) US\$

	<i>Constant (2015) billion US\$</i>				<i>% GDP</i>			
	<i>1988</i>	<i>1998</i>	<i>2008</i>	<i>2018</i>	<i>1988</i>	<i>1998</i>	<i>2008</i>	<i>2018</i>
USA	587.4	398.8	683.8	649.0	5.7	3.0	4.2	3.3
China	20.2	32.7	113.5	250.0	2.5	1.7	1.9	1.9
	(1989)				(1989)			
Russia	250.0 (USSR)	14.0	41.4	61.4	—	3.0	3.3	5.3
Saudi Arabia	23.3	31.4	50.0	67.6	15.2	14.3	7.4	10.4
France	57.7	51.1	53.6	63.8	3.6	2.7	2.3	2.3
India	17.9	22.8	41.0	66.5	3.7	2.8	2.6	2.5
UK	59.4	47.8	64.4	50.0	3.8	2.4	2.4	1.9
Japan	34.5	40.9	40.2	46.6	0.9	1.0	1.0	1.0
Germany	58.2	42.1	39.5	49.5	2.8	1.5	1.3	1.2
	(West G)				(West G)			
Republic of Korea	14.1	20.1	29.5	43.1	4.3	2.9	2.6	2.7
Italy	31.7	32.4	34.3	27.8	2.3	1.9	1.7	1.5
Australia	12.1	13.6	19.6	27.6	2.2	1.9	1.8	2.0
Brazil	14.5	14.8	20.6	27.8	2.1	1.7	1.5	1.3
Canada	16.9	12.5	17.9	21.6	2.0	1.3	1.3	1.0
Turkey	7.9	16.3	13.8	19.0	2.9	3.3	2.3	2.0

Source: SIPRI, 2019

The current state of the economy is discussed intensely in Russia. External sanctions—by the IMF estimations—supposedly gave the negative impact by a magnitude of minus half a percentage point of GDP growth annually. Russian domestic view on sanctions is more diverse. “Contra sanctions” in agriculture definitely gave stimulus to businesses for producing dairy products for affluent strata. The reduction of subsidized import of meat and butter and chickens (under strange nickname “Bush-legs”) from the USA and the European Union had a quite visible effect for import substitution in the Russian domestic market. In general, Western restrictions on technological transfer have pushed the state to initiate long-delayed financing of domestic research institutions not only for defense but also in mining and manufacturing.

The external oil price shock of 2014 had a serious impact on the economic performance in 2015–2016. Russian economic institutions—as most economists believe—are far from being sufficiently strong for long-term growth. So far the transformation has failed to establish an adequate system of corporate governance, mass shareholding, effective banking sys-

tem, and corporate stock and bond markets, protection of property rights, and so on. For the market economy, these institutions are preconditions for the key import task of effective capital formation. Our point is the following: 30 years of transition were not overwhelmingly successful on the institutional side. Future reforms are supposed to solve that key problem aside from other structural reforms. This is an issue of national security in the long run and in a very broad sense.

The final analysis of transition gives a mixed picture of successes and failures. The economy is growing relatively slow and following price swings of commodities such as oil prices. Labor-intensive industries for consumer goods have not actually recovered. But Russia is continuously producing sophisticated equipment for space exploration and nuclear and defense programs. Export complexity is low—mainly fossil fuels. But the country has happened to be capable to produce software for defense and financial needs, trying to have some independence from the Western technologies. Russia almost has a balanced budget, has achieved a very low state debt, and by many parameters of its finance is fit for Maastricht's norms (Table 4.3). Inflation is slowly coming down, but nominal interest rates are still high and the real rates are probably the highest among developed countries. Revenue from oil exports has been used to fund everything from pensions and defense and has fed the consumer durables boom in 2010–2014.¹¹

Households in Russia may be characterized by high-income inequality.¹² But at the same time access to the internet, computerization of the country has reached in many aspects the parameters of some developed countries—like Spain, the Czech Republic, and Poland. Housing has been improving for the last decade—one-third of Russian housing was built in the twenty-first century. When Nikita Khrushchev started in the late 1950s the distribution of land for supporting agriculture, this program transformed into a system of personal country houses, which by estimations—24 million units (not counting village houses) for roughly 40 million city households. That invention has by now created the unique system, in which the urban middle-class families often have both city flat and “dacha” (small houses and land to grow berries, fruits, and flowers).

¹¹ L. Grigoryev & A. Golyashev, “Consumption of Households in the Situation of Economic Recession”, in *Report on the Human Capital*, AC, 2015.

¹² L. Grigoryev & V. Pavlyushina, “Social Inequality as a Problem of Economic Strategy of Russia”, *Mir novoi ekonomiki*, 3, 2017.

Table 4.3 The main macroeconomic indicators of Russia, 2008–2018

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
GDP (trillion US\$)	82	75	79	83	86	87	88	86	86	87	89
GDP (annual growth %)	5	–8	5	5	4	2	1	–3	0	2	2
GDP per capita (thousand \$ PPP)	24	22	23	24	25	25	26	25	25	25	26
GDP world share (PPP)	4	4	4	4	4	4	4	3	3	3	3
Total investment (% of GDP)	23	15	20	24	24	23	22	22	23	24	23
Gross national savings (% of GDP)	29	19	24	29	28	24	25	27	25	26	30
Imports of goods and services (billion US\$)	366	247	321	410	445	470	429	282	266	327	343
Exports of goods and services (billion US\$)	585	376	480	616	638	634	610	430	373	458	561
Unemployment rate (% of labor force)	6	8	7	7	5	6	5	6	6	5	5
Population (million)	143	143	143	143	143	144	144	146	146	146	146
General government gross debt (% of GDP)	7	10	11	11	12	13	16	16	16	16	14
Exchange rate (ruble to \$)	25	32	30	29	31	32	38	61	67	58	63

Sources: IMF–WEO Database, World Bank, Rosstat

Economic fluctuations in recent years demonstrated that the institutional conditions in Russia are not adequate for fast growth in the long term. Oil price swings are affecting the growth, creating uncertainty for business investments, and breaking an effective utilization of the huge human capital. Problems exist in legal and business institutions, what is under the permanent discussions by economists, media and in the government but still without the positive breakthrough. Many segments of infrastructure are old and need repair and renovation, and the necessity of modernization of manufacturing, especially machine-building is obvious. Russia has restored its export of grain but has not revived some important elements of the agro-sector such as seed production. On a whole country

came out of the poverty trap, avoided mass infrastructure failure and many over risks. The cost of transition has been extremely high for the country, but the typical “Russian Miracle” of survival as a Great Power has taken place. What is next?

*“Upper-Middle-Class Mentality” and Restructuring
of the Economy*

Projection Russian development into the future is a relatively easy task with the medium-term horizon until 2025. We know that the value of Russian export will be depended on the oil prices and, respectively, on OPEC+ agreements. We do not expect the major global economic crisis. We expect sanctions against Russia to remain in place for the foreseeable future, although Russia will work toward reducing their significance. Russian Defense programs will secure a good source for negotiations on related matters. The presidential elections of 2024 will be an interesting event, but the current government is trying to change the main path of socioeconomic development before it.

Domestic debates on the course of events and reforms are ongoing, and it is extremely difficult to make a comprehensive record of them.¹³ In essence, the character of debates is about how to secure the future prosperity of the citizens of the country while retaining the Russian identity and the Great Power status. The social part of the story is about growth, modernization of productive assets, and sustainable development. The difficulty of the economic policy per se lays in the incomplete institutional changes on the path toward becoming a post-industrial society with a modern competition of effective owners.¹⁴ To some extent, the encroachment of the state into business affairs, if not direct ownership, may be attributed to market failures in the past. At first, that was the transformational crisis of –44% GDP nine years long in contrast to –25% GDP five years long in the countries of Central and East Europe. The next issue was the oligarchic capitalist system, brain drain, outflow of capital, and a huge

¹³Leonid Grigoryev, “Scenarios of Development and Economic Institutions”, *Ekonomik Policy*, 3, 2013, pp. 33–60.

¹⁴Leonid Grigoryev, “Transformation: For the People or for the Elite?”, in *The Social History of Post-Communist Russia*, Edited by P. Dutkiewicz, V. Kulikov, & R. Sakwa. Routledge, New York, NY, 2016, pp. 58–80.

rise in social inequality.¹⁵ Rather than attempting to make a complete list of public grievances, we will instead underline the most critical problem such as the quality of education, health care, and the role and financing of arts and sciences. The citizens of Russia may accept the dynamic of growth or level of current consumption if their children would stay in Russia and have sophisticated jobs according to their talents and education. One may call it an “upper-middle-class mentality”.

Political elites and intellectual elites may count on the citizens’ support for all efforts to pursue technological advancements, great power status, and everything with improving quality of life in Russia. The main problem remains—how we are going to achieve it and on what time scale. Here we have a serious difficulty in evaluating objectives and methods of the eventual long-term strategy for the simple reason—there is no comprehensive, full-fledged strategy on the socioeconomic and sociopolitical future of Russia. It has not been produced since the “500-days” program in 1990.¹⁶ Instead, we have a flow of important documents, covering most of the issues and problems of the society and the economy on the basis of “problem-solution” in the short run (three to six years of terms). We may add some articles on the main path for development.¹⁷ We have also issued the pilot project in 2016 on Sustainable Development Goals (UN 2015) and Russia.¹⁸ The only available comprehensive forecast on Russian economic development for 2040 is the “Global and Russian Energy Outlook 2019”¹⁹ (IES AS—Skolkovo, 2019).

All existing reports and materials on the future economic development of Russia have a uniform view on some key issues. Russia and other (BRICS) powers will seek technological sovereignty (sovereign internet, etc.). Russia will need higher growth rates in the foreseeable future (like 2040) for modernization and personal consumption growth. BRICS countries will seek more independence from the import of manufactured goods as robotics and so on (see Table 4.4). Russia will seek to develop independent digital plat-

¹⁵Leonid Grigoryev & Alexandr Kurdin, “The Legitimacy of Private Property in Russia: An Unresolved Issue”, *Social Sciences*, 3, 2016, pp. 3–29.

¹⁶Leonid Grigoriev, “500 Days for a Sociological Revolution?”, *EKO*, 5, October, 2010, pp. 6–19.

¹⁷Alexei Kudrin & Evsei Gurvich, “New Model of Growth for the Russian Economy”, *Voprosy Ekonomiki*, 12, 2014, pp. 4–36.

¹⁸S. Bobylev & L. Grigoryev (Eds.), *Objectives of Sustainable Development of the UN and Russia*. M., A.C., 2016.

¹⁹A. Makarov, T. Mitrova, & V. Kulagin (Eds.), *Global and Russian Energy Outlook 2019*. IES AS—Skolkovo, M., 2019.

Table 4.4 Distribution of wealth in BRICS and G7 countries, 2014

	<i>Brazil</i>	<i>Russia</i>	<i>India</i>	<i>China</i>	<i>South Africa</i>	<i>UK</i>	<i>USA</i>	<i>Japan</i>	<i>Italy</i>	<i>Germany</i>	<i>France</i>
Human capital (trillion US\$)	25	13	11	86	2	30	244	46	15	38	28
Human capital per capita (thousand US\$)	124	91	9	63	45	457	766	365	241	468	416
Natural capital (trillion US\$)	8	7	6	21	1	0	8	0	1	1	1
Natural capital per capita (thousand US\$)	37	47	5	15	14	8	24	4	9	8	11
Produced capital (trillion US\$)	7	7	7	39	1	12	69	23	11	19	15
Produced capital per capita (thousand US\$)	32	49	5	29	19	193	216	179	188	237	224
Net foreign assets (trillion US\$)	-1	0	-1	2	0	-1	-7	3	-1	1	-1
Net foreign assets per capita (thousand US\$)	-4	2	0	1	-1	-11	-23	24	-11	17	-9
Total wealth (trillion US\$)	39	27	24	148	4	42	314	73	26	59	43
Total wealth per capita (thousand US\$)	189	189	18	108	77	648	983	572	427	729	642

Source: World Bank
Italic values represent the distribution of wealth in Russia

forms for finance, domestic security, transportation, e-commerce, and so on. In short, the lack of concentration of economic power (under Britain in the nineteenth century and then the USA) will keep changing the international division of labor as large powers will compete for the high-value activities in the economy, while the increasing role of high tech in the economy and society will incentivize neo-mercantilist development strategies.

Economic reforms since 2000, especially between 2008 and 2012 during Medvedev's presidential term, were generally oriented toward more liberal market reforms.²⁰ Since that moment the fluctuations of oil prices have brought to Russia at least two major external shocks: 2008–2009 and 2014–2015. Both events plus sanctions since 2014 have contributed to more state involvement in business affairs, which was permanently criticized by business circles and by liberal economists. The lack of market success derives from the low-investment activity in the twenty-first century, especially in the early 2000s and after the Global Financial Crisis of 2009. Low investments can be attributed more toward the institutional development of reforms, mostly in the fields: excessive concentration of ownership for biggest corporations, corporate governance deficiency, and an insufficient level of competition in the many industries.

The dilemma of Russian economic development will remain difficult due to the necessity to solve a number of key tasks simultaneously. The modernization of the economy depends on the adaptation to the technological progress, not only in the defense but also in the high-tech developments in the commercial sector. Economic progress should be financed by income from energy export and concurrently reduce the dependence on energy. Furthermore, a number of social problems are weighing on the population which only recently came out from a crisis and deindustrialization of catastrophic proportions.

The reaction of the political elite was not to incentivize positive changes in the institutes of law and businesses but to speed up the process of solving critical problems of the country by state interference. Sanctions led to the more mobilization of the decision-making style. The necessity to speed up the solutions in the critical areas has led to introducing the very specific instrument of industrial policy—Presidential Ukazy (decrees) as a set of 12 targets with the support of state financing. Ukazy is structured in a way to boost, create, change, or upgrade certain important economic parameters by 2024—within the current presidential term (see Table 4.5). The liberal

²⁰ Leonid Grigoriev, “Conflicts of Interests and Coalitions”, in *Pro et Contra*, September 2007.

Table 4.5 National goals and strategic objectives of the Russian Federation through to 2024

<i>National project</i>	<i>Financing (billion rubles)</i>	<i>Main targets</i>
Healthcare	1725.8	<ul style="list-style-type: none"> • Decrease mortality rate • Ensure better prophylactic measures coverage and access to medical services
Education	784.5	<ul style="list-style-type: none"> • Ensure global competitiveness of Russian educational system • Take Russia into the top ten countries by the quality of education
Demography	3105.2	<ul style="list-style-type: none"> • Increase life expectancy to 78 years (80 years by 2030) • Ensure sustainable natural population growth
Culture	113.5	<ul style="list-style-type: none"> • Increase the number of cultural events by 15% • Reach a five-time increase in the use of digital technology in culture
Safe and High-Quality Motorways	4779.7	<ul style="list-style-type: none"> • Increase in the number of regional roads and motorways corresponding to the quality standards • Decrease the number of deaths occurring in car accidents
Residential Housing and Urban Environment	1066.2	<ul style="list-style-type: none"> • Improve housing conditions for at least five million households annually
Ecology	4041.0	<ul style="list-style-type: none"> • Increase the quality of water • Liquidate all the illegal dumps in the cities • Preservation of biodiversity
Science	636.0	<ul style="list-style-type: none"> • Take Russia into the top five countries by research and development activity in technological space
Small- and Medium-Sized Business and Support of Sole Proprietorship	481.5	<ul style="list-style-type: none"> • Increase employment in small and medium enterprises (SME), including individual entrepreneurs • Increase the share of SME in GDP
Digital Economy	1634.9	<ul style="list-style-type: none"> • Accelerate technological development and increase the number of organizations engaged in technological innovation to 50% of the total • Speed up the introduction of digital technologies in the economy and the social sphere
Labor Productivity and Support of Employment	52.1	<ul style="list-style-type: none"> • Increase labor productivity of the non-commodity sectors
International Cooperation and Exports	956.8	<ul style="list-style-type: none"> • Support high-productivity export-oriented businesses in manufacturing and the agro-industrial complex, based on modern technology and staffed with highly qualified employees • Take Russia into the top five largest economies, ensure economic growth rates exceeding international rates, maintain macroeconomic stability, including inflation under 4%

Sources: Government of the Russian Federation

criticisms mostly complain about the incomplete institutions of the market economy, encroaching of the state into private industry, unreliable property rights protection, and a weak legal system. We must improve institutions and solve the current economic and social problems Presidential Ukazy may consider as the palliative and attempt to receive substantial results in the short run on the “project basis”, not waiting for the systematic solution.

For the next 10–20 years, economic prosperity in Russia will be dependent on the success of this package of projects. In particular one of the key points is the requirement to raise the capital formation rate in GDP to the level of 25%. That target reflects the slow investment process in Russia, and a key reason is an institutional deficiency. Nevertheless, the importance of successful implementation of the 12 national projects is hard to overestimate. Projects are supposed to solve the number of problems in the medium term and to become a background for development after 2024 in the long run.

A set of 12 Presidential Ukazy of 2018 have been selected by topics in some rather obvious manner of prioritization, addressing salaries, inequality, housing, digitalization, and so on. The state budget has committed large sums to finance these projects for the period until 2024 (Table 4.5). The implementation process for the 12 big projects will be of critical importance for the government, ministers, and regional governors. We do not have space in this chapter to make an evaluation on the project-by-project basis. But we can point to the immediate outcome for the country in the case of successful implementation (for the fall of 2019 it is too early to judge). The cluster of social projects is expected to bring better housing, health care, education, and living conditions for the current population—and not merely for future generations. Targets for science, demography, and ecology are much more difficult to reach. Digital program is expected to keep along with the global trends. Adding here the ratification of Paris Agreement of 2015 on Climate Change Prevention, we may say that Russia is keeping up with global trends.

It will be difficult to improve the business climate for small- and medium-sized business, which necessitates improved property rights protection. Increasing the capital formation rate is not an easy task also, since it requires private financing not only state investments. And of course in both latter spheres it is most important to reduce risks for businesses (on legal, property rights grounds, etc.)—the key problem, which so far has not been resolved. These factors will play a critical role in reaching the

target of 4% average GDP growth in the long run after overcoming the aforementioned obstacles.

Among other objectives of the Presidential decrees is the government focus on the key current needs of citizens. On the other hand, these projects support the traditional strength of the Russian economy and society—good education with a key focus on science, particularly mathematics and the natural sciences. That is expected to make an important input into Russian participation in the technological revolution, assuring the adequate defense capabilities and coming out of strong dependence on commodity (energy) export in the long run. Russia is ready to maintain its economy dependent on the international division of labor, but to reduce risks and costs of sanctions for development. The horizon to 2024 looks like a short one, but it must be successful for the formulation and implementation of the strategy for Russia for the longer periods.



Securitizing Her Foreign Economic Policy: Evolution of the Russian Security Thinking in the 2010s

Maxim Bratersky

Starting from the 2010s, one of the mainstream economic commentator's topics on Russia has been the growing participation in the national economy by the Russian Government, its increasingly non-liberal and thus ineffective economic policies and poor perspectives of Russia's full integration into the world economy. After 2014 when sanctions by the United States and European Union were imposed on Russia, the theme has been broadened by the discussion of the amount of damage from these sanctions to the Russian economy. At the culmination of it, Obama stated that Western sanctions had left Russia's economy "In Tatters", not only pointing at the impact and power of Western sanctions themselves but also implying the ineffectiveness and hopelessness of the Russian economic policy.

What this discussion was missing is the understanding that the central problem Russia addresses by its foreign policy, and starting from 2008, by its economic policy as well as the national security problem. Russian policy

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focuses on decreasing its sensitivity and vulnerability to the political and economic factors from abroad, be they artificial or natural, and the effectiveness of Russian economic policy should be assessed not from purely commercial but from a national security perspective as well.

This chapter will discuss how Russian original national security goal of integrating into the West and achieving security through integration into the world economy gave way to the idea of maintaining self-sufficiency in key technological spheres, food, and pharmaceutical production as well as diversifying its access to the Global currency system. Having to choose between economic effectiveness and national security, Russia made a compromise decision, and this compromise stays reasonably far from a standard view on a free trading open economy. As it was pointed out before, there is an intricate linkage between open trade and national security,¹ especially in the defense industry. However, it has been widely recognized that the national trade strategy as a whole affects the national security of a nation.² As a rule, more open trade enhances national dependence on the trade partners and thus increases vulnerability and reduces national political autonomy (security). Vice versa, more restricted trade policy increases national political autonomy and security. Russia is no exclusion from this rule and her foreign trade policies in the 2010s should be viewed from this perspective.

INITIAL PERIOD: THE GOAL OF INTEGRATION IN THE WESTERN ECONOMY AND POLITICAL SYSTEM

As Russia emerged as a sovereign country after the collapse of the Soviet Union in 1992, she found herself in a very difficult economic, political, and social situation. Her industry turned out to be non-competitive in the world of open borders, and in 1991–1996 Russia lost more than 40% of its GDP.³ Political instability and the demise of the government apparatus did

¹ Maye, Diane L. (2017) “Autarky or Interdependence: U.S. vs. European Security and Defense Industries in a Globalized Market.” *Journal of Strategic Security*, vol. 10, no. 2, pp. 33–47. <https://doi.org/10.5038/1944-0472.10.2.1597>. <http://scholarcommons.usf.edu/jss/vol10/iss2/3>

² Ripsman, N.M. (2006) *False Dichotomies: Why Economics is High Politics*. Concordia University. <https://www.files.ethz.ch/isn/22143/Ripsman.pdf>

³ Åslund A. Why Has Russia’s Economic Transformation Been So Arduous? Paper prepared for the Annual World Bank Conference on Development Economics, Washington, D.C., April 28–30, 1999. <http://siteresources.worldbank.org/INTABCDEWASHINGTON1999/Resources/aslund.pdf>

not allow for any coherent and reasonable economic measures to ameliorate the situation. Foreign aid was not coming either: unlike East European countries which receive sizeable aid packages from EU and international institutions (83.5 billion. Euros for Poland alone in 2007–2013) international aid to Russia was almost negligible.⁴ In 1992–1998, IMF provided for eight credits to Russia worth \$22 billion dollars, which was too little given the size of the Russian economy and the depth of the economic crisis. A significant part of the foreign Polish debt of \$48.5 billion was signed off too while Russia retained her huge debt reaching the peak of \$188 billion by 1998 including \$53 billion of Russian debt and \$98 billion of debt inherited from the Soviet Union.⁵

Ideologically Russia was led by the liberal thought at that time, the Russian government and partly the Administration of the President shared a liberal approach to economics and globalist positions on international affairs. Russia saw itself as a part of the “civilized world” politically and desperately needed foreign investment to create jobs and revive its failing economy.⁶ In these circumstances in its official documents, Russia stated that “In perspective, there is going to be a broader integration of the Russian Federation into the world economy as well as the development of cooperation with international economic and financial institutions ...”. The national interests of Russia can only be pursued based on the steady development of the economy. Thus, Russia’s national interests in this field are a key point.⁷ Russia’s vision of her security was one of achieving it through integration with the West and becoming part of the club of decision-makers, those who define the rules of world politics and economy.

With different nuances, this general line of Russia foreign economic policy continued through the end of the 2000s. Influential Russian economists insisted that “We must recognize that the only possibility to

⁴ EC (European Commission) (2013) https://ec.europa.eu/regional_policy/en/news-room/news/2019/03/03-06-2019-poland-made-the-most-of-cohesion-policy-funds-in-2007-13, Accessed 6 June 2019.

⁵ Jeffries, I. (1993) *Socialist Economies and the Transition to the Market: A Guide*, p. 517. Joint Statement of the BRIC Countries’ Leaders. Yekaterinburg, Russia, June 16, 2009. <http://www.brics.utoronto.ca/docs/090616-leaders.html>

⁶ Kozyrev, A. (1992, Spring) “Russia: A Chance for Survival.” *Foreign Affairs*, vol. 71, no. 2, pp. 1–16.

⁷ National Security Concept of the Russian Federation. Approved by Decree of the President of the Russian Federation No. 1300 of December 17, 1997. Wording of the Decree of the President of the Russian Federation No. 24 of January 10, 2000. <https://fas.org/nuke/guide/russia/doctrine/blueprint.html>, Accessed 6 June 2019.

initiate and economic growth in our country is the active involvement of Russia in international economic relations, import of capital and technologies from developed countries and participation of Russian companies in international production chains”.⁸

At the same time, there were more and more indications that the idea of integrating into the world economy was proving itself to be unrealistic. Geographically Russia turned out to be separated from her main trading partner—Western Europe. Together with the collapse of the Soviet Union, she lost major ports on the Baltic and Black Seas, and on land Russia now bordered only on Finland, Norway, Poland, Mongolia, China, and North Korea, speaking about the “far abroad” countries. Her major transit routes are now passing through “near abroad” countries, with whom the political relationship is not always satisfactory. Moreover, from the Soviet industrial heritage, Russia gained mostly the enterprises of the military–industrial complex which is not fit to work in the market environment.

Political relations with the Western countries gradually came under strain too. NATO invasion in Yugoslavia and later American offensive in Iraq showed Moscow that her hopes to be included in the club of decision-makers were futile, and in the world economy and politics Russia would be given a very limited role: to serve as an energy and raw material annex for the developed countries and a market for their products. Developed countries were not prepared to accept Russia as a par politically either—she was a nation which had lost the Cold war and had no voice in significant international affairs whatsoever. Russia went on with some ambitious technological projects—such as the development of a national airplane Sukhoy Superjet—but was doing it in cooperation with the Western companies and using foreign-built components in its construction. In this period, the goal of establishing technological independence and assuring her domination in select international value chains was not a priority yet (United Aircraft Corporation).

GLOBAL ECONOMIC AND POLITICAL ENVIRONMENT CHANGING FOR RUSSIA IN THE LATE 2000s

The second half of the 2000s were marked by several external and internal events, which left a deep mark on the Russian security thinking, her foreign behavior, and economic policy. Among the most significant, one must

⁸Yasin, E. (2012) *New Era—Old Concerns: Economic Policy* (novaya-ehpoha-starye-trevogi-ehkonomicheskaya-politika).

mention the Global economic crisis of 2007–2009 and the Georgian–Russian conflict in South Ossetia in August of 2008. This was the context, which shaped the famous speech of Putin in the security conference in Munich, where he stressed that “I consider that the unipolar model is not only unacceptable but also impossible in today’s world. And this is not only because if there was individual leadership in today’s—and precisely in today’s—world, then the military, political and economic resources would not suffice. What is even more important is that the model itself is flawed because at its basis there is and can be no moral foundations for modern civilization”.⁹ And, on the economy, “According to different estimates, up to 26 percent of the oil extraction in Russia—and please think about this figure—up to 26 percent of the oil extraction in Russia is done by foreign capital. Try, try to find me a similar example where Russian business participates extensively in key economic sectors in western countries. Such examples do not exist!”

Deep changes in the world economy and politics in this period demonstrated several tendencies to which Russia reacted. First, unipolar world, even if it ever existed, seized to exist because of the imperial overstretch of the United States, their military failures in Iraq and Afghanistan and their inability to manage the international currency system acceptably. Most importantly, large countries like Russia lost her acceptance of it and chose to act more independently. Second, the financial crisis of 2007–2009 led to the global congestion of the economy and resulted in the sharp decline of Russian exports and revenues showing Russian leadership the need to secure herself from such a fragile and poorly managed system. Third, the meeting of G-20 in London called to ameliorate the crisis demonstrated the fact that owners of the international currency system would not consider the Russian position on the necessary measures.

On the other hand, a short conflict with Georgia showed Russia that the West would not respect Russian security concerns and would continue the NATO enlargement and further penetration into the zone of privileged Russian interests. This conflict also showed that the Russian Armed Forces were in poor condition and would not suffice to defend Russian national interests in the changing world. Finally, the growth of China, India, Iran, and Turkey, growing instability in the Middle East and elsewhere, and financial and institutional crisis in the European Union marked the beginning of the times of change. Obviously, Russian leadership came to

⁹ Putin, V. (2007, February 2) Speech at the Munich Conference on Security. <http://en.kremlin.ru/events/president/transcripts/24034>, Accessed 5 June 2019.

the conclusion that it was important to stay strong in the times of change—sweeping transformations that became obvious at the end of the decade with global trade wars and ideological and political divide between and within Western societies, collapse of the mechanisms of global governance, and expectations of the new global economic crisis.

Crisis Breaks Out: Russian Policies after 2014

In 2014, political and economic relations between Russia and the West reached their lowest point in the aftermath of the Ukrainian crisis of 2014 and Russian military operation in Syria. Euromaidan in Kyiv brought to power nationalistic forces and was regarded by predominantly Russia populated provinces of Ukraine as unconstitutional. As a reaction to the change of power in Kyiv, Crimea held a referendum on reunification with Russia (in the West these events are labeled “annexation of Crimea by Russia”), some territories in Southeastern Ukraine refused to accept the new regime and declared themselves independent, which led to the civil war in the country.

Russia was immediately accused by the Western governments of military intervention against Ukraine and sanctions were announced against her. Initially, they were imposed by the United States but were quickly supported by their allies across the world including EU, Canada, Australia, and Japan.

Sanctions were imposed in four areas:

Financial: European Investment Bank and World Bank froze their projects in Russia; all credits to Russia state banks for longer than 60 days were prohibited, their access to international markets was closed. Sanctions were done against Vneshekonombank, Gazprombank, Sberbank, VTB, Vneshekonombank, Rossel’hozbank, Bank Moskv, and four other smaller banks.

Technological: A number of Russian companies of the military–industrial complex were put on the blacklist, and any business with them was prohibited. These companies include Fryazinskij filial Instituta radiotekhniki i elektroniki Rossijskoj Akademii nauk (FIRE RAN), OAO “Voentelekom”, Akademiya bezopasnosti biznesa, OOO “Nasosy Ampika” i OOO “Nuklin”, predpriyatie “Bazal’t”, koncern «Radioelektronnye tekhnologii» (KRET), kompaniya “Sozvezdie”, NPO mashinostroeniya, KB priborostroeniya, kompaniya “Uralvagonzavod”, Ob”edinennaya

sudostroitel'naya korporaciya (OSK), Ob"edinennaya aviastroitel'naya korporaciya (OAK), "Oboronprom", AO "Sirius", OAO "Stankoinstrument", AO "CHemkompozit", AO "Kalashnikov", AO "Tul'skij oruzhejnyj zavod", "NPK Tekhnologii mashinostroeniya", OAO "Vysokotochnye komplekсы", OAO "Almaz-Antej", and NPO "Bazal't".

The sales of military technologies and technologies of dual use were prohibited to Russia; the sale of oil technologies including shelf, shale, and deep-sea drilling was stopped.

Sanctions against Crimean companies and citizens were announced.

In reciprocity, Russia banned the imports of many food products from the countries which initiated the sanctions.

The "sanctions war" which started in 2014 has led to deep changes in the Russian trade and financial policies, strengthening her in the thought that the advantages of international trade should be carefully weighed against the challenges to her national security brought by this trade, and Russian participation in international markets and currency system should be managed in order to reduce Russia's vulnerability against concerted effort of her opponents to reduce Russian political autonomy by means of trade and technological sanctions, financial blockade, and other forms of economic pressure.

What measures in terms of economic policy were taken by Russia in response to sanctions and to reduce her vulnerability? Although new Russian securitized economic policies included a significant degree of import substitution. In select areas, reciprocal trade sanctions against the West and some other measures, this article will focus on one of the central elements of economic securitization by Russia, which is her currency policy. It must be noted, that the described turn I the Russian currency policy has been evolving for some time, and the sanctions war of 2014 against Russia served only as a trigger convincing the Russia authorities that there were no alternatives to this new policy

Securitized Financial Policies by Russia and Their Underlying Reasons

We can point at three groups of reasons, which may overlap and complement each other, but, in different ways, stimulate the growing discontent by Russia with the US-led currency system by some growing and ambitious powers.

Imperfections of the US-Run System

Some issues reflect the flawed nature of the system itself and the fact that the US dollar as an international currency is produced and managed nationally but consumed internationally. These aspects of the international financial system are discussed by academics, and the imperfections of the system are accepted widely and willingly by the international expert community. Discussions of these issues are generally theoretical and do not lead to particular political actions, but from time to time one can observe outbursts of political conflict around them as well. These include Brazilian protests against the US Federal Reserve's quantitative easing, referring to the appreciation of emerging-market currencies on the back of a weak dollar as "currency wars" or US opposition to Russian plans to nominate prices for her export commodities including oil in national currency.¹⁰ Regarding systemic flaws, one can select four main issues to examine in-depth:

- The inflationary effect of the inflow of US dollars on the monetary systems of exporting countries (Lee, 1997).
- The "Dutch Disease" phenomenon stimulated by the US dollar-based system for net exporter countries.¹¹
- The necessity of holding vast currency reserves.¹²
- Monetary policies of the US Federal Reserve which contradict the monetary policy of countries using the US dollar (America first, 2018).

The Excessive US Gains in the Current System

The second category of grievances concerning the US financial hegemony has mercantilist roots, questions the privileges the United States secures for itself economically and politically, and finds them unfair and excessive. This group of issues stems from adherence to a specific ideology and

¹⁰Subacchi, P., and Pickford, S. (2015, November) International Economic Governance: Last Chance for the G20? Chatham House Report. <https://www.chathamhouse.org/sites/default/files/publications/research/20151113InternationalEconomicGovernanceG20SubacchiPickford.pdf>, Accessed 8 August 2018; Gismatullin, E. (2016, April 28) "Putin's Decade-Old Dream Realized as Russia to Price Its Own Oil." *Bloomberg*. <https://www.bloomberg.com/news/articles/2016-04-28/putin-s-decade-old-dream-realized-as-russia-to-price-its-own-oil>, Accessed 8 August 2018.

¹¹Ebrahim-zadeh, Cristine (2003, March) "Dutch Disease: Too Much Wealth Managed Unwisely." *Finance and Development*, vol. 40, no. 1.

¹²Rodrik, Dani (2006) "The Social Cost of Foreign Exchange Reserves." *International Economic Journal*, vol. 20, no. 3, pp. 253–266. <https://doi.org/10.1080/10168730600879331>

cannot be regarded as universal. Nevertheless, Russia shares this position and believes that the gains in the international monetary system should be distributed less unilaterally and more equitably. Their opponents representing the liberal (liberal internationalist) schools of thought typically profess the concept of absolute gains, describe the function of US financial hegemony as the “provision of global public goods”, and find the rewards the US obtains fair and proportional.¹³

Among the privileges often criticized by other rising powers are:

- Seigniorage. According to some estimates, more than \$500 billion US dollars circulate abroad.¹⁴ While their production costs little to the Federal Reserve, consumer countries must pay full face value in real resources to the US.¹⁴
- The absence of currency risks to US business in international operations while others are exposed to these risks and must spend resources on hedging them.¹⁴
- US pays less return to foreigners investing in US assets than the total return the US gets on its foreign assets.¹⁵
- US ability to finance fiscal deficit and current account deficit by issuing debt.¹⁶

Security Concerns

The third source of criticism of US financial hegemony by Russia stretches across the field and overrides the differences between economic nationalists and liberals and concentrates on security issues. Security in this discussion is understood broadly, as both hard and soft security, including financial security, economic security, the security of domestic employment and international trade, and so on. Lately, the US has increasingly used its predominance in the financial sphere as a political tool of foreign policy

¹³ Brock, Gillian (2009) *Global Justice: A Cosmopolitan Account*. New York, NY: Oxford University Press. ISBN: 978-0199230938.

¹⁴ Eichengreen, B. (2010) *Exorbitant Privilege. The Rise and Fall of the Dollar and the Future of the International Monetary System*. Oxford: Oxford University Press, 224 pages. ISBN: 780-199753789.

¹⁵ Gourinchas, Pierre-Olivier, and Rey, Helene (2007) “From World Banker to World Venture Capitalist: US External Adjustment and the Exorbitant Privilege.” In *G7 Current Account Imbalances: Sustainability and Adjustment*. University of Chicago Press, pp. 11–66.

¹⁶ Dalgin, M.H. (2013, November) “United States Current Account Deficit and Capital Flows.” *International Journal of Business and Social Science*, vol. 4, no. 14, pp. 105–114.

imposing financial sanctions against Iran, Venezuela, Russia, and others and using their influence in international financial institutions to “punish” their opponents and “reward” their friends. Such policies were regarded as acts of aggression and stimulated Russia to strengthen their security from US policies by weakening the infrastructure of US financial hegemony (selling out US debt, for example) and developing alternative mechanisms for international monetary cooperation. Among other issues, Russia is concerned with the US ability to:

- Interfere in and cancel monetary transactions across the world.¹⁷
- Limit and cancel access to international credit markets nominated in US dollars.¹⁸
- Use access to the US financial market as leverage to influence the policies of non-US financial and commercial institutions.¹⁹
- Gather information on all business transactions using US dollar.
- Use their dominance to manipulate international financial institutions in their interest.²⁰

One can observe is that until the second half of the 2010s Russia complied with this system and willingly accepted US financial hegemony. In the 2010s, the shift of wealth and power from the West to the non-West made Russia together with some other rising powers more confident, aspiring to a real place at the table of discussion on how global currency exchange and finance are organized and conducted.²¹ For this purpose, already in 2009, Russia initiated the establishment of Brazil, Russia, India,

¹⁷Drezner, D.W. (2015) “Targeted Sanctions in a World of Global Finance.” *International Interactions*, vol. 41, no. 4, pp. 755–764. <https://doi.org/10.1080/03050629.2015.1041297>

¹⁸Gurvich, E., and Prilepskiy, I. (2016) “The Impact of Financial Sanctions on the Russian Economy.” *Voprosy Ekonomiki*, vol. 1, pp. 5–35.

¹⁹Norrlöf, Carla (2014) “Dollar Hegemony: A Power Analysis.” *Review of International Political Economy*, vol. 21, no. 5, pp. 1042–1070. <https://doi.org/10.1080/09692290.2014.895773>

²⁰Konings, M. (2008) “The Institutional Foundations of US Structural Power in International Finance: From the Re-emergence of Global Finance to the Monetarist Turn.” *Review of International Political Economy*, vol. 15, no. 1, pp. 35–61.

²¹Casetti, E. (2003) “Power Shifts and Economic Development: When will China Overtake the USA?” *Journal of Peace Research*, vol. 40, no. 6, pp. 661–675; Fels, E. (2009) *Assessing Eurasia’s Powerhouse: An Inquiry Into the Nature of the Shanghai Cooperation Organisation*. Bochum: Winkler.

China, and South Africa (BRICS) as a forum to promote the reforms in the international currency system.

At their first meeting in Yekaterinburg in 2009, BRICS countries indicated the need for democratic and transparent decision-making and implementation process within international financial organizations (Statement, 2009), and insisted on “long-overdue reforms of the Bretton Woods institutions ... and IMF and the World Bank urgently need to address their legitimacy deficits” (Statement, 2010). Russian President Putin wrote in preparation for the 2017 BRICS Summit in Xiamen, China that “We are ready to work together with our partners to promote international financial regulatory reforms and overcome the excessive domination of the limited number of reserve currencies. We will also work towards a more balanced distribution of quotas and voting shares within the IMF and the World Bank”.²²

BRICS is not yet a formal international organization or alliance with respective discipline and strict compliance with its Summits’ declarations. Some of the policies in the international financial sphere are supported by all BRICS members, but often to varying degrees and with uneven energy. Some of the currency policies by BRICS countries are national and are conducted unilaterally, but often with moral and political support from other members.

Russia’s Moves as Part of BRICS Common Policies

Russia has consistently insisted on the reform of quotas within the IMF, and it was the BRICS countries’ initiative (not being organized in BRICS yet) channeled through G-20 which led to the change of the structural formula accounting for national GDP in determining the relative quotas in IMF in 2008 and 2010. The new quota formula adopted in 2008 contained four variables expressed in shares—GDP, openness, variability, and reserves—with weights of 50, 30, 15, and 5 percent, respectively (as before). What was new is the GDP variable, which became a blend of 60 percent of GDP at market exchange rates and 40 percent of GDP at purchasing parity power (PPP) rates. In its 2018 Declaration, the calls to “conclude the IMF’s 15th General Review of Quotas, including a new quota formula while protecting the voice of the poorest countries by the

²² Putin, V. (2017) BRICS: Towards New Horizons of Strategic Partnership. <http://en.kremlin.ru/events/president/news/55487>, Accessed 9 August 2018.

2019 Spring Meetings and no later than the 2019 Annual Meetings” (BRICS Declaration, 2018).

Russia was supporting the development of alternative international financial institutions. Over a relatively short period, BRICS founded several international financial institutions to “shadow” the IMF and World Bank, dominated by Western countries, meaning to provide an alternative to them. Among them is the New Development Bank (NDB), BRICS Contingent Reserve Arrangement (CRA), and the BRICS Local Currency Bond, Fund.

Russia together with other BRICS countries has been increasing the use of national currencies in bilateral and international trade, bypassing the US dollar. The BRICS Declaration reads, “We agree to communicate closely to enhance currency cooperation, consistent with each central bank’s legal mandate, including through currency swaps, local currency settlement and local currency direct investment where appropriate, and to explore more modalities of currency cooperation” (Declaration 2017).

Russia has pushed forward for the development of blockchain technologies, which may resolve the problem of the authenticity of transactions in any currency. The BRICS Declaration 2018 includes a clause on the Memorandum of Understanding on Collaborative Research on Distributed Ledger and Blockchain Technology in the Context of the Development of the Digital Economy (BRICS 2018). Potentially, the development of such financial technologies will facilitate not only the use of national currencies within trade between the BRICS countries but also the use of any currencies in transactions among them, bypassing the financial system (and political domain) of the issuing country. Such a system can make some mechanisms used by the US to impose financial sanctions void.

Unilateral Russian Policies

Sale of US debt. Responding to the US threat to freeze Russian Forex reserves nominated in US dollars and to block US dollar operations through Russian financial institutions (the provisions of Defending American Security from Kremlin Aggression Act of 2018), in 2018 Russia sold almost all the US debt held by the Russian Central Bank. The amount plunged from more than \$100 billion at the beginning of 2018 to less than \$15 billion in July 2018 (RBC Daily).

Purchase of gold. Russian CB purchases in the first quarter of 2018 surged by 42 percent, compared to the same period a year ago, totaling 116.5 tons. In May 2018, the country’s gold reserves increased to 1909 tons, resulting

in a 500 percent increase since 2000. Along with China, Turkey, and others, Russia has been accumulating gold reserves to diversify from the US dollar and reduce its vulnerability to potential US financial sanctions.²³

SWAP agreements, moving trade to repayments in national currencies. The Bank of Russia signed a National Currency Swap Agreement with the People's Bank of China in 2014. Russia is also in talks for similar agreements with Turkey and Iran. In August 2018, the Turkish President Tayyip Erdogan called for a switch to national currencies in trade with Turkey's key partners, China, Russia, Iran, and Ukraine.²⁴ The Russian Minister of Finance Anton Siluanov in August 2018 announced Russia's new policy of abandoning the US dollar in international trade, including the oil trade, and switching to national currencies "as [the] US dollar becomes a risky instrument for transactions"²⁵

Sales of oil bypassing US dollar. As mentioned above, Russia is developing a scheme of selling oil for another currency than a US dollar. China listed local-currency (RMB) crude futures in Shanghai on March 26, 2018. Iran switched to Euros in oil trade with the EU in Spring 2018.

CONCLUSIONS

The degree of support to the international currency system on behalf of such regional powers like Russia has weakened over the last decade, transforming into a more active opposition to the existing rules. American financial hegemony was accepted if not tolerated until the United States enjoyed the status of an unchallenged hegemony in the economic, military, and political sphere as well as managed the international currency system in a reasonably competent and unbiased way. Moreover, US financial hegemony was regarded as an unwanted but unavoidable component of the globalizing world economy which benefited emerging economies significantly.

²³ RT (2018) "US Paper Gold Suppression Allowing Russia & China to Buy Real Gold at Discount Prices." *Russia Today*, 13 June 2018. <https://www.rt.com/business/429573-us-china-russia-physical-gold/>, Accessed 12 August 2018.

²⁴ Mehr News Agency (2018, August 12) Turkey Ready to Trade in Local Currencies with Iran, Russia, China, EU: Erdogan. <https://en.mehrnews.com/news/136655/Turkey-ready-to-trade-in-local-currencies-with-Iran-Russia>, Accessed 21 August 2018.

²⁵ Kulikov, S. (2018, August 12). Siluanov assumed the switch to national currencies in oil trade (Siluanov dopustil perekhod na nacional'nye valyuty pri trgovle nef'tyu). *Rossiyskaya Gazeta*. <https://rg.ru/2018/08/12/siluanov-dollar-stanovitsia-nenadezhnym-instrumentom-v-mirovoj-torgovle.html>, Accessed 21 August 2018.

The shift of power and wealth from the West to the Asia-Pacific, imperial overstretch of the United States in multiple wars in the Middle East and their inability to manage the international financial system in the common interest as indicated by the series of financial cataclysms starting from 2007 made the emerging powers reconsider their policy toward the dollar-based currency system. Their initially slow and reserved moves toward augmenting international currency rules were stirred up by the Trump mercantilist trade policy targeted at reducing emerging powers' gains from globalization, weakening economic competitors of the United States, and unprecedented use of American financial sanctions against Iran, Russia, and Turkey.

As a reaction to this new American policy, Russia and BRICS countries together with Turkey and Iran are energetically developing schemes to get rid of the US dollar in international transactions and their FOREX reserves. Similarly, even influential European politicians like German Foreign Minister Heiko Maas raise the issue of defending their economy from US policy and enhancing European autonomy, establishing "independent payment channels, European Monetary Fund, and independent SWIFT system".²⁶

Historically, no international currency system survived eternally be it the golden standard or original Bretton Woods system. Today we are witnessing the beginning of the transformation of the existing currency system as the forces challenging it to grow day by day. One should not expect the total disappearance of US dollar and existing international financial institutions from the scene, but the incoming system will undoubtedly be less monopolistic and more diverse, relying on a broader basket of currencies and probably gold as well, and taking a more regional shape. This system will probably have as its pillars several continental-size economies using different currencies, and the US dollar will descend to a status of just one of the currencies used globally.

Russia contributes to this transformation and pursues policies aimed at enhancing her foreign trade and economic security now and also to facilitate the development of a system where foreign nations will have no significant influence over the international currency system and world credit markets thus making economic dimensions of Russian overall powerless vulnerable to manipulations from abroad.

²⁶ Maas, H.J. (2018, August 22) Interview to Handelsblatt. <https://www.handelsblatt.com/impresum/nutzungshinweise/blocker/?callback=%2Ftoday%2Fopinion%2Fheiko-maas-making-plans-for-a-new-world-order%2F22940622.html>



The Crisis in Liberalism and Renewal of Ideological Conflicts

Glenn Diesen

The end of the Cold War was a major victory for economic and political liberalism. For Fukuyama, the end of the Cold War represented nothing less than the “end of history” as the world’s ideological rivalry had reached its conclusion and liberalism was expected to unite the world in perpetuity.¹ In Fukuyama’s defense, liberalism has proliferated with Russia becoming a relatively liberal country in a short period of time with the individual enjoying unprecedented rights, while China has become a leading proponent for globalization of international markets. Fukuyama’s principal thesis was that states would have to embrace free-market capitalism and liberal democracy to prosper and be relevant in the world.

Yet, can there be too much liberalism, and if so, what is the alternative? Three decades later after the Cold War was declared over in 1989, ideological tensions are resurfacing and becoming a key component of a changing world. China’s neo-mercantilist industrial policies have set it on the path to take over economic leadership in the world; the US is retrench-

¹ Fukuyama, Francis. 1989. “The End of History?” *The National Interest*, 16: 3–18.

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ing into economic nationalism and is led by a president who frequently expresses disdain for liberal ideas; the EU is fragmenting and polarizing in a populist revolt; India advances Hindu nationalism and a neo-mercantilist development strategy; and President Putin directly declared the death of liberalism ahead of the G20 meeting in June 2019:

The liberal idea has become obsolete. It has come into conflict with the interests of the overwhelming majority of the population... Deep inside, there must be some fundamental human rules and moral values. In this sense, traditional values are more stable and more important for millions of people than this liberal idea, which, in my opinion, is really ceasing to exist.

Liberalism itself is based on sublime ideals that uplift the individual to the center, which should have a place in all societies as the source of both economic and political freedoms. The failing “liberal idea” is a reference to an absolutist ideological creed, a liberal Messianism, suggesting that liberalism is the sole savior of man and answer to organize society. There is an inclination in human nature to convert a good idea into a radical ideological conviction. In Plato’s Symposium, it was cautioned that mankind uses strong contrasts to express greater truths, which results in the balanced middle ground being abandoned. While liberalism is an important component of a prosperous society, it must be balanced by other necessary considerations for the durability of society.

Constraining liberalism was not a controversial topic in the West until the rise of radical neoliberal principles in the 1980s. The balance between economic liberalism and social responsibilities was broken. The market became increasingly self-regulating, while the state as the previous guarantor of public interests was denounced as inefficient and corrupt. The hyper-globalization from the 1990s spurred profound economic growth, yet the ensuing economic inequalities and social problems were largely left unaddressed. Political liberalization similarly decoupled from social conservatism. While the nation-state and liberalism ascended together, the absolutism of liberalism required the deconstruction of the arbitrary authority of social institutions. The individual was elevated above the need to conserve tradition, culture, and faith, while even immigrants were not expected to adopt the ethos of their new country.

Liberal ideology became radicalized as it increasingly began domineering the Western identity. The ideological victory over both fascism and communism had elevated liberalism to ultimate truth, the foundational

principle for Western unity and collective hegemony after the Cold War. In victory, liberalism began its descent due to the atomization of society with authoritarian intervention from above. The paradox of liberalism is that radical individualism erodes social capital and fuels dependence on the state. The inability of Western leaders to address the failures of liberalism weakens the legitimacy for its rule in the new world order, creates a large vacuum to be filled by various experimental ideologies, and undermines the attractiveness of the West as a model to be replicated by the East. The failure of liberalism to unite the world will increasingly produce an ideological component to great power cooperation and competition. While Russia in the 1990s committed itself to liberal principles and a future in Greater Europe, the new Russia is positioning itself as a Eurasian conservative power.

This chapter will first explore the role of ideology in the international system. Ideology is used to organize domestic society and mobilize resources, and to favorably frame competition in the international system. Second, it is argued that the post-Cold War era linked the victory of liberalism with the national cause of hegemony. The need for rising powers such as Russia and China to balance US power therefore created systemic pressures to also reject the ideological justification of liberal hegemony. Third, the breaking point of the so-called liberal international order has been the crisis of liberalism within the West. Political and economic liberalism thrived when it was balanced with social conservatism and state intervention in the economy. In victory, liberalism implodes, as the delicate balance unravels, and radical individualism undermines social capital as the foundation for liberalism. Last, the geostrategic implications are vast. The influencing the ideological lens for interpreting the international system is again becoming an instrument of power. Russia recasts itself as an international conservative power due to both domestic and international reasons. The West is divided as the reactionaries to liberal absolutism aim to restore social conservatism and constrain market forces, which reconceptualize the struggle in the international system as nationalists versus globalists. The followers of liberal hegemony seek to reverse the crisis of liberalism by vilifying nascent alternatives. It is concluded that the renewal of ideology in the international system results in classical conservatives looking increasingly toward Russia as a potential ally, while liberal devotees have incentives to depict the crisis in liberalism as a Russian conspiracy.

THE ROLE OF IDEOLOGY IN THE INTERNATIONAL SYSTEM

Ideology has a profound impact on international relations as it sets the framework for the international order and is used to mobilize domestic and international resources to advance a foreign policy agenda. Ideology impacts interpretation as facts are filtered through an ideological lens, and the subsequent perceptions and misperceptions of decision-makers affect policies.² Ideology is also used to influence as foreign policy is largely about promoting “a favorable image to allies, opponents, neutrals, and last but not least, one’s own domestic audience”.³ Shared ideology can mobilize political capital and strengthen the internal cohesion of alliances.⁴

Ideology is largely a reflection of power. Powers that are dominant in the international system and enjoy internal cohesion have systemic incentives to advocate political universalism that weakens sovereign equality, while weaker states will favor principles and ideas that support sovereign equality and constraints. Political liberalism tends to elevate natural law above legal positivism, which can legitimize conquest and accommodate hegemony by claiming responsibility for the freedom of other peoples. The French National Convention declared in 1792 that France would “come to the aid of all peoples who are seeking to recover their liberty”.⁵ Similarly, Woodrow Wilson altered the US posture from being a passive beacon of democracy to be emulated, to taking on an active missionary duty to make the world “safe for democracy”. After the Cold War, Western powers similarly asserted the prerogative of intrusive democracy promotion and humanitarian interventionism in the rest of the World as another civilizing mission.

Economic liberalism is likewise a reflection of power. The economic hegemon controlling strategic industries, transportation corridors, and financial instruments have strong incentives to support economic liberalism as it integrates the international system under its influence. Both Britain and the US obtained control over maritime transportation corridors and used tariffs, regulations, and subsidies to develop a strong manufacturing base and finan-

² Jervis, Robert. 1976. *Perceptions and Misperceptions in International Relations*. Princeton University Press, Princeton.

³ Herz, John H. 1981. “Political Realism Revisited”. *International Studies Quarterly*, 25(2): 182–197, p. 187.

⁴ Walt, Stephen M. 1997. “Why Alliances Endure or Collapse”. *Survival: Global Politics and Strategy*, 39(1): 156–179, p. 168; Morgenthau, Hans. 2006. *Politics Among Nations: The Struggle for Peace and Power*. Knopf, New York.

⁵ Herz, John H. 1950. “Idealist Internationalism and the Security Dilemma”. *World Politics*, 2(2): 157–180.

cial instruments before advocating free trade. David Ricardo's argument in favor of an international division of labor only emerged after Britain had asserted technological and economic leadership: "wine shall be made in France and Portugal, that corn shall be grown in America and Poland, and that hardware and other goods shall be manufactured in England".⁶ Britain's repeal of the Corn Laws in 1843 was largely motivated by the desire to develop core-periphery relations, and as suggested in the British parliament, free trade had a strategic purpose as "the agricultural nations of the world might be given a stake in England's Empire of Free Trade".⁷ Ruggie similarly argued that economic liberalism manifests itself under hegemons:

If economic capabilities are so concentrated that a hegemon exists, as in the case of Great Britain in the late 19th century and the USA after World War II, an "open" or "liberal" international economic order will come into being. In the organization of a liberal order, pride of place is given to market rationality. This is not to say that authority is absent from such an order. It is to say that authority relations are constructed in such a way as to give maximum scope to market forces rather than to constrain them.⁸

When the concentration of economic power diminishes, "the liberal order is expected to unravel and its regimes to become weaker, ultimately being replaced by mercantilist arrangements" where national authority is established above market forces.⁹

THE LIBERAL INTERNATIONAL ORDER AND THE REBALANCING OF THE INTERNATIONAL SYSTEM

The triumph of liberal democracy and capitalism in the Cold War was expected to deliver a permanent ideological victory for the West, which would lay the foundation for liberal hegemony.¹⁰ The unipolar moment

⁶ Ricardo, D. 1821. *On the Principles of Political Economy and Taxation*. John Murray, London, p. 139.

⁷ Semmel, B. 1970. *The Rise of Free Trade Imperialism*. Cambridge University Press, Cambridge, p. 205.

⁸ Ruggie, J.G. 1982. "International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order". *International Organization*, 36(2): 379–415, p. 381.

⁹ Ruggie, J.G. 1982. "International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order". *International Organization*, 36(2): 379–415, p. 381.

¹⁰ Diesen, G. 2020. "Narrowing the Deepening Division between the West and Russia". In: *Global Governance in Transformation: Challenges for International Cooperation*, eds. L. Grigoryev and A. Pabst. Springer, pp. 59–72.

was conceptualized as the liberal international order by aligning hegemony with universal values. One month after the collapse of the Soviet Union, Bush declared that the US would not withdraw from Europe and the world, instead “the leader of the West that has become the leader of the world. And as long as I am President, I will continue to lead in support of freedom everywhere”.¹¹ The post-Cold War era can be defined by liberal hegemony as the US sought to preserve its primacy, expand its influence, and promote liberal norms of democracy and human rights.¹²

Linking ideals of human freedom to a unit competing for power and hegemony caused a return to national causes—manifested by exclusion, expansionism, and aggression. Liberal values and hegemony inevitably came into conflict as the US engaged in military adventurism and containment of other large powers.¹³ Herz succinctly recognized a paradox of international institutions led states based on domestic democratic credentials. The more “democratic” international institutions are, the more the leadership will defend the democratic values from the rule of the majority.¹⁴ The liberal hegemonic order recast the former capitalist–communist divide as a liberal-authoritarian divide to avoid reforming the Cold War security architecture. Rather than seeking to harmonies *compatible* values, the West capitalized on difference by pursuing a new security architecture based on *common* values to exclude large powers such as Russia.¹⁵ Kennan criticized Washington for masquerading expansionist policies as liberal values and thus starting another Cold War: “Russia’s democracy is as far advanced, if not farther, as any of these countries we’ve just signed up to defend from Russia”.¹⁶ The international liberal order is commonly depicted as a multi-lateral, rules-based, and benign order under the collective leadership of liberal Western powers. However, the rules-based liberal international order under the collective leadership of the West became a contradiction in

¹¹ Bush, G. 1992. “Address Before a Joint Session of the Congress on the State of the Union”. *The American Presidency Project*, 28 January.

¹² Walt, Stephen M. 2018. *The Hell of Good Intentions: America’s Foreign Policy Elite and the Decline of US Primacy*. Straus and Giroux, Farrar.

¹³ Mearsheimer, John J. 2018. *Great Delusion: Liberal Dreams and International Realities*. Yale University Press.

¹⁴ Herz, John H. 1950. “Political Ideas and Political Reality”. *Political Research Quarterly*, 3(2): 161–178, p. 165.

¹⁵ Möller, Frank. 2003. “Capitalizing of Difference: A Security Community or/as a Western Project”. *Security Dialogue*, 34(3): 315–328.

¹⁶ Friedman, T.L. 1998. “Foreign Affairs: Now a Word From X”. *The New York Times*, 2 May 1998.

terms, as the requirement for solidarity among Western powers will always trump consistent application of international laws and rules. In the Western-led rules-based system, Russia and China will therefore always be in the wrong. Liberalism as the legitimacy for international governance has been instrumental for the US to establish itself as the arbiter of the just that can dictate moral truths.

Liberal hegemony ensured that cooperation did not entail compromise and harmonization of competing interests and values. Instead, cooperation was demoted to a pedagogic relationship where the West “corrects” the behavior of adversaries. Strategic documents of the West insinuate a teacher–student relationship, with the West as a socializing agent that civilizes Russia.¹⁷ Moscow was given the option of either accepting the dominant role of NATO and the EU in Europe or become a “counter-civilizational force” as rejecting Western hegemony implicitly entails rejecting liberal values.¹⁸ Subsequently, systemic incentives emerged for Moscow to seek out an alternative ideology as the support for the liberal idea implies acceptance of a teacher–student relationship and the abdication of leadership in the shared neighborhood with the West.¹⁹ China and Russia were expected to integrate into the system and abide by the rules and leadership of the West, yet there was little preparedness by the West as the incumbent to reform and reach a political settlement that adequately accommodated the former rivals. Furthermore, the liberal international order was paradoxical as it is conditioned on preserving unipolarity, yet economic liberalism fueled the rise of China and transformed the world from unipolarity to multipolarity.²⁰

THE CRISIS IN POLITICAL AND ECONOMIC LIBERALISM

The liberal international order fails due to the failure of accommodating large powers, although liberalism also implodes at the domestic level due to its excesses. The view of liberalism as the end of history was largely influenced by the binary ideological division during the Cold War:

¹⁷Diesen, G. 2017. “The EU, Russia and the Manichean Trap”. *Cambridge Review of International Affairs*, 30(2–3): 177–194.

¹⁸Williams, M.C., & Neumann, I.B. 2000. “From Alliance to Security Community: NATO, Russia, and the Power of Identity”. *Millennium-Journal of International Studies*, 29(2): 357–387.

¹⁹Diesen, G. 2016. *EU and NATO Relations with Russia: After the Collapse of the Soviet Union*. Routledge.

²⁰Mearsheimer, J.J. 2019. “Bound to Fail: The Rise and Fall of the Liberal International Order”. *International Security*, 43(4): 7–50.

There is the argument that the collapse of Soviet communism means the end of history and the universal victory of liberal democracy throughout the world. This argument suffers from the Single Alternative Fallacy. It is rooted in the Cold War assumption that the only alternative to communism is liberal democracy and that the demise of the first produces the universality of the second.²¹

Solzhenitsyn had similarly opined that both the communists and the capitalists had turned their back on

spirit and embraced all that is material with excessive and unwarranted zeal... [Our spiritual life] is destroyed by the dealings and machinations of the ruling party. In the West, commercial interests tend to suffocate it. This is the real crisis. The split in the worlds is less terrible than the similarity of the disease plaguing its main sections.²²

Early debates on political liberalism reveal continuity about the balance between individualism and social conservatism, as the latter advocate social and cultural continuity. Advocates of the liberal idea argued that human progress entails liberating the individual from the past. John Stuart Mill (1869: 65) referred to “the despotism of custom” as demanding conformity to culture and tradition imposed limitations on individual freedoms and advancement of humanity.²³ Thomas Paine rejected the use of tradition and the past to inform the future, while Gilbert Keith Chesterton depicted traditions as democracy for the dead. As a revolutionary believing that the past must be discarded to make way for the new, Karl Marx likewise argued: “the tradition of all dead generations weighs like an alp on the brains of the living”.²⁴

The competing argument in favor of social conservatism is anti-revolutionary by definition as modernization and advancements are believed to necessitate being built on the past. Edmund Burke defended the virtues of tradition and continuity as a counterweight to destructive revolutionary movements that would destroy the moral underpinnings of society. Burckhardt depicted the Renaissance and modernity as also having

²¹ Huntington, S.P. 1993. “If Not Civilizations, What? Paradigms of the Post-Cold War World”. *Foreign Affairs*, pp. 186–194, p. 191.

²² Solzhenitsyn, A. 1978. “The Exhausted West”. *Harvard Magazine*, July–August, p. 26.

²³ Mill, J.S. 1869. *On Liberty*. Longmans, Green, Reader, and Dyer, p. 65.

²⁴ Marx, K. 2008. *The 18th Brumaire of Louis Bonaparte*. Wildside Press LLC.

a dangerous component as traditions were discarded, culture became a commodity, and radicalism replaced societal cohesion with egotism and hedonism.²⁵ Tradition and culture are imperative as a central part of society is based on the recognition that the rationality of man is greatly overestimated. Over thousands of years, evolutionary biology equipped man with instincts to survive by organizing in homogenous communities based on interpersonal ties for survival, meaning, and even a sense of immortality by reproducing the distinct characteristics of the group. Failure to act on instincts is punished with discomfort, insecurity, and nihilism.

Human beings gravitate toward two contradictory destinations, between the rational, calculative, and universal; and simultaneously toward the instinctive, traditional, and distinctive. George Kennan explained man as a “cracked vessel” as human nature is a “never-ending and never quite resolvable conflict between two very profound impulses”.²⁶ When organizing domestic and international society, the contradictory impulses of man must be balanced between conservatism and liberalism, the traditional and modern, the distinctive and the universal, the instinctive and the rational, and walls and bridges. In the West, the nation-state and liberalism demonstrated this balancing between two contradictory impulses. The nation-state represented a large tribe based on distinct *demos* and *ethos*, which became the most successful vessel to advance democracy and human rights. In the past decades, liberalism has begun decoupling from the nation-state. The arbitrary authority of traditions, culture, and ethos of society is viewed, correctly, as impeding on individualism. In the past, this contradiction was accepted as a balance was struck between the individual and the collective, although in the age of liberal absolutism, the individual should not be confined by ethnicity, culture, religion, ethos, or tradition. Hobsbawm warned that the legitimacy of the nation-state is undermined as “the process that turned peasants into Frenchmen and immigrants into American citizens is reversing, and it crumbles larger nation-state identities into self-regarding group identities”.²⁷ Communities devolve into physical space inhabited by random people, where nobody is a foreigner and nobody is at home. The consequence is a society with less

²⁵ Burckhardt, J. 1878. *The Civilisation of the Renaissance in Italy*. Dover Publications, New York.

²⁶ Kennan, George F. 1994. *Around the Cragged Hill: A Personal and Political Philosophy*. WW Norton & Company, p. 17.

²⁷ Hobsbawm, E. 2007. *Globalisation, Democracy and Terrorism*. Little Brown, London, p. 93.

social capital, which implies less happiness, empathy, trust, civic engagement, and democratic participation.²⁸

Unconstrained liberalism ends up destroying itself. Plato cautioned against liberalism and democracy as society would increasingly seek to liberate itself from the authorities and hierarchies that organize society:

Can liberty have any limit? Certainly not. By degrees the anarchy finds a way into private houses... the son is on a level with his father, he having no respect or reverence for either of his parents; and this is his freedom, and the metic is equal with the citizen... and as a result of all, see how sensitive the citizens become; they chafe impatiently at the least touch of authority, and at length, as you know, they cease to care even for the laws, written or unwritten; they will have no one over them.²⁹

Herz similarly argued that political idealism “paradoxically, has its time of greatness when its ideals are unfulfilled, when it is in opposition to outdated political systems and the tide of the times swells it toward victory. It degenerates as soon as it attains its final goal; and in victory it dies”.³⁰ The excesses of liberal revolutionaries ushers in reactionaries to political power because “when liberals insist that only fascists will defend borders, then voters will hire fascists to do the job liberals won’t do”.³¹ Liberalism is defeated in victory due to the erosion of the nation-state as the foundation for internal cohesion. National unity precedes all other stages of democratization as political pluralism is unstable when there is no unity on the most basic ethos.³² Democratic pluralism must be based confined within “accepted boundaries” as “cleavage must be tempered by consensus”.³³

²⁸ Putnam, R.D. 2000. “Bowling Alone: America’s Declining Social Capital”. In: *Culture and Politics*. Palgrave Macmillan, New York.

²⁹ Plato. 2016. *The Republic* (Translated by Benjamin Jowett). Devoted Publishing, Ontario, p. 216.

³⁰ Herz, John H. 1950. “Idealist Internationalism and the Security Dilemma”. *World Politics*, 2(2): 157–180, p. 159.

³¹ Frum, D. 2017. “The Roots of a Counterproductive Immigration Policy”. *The Atlantic*, 28 January.

³² Rustow, D.A. 1970. “Transitions to Democracy: Toward a Dynamic Model”. *Comparative Politics*, 2(3): 337–363, p. 351.

³³ Diamond, L.J. 1990. “Three Paradoxes of Democracy”. *Journal of Democracy*, 1(3): 48–60, p. 49.

THE EXCESSES OF ECONOMIC LIBERALISM

Early debates about capitalism after the first industrial revolution sought to establish the ideal relationship between capital, labor, and the state. The crux of the liberal capitalist argument recognizes that free competition maximizes efficiency. However, the subsequent hierarchy would have to be managed and adjusted to ensure that labor does not get crushed under capital, inequalities do not become excessive, and the hierarchy does not become tyrannical. The limits of self-regulating markets were therefore acknowledged by the great capitalist thinkers: David Ricardo recognized that increased productivity from technological developments may not benefit laborers³⁴; John Maynard Keynes argued that laissez-faire capitalism becomes impossible as monopolies naturally develop³⁵; Adam Smith argued wealth creation corrupts and fuel social tensions³⁶; Friedrich Hayek and Milton Friedman advocated for redistribution as a moral imperative and necessity to preserve political stability.³⁷

Industrial market society created two contradictory impulses: a movement toward self-regulating markets to maximize efficiency and a counter-movement preventing market forces from disrupting society.³⁸ The capitalism that existed from the Second World War until the 1980s has been conceptualized as “embedded liberalism”, which is a reference to Polanyi’s argument that markets became disembedded from society during the nineteenth century.³⁹ Embedded liberalism meant that free trade policies were balanced with welfare programs and the state upholding its social responsibilities. The Reaganism and Thatcherism of the 1980s laid the foundation for neoliberal economics as maximizing market efficiency entailed abandoning the regulatory power of the state to uphold societal responsibilities. Classical conservatives had sought to protect traditional values and communities from creative destruction and market forces, while the new conservatives after the 1980s hailed primarily the free market as a

³⁴ Ricardo, D. 1821. *On the Principles of Political Economy and Taxation*. John Murray, London, p. 469.

³⁵ Keynes, J.M. 2016. *Essays in Persuasion*. Palgrave Macmillan, London, p. 272.

³⁶ Smith, A. 2006. *The Theory of Moral Sentiments*. Dover Publications, New York, p. 58.

³⁷ Hayek, F.A. 1979. *Law, Legislation, and Liberty, Vol. 3: The Political Order of a Free People*. Chicago University Press, Chicago, pp. 54–55; Friedman, M. 2009. *Capitalism and Freedom*. University of Chicago Press, Chicago.

³⁸ Polanyi, K. 1944. *The Great Transformation*. Beacon Press, Boston, p. 136.

³⁹ Ruggie, J.G. 1982. “International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order”. *International Organization*, 36(2): 379–415.

moral imperative and consumer choice as freedom. Protection from market forces and preservation for culture and traditional values were deemed to be unacceptable paternalism by the state. The Left similarly began abandoning the traditional platform of economic justice. While in the past, the state was recognized as a guarantor of public interest, the state has become a symbol of corruption, inefficient bureaucracy, and technological inertia.⁴⁰ The role of national governments was subsequently demoted to that of administrators ensuring that free market was uninterrupted.

The successes of capitalism have been its ability to reform and adapt by managing the balance between market efficiency and social responsibilities. Yet, the successes of capitalism have radicalized contemporary proponents to the point the intended nuance has been lost. In victory, capitalism may have lost the ability to reform and therefore consigning it to failure. Globalization from the 1990s made the world much more efficient as complex value-chains evolved, yet they would impose increasingly intolerable social costs. Tariffs and trade barriers were removed, wages faced downward pressure, regulations were removed, and the flexible labor market unraveled communities.⁴¹ The increasingly “petulant, self-righteous, intolerant” liberal elites began to demonstrate growing disdain for family values, patriotism, and other aspects that obstructed liberal progress.⁴² A huge and growing vacuum is left behind by neither the political Right nor the Left as neither recognizes the main challenge—“the completely unprecedented personal economic insecurity of working people”.⁴³ Rorty predicted that excessive economic liberalism would give birth to a reactionary movement and political radicalism:

Members of labor unions, and unorganized and unskilled workers, will sooner or later realize that their government is not even trying to prevent wages from sinking or to prevent jobs from being exported. Around the same time, they will realize that suburban white-collar workers—themselves desperately afraid of being downsized—are not going to let themselves be taxed

⁴⁰ Luttwak, E. 1993. “Why Fascism is the Wave of the Future”. *London Review of Books*, 16(7): 3–6.

⁴¹ Rodrik, D. 1997. “Has Globalization Gone Too Far?” *California Management Review*, 39(3): 29–53.

⁴² Lasch, C. 1996. *The Revolt of the Elites and the Betrayal of Democracy*. W.W. Norton & Company, New York, pp. 28–29.

⁴³ Luttwak, E. 1993. “Why Fascism is the Wave of the Future”. *London Review of Books*, 16(7): 3–6.

to provide social benefits for anyone else. At that point, something will crack. The nonsuburban electorate will decide that the system has failed and start looking around for a strongman to vote for—someone willing to assure them that, once he is elected, the smug bureaucrats, tricky lawyers, overpaid bond salesmen, and postmodernist professors will no longer be calling the shots... Once the strongman takes office, no one can predict what will happen.⁴⁴

RUSSIA IN THE POST-LIBERAL WORLD

By the late 1990s, Russia had become a country without a clear ideology required to unify the state and position itself in the international system. Tsarist, Soviet, and liberal ideals had failed, creating a state fragmented domestically and wielding little soft power internationally. Russia had traditionally been a social conservative power and a natural *Gemeinschaft*-based civilization with strong traditions and spirituality due to the low economic connectivity across its vast geographic expanse.⁴⁵ The endeavors by the Soviet Union to create “Communist man”, liberated from his past, led to the rejection and destructive suppression of the nation-state, the Orthodox Church, and cultural continuity. By the 1990s, liberalism had similarly been denigrated by the effort to create “Western man”, liberated from his past with the deconstruction of the nation-state, radical secularism, erosion of the family unit, and disrupting cultural continuity. Karaganov argues that Europeans and Russia are attracted to the Europe of Adenauer and de Gaulle, and the departure for this implies that “Europe will not be a model that is attractive to Russia”.⁴⁶ As the EU and NATO expansion intensified competition for influence in the common neighborhood, it also became imperative for Russia to develop ideological alternatives to liberal democracy as a source of soft power.⁴⁷

Under Putin, Russia began to revive grand narratives about the Russian nation and the Russian World. Rediscovery of the Russian soul and identity ensures historical continuity to harmonies the past with a forward-looking

⁴⁴Rorty, R. 1998. *Achieving Our Country: Leftist Thought in Twentieth-Century America*. Harvard University Press, p. 90.

⁴⁵Diesen, G. 2018. *The Decay of Western Civilisation and Resurgence of Russia: Between Gemeinschaft and Gesellschaft*. Routledge.

⁴⁶Neef, C. 2016. “We are Smarter, Stronger and More Determined”. *Spiegel*, 13 July.

⁴⁷Diesen, G., & Keane, C. 2017. “The Two-Tiered Division of Ukraine: Historical Narratives in Nation-Building and Region-Building”. *Journal of Balkan and Near Eastern Studies*, 19(3): 313–329.

vision for the future. The West ironically accuses Russia of seeking to white-wash Stalin, while in reality the Kremlin is rehabilitating the public image of the Tsars and social conservatives that were exiled by the communists. Putin accredits liberalism for having advanced “the ideals of freedom, human rights, justice and democracy that were gained through suffering and won by European culture, have been a determining value and a guiding principle for us”.⁴⁸ Yet, nation-building also requires restoring a distinctive national identity and a central role of the Orthodox Church in Russian society. Solzhenitsyn also became a supporter of Putin, arguing that unlimited rights unravel order and therefore eventually undermine freedom.⁴⁹ Russian conservatism, therefore, implies support for democracy as the nation-state is the sturdiest vehicle to advance human freedoms.

The conservative ethos of Russia became more profound by Putin’s third term. Putin cautioned that excessive liberalism in the West undermined social conservatism, and morally corrupting the continent.

We see that many Euro-Atlantic states have taken the way where they deny or reject their own roots, including their Christian roots which form the basis of Western civilization. In these countries, the moral basis and any traditional identity are being denied—national, religious, cultural, and even gender identities are being denied or relativized. There, politics treats a family with many children as juridically equal to a homosexual partnership; faith in God is equal to faith in Satan. The excesses and exaggerations of political correctness in these countries indeed leads to serious consideration for the legitimization of parties that promote the propaganda of paedophilia. The people in many European states are actually ashamed of their religious affiliations and are indeed frightened to speak about them. Christian holidays and celebrations are abolished or “neutrally” renamed, as if one were ashamed of those Christian holidays. With this method one hides away the deeper moral value of those celebrations. And these countries try to force this model onto other nations, globally. I am deeply convinced that this is a direct way to the degradation and primitivization of culture. This leads to deeper demographic and moral crisis in the West. What can be better evidence for the moral crisis of human society in the West than the loss of its reproductive function? And today nearly all “developed” Western countries cannot survive reproductively, not even with the help of migrants.⁵⁰

⁴⁸ Putin, V. 2005. “State of the Nation Address”. *Government of the Russian Federation*, 25 April.

⁴⁹ Horvath, R. 2011. “Apologist of Putinism? Solzhenitsyn, the Oligarchs, and the Specter of Orange Revolution”. *The Russian Review*, 70(2): 300–318.

⁵⁰ Putin, V. 2013. “Meeting of the Valdai International Discussion Club”. *Government of the Russian Federation*, 19 September.

Russia's newfound social conservatism is also expected to create a common cause with political forces around the world:

We know that there are more and more people in the world who support our position on defending traditional values that have made up the spiritual and moral foundation of civilization in every nation for thousands of years: the values of traditional families, real human life, including religious life, not just material existence but also spirituality, the values of humanism and global diversity. Of course, this is a conservative position. But speaking in the words of Nikolai Berdyaev, the point of conservatism is not that it prevents movement forward and upward, but that it prevents movement backward and downward, into chaotic darkness and a return to a primitive state.⁵¹

Although, Lukyanov argues that presenting Putin as “a symbol of an ideological and political alternative to the liberal world order... should surely flatter the Russian leader, whose ambitions have never gone so far”.⁵²

GEOSTRATEGIC IMPLICATIONS

The return of ideological competition has profound implications for organizing domestic society and the international system. Liberalism has been at the core of the West's identity, unity, and legitimacy for collective hegemony. After the Cold War, the capitalist–communist divide was recast as a liberal–authoritarian divide to preserve the security architecture and dividing lines in Europe that marginalize the role of Russia. Yet, with the crisis in liberalism, the rise of reactionaries and populists are more inclined to restructure international loyalties along a liberal–conservative divide or a nationalist–globalist divide. Social conservatives opposing the excesses of liberalism are more likely to embrace Russia as an important ally, while proponents of the liberal idea will have great incentives to demonize social conservatives domestically and the fall of liberal hegemony as a grand Russian conspiracy.

As the political Left and Right harmonized under the neoliberal agenda, the political vacuum left behind is reorganizing the domestic and international dividing lines. Huntington argued that citizens seek national unity

⁵¹ Putin, V. 2013. “Presidential Address to the Federal Assembly”. *President of Russia*, 12 December.

⁵² Lukyanov, F. 2016. “Putin is Giving America a Taste of Its Own Medicine”. *Russia in Global Affairs*, 19 December.

through the continuity of national identity, culture, traditions, and preservation of manufacturing jobs. In contrast,

for many elites, these concerns are secondary to participating in the global economy, supporting international trade and migration, strengthening international institutions, promoting American values abroad, and encouraging minority identities and cultures at home. The central distinction between the public and elites is not isolationism versus internationalism, but nationalism versus cosmopolitanism.

The international system is increasingly defined as competition liberalism versus social conservatism or nationalism versus globalism as evident by the nascent rhetoric on both sides of the Atlantic. Le Pen remarked: “the divide is no longer between the right and the left, but between the patriots and the globalists”.⁵³ In this new struggle to preserve civilization, Le Pen depicted Russia as a defender of “the Christian heritage of European civilization”.⁵⁴ The Prime Minister of Hungary called for illiberal democracy as liberal democracies “will not be able to sustain their world-competitiveness in the following years” and further opined that “today, the stars of international analyses are Singapore, China, India, Turkey, Russia”.⁵⁵ The former president of the Czech Republic posited that “behind Germany’s (and the whole Western Europe’s) policies stand the irrational ideologies of multiculturalism, of Europeanism, of human-rightism supplemented by plans to create a new European society and a new European man”.⁵⁶ Nigel Farage, also referred to as Mr. Brexit, blamed EU and NATO expansionism for the 2008 war in Georgia, and also for Russia’s fierce response to the Western-backed coup in Ukraine in 2014.⁵⁷

In the US, Patrick Buchanan argues that Russia has become “one of us” as Putin redefines “the ‘Us vs Them’ world conflict of the future as one in

⁵³Noack, R., & Birnbaum, M. 2017. “The Leading French Presidential Candidates Emmanuel Macron and Marine Le Pen, in Their Own Words”. *The Washington Post*, 23 April.

⁵⁴Polyakova, A. 2014. “Strange Bedfellows: Putin and Europe’s Far Right”. *World Affairs*, September/October.

⁵⁵Orban, V. 2014. “Full Text of Viktor Orbán’s Speech at Băile Tuşnad (Tusnádfürdő) of 26 July 2014”. *The Budapest Beacon*, 26 July.

⁵⁶Klaus, V. 2017. “EU Elites Aim to Destroy European Society as We Know It”. *Valdai Discussion Club*, 23 January.

⁵⁷Diesen, G. 2017. *Russia’s Geoeconomic Strategy for a Greater Eurasia*. Routledge, London, p. 151.

which conservatives, traditionalists, and nationalists of all continents and countries stand up against the cultural and ideological imperialism of what he sees as a decadent West”.⁵⁸ Furthermore, Buchanan argues that “in the culture war for the future of mankind, Putin is planting Russia’s flag firmly on the side of traditional Christianity”.⁵⁹ Steve Bannon similarly recognized that some social conservatives are gravitating toward Russia as “they believe that at least Putin is standing up for traditional institutions”.⁶⁰ President Trump calling NATO “obsolete” and arguing in favor of fundamentally altering relations with Russia represented a direct attack on the power and legitimacy of liberal hegemony, which subsequently produced a fierce counter-reaction and polarization of society. The ideological shift and resulting impact on the international system are attacked by proponents of liberal hegemony as a conspiracy between their morally corrupt politicians and the Kremlin. Unfounded accusations against social conservatives will in return reaffirm that liberal hegemony has corrupted the political system domestically.

CONCLUSION

The crisis in liberalism presents Russia with both opportunities and threats. Opportunities at the domestic level entail a more stable society due to the enhanced legitimacy for social conservatism as a balance to the excesses of liberalism. After decades of communism and the societal collapse of the 1990s, Russia needs to restore the institutions of society that defines the collective and builds social capital. At the international level, the fragmentation of liberal hegemony can resolve the main source of conflict in Europe since the Cold War—the continued division of the continent. As the liberal idea falters and anti-Russian consensus diminishes, there may be an opportunity to finally reach a post-Cold War settlement that accommodates Russia on the continent instead of advancing European integration as a zero-sum initiative.

The threats of the crisis derive primarily from the lack of clarity concerning the alternative and the instability of transition. While the excesses

⁵⁸ Buchanan, P. 2013. “Is Putin One of Us?” *Official Website of Patrick J Buchanan*, 17 December.

⁵⁹ Buchanan, P. 2014. “Whose Side is God on Now”. *Official Website of Patrick J Buchanan*, 4 April.

⁶⁰ Feder, J.L. 2016. “This is How Steve Bannon Sees the Entire World”. *BuzzFeed News*, 16 November.

of liberalism erode social capital, the excesses of conservatism risk producing inward-looking and xenophobic impulses. The openness of Russian society and the heightened value of the individual must be preserved as Russia restores its collective identity defined by shared demos and ethos. Similarly, the fragmentation of liberal hegemony will not naturally transition the world toward more nuance and balance. Rather, some of the reactionaries and populists rising in the West are demonstrating some unsavory qualities as they do not necessarily have the answers to the problems they have identified. Furthermore, attempting to revive what has already been lost has dangerous historical precedents. Last, the devotees of liberal hegemony will not stand idly by as their society and world order is dismantled. The Russia-gate hoax demonstrates the incentives to restore Russia's role as the belligerent "other" to unify the West around a common adversary, denounce and vilify social conservatives domestically, and reaffirm the liberal idea.



Green Transformation of the World Economy: Risks and Opportunities for Russia

Igor Makarov

INTRODUCTION

For the last decades, the position of environmental issues in the global political agenda has strengthened significantly. In the volatile political situation of today, environmental fora are the only ones that can gather together the political leaders from all over the world. The United Nations Conference on Environment and Development in Rio-de-Janeiro in 1992 also known as the Earth Summit attracted more than a hundred heads of State and Government. Their representation was even wider at the Forum Rio+10 (in Johannesburg in 2002), at Climate Conference in Copenhagen (in 2009), Forum Rio+20 (in Rio-de-Janeiro in 2012) and the UN special Climate Summit initiated by the former UN General Secretary Ban Ki-moon in 2014. At the Climate Conference in Paris in December of 2015, more than 150 heads of State and Government were present that makes it the largest gathering of world leaders ever.

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Not all these meetings have led to any decisive action but they create a favorable ground for real change. The quality of environment turns gradually into one of the major criteria of social and economic progress. Concepts of “green economic growth”, “green finance”, “green jobs” are now used not only in press releases of environmental NGOs but also in papers of international institutions, official strategies of leading countries, programs of various political parties and reports of the largest companies and banks. Many of them declare the transition toward the green economy as a new development paradigm that “results in improved human well-being and social equity, while significantly reducing environmental risks and ecological scarcities”.¹ Although in such a definition the green economy applied in a global scale remains Utopian, the global economic activity is greening rapidly: global energy mix is shifting toward the larger share of renewables, rapid technical change is occurring in the automobile industry and construction, green practices in water and land use and in forestry are spreading all over the world. The most important is that companies change their approach to the nature—environmental management becomes an important part of their business. These shifts are provoked partly by the rising damage from environmental problems, partly by changes in values and partly by the close interconnectedness between environmental and economic problems.

For Russia, the green transformation of the global economy brings both critical risks and attractive opportunities. On the one hand, it challenges the economic model that has been in operation in Russia for the last decades. On the other hand, it underlines that this model has some alternatives. Russia is abundant in natural capital and the rise of the green agenda may help Russia commercialize it and make a new driver of economic growth, more sustainable than just oil and gas.

This chapter answers the question how the green transformation of the global economy affects the Russian economy. The Introduction section is followed by an overview of this transformation. The Green Transformation of the Global Economy: Risks for the Russian Economy section reveals major risks that it brings to the Russian economy including the risks for fossil fuel exports, for Russian producers from other industries and technological development. The Green Transformation of the Global Economy: Opportunities for the Russian Economy section provides an

¹UNEP (2011) Towards a Green Economy: Pathways to Sustainable Development and Poverty Eradication.

overview of key opportunities that Russian economy gets due to the green economic transformation worldwide. It focuses on the possible new role of Russia as a guarantor of global environmental security and on the natural capital of Russia as a potential driver for its technological development.

GREEN TRANSFORMATION OF THE GLOBAL ECONOMY

“[The current trend] projects the global collapse of all taxa currently fished by the mid-21st century (based on the extrapolation [...] to 100% in the year 2048)”.² “The current rates of species extinction are 1000–10,000 times higher than the background rate of 10–7 species/species year inferred from fossil record. Today we seem to be losing two to five species per hour from tropical forests alone. This amounts to a loss of 16 m populations per year or 1800 populations per hour”.³ “Globally, 2.3 million square kilometers of forest were lost during the 12-year study period and 0.8 million square kilometers of new forest were gained”⁴ that means that “the world is losing 50 soccer fields’ worth of forest every minute of every day”.⁵ “If we don’t act, the overall costs and risks of climate change will be equivalent to losing at least 5% of global GDP each year, now and forever. If a wider range of risks and impacts is taken into account, the estimates of damage could rise to 20% of GDP or more”.⁶ All these and many other striking conclusions do not belong to environmental activists but are extracted from the pages of the leading peer-reviewed journals and respectable state-financed reports. Climate change, ozone layer depletion, water, air and soil pollution, deforestation, desertification, fish extinction, waste accumulation and biodiversity loss—all these problems are now considered as an important barrier to social and economic

² Worm B., et al. (2006) “Impacts of Biodiversity Loss on Ocean Ecosystem Services”. *Science*, Vol. 314, No. 5800.

³ Singh L.S. (2002) “The Biodiversity Crisis: A Multifaceted Review”. *Current Science*, Vol. 82.

⁴ Hansen M.C., et al. (2013) “High-Resolution Global Maps of 21st-Century Forest Cover Change”. *Science*, Vol. 342, No. 6160.

⁵ Sizer N., Hansen M., and Moore R. (2013) “New High-Resolution Forest Maps Reveal World Loses 50 Soccer Fields of Trees Per Minute”. *World Resources Institute*. <http://www.wri.org/blog/2013/11/new-high-resolution-forest-maps-reveal-world-loses-50-soccer-fields-trees-minute>

⁶ Stern N., et al. (2007) *The Economics of Climate Change: The Stern Review*. Cambridge, UK: Cambridge University Press.

development, especially in developing countries. In some cases, they are even a threat to the existence of the whole humanity.

It is not easy to generalize the environmental problems in a single indicator. Probably the most successful attempt is an indicator of ecological footprint measured annually by the Global Footprint Network. It measures “the ecological assets that a given population requires to produce the natural resources it consumes (including plant-based food and fiber products, livestock and fish products, timber and other forest products, space for urban infrastructure) and to absorb its waste, especially carbon emissions”. It is expressed in global hectares and may be compared with biocapacity—the measure of productivity of environmental assets. Nowadays, ecological footprint of humanity is 1.7 times higher than the Earth biocapacity (Fig. 7.1), which means humans overconsume environmental assets and provoke the degradation of ecosystems.⁷

Environmental degradation has a negative impact on human health. According to the recent estimates, 23 percent of global deaths in 2012 were attributable to environmental risks including climate change. Environmental problems are also responsible for 22 percent of global disease burden measured in disability-adjusted life years (DALYs).⁸ In many developing countries, environmental risks are considered as a barrier to economic growth. China that has been developing for a long time without taking the environmental impacts of economic growth into consideration is one example. Now, air pollution alone is a reason of losses equal to 6.5 percent of China GDP, primarily due to lower labor productivity, health effects and the need to close enterprises in days with high pollution.⁹

The green agenda in global politics is pushed up not only by the rising awareness on environmental damage but also by the commercialization of the environment. The elements of the environment are now considered by many companies as environmental assets and the parts of natural capital.¹⁰

⁷ Global Footprint Network.

⁸ Prüss-Ustün A., Wolf J., Corvalán C., Neville T., Bos R., and Neira M. (2017) “Diseases Due to Unhealthy Environments: An Updated Estimate of the Global Burden of Disease Attributable to Environmental Determinants of Health”. *Journal of Public Health*, Vol. 39, No. 3.

⁹ Crane K., and Mao Z. (2015) *Costs of Selected Policies to Address Air Pollution in China*. Rand Corporation.

¹⁰ Costanza R., d’Arge R., de Groot R., Farber S., Grasso M., Gannon B., Limburg K., Naeem S., O’Neill R., Paruelo J., Raskin R., Sutton P., and van den Belt M. (1997) “The Value of the World’s Ecosystem Services and Natural Capital”. *Nature*, Vol. 387.

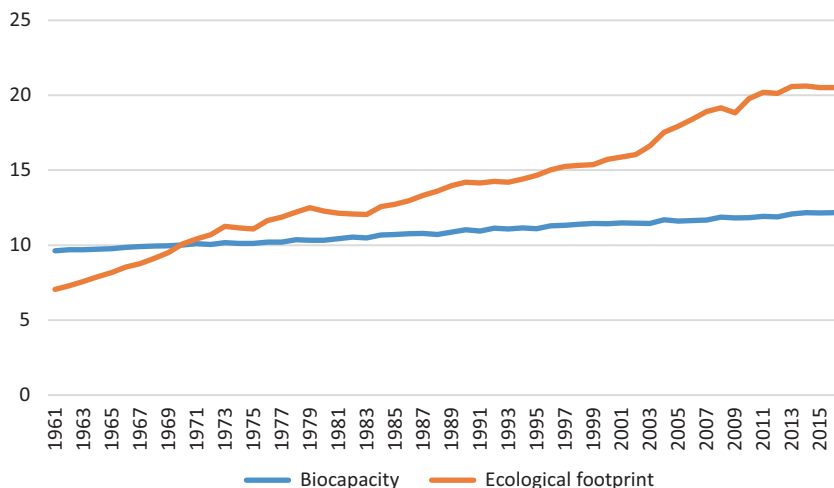


Fig. 7.1 Ecological footprint of humanity and the Earth biocapacity in 1961–2016, billion global hectares. (Source: Global Footprint Network)

For the most part of human history, it has been used for free and consequently overconsumed; this has led to its degradation. However, environmental assets provide ecosystem services that have some value. This value may be very high, and everybody who uses them should pay the corresponding price.¹¹ This builds the ground for “natural capitalism” described by Hawken, Lovins and Lovins.¹² The markets of ecosystem services appear; the optimal price for water and carbon price are at the center of political debate; ecosystems start to be managed as corporations where shareholders receive part ownership. Business now turns from the source of environmental problems to a means of their solution. While at the Earth Summit in Rio-de-Janeiro in 1992 just a small number of companies are among the participants, already at Rio+10 in Johannesburg in 2002 their number exceeded significantly the number of official delegations from the states.

Green technologies have become one of the most promising segments of the global economy. Renewable energy, carbon capture and storage,

¹¹ Sarukhán J., and Whyte A. (2005) *Millennium Ecosystem Assessment Synthesis Report. Ecosystems and Human Well-being*. Washington, DC: Island Press.

¹² Hawken P., Lovins A., and Lovins H. (1999) *Natural Capitalism: Creating the Next Industrial Revolution*. Little, Brown & Company.

green construction, water desalination and purification, organic food, waste recycling are examples of technologies rapidly expanding all over the world. The case of renewables is probably the most striking. From 2009 to 2017, the leveled cost of electricity (LCOE) produced from solar and wind power stations decreased correspondingly 3.5 and 3.2 times that made renewables competitive compared to fossil fuel in many regions of the world.¹³ As a result, the power generation capacity additions for renewables exceeded those for fossil fuels in 2015 and since then, the gap between them is increasing (Fig. 7.2).¹⁴

The fundamental problem of investment in green technologies is that investors bear costs themselves while benefits spread across the whole society. Previously, any corporate environmental initiative could therefore be explained by one of two reasons. The first is governmental regulation. Unlike companies, governments tend to consider minimization of environmental damage as their responsibility, and any government pursues some set of environmental policies. The second reason is the view that environmental initiatives are part of corporate social responsibility. They help increase a company's recognition, loyalty of clients, maintain the positive image of a company among its staff and partners and so on.

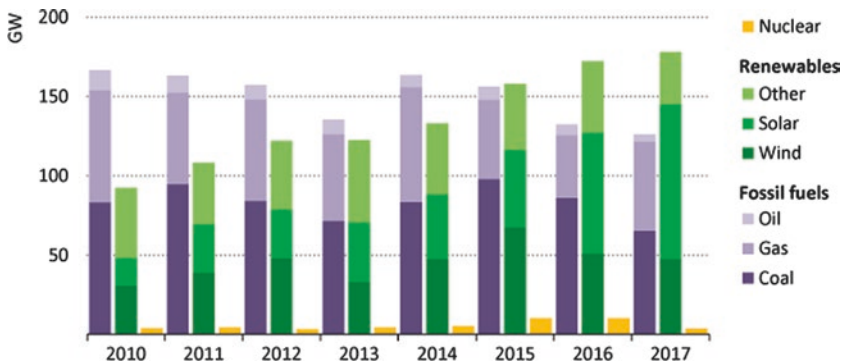


Fig. 7.2 Global power generation capacity additions for fossil fuels, nuclear and renewables, GW. (Source: IEA World Energy Outlook 2018)

¹³ Lazard (2017) Lazard's Levelized Cost of Energy Analysis, Version 11.0. <https://www.lazard.com/media/450337/lazard-levelized-cost-of-energy-version-110.pdf>

¹⁴ IEA (2018) *World Energy Outlook 2018*. Paris: IEA/OECD.

Both reasons suggest that the special attention to the environment contradicts the objectives of economic efficiency. Any investment in green technologies is considered as a tribute to the external actors to the detriment of value creation. For instance, Milton Freedman argued that the companies' participation in solving social problems undermines the very basis of capitalism.¹⁵

However, this approach is relevant if only the economic value is understood in a narrow sense and in a short term. Any long-term strategy of a company should be aimed at generating economic value in a way that corresponds to social needs as it is social progress that defines the market in the long term. In such a framework, the conflict between profits and the environment is artificial and presents just a conflict between the short- and long-term business interests. Porter and Kramer defined this approach in a concept of a "shared value" and provided many examples of how companies that invest in green technologies and use green management practices do not decrease its efficiency but also get new advantages over the competitors due to the economy of resources, higher labor productivity, optimization of value chains and so on.¹⁶

Except for direct benefits, companies that pay attention to the environment may win from establishing new ecological norms. The environment is becoming involved in a competition of standards that have become a new form of economic domination.

Ecological standards have enormous influence on consumer-producer interaction and are capable of redistributing the market power in virtually no time. One example is the signing of the 1987 Montreal Protocol on Substances that Deplete the Ozone Layer is another example. The U.S. chemical giant DuPont had for a long time argued that there was lack of evidence proving that man-made causes affected the ozone layer. However, in the 1980s, DuPont promptly changed its mind and, according to many sources, at a certain point became one of the agreement's main lobbyists. The reason was that DuPont had developed ozone-safe alternatives to chlorofluorocarbons (CFCs) outlawed in the Protocol. The new ecological standard gave the company monopoly control of the market.¹⁷

¹⁵Friedman M. (2017) "The Social Responsibility of Business is to Increase Its Profits". *The New York Times*, September 13, 1970.

¹⁶Porter M.E., and Kramer M.R. (2011) "Creating Shared Value". *Harvard Business Review*, No. 1–2.

¹⁷Makarov I.A. (2016) "Scaling New Heights. The Power of Ecological Standards in the Global Economy". *Russia in Global Affairs*, No. 1.

And yet, it is not quite appropriate to compare technical standards on the one hand, and ecological norms on the other. Changes in ecological norms always take place in one direction; they invariably turn harsher. There is no competition among ecological norms; they invariably move to new heights. The factors for this are objective, such as the worsening environment. DuPont may be accused of campaigning for regulations that played into its hands, but it may also be thanked for its key contribution to reducing the production of chemicals that damage the ozone layer. The accompanying benefits the U.S. concern has derived can be seen as remuneration for saving humanity from one of the most serious global problems (the ozone hole has stopped growing) or as an award for being the first to have grasped an urgent need of society. Regardless of interpretation, the redistribution of market power and profit moves along well-predicted lines from less ecology-friendly companies to more ecology-friendly ones.¹⁷

This shift of norms is especially obvious in the area of climate change: many countries apply carbon regulation and large companies following the requests of their consumers introduce corporate carbon prices. Enthusiastic companies are interested in creation of rankings of climate responsibility in order to show their own strengths and the weaknesses of their competitors. They also estimate their carbon footprints along whole value chains and demand that the suppliers and other partners meet basic environmental and climate standards by, for example, disclosing information on emissions and introducing at least minimal greenhouse gas (GHG) emissions reduction measures. Industrial codes of conduct and even carbon regulation schemes have appeared in some sectors, with aviation being the most striking example.¹⁸

Companies facing governmental regulation or introducing self-regulation are concerned about potential carbon leakage to the free-riding countries. They view the absence of carbon regulation in “reluctant” countries as a form of “climate dumping” that gives those economies an unfair advantage. To address the problem, “enthusiastic” companies and governments make attempts to pressure the ‘free-riders’, for instance with the help of the border carbon adjustment (BCA)—an additional tax on

¹⁸ Makarov I. (2020) “Bridging the Gaps in the Polycentric Climate Change Regime”. In: *Global Governance in Transformation: Challenges for International Cooperation* (eds., L. Grigoryev and A. Pabst). Springer.

imported carbon-intensive products.¹⁹ The U.S. has long discussed using BCA, and the practice has now gained support within the framework of the European Green Deal proposed by the European Commission in December 2019.²⁰ If the idea of BCA is applied, low-carbon agenda may change international trade as dramatically as it has already changed the global energy sector.

THE GREEN TRANSFORMATION OF THE GLOBAL ECONOMY: RISKS FOR THE RUSSIAN ECONOMY

Risks for the Russian Economic Model

Russian economic model is based on extraction and exports of fossil fuels. It is this model that helped boost the Russian economy in the early 2000s when the average rates of economic growth achieved 8 percent a year. The drop of oil prices, accumulated structural disproportions, decreasing economic productivity and Western sanctions led to the significant slowdown of the economy after the global economic crisis, but the model still remains the same. In 2017, oil and gas provided 40 percent of federal budget revenues,²¹ and their share in Russian exports reached 70 percent.²² It is not surprising that the Strategy of economic security of the Russian Federation until 2030 mentions “changes in the structure of global demand and consumption of energy resources, the development of energy-saving technologies and reduction of material intensity, the development of “green technologies” among the challenges and threats to economic security.”²³ The green transformation of the global economy suggests all the above-mentioned changes and may therefore be considered as a challenge to the economic model that Russia uses nowadays.

¹⁹ Morris A.C. (2018) Policy Brief: Making Border Carbon Adjustments Work in Law and Practice. *Tax Policy Center, Urban Institute & Brookings Institution*, July 26, 2018.

²⁰ European Commission (2019) The European New Deal. Communication from the Commission to the European Parliament, the European Council, the Council, the Economic and Social Committee and the Committee of the Regions. Brussels, 11.12.2019 COM(2019) 640 final.

²¹ Ministry of Finance of the Russian Federation.

²² Federal Customs Service of the Russian Federation.

²³ Presidential Decree No. 208 “On the Strategy of Economic Security of the Russian Federation until 2030”. May 13, 2017 (in Russian).

The plans and strategies of different countries to develop green technologies are summarized in the Paris Agreement. It was passed in 2015 and enter into force in 2016. All the major countries have already ratified it with Russia joining them in September 2019. The US also ratified the Agreement in 2016 but President Donald Trump declared the withdrawal from it in 2017. However, the US will remain the party of the Agreement at least until late 2020 when Trump's decision may be officially completed.

Parties of the Agreement do not take any binding commitments under it but declare emissions reduction targets (nationally determined contributions—NDCs) based on their plans of economic and energy sector development. The declared NDCs are not sufficient to prevent the significant temperature rise, but they are quite realistic. Though the Agreement is formally devoted to climate, it concerns many green technologies directly or indirectly related to energy. Introduction of many such technologies (including those in the field of renewables, electric cars, reduction of energy and material intensity, waste management, reforestation, etc.) would help in solving many other environmental problems. This makes it possible to consider the Agreement as the consensus by the world community concerning the movement toward a green future.

Makarov et al. made estimates of the impacts of climate policies worldwide on the Russian energy exports.²⁴ They considered three scenarios: (1) business-as-usual (BAU) scenario, in which countries don't change their policies; (2) INDC scenario where countries fulfill their targets declared in intended nationally determined contributions within the framework of Paris agreement by 2030; (3) 2C scenario, in which countries introduce additional policies after 2030, which will make possible to keep the rise of the global temperature below two degrees compared to the pre-industrial level.

Simulations under three scenarios show the significant impact of the Paris Agreement on Russian energy exports. In INDC scenario, by 2030 it would be 20 percent lower, and by 2050—25 percent lower than in BAU scenario. While in BAU scenario, exports of all the fossil fuels are expected to rise (Fig. 7.3a), in INDC scenario the exports of coal would

²⁴ Makarov I.A., Chen Y.H., and Paltsev S. (2017) "Finding Itself in the Post-Paris World: Russia in the New Global Energy Landscape". MIT Joint Program on the Science and Policy of Global Change, Series Joint Program Report Series, Report No. 324.

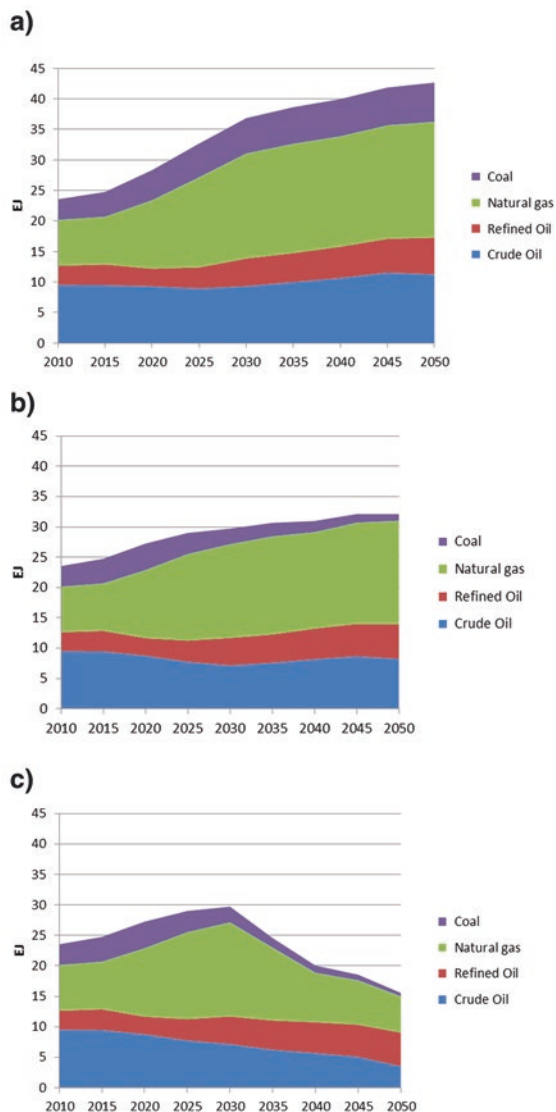


Fig. 7.3 Russia's energy exports in: (a) the Reference scenario; (b) the ParisForever scenario; (c) the Paris2C_RussiaPolicy scenario (Exajoules). (Source: Makarov et al. (2017), see footnote 24)

decrease dramatically—six times compared to BAU scenario (Fig. 7.3b). Oil exports would remain stable, and natural gas exports would rise significantly (would be twice as large in 2050 as in 2010), but slower than in BAU scenario.²⁵

2C scenario (Fig. 7.3c) predicts significant reduction in Russian exports of all the types of fossil fuels. Compared to INDC scenario, oil products exports would not fall significantly, but the crude oil exports would decrease twice by 2050. Russian exports of oil and natural gas in 2C scenario would decrease correspondingly by 65 and 49 percent compared to INDC scenario.²⁵

Lower energy exports lead to slower economic growth. Totally, the climate policy outside of Russia in accordance with the Paris Agreement would lower Russia's gross domestic product (GDP) growth rate in 2020–2030 by 0.2–0.3 of a percentage point. If humanity increases ambitions in the global GHG emission reductions after 2030 in order to follow two degrees trajectory, it would add almost a half of a percentage point to a negative impact on Russia's GDP growth rate in 2035–2050.²⁵

Risks for the Russian Industry

Growing risks for Russian energy exports is an important argument in favor of diversification. However, industrial products which take the largest share in Russian non-fossil fuel exports are also very resource-intensive. Iron and steel, non-ferrous metals, fertilizers, products of chemical industry and even agriculture are all the products with very large ecological footprint. As a result, Russian export is the most energy- and carbon-intensive among all the leading economies.²⁵ Russian GDP is also one of the most water-intensive in the world. Partly it is explained by less environmentally friendly technologies and partly, by product structure of exports.

It puts Russian exports under potentially significant risks. Many companies in leading countries have started paying more attention to pollution along the value chain, and this means that these companies are becoming more demanding in relation to their business partners. Gradually, “clean-ness” of companies is turning into a criterion in decision-making on the reasonability of cooperation.

²⁵ Makarov I.A., and Sokolova A. (2017) “Carbon Emissions Embodied in Russia's Trade: Implications for Climate Policy”. *Review of European and Russian Affairs*, Vol. 11, No. 2.

For instance, in recent years, Russian businesses have been increasingly receiving requests from their foreign customers and investors to disclose information on their GHG emissions. In response to this trend, around ten Russian businesses participate annually in the Carbon Disclosure Project (CDP), which seeks to rank companies in the area of climate reporting. This includes not only the traditional, pro-conservation Archangelsky TsBK, but also giant firms such as Gazprom, Novatek and Lukoil. It will not just be the disclosure of information on emissions that gradually becomes a criterion for partners as the basis for deciding on future co-operations. The volume of emissions as such will also be increasingly assessed as a benchmark for potential partnerships. Prospective business partners similarly assess the current pollution level, and use this as a factor in their decision-making.

At the same time, barriers for the access to dirty products on the international markets may be created by foreign governments. The example of potential border carbon adjustments is the most striking and Russian business would be especially vulnerable to it given its high carbon intensity and the absence of carbon regulation within the country.

The risks from the other type concern positions of Russian companies in “the battle of ecological standards”. Environmental norms worldwide become stricter and Russian companies don’t always get prepared for it. One example here is the phrase of the former governor of Sakhalin Region Oleg Kozhemyako said in October 2015: “Fifteen years ago we produced 100,000 tons of pollock fillets, holding leading positions on the European market. With the introduction of the international ecological certification U.S. fillet producers were quick to take over that market, though. Now we produce a little more than 30,000 tons”.²⁶ Following the logic of the one directed change of ecological standards, Shvarts and Zgurovsky have addressed Russian fish producers with the question: Should Russia’s “U.S. partners” really be blamed for inventing the certification by the Marine Stewardship Council, which they allegedly did just for the sake of cutting Russia’s share of the world pollock market? Or should criticism (however heretical it may sound) be directed against the fish producers and departments of the then equivalent of today’s Fisheries Agency (Rosrybolovstvo), which amid the global crisis in bio-resources proved

²⁶Shvarts E., and Zgurovskiy K. (2015) “Ecological Standards and Economic Development”. *Vedomosti*, November 24, 2015.

unable to predict the requirements of the global market and processing industries and follow them on time, which resulted in the loss of two-thirds of the market?²⁶

A similar story takes place in the area of international aviation. Since 2021, the new Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) will be implemented through which the global aviation industry aims to ensure carbon-neutral growth. Most of the leading companies have already introduced national regulation schemes for emissions in agriculture but Russia has not; this would make it more difficult for Russian companies to adapt to the new regulation.

There are some Russian companies that have a proactive position regarding the green transformation of the global economy and try to establish global ecological standards themselves. For instance, Russian aluminum producer “Rusal” became the first Russian company to introduce internal corporate carbon price (\$30 per ton). In 2017, “Rusal” presented low-carbon aluminum brand, ALLOW, which it now promotes at international markets. Moreover, “Rusal” is among the major advocates of worldwide carbon pricing. The company’s motivation is clear: in the aluminum market, “Rusal”’s competitors are the Chinese producers who use impure coal as an energy source. At the same time, more than 90 percent of energy consumed by “Rusal” falls onto carbon-neutral hydropower plants. Carbon pricing would, therefore, boost additional costs for Chinese producers and increase the competitiveness of the Russian company.²⁷ However, the case of aluminum in the Russian economy is nearly unique and can hardly be transferred to other industries: carbon and ecological footprints for most of them are higher than those of international competitors.

Risks for Technological Backwardness

The green transformation of the global economy has an important technological dimension. Eco-innovations become the driver of economic development in many countries. Numerous governments tend to support R&D in green technologies or directly subsidize their implementation. They consider such measures as win-win policies aimed at both

²⁷ Makarov I.A. (2016a) “Russia’s Participation in International Environmental Cooperation”. *Strategic Analysis*, Vol. 40, No. 6.

environmental protection and gaining first-mover advantage at the prospective markets.²⁸

In Russia, the major resource-intensive sector where active support of innovations is provided is the energy sector. “Promotion of innovative and digital development of the fuel and energy complex” is set as one of the priorities by the state program “Energy Development” approved in 2014. “Green” technological trends (such as the expansion of renewables, progress in electrical vehicles and development of smart grids) have no reflection in the evolution of the Russian energy sector. Strict requirements on equipment localization for renewable energy and smart grids are implemented but in the absence of R&D support, they rather limit the development of these technologies in Russia rather than promote them.²⁹

The potential for development of green technologies in Russia has been affected by sanctions imposed on the country. A number of international institutions including the European Bank of Reconstruction and Development and the International Financial Corporation have already stopped financing clean projects in Russia. Moreover, sanctions on Russian financial institutions have undermined their opportunity to finance any long-term projects. The government hopes to build a new system of clean project finance through the emission of green bonds and to attract green investment from new development institutions such as BRICS New Development Bank and Asian Bank of Infrastructure Investment.³⁰ However, these efforts are unlikely to keep Russia in line with international trends of “green” technologies development. Remaining on the sidelines of these trends, Russia risks remaining reliant on technology that will become outdated.²⁵

²⁸ Rodrik D. (2014) “Green Industrial Policy”. *Oxford Review of Economic Policy*, No. 30.

²⁹ Mitrova T., and Melnikov Y. (2019) Energy Transition in Russia. <https://doi.org/10.1007/s41825-019-00016-8>

³⁰ Makarov I.A. (2016) “Russia’s Participation in International Environmental Cooperation”. *Strategic Analysis*, Vol. 40, No. 6.

THE GREEN TRANSFORMATION OF THE GLOBAL ECONOMY: OPPORTUNITIES FOR THE RUSSIAN ECONOMY

Russia as a Guarantor of Global Environmental Security

In the twentieth century, the main nature-related challenge was the scarcity of conventional non-renewable natural resources (especially fossil fuels). Nowadays, the focus shifts to renewable natural resources: fresh water, arable land, woods, fish stocks and so on. Their depletion rates exceed the recovery rates whereas the potential substitutes are severely limited (and for such resources as fresh water are non-existent).³¹ Another focus is coping with environmental problems especially global ones such as climate change. In economic terms, the central concept is now natural capital, not just natural resources. This shift gives Russia a number of new opportunities.

Russia is the world's largest economy among countries whose biocapacity (seven global hectares per capita) exceeds their ecological footprint (5.2 global hectares per capita).³² Russia's natural capital is a provider of ecosystem services and a source of potential benefits which go far beyond the exports mineral resources.

For instance, through the exports of water-intensive goods, Russia can serve as a pillar of water security in East Asia, the region that suffers from freshwater shortage. Prospects for Russia's participation in "world water market" formation are mentioned, among others, in Russian Water strategy till 2020.³³

Arable land is becoming increasingly scarce. In many regions of the world, its further expansion is not feasible, and the most densely populated region—Asia—is running out of arable land. Russia has vast territories which were partly cultivated in the Soviet era. It also has large potential for productivity rise in agriculture. That makes Russia one of the potential guarantors of food security of Eurasia if not the whole world.

The depletion of the world's fish stocks and forest resources has already reached a critical point. Fish farming and forest planting will become

³¹ Efimov V., et al. (2017) *Siberia and the Far East in XXI Century: Problems and Perspectives of Development*. Krasnoyarsk: SibFU.

³² Global Footprint Network.

³³ Makarov I.A., and Likhacheva A. (2014) "The Virtual Water of Siberia and the Russian Far East for the Asia-Pacific Region: Global Gains vs Regional Sustainability". NRU HSE. Series WP BRP 10/IR/2014.

increasingly common, and by mid-century, will to a large extent satisfy the demand for fish and timber. Russia is one of the countries where such business is the most promising.

Commercialization of ecosystem services makes possible to make profits from natural capital far beyond its pure resource dimension. For instance, forests are a sink for greenhouse gases. Increasing forest cover and reforestation is often much cheaper (per unit of CO₂) than measures to reduce emissions in other sectors. This potentially gives Russia opportunities to attract finance in forestry projects through carbon markets from companies that try to reduce their carbon footprint. The number of such companies would increase worldwide with the expansion of governmental carbon regulation and spread of voluntary schemes.

The other important type of ecosystem services where market mechanisms extensively work is recreation—specifically, Russia is regarded as one of the most attractive territories for ecotourism development. Even cold climate can be commercialized—by creating data processing centers in Siberia, which in warmer countries require a lot of energy for cooling. The first center of this type is being already built in Irkutsk oblast'.³⁴

The important distinction takes place between conventional mineral and renewable resources. Fossil fuels and most of the mineral resources which are the major base of the current Russian economic model are point resources that are attributed to specific and limited locations. They are especially prone to the “resource curse”,³⁴ notably for institutional reasons, when the struggle of elites over such resources worsens the quality of institutions and inefficiency in state governance. It is the case of Russia.³⁵ On the contrary, renewable resources such as water, land, forests and fish are usually diffuse and that makes them safer from the perspective of sustainable economic use.

Of course, in order to derive benefits from natural capital, it is not sufficient to possess it. Massive investment is needed for protection of the environment in Russia, and for its conservation and sustainable use. If natural capital is considered as a major component of the country's wealth

³⁴ Auty R.M. (2001) “Introduction and Overview”. In: *Resource Abundance and Economic Development*, Wider Studies in Development Economic (ed., R. Auty). OUP.

³⁵ Kaznacheev P. (2013) *Resource Rents and Economic Growth: Economic and Institutional Development in Countries with a High Share of Income from the Sale of Natural Resources. Analysis and Recommendations based on International Experience*. Moscow: Russian Presidential Academy of National Economy and Public Administration (RANEPa). <https://ideas.repec.org/p/rnp/ppaper/kazn01.html>

and gains corresponding attention from both business and the government, Russia may become a guarantor of global environmental security and commercialize its position as the main environmental donor of the world.

*Nature-Related Technologies as a New Driver
of the Russian Economy*

The green transformation of the global economy brings to Russia the risks of technological backwardness—technologies of the exploration and development of natural resources that have been the priority of Russian innovation policy are unlikely to remain the technological driver of the economy in future. At the same time, the shift of the global attention from fossil fuels and mineral resources to the natural capital provides Russia with a good alternative to current technological priorities.

In today's world, technological solutions for natural resource management are becoming standard business practices.³⁴ While earlier resource-based industries have been considered as primitive compared to conventional labor- and capital-intensive production, now it is not the case anymore. Consider agriculture. Technologies such as genetic modification, drip irrigation, agricultural robots, geographic information systems and so on are making it more and more sophisticated, requiring highly skilled human resources and significant investment. Biotechnology related to agriculture is one of the most rapidly developing segments of R&D worldwide. Digital technologies are changing fisheries, while fish farming is already a sophisticated industry based on advanced scientific research. Sustainable water, forest and land management also require high skills and may form the core of high-tech clusters including the production of supportive equipment and related research.

Unfortunately, the Russian policy of innovation promotion does not extend to the resource sector except for fossil fuel-based energy. Russia still tends to focus on developing advanced technologies mainly in the field of IT, medicine, state defense and so on, drawing on the experience of the developed countries (primarily the US and Israel). It overlooks the fact that in today's world innovation is also driving the development of agriculture, fisheries and fish farming, water, forest, land and ecosystem management. Apart from the developed countries, many developing economies (Brazil, Chile and Malaysia) have been actively introducing such innovations by means of, inter alia, carefully designed state policies.³⁴

For instance, the non-governmental organization the Chile Foundation has similar objectives to the Skolkovo Foundation, but it focuses on developing medium-high technologies in the resource sector, from copper mining to berry harvesting.³⁶ These practices should be emulated by Russia, in particular in its Eastern territories.

Siberia and the Russian Far East should be aimed at building an area of innovative resource-based economy that would link high technologies with natural capital. The production of innovative resource-intensive goods and services with a focus on the growing Asian markets running low on natural resources could be a fairly attractive niche for Russia to take and succeed in.

* * *

The green transformation of the global economy would affect Russia significantly. It is the new reality to which the Russian economy as well as the country's political system should adapt. This reality does not leave a chance to the economic and political models that brought success to Russia in the era of fossil fuels and still remain dominant. At the same time, Russia may consider the greening world economy not as a threat but as an opportunity. It gives a country a chance to find the new drivers of economic growth instead of oil and gas which stopped playing this role efficiently. The country has a chance to change its specialization and position in the global economy and start to commercialize its natural richness on the basis of its linkage with human capital and technologies.

³⁶Yakovlev A.A., and Gonchar K.R. (2004) "On Implementing in Russia the Best Practices of the Newly Industrialized Countries in Establishing Development Institutions and Stimulating Knowledge-based Economic Growth". *Voprosy ekonomiki*, No. 10 (in Russian).



Energy in World Politics

Alexander Kurdin

INTRODUCTION

Energy markets are often considered among the most important topics of the global political and economic agenda due to several reasons. The first reason is their relative scope in terms of international flows of goods. Although the list of most actively traded goods varies depending on relative prices, crude oil, petroleum products and natural gas are usually on its top. For example, in 2018, crude oil was the most traded good in the global markets with \$1110 billion of sales, while petroleum products occupied the third place with \$807 billion of sales, and natural gas was on the 17th position.¹ The second reason is the influence of energy markets on the rest of the economy through energy supplies, in other words, the dependence of other industries on the reliability and costs of energy sources. The third reason is the direct connection between the develop-

¹ UNCTADStat. Basing on 3-Digit SITC Classification. https://unctadstat.unctad.org/wds/ReportFolders/reportFolders.aspx?sCS_ChosenLang=en (last accessed on August 18, 2019).

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ment of energy sector and the solution to important sustainability problems, including at least two challenges from the UN's list of Sustainable Development Goals: "Affordable and clean energy" and "Climate action".

The modern position of Russia in the world can hardly be assessed without attention toward energy sector. The role of Russian fuel and energy complex in the domestic and international economy may be considered as blessing or curse, and, correspondingly, the position of Russia is sometimes represented as no more than a "gas station",² and sometimes—as an "energy superpower".³ Anyway, if we set aside the emotional context, the importance of Russia in the current world energy system is undeniable. Nevertheless, the global energy landscape is changing due to technological breakthroughs including digitalization, decentralization and new ways of energy production as well as due to ongoing regulatory reforms at national and international levels. So, Russia's positions are challenged but that challenge should not be necessarily regarded in the negative sense.

In the second section of this chapter, we disclose basic notions of global energy governance and the role of Russia in the world energy system. The third section is devoted to a more detailed survey and analysis of key developments in the most urgent (for Russia) areas of global energy system: oil and gas markets—as the main pillars of Russian exports—and the global sustainability agenda. In the fourth section, we try to trace the possible evolution of Russia's role and energy politics taking into account diverse global energy scenarios and probable mechanisms of adaptation to changing international environment.

BASICS OF GLOBAL ENERGY GOVERNANCE AND RUSSIA'S POSITIONS IN THE GLOBAL ENERGY SYSTEM

Global energy governance as a special issue of international relations and political economy achieved the first peak of attention in the 1970s amid the global concerns around the problem of energy supplies reliability and affordability after the oil crisis of 1973–1974. Of course, specific problems of energy politics were investigated long before that but the global

² McCain, Sherfinski D. "Russia is a Gas Station Masquerading as a Country". *Washington Times*, March 16, 2014.

³ Rutland, P. (2008). "Russia as an Energy Superpower". *New Political Economy*, 13(2), 203–210.

governance solutions are usually traced back exactly to the formation of International Energy Agency (IEA, established in 1974) and first active steps made by The Organization of the Petroleum Exporting Countries (OPEC, established in 1960). Modern authors often either choose the 1970s as a starting point for global energy governance analysis,⁴ or consider the IEA and OPEC as the most important actors in that area.⁵

For the purpose of briefly reminding the situation—which is still reflected in the global energy governance structure—we should mention that the crisis of 1973 was provoked by the OPEC embargo on petroleum supplies to several Western countries including the USA. In order to respond this challenge, Western countries—namely OECD members—established the IEA. The initial IEA's functions differed from its current role: it was presumed that the IEA should coordinate the actions of its members against the risks of oil supply shortages. One of the most powerful instruments was the formation of stocks with the prospect of further market interventions.

Since that time, the problems of energy security were always on the top of global energy governance agenda, not only in oil markets—but especially there, because of a high importance of global oil trade, while the share of international trade flows in the production of other energy sources was significantly lower. However, in the 1980s and 1990s, the anxiety of Western oil consumers diminished due to the emergence of new large producers including Russia—then the USSR. As a result, even quantitative metrics show the weakening of international attention toward global energy governance.⁶

The new, more extensive wave of interest toward global energy governance emerged in the twenty-first century, especially since the second half of the 2000s, but its agenda was substantially transformed. It went beyond the problems of energy security and included climate change, energy poverty and a range of other energy issues with significant global externalities.

⁴ Goldthau, A., and Witte, J. M. (Eds.). (2010). *Global Energy Governance: The New Rules of the Game*. Brookings Institution Press.

⁵ Lesage, D., van de Graaf, T., and Westphal, K. (2010). *Global Energy Policy in a Multipolar World*. Ashgate.

⁶ Colgan, J. D., Keohane, R. O., and Van de Graaf, T. (2012). "Punctuated Equilibrium in the Energy Regime Complex". *The Review of International Organizations*, 7(2), 117–143; Kurdin, A. (2020). "Empirical Investigation into Economic Fundamentals of Global Governance Structures". In Grigoryev, L., and Pabst, A. *Global Governance in Transformation*. Springer.

Van de Graaf and Colgan emphasize three main reasons for that new wave: the aggravation of climate problems, oil and gas markets volatility and strengthening of geopolitical tensions.⁷ Dubash and Florini—among other voices—even called for a comprehensive reform of global energy governance because of the fragmentation of the acting system, the emergence of new international challenges without national solutions and the sharp increase in actors’ diversity.⁸ The development of that wave contributed to the deployment of new concepts and frameworks, including more attention to emerging economic powers—states as well as corporations from the developing world, Russia among them, although the traditional problems also remain on the agenda.⁹

The positions of Russia in the world energy complex may be transparently quantified through several indicators, namely the share of Russia in the main global energy aggregates (Table 8.1).

Russia produces about 10% of global energy, and that share remains surprisingly stable during the first 2 decades of the twenty-first century. That stability is partially explained by a strong inertia in the global energy system because of a long lifespan of energy infrastructure. At the same time, this stability is also explained by the co-existence of two trends: (1) the restoration of the Russian fuel and energy complex after painful market reforms of the 1990s and (2) the active growth of global energy needs.

The first trend in Russia was accompanied by a significant increase in domestic energy efficiency due to structural changes in the economy and more intensive market incentives. According to IEA estimates, from 2000–2008, the energy intensity of Russian GDP decreased by more than 33%.¹⁰ The structure of the Soviet economy included a major share of heavy industries, which was partially conserved in the 1990s but in the next decade, there was a shift toward services—that eased the burden of domestic energy supplies and unleashed more energy for exports. Simultaneously, the state gradually increased energy tariffs under the

⁷ Van de Graaf, T., and Colgan, J. (2016). “Global Energy Governance: A Review and Research Agenda”. *Palgrave Communications*, 2(1), 15047.

⁸ Dubash, N., and Florini, A. (2011). “Mapping Global Energy Governance”. *Global Policy*, 2(sp. iss.), 6–18.

⁹ Victor, D., Hults, D., and Thurber, M. (Eds.). (2011). *Oil and Governance: State-Owned Enterprises and the World Energy Supply*. Cambridge University Press; Lesage, D., and Van de Graaf, T. (2016). *Global Energy Governance in a Multipolar World*. Routledge.

¹⁰ IEA. World Energy Statistics and Balances 2018. <http://data.iea.org/> (last accessed on January 29, 2019).

Table 8.1 Shares of Russia in global energy production, exports and consumption, % of world

	2000	2008	2017
<i>Primary energy</i>			
Production	9.8	10.2	10.2
Exports	10.0	11.8	11.9
Consumption	6.2	5.6	5.2
<i>Oil and petroleum products</i>			
Production (crude oil)	8.8	11.9	12.2
Exports (crude oil and petroleum products)	7.2	10.4	10.1
Consumption (petroleum products)	3.6	3.4	3.6
<i>Natural gas</i>			
Production	22.9	20.6	18.4
Exports	29.2	20.4	18.6
Consumption	15.6	14.2	12.6
<i>Coal</i>			
Production	5.3	4.6	5.3
Exports	6.1	10.5	13.8
Consumption	4.9	3.4	3.0

Source: International Energy Agency (IEA). World Energy Statistics and Balances 2018

framework of restructuring and partial deregulation of energy industries. That made energy efficiency initiatives more or less profitable, at least for the most wasteful processes. That is why the share of Russia in global energy consumption decreased in the first decade of the 2000s despite impressive GDP growth rates (5–8% in 2000–2008). Nevertheless, further process of energy saving stagnated after the global crisis of 2008–2009 despite the ambitious government targets to decrease energy intensity by another 40% until 2020. The potential of structural energy saving was generally exhausted by the late 2000s—early 2010s, and further tightening of energy tariffs could threaten domestic industries without clear prospects of successful energy efficiency breakthroughs. Consequently, the resulting level of energy intensity in 2016–2017 was quite close to the level attained in 2008.¹¹ At the same time, the economic slowdown after 2013 contributed to the moderation of domestic energy demand, and the

¹¹ Analytical Center under the Government of the Russian Federation. (2019). Fuel and Energy Complex of Russia—2018. Moscow [in Russian]. <http://ac.gov.ru/files/publication/a/22922.pdf>.

problem of domestic energy sufficiency is still far from any emergency, although some local imbalances are gradually making it more sensible in the late 2010s.

Anyway, the restored energy-producing capacities since the 2000s were even more export-oriented than before. As such, Russia's share of global energy exports exceeded 10% and approached 12% after 2003.

In that period, the energy industry of Russia played a significant but often neglected role of closing the gap in global energy supplies, especially in the oil market. From 2000 to 2008, global oil consumption increased by almost 400 million tons, and Russian oil production added more than 150 million tons of additional supplies.¹² That contribution softened and delayed oil deficit, while new supplies from the US were still on their way, and OPEC capacities were insufficient to feed the growing global economy at that moment. So, Russia regained the position in the oil market, attaining about 12% of global crude oil production and more than 10% of global petroleum exports.

After the global crisis of 2008–2009, the growth of Russian energy production share in the world actually stagnated. On the one hand, Russia already restored pre-transformation energy-producing capacities by that moment. On the other hand, further development of supplies was constrained, firstly, by slower economic growth in the world, secondly, by the size of domestic market, thirdly—last but not least—by the emergence of new powerful competitors and international sanctions.

These developments should be considered more carefully at a level of specific energy industries and problems.

KEY AREAS OF ENERGY SYSTEMS AND GOVERNANCE FOR THE RUSSIAN ECONOMY

Oil Industry

Oil industry is the most important source of income for the federal budget of Russia. In 2018, oil and gas incomes accounted for 46% of Russian federal budget receipts, significantly higher than in 2017 (40%) due to oil price growth.¹¹ In general, oil and gas incomes usually were making 40–50% of federal budget since the mid-2000s, except for 2016 which saw exceptionally low oil prices (then oil and gas incomes accounted for 35%

¹² IEA. Oil Information 2018. <http://data.ica.org/> (last accessed on August 18, 2019).

of federal budget receipts). More than 80% of oil and gas incomes are provided by the oil industry. This share takes into account only export duties and mineral extraction tax, even without corporate tax and other taxes—so, the role of oil in the federal budget income can hardly be overestimated.

That is why oil price always remained a question of vital importance for the government; however, that factor was almost absolutely out of its control until 2017.

Since the emergence of global governance mechanisms in the oil market—namely OPEC and the IEA—the USSR and—later—Russia were standing outside these mechanisms. In the 1970s and 1980s, the USSR actually even contributed to the easing of global tight oil market by supplying abundant volumes of oil without interaction with OPEC policies. However, now it is hard to imagine that even cooperation between those market players could prevent the oil price collapse of the late 1980s and 1990s.

Anyway, in the 1980s, the USSR with more than 600 million tons of oil production (including 550–570 million tons in Russia in the late 1980s) provided about 20% of global oil and represented a significant market force by itself. The market transformation of the Russian economy completely changed the situation: Russia lost almost half of its oil production, so that oil extraction touched 300 million tons in the late 1990s.

Despite the tremendous fall in oil extraction, production capacities remained in service, and revival of oil prices since the early 2000s made the restoration of the Russian oil industry profitable. Then the modern stage of Russia's participation in the global oil market started.

The re-emergence of Russia as a powerful actor in the oil market under conditions of intensive competition between oil producers and weak prices led to the activation of Russia–OPEC relationship and several cautious attempts to coordinate efforts on a small scale in 2001–2002 with limited success.¹³

The significant improvement in market situation for suppliers later in the 2000s wiped off the necessity for producers' cooperation and, in general, the necessity for any international mechanism of market stabilization, because the market seemed cloudless for suppliers.

¹³Mann, J. (2009). "Russia's Policy Towards OPEC". *Middle Eastern Studies*, 45(6), 985–1005.

The global crisis of 2008–2009 with the sharp price fall after the incredible price spike reinvigorated the idea of improving oil market coordination among producers as well as among consumers in order to prevent excessive market volatility.

The short-term aspect of that coordination strategy comprised the necessity for OPEC members to cut their production. Of course, the best option for them was sharing this burden with other producers, namely with Russia—as the biggest non-OPEC and non-OECD oil producer. However, Russian authorities rejected the idea of production cuts in 2008–2009. Nevertheless, OPEC members were able to deliver on their own production cut commitments and eventually “bailed out” the oil market, so that oil prices returned to a comfortable level of \$80 per barrel already in 2010. Russian oil production and market share, on the contrary, increased, which somewhat contributed to the smoothening of negative oil price shock but raveled the relationship between Russia and OPEC.

The long-term aspect of that coordination strategy comprised the cooperation between producers and consumers to make the market more predictable and less volatile, to the mutual benefit of producers and consumers. The leaders of G8 declared the necessity to reduce excessive oil price volatility after their summit of 2009 and encouraged the activities of the IEA and the IEF (International Energy Forum, established in 1991, in order to maintain coordination between energy consumers and producers, including IEA and OPEC, respectively) in that direction. Those efforts were supported in further high-level meetings, including the G20 Summit in Russia, where “making energy and commodity markets transparent and more predictable” was considered as one of the top priorities.

In practice, governance mechanisms did not change a lot following these developments in the first half of the 2010s. The efforts of international organizations—including the IEA, OPEC and the IEF—were reduced to the investigation of possible market distortions by speculative investors or price reporting agencies, to the elimination of inefficient fossil fuel subsidies (presumably making prices more volatile by making quantities less flexible) and to the dissipation of market information through publicly available databases, such as Joint Organizations Data Initiative (JODI).

However, fundamental mechanisms of market fluctuations were not changed by those international efforts—and in the 2010s, the global economy passed through a new cycle of commodity prices, headed by oil price.

That new cycle was provoked by a new fundamental imbalance between the moderate growth of oil demand amid global economic slowdown and the active expansion of oil supply in the USA due to the exploration of local light tight oil fields. These developments were predictable, although their scope and effect were unexpected by the majority of industry analysts. The fall in price below \$50, and then below \$40 per barrel after their peak levels in 2011–2013 (above \$100 per barrel) was the second example of excessive oil market volatility, and it showed that the stabilizing efforts of global powerhouses were mostly fruitless. Moreover, OPEC failed to accomplish its coordinating role and missed several opportunities to manage market equilibrium by cutting oil production. Now, it is widely accepted that OPEC policy at that moment was guided by the purpose of restricting the inflow of new producers by the maintenance of lower prices. This approach had some temporary success because by 2016, the oil drilling activity in the USA diminished but the price of this elusive effect was quite high. Oil exporters dramatically suffered from low prices in 2015–2016, especially those who did not have sufficient reserve funds. But a low level of oil prices could become a problem not only for oil-exporting economies from OPEC or outside of the Organization but also for the other segments of the global energy system.

Excessively low and unstable fossil fuel prices (including oil prices) also bring harm for the investment in energy sector in general, because it undermines economic incentives for the development of energy production or energy saving. That is why the prevalence of low oil prices was often considered as one of the threats to the sustainability of the energy sector.

The partial solution was found in the new format of producers' coordination going beyond OPEC,—so-called OPEC+—with the active participation of Russia as a “flagship” non-OPEC producer contributing to the oil market stability by voluntarily cutting the excessive market supply. The role of Russia was not limited to the provision of an additional 0.3 mb/d of production cuts—although this is valuable by itself for oil market with its significant price dependence on small quantities “at the margin” between oil deficit and oil surplus. The participation of Russia in the deal means the involvement of the “controlling stake”: the parties of the deal now control more than a half of global oil supply, while OPEC produces only about 40% of global liquid fuels. In addition, Russia can contribute to the arrangement of acute tensions between diverse OPEC members by providing additional opportunities of international diplomacy.

Nevertheless, the agreement “OPEC+” is still considered as a temporary instrument, and the oil market remains subject to a significant vulnerability. Even Russian oil companies cannot be quite happy with this situation. Unlike their counterparts in major OPEC economies, they often represent a private sector, so, those production cuts represent the additional regulatory burden for them.

Natural Gas Industry

Natural gas industry in Russia has been primarily the industry “for domestic use”: it provides approximately half of domestic primary energy supplies, as well as a half of electricity generation. Despite the active international discussion of major pipeline export projects, the importance of gas exports for the federal budget is much less in comparison with oil production, though still quite significant.

Fifty years ago, in the Soviet era, the start of natural gas exports to Europe represented a challenge for the national gas industry due to the absence of relevant pipelines, as well as any other export infrastructure. For example, the shortage of pipes forced the USSR to export gas in exchange for pipes needed to build the export pipeline.

Nowadays, the infrastructure is at the disposal of producers and consumers but the availability of pipelines still represents a bottleneck for the development of natural gas trade.

The need for highly specific infrastructural investments—that is the investments that cannot be reimbursed in the case of partners’ non-compliance, such as the investment in the construction of pipelines between a specific gas field and a specific gas consumer—determined the system of governance mechanisms in international gas markets.

The most part of international natural gas supplies usually has been sold through long-term contracts (for 20–30 years) with additional reservations preventing the exit of the partners, safeguarding the stability of their behavior and preventing the abuse of exclusive relationships. Those special conditions usually comprised the limits of gas off-take (take-or-pay reservations) and gas pricing (oil price indexation).

That is why the governance in gas markets was mostly translated to bilateral level unlike in the oil market with its much larger opportunities of switching partners in the “global pool” of oil.

Gazprom—the only Russian gas-exporting company via pipelines¹⁴—felt comfortable up to the late 2000s with the large package of long-term gas contracts but (1) the development of LNG technologies and unconventional gas, (2) the shift of European power generation to renewables and (3) the reform of the European gas market challenged Gazprom's positions.

The development of LNG together with the unbundling of gas transportation from gas supplies in Europe made the market environment more competitive. In other words, since the late 2000s, European buyers were able to switch between gas producers more actively, and Gazprom ceased to be their preferred choice, partially due to a high level of oil-indexed prices for natural gas from Russia, partially due to the European initiatives to lower the dependence from a single supplier. The main alternatives included LNG supplies from the Middle East (namely from Qatar), from Africa and in the late 2010s—even from the USA.

That shift partially explains a sharp drop in Russia's share of global gas exports since 2000 (Table 8.1). The absolute volume of natural gas exports from Russia was relatively stable with a moderate declining trend in 2005–2009 but Gazprom was not able to support the global expansion of gas markets. Lack of competitiveness due to severe contract conditions and relatively high oil-indexed prices coincided with the unavailability of other prospective markets, so that “unfriendly” European market remained the only outlet for Gazprom. The extensive US demand since the late 2000s was covered by domestic supply thanks to the exploration of shale gas, and that led to the freezing of the ambitious Shtokman project by Gazprom. There were no pipelines from Russia to Asia, and before 2017 there was only one LNG export terminal in Russia (on Sakhalin, the terminal is controlled by Gazprom together with the consortium of Shell, Mitsui and Mitsubishi), which gave only limited access to premium Asian markets since 2009.

Nevertheless, by the mid-2010s, Russian producers were able to adapt to these new circumstances and Russian gas exports gained momentum. Gazprom provided more flexibility in its contracts, including gas pricing, and after the oil price drop in 2014–2015, oil-indexed gas prices became competitive again. Novatek, the independent gas producer, put into operation a big LNG-exporting terminal on Yamal peninsula in 2017 and

¹⁴This exclusivity is maintained by the Russian law “On gas exports”, though other Russian companies have access to LNG exports.

is preparing another massive LNG plant nearby. Rosneft is considering the construction of its first LNG terminal in the Far East, Gazprom may also enlarge its LNG capacities and, what is even more important, plans to bring into operation the first gas pipeline from Russia to China—the “Power of Siberia”, which was commissioned in 2019. It permits to start supplies in accordance with the gas contract between Gazprom and CNPC, which comprises exports of 38 billion cubic meters (bcm) annually at a maximum level. As a result of all these developments, Russian gas exports were constantly growing from 2014 (181 bcm) to 2018 (248 bcm)¹⁵ and this growth will obviously continue thanks to the start of exports to China in the near future.

However, this growth does not mean that Russian producers are totally ready for international gas industry challenges and that the current gas market governance is meeting their best expectations.

Russian gas exports are still heavily dependent on the European markets and the developments in those markets are breaking the old governance system familiar to Gazprom. The usual system was based on long-term bilateral contracts between vertically integrated structures, so that governance was performed by the two parties concerned and their governments, on the assumption of non-substitutability of both partners. Now the European Union is trying to promote market governance—that is the provision of opportunities to switch a partner in the competitive market environment to prevent any kind of monopolistic behavior—or the regulatory intervention if market competition is impossible. Sometimes that leads to clear losses in social welfare—like in the case of the coerced underutilization of Nord Stream pipeline due to a legalistic position of the European Commission making Gazprom to free a part of the pipeline for other shippers, despite their actual absence.¹⁶ Anyway, Gazprom faces not only specific state or corporate partners with a long-term history of mutual relations but also the competitive environment or the consolidated European regulator. That imposes new requirements on the exporter. The situation is getting even more difficult in the late 2010s due to the effect of deepening political conflicts, which made Gazprom search for a new

¹⁵ Ministry of Energy of the Russian Federation. The Outcomes of Minenergo of Russia Activity and Main Results of Russian Fuel and Energy Complex Functioning in 2018. <https://minenergo.gov.ru/node/7692> (last accessed on August 20, 2019).

¹⁶ Shastitko, A. E., and Kurdin, A. A. (2018). “The Functional and the Instrumental in Market Definition: A Laboratory for Natural Experiments in the Baltics”. *Baltic Region*, 10(2), 4–25.

routes of gas exports without transit through Ukraine, while Western states are confronting such a behavior, and Gazprom, as well as other Russian gas producers, became subject to foreign sanctions.

In other markets, Gazprom (as well as other Russian gas producers if they supply gas to international markets) may not feel such an explicit pressure from the regulator but the change of markets with the growing share of LNG trade and the intensification of competition due to a variety of factors—from the construction of new LNG export terminals in the USA and Australia to more active interfuel competition in the power sector and deregulation of gas markets—inevitably leads to a more competitive environment.

In general, global gas markets throughout the world are going through that transformation including the gradual formation of a single competitive global market resembling the oil market and probably inheriting its advantages and its problems (e.g. excessive volatility). As such, gas markets governance is changing but, unlike in oil markets, there are no specific rules and organizations aimed at making the market more stable and transparent.

Sustainable Development Challenges

Nowadays, the problems of global energy governance, as well as the analysis of the big energy players' prospects, such as Russia, cannot be discussed without the sustainability context.

Climate change remains, probably, the most outstanding sustainability problem for energy producers, at least in terms of public attention. Climate problems entered the top of the global sustainability agenda in the 1990s, and the acceleration of energy-intensive (and fossil-fuel-intensive) economic growth of the 2000s made this challenge much more pressing. The Kyoto protocol based on the UN Framework Convention on Climate Change (UNFCCC) was the first attempt to introduce the ongoing governance mechanism regulating greenhouse gas emissions. The first period of its realization in 2008–2012 showed mixed results due to the absence of strict obligations for main emitters (China and India) or their non-compliance (the USA). The following withdrawal of Russia, Canada and Japan from the second part of that process actually eliminated its prospects.

The Paris climate agreement of 2015 changed the principles of climate regulations by declaring the transition to “bottom up” approach including voluntary contributions instead of internationally imposed obligations.

As such, those new regulations at first glance seem less restrictive. Nevertheless, the efforts to change the structure of energy systems are being implemented throughout the world, and energy producers are forced to adapt to them.

Russia has been participating in the UNFCCC since its creation, although the interests of Russian players in this area are obviously mixed. This mixed position may be clearly noticed in a long-delayed process of Paris agreement adoption in Russia (actually adopted in 2019) due to its unclear final effects for the Russian industries. According to alarmist points of view, the development of more sustainable energy is a clear threat for Russian energy supplies; however, other approaches claim that Russia as a state and Russian companies may successfully adapt to this trend and even extract benefits by exploiting their clean energy potential, including nuclear energy, hydroenergy, energy efficiency (including the usage of smart energy technologies) and even natural gas as relatively clean energy source for being a “bridge fuel” on the way to the green energy system.

THE FUTURE POSITIONS OF RUSSIA IN THE GLOBAL ENERGY SYSTEMS AND GOVERNANCE

The current role of energy sector in the Russian economy determines a considerable importance of world energy scenarios for Russia's global economic positions and international policies. However, this dependence is more difficult than the simple pegging to the world demand for energy resources in general or hydrocarbons in particular. For a first approximation, Russia's positions depend on (a) the role of traditional fossil fuels in the future global energy system; (b) the relative positions of Russia as a producer on fossil fuels markets; (c) the rate of Russian energy sector adaptation to changing energy landscape.

Nowadays, the forecasted paths of global energy development are often determined through political and technological dimensions.

IEA as the most influential energy forecaster usually suggests the existence of three scenarios depending on climate policies: Current Policies (business-as-usual scenario), New Policies (base case scenario representing some additional measures to prevent climate change) and Sustainable Development (global CO₂ emissions will be almost halved until 2040).¹⁷

¹⁷ International Energy Agency (IEA). (2018). *World Energy Outlook 2018*. OECD/IEA.

These scenarios are quite different in terms of energy prices and demand for energy resources; however, their outcomes in terms of relative positions of market players are quite similar. For example, Current Policies scenario (CPS) presumes that world oil production will grow from 95 million barrels per day (mb/d) in 2017 to more than 120 mb/d in 2040, and that will raise crude oil price up to \$137 per barrel, while Sustainable Development scenario (SDS) presumes that world oil supply will attain only 70 mb/d in 2040, and oil price will be much lower too: \$64 per barrel. New Policies scenario is between those two options. At the same time, the share of so-called Eurasian region (including Russia and Caspian region) in global oil production will be 12% in 2040 in CPS and 11% in 2040 in SDS, while in 2017 it equaled 15%. Almost the same picture may be seen in the gas industry: according to CPS, the share of Eurasia in global gas production declines from 24% in 2017 to 21% in 2040, while in SDS it falls to 20% in 2040.

Other options are considered in one of leading Russian energy forecasts prepared by the Energy Research Institute of the Russian Academy of Sciences.¹⁸ There the scenarios are based on different progress rates of global energy transformation: Conservative Scenario (CS) represents business-as-usual case, Energy Transition Scenario (ETS) represents the highest degree of transformation up to 2040, while Innovative Scenario (IS) is in between. They are quite different in terms of total energy resources production, although less different than IEA options: according to CS of ERI RAS, global oil production will reach 4730 million tons in 2040, while in ETS it will equal 3725 million tons, natural gas production will be 5149 and 4989 bcm respectively. However, as well as in IEA forecasts, the shares of Russia in the global markets will not change significantly depending on the scenario. The realization of CS will lead to the decline of Russian share of global oil production from 13% in 2015 to 10% in 2040, while in the case of ETS this share will reach 11% in 2040. The shares of Russia in global natural gas production will diminish from 18% in 2015 to 17% in 2040 in both scenarios.

It means that IEA and ERI RAS expect that major alternatives of global energy development will considerably affect the total scope of demand for

¹⁸Energy Research Institute of the Russian Academy of Sciences (ERI RAS), Moscow School of Management “Skolkovo”. (2019). Global and Russian Energy Outlook 2019. Moscow [in Russian]. <https://www.eriras.ru/data/994/rus>.

energy and its structure by energy sources, while the role of Russia inside oil and gas markets will remain mostly unchanged.

The principal consequence from that conclusion for policymaking may be in the prioritization of sustainable development framework and corresponding transformation of energy technologies to safeguard Russia's previous positions in the global energy system and to transform it according to prevailing global trends.

In practice it means that the most important way of thinking and acting in the area of global energy governance for the Russian authorities is the participation in global sustainability efforts to make them more convenient for the strongest points of Russian energy complex, such as nuclear energy, hydroenergy, use of natural gas as a bridge fuel, promotion of efficient materials based on petrochemical products. Of course, this direction comprises the active involvement in the development of climate agenda, or else the ramifications of the Paris agreement framework and the formation of post-Paris climate agenda will go on at a global scale without any influence from the Russian side and despite all the skepticism from the Russian authorities. This path includes more and deeper involvement of Russia in the international cooperation in the area of sustainable energy, which is partially threatened by sanctions and deeper political tensions since 2014. One of the indicators of that aggravation is that the launch of IEA Association in 2015—that is the inclusion of 8 developing countries in close cooperation with IEA—missed Russia, so that this Association involved all the BRICS countries except Russia. However, the deeper consideration of purely political aspects goes beyond the scope of this chapter.

Of course, that way of responding to the global energy challenges includes not only efforts geared toward the international agenda but also the domestic policies intended to develop those domestic technological capacities that correspond to the global energy transformation path.

However, the recent experience of global oil and gas markets shows that this approach has its significant limitations and may turn out to be excessively one-sided. The changes in Russia's share in world energy markets since 2000 have already been higher than are predicted by the analysts for the even longer period until 2040. Oil and gas markets are at the crossroads not only because the exogenous pressure from new energy technologies but also because of their own imbalances and challenges.

The reliable energy policy of Russia should pay attention to the ongoing processes in oil and gas markets including current changes in global energy governance in those areas.

The excessive volatility of the global oil market is at the top of the global governance agenda at least during the last 10 years but this problem is still far from its decisive solution. The globally coordinated efforts of producers and consumers made no significant improvements, except for more transparency. As such, leading players are still seeking mechanisms supporting more stability. OPEC+ Agreement is a reasonable step toward that goal, though it is still positioned as a temporary measure, and the bulk of internal frictions does not give a chance that such an agreement could last forever. Nevertheless, the short-term efficiency of that instrument presumes the necessity to elaborate similar stabilization mechanisms “at hand”, as the need for appeasing the market did not disappear since the era of the IEA and OPEC formation, but now such mechanisms should be more comprehensive in terms of the number and structure of their stakeholders.

Global gas market will inherit more features of current oil markets thanks to the development of more and more global linkages promoted by the growth of LNG trade, but it will inevitably conserve specific features. This market is still in the process of its formation, and regional markets are still divided. The future positions in that global market are dependent on the inter-regional flexibility of each participant—of course, including Russia—because the most flexible market players will be able to extract benefits from covering local imbalances in this or that point of the new market space. As such, the diversification should undoubtedly remain one of the top priorities for Russian gas politics, including the development of LNG capacities, as well as basic pipeline linkages to main consumers.

To conclude, Russia’s energy politics in the modern world should be multidimensional. The ongoing energy transformation toward more sustainability leaves no chance to safeguard current position without adapting to those trends by participating in global cooperation, as well as by promoting corresponding energy technologies domestically. Simultaneously, main Russian energy export markets are subject to vulnerability. They also demand efforts to maintain current positions and lower risks by creating reliable stabilization mechanisms and by providing enough opportunities for export diversification.



Global Water Challenge and Prospects for Russian Agenda

Anastasia Likhacheva

Russia is the second country in the world in terms of renewable freshwater resources. Lake Baikal, the largest freshwater lake in the world, is situated there and such water reserves are, of course, a strategic resource. Nevertheless, the position of Russia in the international water “agenda” is practically absent; there was no remarkable international water programme or institutional frameworks, initiated by Russia since the collapse of the USSR, except bilateral dialogues on demarcation of borders (including river basins) or ecological issues on transboundary river basins where Russia has a stake.

Aiming at systematizing some opportunities for the promotion of water-related agenda by Russia, we first provide a brief overview of water situation in Russia and on its borders, then we analyse both doctrinal documents and other sources to clarify possible water-related threats and then we will try to open doors for a discussion on the opportunities in the international arena that Russia can discover by relying on its water capacities. In the concluding part, we will provide some recommendations for Russian decision-makers based on the matching of key features of global and regional water crises and Russian water-related potential.

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RUSSIA AT THE GLOBAL MAP OF WATER CRISIS

More than 120,000 rivers with a length of more than 10 km flow through Russia; their total length is 2.3 million km. The annual volume of renewable water resources is estimated at 4525 km³. About 71% of this flow belongs to the basin of the Arctic Ocean, 14%—the Pacific, 10% falls on the Caspian Sea and only 5% on the Black, Azov and Baltic Seas combined. Only 185 km³, or 4.5% of Russia's total renewable resources, come from abroad.¹

Although the availability of water in the Southern and South-Western regions is much less than in Siberia (2000 and 120,000–190,000 m³/person/year, respectively), it still makes almost two times the per capita supply of water resources in the Mekong basin (about 1000–1100 m³), and one-and-a-half times the average world level (1370 m³).

The water infrastructure of Russia is considered to be the longest in the world; in terms of the number of dams, the country also remains one of the world leaders: in the twentieth century, more than 300 large dams and over 3000 small and medium ones were built.

For Russia, the important problems of water use so far relate to the modernization of the water industry as such, improving the quality of water for municipal needs. A separate point is the saving of unique water bodies of world importance located in Russia—Lake Baikal, the largest and deepest fresh lake in the world, Siberian rivers regulating the most important ecosystems of Siberia and the Arctic Ocean.

However, these problems are considered mainly within the framework of the national agenda, while Russia's voice on the international water agenda is hardly noticeable. Even the increase in food exports is not yet linked to the water and food axis in most importing countries, limited to only market aspects.

Regarding agricultural productivity (and, accordingly, water in agriculture), there are still significant growth opportunities: if the productivity of Russian small private farms is extended to the entire industry, then the annual agricultural productivity will grow by six (!) times.² For comparison, in Kenya, such an extrapolation will only double the output, and in Hungary—increase it by 30%.

¹ Hereinafter we use FAO Aquastat data sets.

² Vidal J. (2014) "Hungry for land". *The Guardian*. www.theguardian.com/environment/2014/may/28/farmland-food-security-small-farmers

Big share of withdrawals in the municipal sector is associated with inefficiencies in out-dated systems and high levels of losses.³ To overcome this backwardness, in 2009, a number of government initiatives were launched and were aimed at modernizing water supply and water treatment systems⁴; however, the proposed national programmes have not yet reached their goals, although work is on-going at both the federal and regional levels. Foreign companies are gradually showing interest in the industry, but their activities are largely limited by institutional barriers, the lack of transparency in tariff setting schemes and the inefficiency of managing the existing water utilities system.⁵

The participation of the latter is of great importance, since the Russian water management system is characterized by a high degree of wear and tear, cases of effective modernization with the introduction of the latest technologies are rare and are realized only with the participation of foreign partners. It remains relevant both for municipal water supply (treatment facilities in St. Petersburg were built on an equal footing with investors from Finland⁶), and for agriculture (enterprises in Tatarstan using drip irrigation are owned by Israeli companies⁷).

REGULATION OF WATER RESOURCES

Although less than 5% of Russian renewable freshwater resources are generated outside of Russia, it shares transboundary waters with almost all its neighbours. Most of the agreements in force today were concluded in the first decade after the collapse of the USSR. In 1992, the Russian Federation began the process of legalizing the joint use of transboundary waters with neighbouring countries, while the fundamental principle was the establishment of a water use procedure that existed at the time of the collapse

³ See Federal target program (FTP), “Clean water 2011–2017”. <http://fcp.economy.gov.ru/cgi-bin/cis/fcp.cgi/Fcp/ViewFcp/View/2011/393>

⁴ Water strategy of Russian Federation. <http://www.mnr.gov.ru/regulatory/detail.php?ID=128717>. FTP, “Clean water 2011–2017”. FTP, “Development of water complex in Russian Federation for 2012–2020”. <http://fcp.economy.gov.ru/cgi-bin/cis/fcp.cgi/Fcp/ViewFcp/View/2012/403>

⁵ Likhacheva A. “Water industry in Russia: Challenges and political priorities”. *Competition and Regulation in Network Industries Journal*. <http://www.crninet.com/2011/a4c.pdf>

⁶ See, for example Northern Domestic Environmental Partnership. <http://www.ndep.org/>

⁷ Israel intends to rent land in Tatarstan for agricultural farms (2010) [Izrail’ nameren arendovat’ v Tatarstane zemli pod agrofermy]. <http://info.tatcenter.ru/article/92208/>

of the Soviet Union. In particular, agreements were concluded with Kazakhstan (along the rivers Ishim, Irtysh, Ural and Tobol) and Ukraine (along the rivers Desna, Seym, Seversky and Donetsk) and later, in 1995—with Mongolia (along Amur and Selenga), China and the Democratic People's Republic of Korea (DPRK) (along the Tyumen River). In 1996–1997, disagreements were settled with Estonia (along Narva), Belarus and Latvia (over Daugava). In the 2000s, a number of agreements were concluded with Belarus, covering all the main areas of water management in the basins of the Daugava, Dnieper, Narva, Neman and Volga. In 2010, after lengthy negotiations, an agreement was signed with Azerbaijan regulating the joint use of the waters of the Samur River. Within the framework of all these agreements, specialized interdepartmental commissions have been established.

If the agreements on the borders of the European part of Russia were sufficiently detailed, then the agreements with the Eastern neighbours can hardly be called effective. Most of these agreements do not provide for sanction mechanisms, interagency commissions do not become a full-fledged supranational basin management body, and multilateral commissions are not operational. Besides weak legislative basis, a structural rebalancing of water use took place mainly in the Asian part of the Russian border: nowadays some preconditions for the emergence of serious conflicts of interest are formed mainly there: on the Amur River, its tributaries and on the Irtysh river.⁸ Some concerns arise also around Baikal; however, most of them remain local political propaganda (degree of international activity at Baikal remain miserable in terms of water systems of the lake), and will not be considered seriously in this chapter.

THREATS TO RUSSIAN NATIONAL SECURITY IN INTERNATIONAL WATER BASINS

The National Security Concept of the Russian Federation until 2020 does not highlight specific threats associated with international water basins, even in terms of ecology. In general, the paragraph on environmental safety is the shortest in the Concept, consists of four subparagraphs, does not separately consider the safety of water systems and does not focus on

⁸Torkunov A.V. (ed.) (2011) "Freshwater problems. The global context of Russian politics: Expert analysis report MGIMO". Moscow 2011.

measures to combat pollution of international watercourses. However, such threats do exist.

Amur, the longest river border in the world, with a length of 2824 km, separates Russia and China. This is the only major river in the world with no dams in the main channel,⁹ and countries can control full-flow tributaries, but not a common channel. By now, the main threat to Russia is associated with a high level of pollution of Chinese tributaries, which directly harm the Russian cities on the Amur River and the entire river ecosystem. The largest accident that attracted the attention of the general public was the release of chemical waste in Sungari on November 13, 2005. Despite the Russian authorities not requesting compensation for damage, the Chinese side provided drinking water and equipment to neutralize chemical pollution.¹⁰ However, according to experts, the systemic problem of the river was not accidents per se, but the daily activities of Chinese enterprises dumping waste into the river without the necessary neutralization and treatment.¹¹ The result of the accident on the Sungari River was that the Chinese government launched a national plan for responding to environmental disasters in February 2006, and Russia intensified environmental monitoring of the river. Later, on January 29, 2008, the *Agreement on the Rational Use and Protection of Transboundary Waters* was signed, and the *Joint Russian-Chinese Commission on the Rational Use and Protection of Transboundary Waters* was established. Despite the steps proposed in the Agreement to create a joint system for informing and preventing environmental pollution and confirmation to maintain the existing hydraulic and other structures in proper condition, the agreement does not have a sanctions mechanism, which significantly reduces its effectiveness.

The second potential threat is related to the peculiarity of the Amur riverbed: the river has a mobile fairway and, according to international law, in this case, the border passes not along the middle of the river, but

⁹In the 1960s, A Soviet-Chinese plan for the development of the Amur's hydropower potential was developed, but after a break in relations, the project was frozen. Attempts were made to revive it in 1986; and then in 1991, an agreement was signed *On the joint development of hydropower potential on the Amur*, but after the collapse of the USSR, they did not return to the project. See the *University of Oregon International Agreement Database* for more information. <https://transboundarywaters.science.oregonstate.edu/content/data-and-datasets>

¹⁰Vinogradov S., and Wouters P. (2013) "Can the dragon and bear drink from the same well? Examining Sino-Russian cooperation on transboundary rivers through a legal lens". *Journal of Water Law*, vol. 4(23), pp. 95–107.

¹¹Ibid.

along the fairway. China develops sand pits on its shore that leads to artificial moves of the course. Since, against the backdrop of unprecedentedly favourable relations between Russia and China, local authorities are not protesting at the official level, and they have to use one-way adaptation mechanisms: strengthen the Russian coast near some large cities, erect dams and, thereby, try to mitigate the effect.

The Irtysh problem is of a different nature: Mongolia, China, Kazakhstan and Russia are successively located on the river. As part of the state programme for the development of the North-Western territories, China built two diversion canals on its territory (380 km long), which led to a sharp drop in the level of water entering Russia. In particular, Omsk already suffers from shallowing of the river.¹² The situation with the Irtysh is aggravated by the fact that the river from China does not enter Russia directly, but bypassing Kazakhstan, and China consecutively stays on bilateral format of negotiations on the Irtysh with Russia or Kazakhstan, instead of basin-based approach.

Against the background of the situation in Crimea, for the first time in Russian public space, the question of the water availability of individual regions arose sharply. Crimea is located in the international water basin of the Dnieper through the North Crimean Canal, built in 1971. As a result of the deterioration of Russian–Ukrainian relations, the Ukrainian side in the spring of 2014 almost blocked the flow of water through the canal—the main source of fresh water on the peninsula. Although the canal is seasonal and operates only from March to November, it accounted for almost 85% of the annual water withdrawal of the peninsula.

If the prompt response to the April block was related to the drilling of artesian wells and the construction of water pipelines to provide the population with drinking water,¹³ then the strategic development of the peninsula will require a systematic transformation of the entire water economy. So, rice farming, which was launched in the republic in the 1970s, consumed 40% of all Crimean fresh water and 60% of the water coming through the North Crimean Canal, is clearly uncompetitive and disadvantageous: rice, one of the most water-intensive crops in the world,

¹² Djamalov R. (2012) “Current issues of the water triangle: Russia–China–Kazakhstan [Sovremennye problemy vodnogo treugol’nika: Rossiya–Kitaj–Kazakhstan]”. *Priroda*, vol. 4, pp. 3–10.

¹³ Izotov I. (2014) “Shoigu instructed to deliver water to the northeast of Crimea [Shoigu poruchil dostavit’ vodu na severo-vostok Kryma]”. *Rosyskaia Gazeta*. <http://www.rg.ru/2014/05/03/reg-kfo/voda.html>

it is not grown anywhere in the steppes, namely in this resort-climatic zone lies most of the agricultural land of Crimea. At the same time, the development of a service economy on the peninsula will make it possible to concentrate efforts on modernizing water infrastructure (today the level of losses reaches 60%, in almost all cities there is no closed sewage system, treatment plants are out-dated and their capacities are clearly insufficient), and the introduction of desalination technologies.

In the early days of the water blockade of the Crimea, the Ministry of Natural Resources of the Russian Federation proposed the idea of building a waterway through the Kerch Strait, with the minimum cost of the project estimated at 100 billion rubbles.¹⁴ As the main argument an example of the efficient economy of Singapore, importing water from Malaysia, was presented. The fact that the territory of Singapore is 27 times smaller than the Crimean, and throughout its history, Singapore sought to abandon this import, was not initially taken into account. However, after an initial quantitative analysis of the Crimean water withdrawal, it became clear that a water conduit is necessary only if agricultural orientation of the Crimean economy remains as a priority, while preserving the most water-intensive crops. Today, most of the experts in public space stress on short-sightedness of such a policy, precisely taking into account the capabilities of modern virtual water markets, the concept of effective water resources management and new water use technologies: by 2019 the project of water pipe from Kuban' region has not passed to realization stage.

In general, nowadays water resources as a foreign policy asset are considered by Russia to a lesser extent than in other countries that have large reserves of fresh water, but it is unlikely that this can last for a long time. In this regard, a number of Russian experts suggest such measures as the creation of integrated water resources management systems with bordering countries,¹⁵ development of a programme to create a civilized international freshwater market,¹⁶ settlement of cross-border water disputes,¹⁷ contributing to the settlement of the water-energy problem in Central

¹⁴ Skorlyguina N. (2014) "Flowing water of the Kuban River [Techet voda Kuban'-reki]". *Kommersant*, vol. 78.

¹⁵ Chernyavskiy C. (2011) "Russia and modern hydropolitics". *Vestnik MGIMO*, vol. 2.

¹⁶ Torkunov A.V. (ed.) (2011) "Freshwater problems. The global context of Russian politics: Expert analysis report MGIMO". Moscow 2011.

¹⁷ Nesterova E. (2013) "Interstate cooperation on the problem of transboundary rivers in the context of global governance [Mezhgosudarstvennoe vzaimodejstvie po probleme transgraničnih rek v kontekste global'nogo upravleniya]". Thesis/Sanct-Petersburg.

Asia¹⁸ and so on. Most of these initiatives remain policy advice papers and do not turn into real political solutions. However, from the status point of view, an active and strategically beneficial policy on the use of national freshwater reserves seems to be a profound source of strengthening of Russian positions both regionally and globally.

WATER RESOURCES AS A SOURCE OF INTERNATIONAL INFLUENCE OF RUSSIA

Paradoxically, Russia is one of the few countries in the world where the water factor is not felt by society as a structural factor, which in the modern world means only lagging behind in choosing an optimal strategy disposing objective competitive advantages. The consequences of such short-sightedness are easy to predict: as writes prominent Russian scholar A.V. Torkunov, “isolation from global processes ... even partial, inevitably results in a drop in competitiveness, a lag and, consequently, pushing the country to the world periphery”.¹⁹ Already in the *National Security Concept of the Russian Federation until 2020*, adopted on May 12, 2009, they explicitly speak of the opportunities that open up for the Russian Federation against the backdrop of new environmental challenges: “the increasing influence of environmental factors, the growing shortage of fresh water and climate change ... creates additional opportunities for Russia, which has huge reserves of fresh water and environmentally friendly territories”.

However, in the *Water Strategy of the Russian Federation until 2020*, adopted only three months later, on August 27, 2009, the international component was limited to only two points: on the development of cross-border relations and international cooperation. Particularly, they talked about the further creation of a bilateral and multilateral contractual framework for the joint use and protection of transboundary watercourses, with respect to the Samura, Neman and Western Dvina rivers; and in the field of international cooperation, it seemed necessary “to strengthen the role of the

¹⁸Nazarov V. (2010) “On some international problems of water use in the world and threats to the national security of Russia [O nekotoryh mezhdunarodnykh problemakh vodopol'zovaniya v mire i ugrozakh nacional'noj bezopasnosti Rossii]”. *Pravo i bezopasnost'*, 2, pp. 30–34.

¹⁹Torkunov A. (2009) “The world becomes different [Mir stanovitsya drugim]”. *Mir I politika*, No. 1.

Russian Federation in solving global problems in the field of protection and use of water resources by enhancing participation in the activities of international organizations dealing with water use issues within the framework of the activities of the Commonwealth of Independent States, the Shanghai Cooperation Organization and the Eurasian Economic Community, take a more active part in solving water problems of Central Asia”.²⁰

In the Federal Target Programme “Pure Water”, the Federal Target Programme “Development of the Water Management Complex of the Russian Federation in 2012–2020”, the focus was only on the quality of water resources and infrastructure development: the economic approach prevailed over the system one.

The 2012 election article by Vladimir Putin was the first programme text in modern Russian history, which spoke about the importance of trade in water-intensive products and emphasized the understanding of the new structural impact of water scarcity on world political and economic processes.²¹

Despite the importance of resolving issues of transboundary water use, the strategic opportunities for Russia lie precisely on the market for global and regional trade in water-intensive products, due to the fact that amid growing shortages of water, arable land and energy in both developed and developing countries, Russia has the greatest potential for the development of both agriculture and water-intensive industries: pulp and paper, petrochemical, metals and mining, energy. Although these plants operate in Russia today, their products are often uncompetitive in world markets, or these enterprises are limited to exporting “semi-finished products”, selling water with minimal added value. It should be about cycles of a high degree of processing, allowing to use the Russian competitive advantages to the greatest extent: water resources, arable land minerals and access to various energy sources.

As a result, Russia occupies a disproportionately small place in the global virtual water market, considering the possibilities it has. Russia’s average net export of virtual water is 4.2 billion cubic metres a year, whereas that of Canada, which has similar climatic and hydrological

²⁰Water Strategy of Russia till 2020. <http://www.mnr.gov.ru/regulatory/detail.php?ID=128717>

²¹Putin V. (2012) “Russia and the changing world”. *Moscow News*. <https://www.global-research.ca/vladimir-putin-russia-and-the-changing-world/5477500>

conditions, is 12.5 times larger, standing at 52.5 billion cubic metres.²² Since 2014, a situation has slightly evolved due to intense promotion of grain exports but the bulk of Russia's net export goes to the Middle East and North Africa, where it traditionally sells its grains. It is only in these regions that Russia plays an important role as a guarantor of their food security, and in some cases political security. The Russian grain embargo of 2010 was one of the factors that caused the Arab Spring in Egypt.

Meanwhile, there are prospects for obtaining a similar influence in the Asia-Pacific countries: China, ASEAN countries (whose dependence on China is growing), and developed countries in Asia—Japan and Korea are interested in additional sources of food imports. A request for external sources of food security exists in all countries of the region: relevant measures have been taken in China, ASEAN, Japan and Korea. So, the first document published in 2014 by the Communist Party of China (CPC) Central Committee, the so-called Central Document No. 1, proclaimed China's top priority to strengthen national food security and support agriculture in a worsening environmental situation.²³ ASEAN has been implementing a four-year food security plan, *ASEAN Integrated Food Security Framework and Strategic Plan of Action on Food Security in the ASEAN Region* since 2009;²⁴ the Japanese cabinet in 2010 adopted a *New Basic Plan for Food, Agriculture and Rural Areas*, which sets the goal of increasing self-sufficiency in food from 40% to 50% by 2020.²⁵ Korea, which imports more than 90% of food consumed, relies on agro-colonization: the country leases more than 1 million hectares, or almost half of the arable land of Madagascar, more than 300 thousand hectares in Mongolia—in total, Korean food import conglomerates operate in 16 countries.

²² Grains of Instability [Zyorna nestabilnosti]. (2016). <https://republic.ru/posts/64057>

²³ No. 1 Central Document targets rural reform. Electronic resource. Режим доступа. http://news.xinhuanet.com/english/china/2014-01/19/c_133057121.htm

²⁴ ASEAN Integrated Food Security Framework; Strategic Plan of Action on Food Security in the ASEAN Region. Electronic resource. Режим доступа. http://www.gafspfund.org/sites/gafspfund.org/files/documents/cambodia_11_of_16_regional_strategy_asean_integrated_food_security_framework.pdf

²⁵ Key Points in the Basic Plan for Food, Agriculture and Rural Areas. Electronic resource. Режим доступа. www.maff.go.jp/e/pdf/basic_plan.pdf

However, as of 2015, in the food sector, Russia acted as a net importer of virtual water from the Asia-Pacific region²⁶ (imports exceeded exports 4 times and amounted to 5277 million m³), and even accounting for industrial products made it possible to compensate for the balance of trade in virtual water only with some of these countries.²⁷ Moreover, phytosanitary bans on the import of a wide range of water-intensive products from most Russian regions (wheat, soy, poultry and pork) are still in force in the potentially largest market for the Russian agricultural sector in Asia, China.

Today, there are signs of recognition by the Russian authorities of such priorities at the highest level: since 2018, a national project has been in force to increase agricultural exports and increase its volumes several times by 2025. Specific forecast values and an assessment of their realism are a matter for specific professional debate; however, such high target values indicate a rethinking of the place of agricultural exports in the Russian foreign economic strategy. However, so far no signs of readiness to convert this into elements of a foreign policy strategy have been seen either at the level of responsible departments or through activity on various international platforms.

Moreover, due to the objective climatic conditions and as a result of the inefficiency and backwardness of many sectors of the economy, in almost all categories of goods and products, the water footprint of Russian exports is now higher than that of Asian countries (and significantly higher than European). Table 9.1 shows the water consumption of basic food products in Russia and the main Asian partners of Russia: China, India, Japan and Korea. As seen in Table 9.1, eight out of nine, the water footprint of Russian products exceeds the level of Asian countries.

Therefore, additional opportunities for increasing the export of virtual water are associated not only with an exponential increase in the export of water-intensive products to the Asia-Pacific countries, but also with an increase in the productivity of the Russian economy and the use of water with higher added value.

²⁶ For the calculation, we used data on trade with eight major trading partners in the Asia-Pacific region: China, India, Korea, Thailand, Indonesia, Malaysia and the Philippines.

²⁷ So, Russia is a net importer of virtual water as part of food products from China, Thailand, Malaysia, Indonesia. Exporter—for India, Japan, Korea and the Philippines. See further Likhacheva A., and Makarov I. (2014) “Virtual water of the Russian Far East for Asia-Pacific: Local efficiency vs. regional”. *Sustainability WP BRP Series: International Relations*, No. 10/IR/2014. <http://www.hse.ru/data/2014/12/11/1104913899/10IR2014.pdf>

Table 9.1 Comparative water consumption of staple foods in Russia and Asia

<i>Product</i>	<i>China</i>	<i>India</i>	<i>Japan</i>	<i>Republic of Korea</i>	<i>Russia</i>
Pork	5440	5834	4947	5317	7474
Poultry	2212	5246	1660	2834	4708
Milk and cream	1433	1369	1256	1466	1968
Butter	5044	4819	4421	5160	6927
Wheat	821	634	1078	1392	2298
Barley	556	1246	493	536	2205
Corn	791	2239	1506	1294	1022
Rye	1852	–	–	1962	2167
Potato	215	221	109	130	298

Source: FAO AQUASTAT

Russia can significantly improve its position in the Asia-Pacific if it acts as a guarantor of the region's food and water security. Over the post-Soviet years, the area of irrigated farming in Russia has decreased by more than 20%.²⁸ Considering the possibility of bringing new areas into high-technology farming, we can say that more than 30 million hectares of land in the country are now misused. Meanwhile, over the same years, the worldwide average area of arable land per capita has decreased by 50%.²⁹

Regional hydropower markets also remain largely untapped in Russia. Increasing hydropower export to China would be a necessary step for effective management of the common international basin. It should not be necessary the resuscitation of the idea of a large-scale Soviet-Chinese project of the 1960s. On the Amur River, however, increasing the export of hydropower to China seems to be a necessary step for building effective management of a common international basin.

The aforementioned initiatives have obvious limitations, such as low population density in areas east of the Urals, poorly developed infrastructure and harsh climatic conditions. However, for the development of high-tech agriculture and energy, it is enough to place processing industries in the south of Siberia and the Far East, which are relatively favourable for living.³⁰ Russia could use the experience of Canada and Australia, which

²⁸ FAP AQUASTAT, Country profile. http://www.fao.org/nr/water/aquastat/countries_regions/RUS/index.stm

²⁹ Likhacheva A., Savelieva A., and Makarov I.A. (2010) "Daily bread and water". *Russia in Global Affairs*, 4, pp. 82–93

³⁰ Karaganov S. (ed.) (2012) *Towards the great ocean or new globalization of Russia*. Valdai Discussion Club, Moscow.

have vast territories (the world's second and sixth-largest, respectively) and relatively small populations but have built high-tech economies based on access to unique natural resources.

Balance of Water-Related Threats and Opportunities for Russia

So if we try to provide a comprehensive view on threats and opportunities for Russia, related to water challenge, we can build a matrix presented below. It combines approaches of Aaron Wold and his school of key triggers for water conflicts (internationalization of river basins, political tensions between basin countries and unilateral actions in common basins),³¹ and a list of major water-related opportunities related to a trade of virtual water, water-related technologies and marginal but popular in Russia ideas about a trade of “raw” water (similarly to oil trade via tankers and pipelines) (Table 9.2).

FURTHER DISCUSSION

It can be assumed that there are practically no circumstances under which the value of water as a resource and its importance as an international asset will decrease. In this regard, a comprehensive study of this problem in Russia is necessary, because if a country so rich in water cannot offer and consistently uphold its agenda on the water challenge, apply the full range of instruments of water diplomacy and economics, then it will be necessary to use models and concepts developed in countries with other resources and national interests or use populist proposals like “Baikal water pipelines”. Based on the performed analysis of strong and weak aspects of Russian water agenda, we formulate below some recommendations in relation to the Russian policy for water resources management, taking into account the current features of the global water challenge:

- The most important is the further provision of full sovereign control over the territories east of the Urals. Lake Baikal is located on this territory, which contains more than 20% of the world's fresh water reserves, Siberian rivers flow into the Arctic Ocean, and finally, the Amur River, the longest river border in the world that separates Russia and China, flows there. Ensuring sovereignty over water

³¹Wolf A.T. (1998) “Conflict and cooperation along international waterways”. *Water Policy*, vol. 1(2), pp. 251–265.

Table 9.2 Structural impact of global water scarcity on Russia's international position

<i>Internationalization of river basins</i>	<i>Virtual water trade</i>
<p>The collapse of the USSR did not lead to water conflicts involving Russia, but numerous contradictions arose in the former Soviet republics, especially in Central Asia. Russia's active role in such conflicts is related both to its strategic interests in these areas and to the possibility of providing security guarantees to the parties to the conflict. As a result, Russia can use such conflicts as a platform to strengthen its influence in the region.</p> <p>The new status of Crimea since March 2014 was accompanied by the establishment of a water blockade of the peninsula from Ukraine, which repeatedly reduced the flow of water through the North Crimean Canal, the main source of water on the peninsula. This caused serious damage to the agricultural complex and required prompt action to provide the population with drinking water: the Ministry of Defence established a network of water pipes from artesian wells.</p> <p>Depletion of available sources of fresh water in Crimea becomes a catalyst for increasing the efficiency of water use: closing down rice farms, repairing infrastructure, reducing losses, developing alternative sources—desalination and groundwater horizons</p>	<p>The potential of Russia in this market is the largest in the world, however, it remains untapped. Entering new Asia-Pacific markets will allow Russia to qualitatively change its political role in the region by ensuring food and water security. Moreover, all the countries of Southeast Asia could be interested in that role of Russia.</p> <p>In addition to agricultural products, it seems promising to export industrial water-intensive products of a high degree of processing, primarily pulp and paper, petrochemical, metals.</p> <p>In regional markets, it is necessary to develop trade in hydropower both from the point of view of efficient use of water and to create sites for joint regulation of international basins, which Russia shares with China.</p> <p>The role of Russia in the new land-colonization should be the subject of close attention of the Russian authorities in order to prevent the transformation of fertile and water-rich territories into export colonies: the desired model is to attract foreign direct investment with the introduction of new technologies and export of manufactured products to various Asia-Pacific countries.</p>

Common tensions between countries

The problem of water blackmail of Crimea is directly related to the unprecedented deterioration of Russian-Ukrainian relations in 2014.

At the same time, contradictions in the water sector with China are becoming hostages of favourable relations at the highest level—the impossibility of a confrontation on these issues leaves Russia with only one-sided adaptation mechanisms.

Unilateral decisions on the use of basin water resources

The greatest influence on Russia has China's policy on the development of its Northern and Western provinces. This leads to a reduction in the water entering the territory of the Russian Federation (bypass channels in the Chinese territory tripled the Chinese water intake from the Black Irtysh), and to a sharp deterioration in its quality (the Amur case is especially acute). A separate phenomenon is the anthropogenic change in the Amur riverbed, which leads to a change in the channel and the transfer of some of the Russian territories to Chinese control.

New technologies

Russia's dependence on foreign multinationals for efficient water use technologies is growing, the lagging of the chemical industry is accelerating, and as a result, domestic water supply is deprived of the necessary treatment materials (and foreign companies have not been allowed to enter the markets for a long time).

It is necessary to increase the efficiency of water use in agriculture, and here Russia needs to attract companies from Israel, the Netherlands, Canada, Korea and Japan. So in this field, Russia can be a promising market for international tech companies.

At the same time, Russia possesses special competences in limnology, that is, on lakes, and can be a home for international water-tech cluster at the lake Baikal.

"Raw" water trade

In the 2000s, there were several speeches of the high-level Russian politicians (Boris Gryzlov, head of the Duma of that time,^a Yuri Luzhkov, Moscow mayor^b) and First President of Kazakhstan, Nursultan Nazarbaev supported by Russian Prime-minister Dmitry Medvedev tried to reinvent soviet projects of the shift of Siberian rivers to Central Asia. Later on, in the 2010s some Chinese experts and politicians tried to introduce an idea of Baikal water pipe to XUAR. It was at that time the only recognition of the new economic and political role of water resources in international scale. In many respects, thanks to the active position of the Russian expert community, these projects were not implemented.^c

Source: Systematized by the author

^aTransparent muddy water [Prozrachnaya mut'] (2009) *Vedomosti*, No. 223 (2493). <http://www.vedomosti.ru/newspaper/article/2009/11/25/219771>

^bLuzhkov decided to turn Siberian rivers into Central Asia [Luzhkov reshil povernut' sibirskie reki v Srednyuyu Aziyu] (2002) *Lenta.ru*. <http://lenta.ru/russia/2002/12/04/luzhkov/>

^cThe Institute of Water Problems of the Russian Academy of Sciences, under the leadership of Academician V.V.Danilov-Daniilyan, sharply criticized such initiatives, presenting a qualified examination of such projects and justified the economic inexpediency of the physical trade in water

bodies in Siberia and the Far East is a strategic priority. For a number of representatives of the Russian elite and society in recent years, China seems to be the source of such a threat, although there is no reliable evidence of such aspirations in Beijing, and strategic cooperation with China just requires the development of joint harmonious approaches to water issues, far beyond the management of shared water resources.

- Consistent development of the virtual water trade potential, primarily focusing on the markets of East and Southeast Asia. Food production in Russia requires more water than in water-deficient countries of Southeast Asia, but due to the significant reserves of fresh water not included in economic activity in Russia and the almost complete absence of such water reserves in China, Japan, Korea and India, for the region as a whole reorientation to Russian products will be a step towards sustainable development and improving regional water and food security.³² The development of water-intensive export industries and regional hydropower trade is, firstly, our obvious competitive economic advantage; secondly, the new role of Russia as a guarantor of food security in the Asia-Pacific region will dramatically strengthen the country's political position in the region, and on a global scale, it could be a step towards strengthening multipolarity, since now most of the globally traded food and grain are controlled by major western companies. China and Saudi Arabia make some attempts to challenge this leadership, but Russia has the domestic resources for this. And the development of hydropower trade with neighbouring countries will contribute to stopping border water conflicts.
- Prevention of physical water trade, that is, implementation of projects to turn Siberian Rivers, waterpipe from Baikal to China, and so on. This is a sale without added value of a valuable product, whose value will only increase over time, with unpredictable environmental effects and a potentially high corruption component.
- Minimization of negative external effects from the use of international watercourses in which Russia is located downstream (Irtysh) or has a common channel (Amur). The measures already taken in this regard with regard to the situation with Amur and the Irtysh

³² Likhacheva A., and Makarov I. (2014) "Virtual water of the Russian Far East for Asia-Pacific: Local efficiency vs regional". *Sustainability WP BRP Series: International Relations*, No. 10/IR/2014. <http://www.hse.ru/data/2014/12/11/1104913899/10IR2014.pdf>

should be supported by the further strengthening of joint monitoring institutions and the development of a sanctions mechanism for the countries of the basin.

- Creating a system for dealing with frequenting natural disasters, especially those that damage the water sector. Floods in the Far East in the summer of 2013 and 2019, in southern Siberia in May 2014, although they became the most destructive in the last 100 years; they are likely to become more frequent. Russia is not circumvented by global climate change, one of the proven manifestations of which is the increase in the number and scale of natural disasters. The development and implementation of a set of adaptive measures are a necessity in planning the development of agriculture and hydropower on large Siberian Rivers. By 2019 national projects, initiated in 2018, does not provide substantial funding for these purposes in Siberian and Far Eastern regions.
- Efforts to maintain this strategic resource in a competitive state by ensuring the high quality of fresh water. Now in Russia, there is a deep examination of this issue; federal targeted programmes have been created, and state and expert institutions are developing. However, significant institutional constraints remain in force for effective reforms in the field of quality of national water resources.
- Initiation of a water agenda by Russia on the basis of significant international organizations and associations. The immediate chance is the Russian presidency of Brazil, Russia, India, China and South Africa (BRICS) in 2020; however, both Shanghai Cooperation Organisation (SCO) and Eurasian Economic Union (EAEU) have similar potential. However, BRICS has some relative advantages as a playground for water agenda. Given the objective mutual complementarity of the BRICS countries in the field of water resources, water-intensive products and water technologies, the organization has wide prospects for expanding water cooperation. First of all, due to the systemic inclusion of the water agenda in the activities of BRICS through such plots as virtual water, technological clusters on the development of municipal water use technologies, and programmes for the conservation of unique water-ecological objects of global and regional importance are helping third countries to overcome the water challenge in the BRICS format. Such an approach can systematically increase the importance of BRICS in international affairs and lead to an effective functional development of the organization.

Extended agenda could include:

- Programmes to reduce non-tariff barriers to the export of water-intensive products, for example, as a direction for cooperation in building food security within BRICS and to boost virtual water trade.
- Maintain a virtual water flow calculator for BRICS based on water footprint dataset.
- Opening of specialized programmes in NDB, dedicated to supporting projects for the modernization of municipal water supply, the creation of infrastructure for trade and storage of water-intensive products.
- Memorandums of understanding and exchange programmes for experts of BRICS and specialized international organizations and institutions of global, like UN-Water, and regional scale, like the Amazonia or Mekong River Basin Commissions.
- Programmes of unique water systems support in Amazonia, Baikal and Tibet.
- Co-financing of cross-border surveillance information systems (relevant for Brahmaputra, Irtysh and Amur).

The above initiatives correspond to the values of BRICS and can be brought up for discussion as early as 2020, under Russia's chairmanship, developing the ideas of the 2016 Water Forum. However, without funding from NDB BRICS, such initiatives are unlikely to have a profound effect on deepening cooperation within the organization. In the future, this experience can be expanded under BRICS+ format.

To sum up the analysis, it is worth mentioning that there is a clear gap among the water capacities of Russia, sharpness of global water challenge and the passive position of Russia in global and even regional water agenda setting. Bridging this gap in the nearest future could provide substantial profits both for Russia and its neighbours and even limit the level of global water stress.



Integration and Separatism in Europe: A Chance for Russia?

Ivan Krivushin

According to American sociologist Daniel Bell, ‘the national state has become too small for the big problems in life, and too big for the small problems’.¹ Indeed, today it is difficult for nation-states to cope with pandemics, global warming, international terrorism, and the instability of the global financial system. This explains the trend towards political integration, which, after the World War II became a characteristic feature of European politics. Of course, if we consider this trend in a historical perspective, it cannot be treated as a completely new phenomenon. In

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¹ D. Bell, “The Future World Disorder: The Structural Context of Crises”, *Foreign Policy*, 27, Summer 1977, pp. 109–135, p. 132.

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European history, it is only a third wave of political integration after the two earlier ones in the fourteenth–sixteenth and nineteenth centuries (periods of national political unification and the fight against particularism), which, besides, were much stronger than what we are witnessing at present. However, the growing importance of the integration processes and policies in our time is an undeniable fact, especially as they, unlike previous eras, are not limited to any one part of Europe and have a pan-European character. Without deciphering their nature and interpreting their significance, therefore, it is impossible to understand adequately the general trend of political evolution of the continent.

The most important tendency in political integration of Europe in recent decades has been the transfer of powers and functions from the nation-state to supranational bodies. It was expressed in the formation of the only supranational political union in today's world—the European Union (EU). This organisation (then the EEC) was born primarily out of a need for mechanisms to solve economic problems; the integration processes in Western Europe started with economic ones (a custom union) that culminated in the creation of the monetary union by 2002. However, some political factors also played an important role in the emergence of the EU, especially the desire to create a pan-European political space, on one hand, free from potential military conflicts (by eradicating primarily the long-lasting ‘historical enmity’ between France and Germany that caused two World Wars), and, on the other, functioning in accordance with democratic principles (rule of law, human rights, and civil liberties), in contrast to the countries that found themselves on the other side of the Iron Curtain. Supranational integration, as Éva Bóka says, was ‘the main achievement of the European integration process from 1950’.² ‘Supranationalism’, she explains, ‘represents an organised cooperation among states under independent supranational institutions, losing their sovereignty in the areas they choose to transfer’.³ This form is intermediate between a confederation and a federation—it does not imply the absolute sovereignty of member states (some sovereignty is shared with supranational institutions), nor the creation of a federal superstate, in which more competencies are reserved to central authority than to its constituent territorial units (national governments). In such a union, the nation-states delegate some of their powers to supranational bodies which retain them, while these states voluntarily agree to do this. Adriano Bosoni writes,

² É. Bóka, “Rethinking European Supranationalism in a Historical Perspective”, at www.grotius.hu/publ/displ.asp?id=TJCVQS (Accessed August 20, 2019).

³ Ibid.

‘member countries are willing to cede sovereignty only if they expect to benefit from it and become more reluctant when national interests are at stake’.⁴ This duality found its expression in the mix of two decision-making mechanisms in the EU, when its mandate was extended in 1992 beyond economic and development issues to encompass the political sphere: via supranational bodies (the directly elected European Parliament, European Commission, European court of justice), and via intergovernmental institutions (the European Council, Council of the EU). As Éva Bóka formulates, ‘the EU is a new type of an intergovernmental-supranational union of states, characterised by the dichotomy of supranational versus intergovernmental’.⁵ That dichotomy was the basis of the Maastricht model—the supranational approach has triumphed in the field of economic governance, the intergovernmental one in the foreign and domestic policy decision-making process. However, the later Amsterdam (1997) and Lisbon (2007) treaties have reinforced the supranational component of the EU in the political sphere, through expanding the powers of the European Parliament, limiting the member states’ right to veto, and creating a supranational mechanism to develop a common (and more dynamic) foreign and security policy (by establishing the post of High Representative for Common Foreign and Security Policy). At the same time, the tendency of strengthening the supranational character of the EU was strongly counteracted. The conflict of 1965 between France and the European Commission which made proposals for increased integration was resolved in January 1966 by the Luxembourg Compromise, effectively confirming the right of member states to veto Commission legislative initiatives that seriously undermined all efforts to reactivate the process of European integration until abolished in 1986. The attempt to formally ‘constitutionalise’ the EU in 2004–2005 failed because of the victory of the ‘no’ in the referenda in France and the Netherlands. The anti-EU trend found its culmination in the historic vote for Brexit in June 2016.

Political integration in post-war Europe, however, was of a special kind and it differed from within nation-states. The latter, according to Myron Weiner, have five main dimensions: (1) ‘creating a sense of territorial nationality which overshadows or eliminates subordinate parochial loyalties’; (2) establishing national central authority over political sub-units or regions; (3) linking the interest of government with those of the governed,

⁴ Adriano Bosoni, “Sovereignty, Supranationality and the Future of EU Integration”, at <https://www.stratfor.com/weekly/sovereignty-supranationality-and-future-eu-integration> (Accessed August 20, 2019).

⁵ É. Bóka, *op. cit.*

or ‘bridging the gap between the elite and the mass, characterised by marked differences in aspirations and values’; (4) achievement of a minimum level of consensus about basic values necessary to maintain a social order; and (5) increasing ‘the capacity of people in a society to organise for some common purposes’.⁶ In the case of the EU, it is possible to speak only about the last two. Despite the transfer of certain powers and functions of member states to the European institutions, it is not about strengthening their control over other levels of government, but rather it is about the loss of the monopoly of legitimate power by nation-states and handing over competencies to other actors, not only supranational ones; although the increasing importance of the EU to Europeans is more and more obvious, this does not mean, however, that the dichotomy the Union/the citizens of EU countries has become dominant in political and economic life throughout the continent. And, finally, forging a new sense of a larger pan-European identity has not reached such an extent as to transcend and replace the national identities of EU member states—a sense of being French, German, Dutch, or Hungarian.

What impedes progress towards supranational integration? The main obstacle to it is not so much the strong opposition of nation-states and their political elites having no desire to cede a greater share of their powers to ‘European bureaucrats’ in Brussels, but another influential trend in contemporary European politics, coexisting with the tendency towards supranational integration. This obvious trend is political devolution, the transfer of authority and power from higher (national) to lower (regional and local) levels of government, from unitary states to their sub-units such as provinces or regions that has taken place in many European states, including the largest ones—Spain (since 1978), France (since 1982), the United Kingdom (since 1997), and Italy (since 2001). The tendency is closely connected with the rise of autonomist and even separatist movements, which have become an integral part of the European political landscape in recent decades.

Already in 1977, Daniel Bell discussed the real ‘possibility of fragmentation’ of existing states. He explained it, on the one hand, by the growing ethnic consciousness of minorities, and commented that, ‘ethnicity has become a salient political mechanism for hitherto disadvantaged groups to assert themselves’. On the other hand, Bell pointed out that, in the context

⁶M. Weiner, “Political Integration and Political Development”, *Annals of the American Academy of Political and Social Science*, 358(1), 1965, pp. 53–54.

of growing economic interdependence, there is an increasing desire of people 'to participate at the local level in the decisions that affect their lives'. As he said, 'ethnic and other groups want more direct control over decisions and seek to reduce government to a size that is more manageable for them'. Bell predicted that this fragmentation would happen as soon as 'the coming decade', that is, in the 1980s. Such a threat exists, he argued:

*in the United Kingdom, with possible devolution for Scotland and Wales; in Northern Ireland, with the bitter religious fratricide; in Belgium, with the traditional enmity of the Flemish and the Walloons ... in France, where there are small separatist movements in Corsica and in Brittany; in Spain, with the traditional claims for Catalanian and Basque autonomy; in Yugoslavia, where there are the smouldering rivalries of the Serbs, Croats, Slovenes, and Montenegrins.*⁷

However, the 1980s did not become a decade of 'fragmentation of Europe'. In the 1979 constitutional referenda, the idea of devolution failed to receive sufficient support from Scottish voters and it was overwhelmingly rejected by the Welsh electorate. Northern Ireland did not collapse, and the 1998 Good Friday Agreement introduced a political compromise between the Protestant majority and Catholic minority. The other states Bell mentioned also survived the 1980s. But this does not mean that his forecast proved to be incorrect: he simply made the 'mistake of dating'. By the end of the following decade, Yugoslavia had broken up into several republics. In 1997, two referenda held in Wales and Scotland approved greater autonomy and an elected assembly for each region. Now separatist parties dominate the political life in Scotland, Flanders, Catalonia, and the Basque country. In the 2014 referendum on Scottish independence, 44.7 per cent of Scots voted 'Yes', despite the so-called Project Fear tactics actively used by the pro-Union camp. In the regional elections on September 27, 2015 and on December 21, 2017, pro-independence parties achieved an absolute majority of seats in the Catalan parliament. In the 2017 referendum, more than 90 per cent of Catalans backed independence on a turnout of 43 per cent. In December 2015, separatists won for the first time ever the election to the Assembly of Corsica (35.34 per cent), and in December 2017, they even gained

⁷D. Bell, op. cit, pp. 131–132.

outright majority of the vote (56.46 per cent). In the late 2000s, according to Bruno Coppieter from the Free University of Brussels, there was the real possibility of the emergence of 22 new states in Europe, from Faroe Islands to Nagorno-Karabakh.⁸ As Kimon Valaskakis, Canada's former ambassador to the OECD, says, 'like modern marriages, half of which end in divorce, there is a new and ominous global threat: the break-up of previously stable political entities through separatism'.⁹ From the point of view of Maria Pobóg-Lenartowicz and Karolina Rojek, 'separatist and secessionist aspirations are among the most characteristic transformations in the international order'.¹⁰ Sometimes it seems that we are facing a massive avalanche rushing down the mountainside that cannot be stopped.

In discussing this phenomenon, Valaskakis lists four factors that in his opinion can explain its emergence. Firstly, 'a knee jerk reaction against excessive and unregulated globalisation which leaves the ordinary citizen lost and with no identity' that causes him to seek 'a new sense of belongingness in a small, newly independent country, favouring localism over globalism'. Secondly, the multinational nature of many modern states, in which ethnic minorities experience a feeling of being in a politically, socially, and culturally subordinate position; that is why they 'are tempted to seek a divorce, set up their own nation, where they are then will be the majority' [sic]. Thirdly, 'the worldwide failure of national governments' that discredited them in the eyes of the electorate; in this case, the separatist movements gain momentum where the proportion of dissatisfied people is highest. And finally, 'simple self interest': a reluctance of the richer and more economically developed provinces to carry the 'burden' of subsidies for the poorer and depressed ones ('to feed' them).¹¹

These modes of interpretations, which became widespread among scholars and experts, are actually too vulnerable to be regarded as sufficient. The first factor listed above—the reaction against globalisation—is

⁸ Bruno Coppieters, "Secessionist Conflict in Europe", in Don H. Doyle (ed.), *Secession as an International Phenomenon: From America's Civil War to Contemporary Separatist Movements*. University of Georgia Press, Athens, GA, 2010, p. 236.

⁹ Kimon Valaskakis, "Separatism Everywhere: The New Global Epidemic", *Huffington Post*, at www.huffingtonpost.com/kimon-valaskakis/separatism-everywhere-the_b_4977800.html (Accessed August 20, 2019).

¹⁰ M. Pobóg-Lenartowicz and K. Rojek, "Disintegration Tendencies in the Contemporary International Order", *The Copernicus Journal of Political Studies*, 4(2), 2013, pp. 52–77, p. 60.

¹¹ Kimon Valaskakis, op. cit.

overly general and abstract to explain the phenomenon. Indeed, hardly anyone will dispute today that globalisation provokes resistance, especially in those regions that struggle to find their place in the international division of labour. But can we use this axiom as a satisfactory or universal explanation for the proliferation of autonomist and separatist movements throughout the world? According to this logic, such movements would have emerged primarily in the poorest and economically depressed areas. We can find in recent European history several examples confirming this assumption, among them Kosovo, the poorest part of Yugoslavia: in 1979 the per capita income in Kosovo was \$795 as compared with the Yugoslav average of \$2635 (in Slovenia \$5315); in 1980 the average monthly wage in industry in the province was \$180, in Yugoslavia as a whole it amounted to \$235 (in Slovenia to \$275).¹² However, many other examples undermine the plausibility of this argument. Despite serious economic problems, Corsica, where currently the separatist movement is strongest in France, is economically the most dynamic region of this country: in 2000–2017, the island experienced the highest GDP growth rate in metropolitan France (1.9 per cent); in 2006–2015, the average growth rate of the region was 2.8 per cent per year, as compared with the national average of 1.8 per cent.¹³ According to the National Institute of Statistics and Economic Studies, in the last decades, Corsica was ‘the only region in Metropolitan France which has always experienced growth’.¹⁴ In terms of GDP per capita, Corsica surpasses most other areas of the country (12th place out of 27 in 2017).¹⁵ Additionally, according to OECD, ‘Corsica ranks first among the French regions in ... self-evaluation of life satisfaction’.¹⁶ It is, therefore, hardly possible to classify Corsica as the part of France most affected by globalisation. Rather, Corsica was much more strongly affected by decolonisation that led to a significant reduction in

¹² Peter Prifti, “Kosova’s Economy: Problems and Prospects”, in Arshi Pipa and Sami Repishti (eds.), *Studies on Kosova*. East European Monographs, Boulder, CO, 1984, p. 131.

¹³ “Eurostat. My Region: Corsica”, at <https://ec.europa.eu/growth/tools-databases/regional-innovation-monitor/base-profile/corsica> (Accessed August 20, 2019).

¹⁴ “Growth in the Regions: Greater Inequality Since the Financial Crisis”, at <https://www.insee.fr/en/statistiques/1281337> (Accessed August 20, 2019).

¹⁵ “PIB par habitant dans 281 régions de l’UE”, at <https://ec.europa.eu/eurostat/documents/2995521/9618272/1-26022019-AP-FR.pdf/282f6c28-c30f-4001-9552-0fbbb039a496> (Accessed August 20, 2019).

¹⁶ “Regions and Cities at a Glance 2018—France”, at <https://www.oecd.org/france/FRANCE-Regions-and-Cities-2018.pdf> (Accessed August 20, 2019).

employment, because the island was one of the chief suppliers of administrative personnel for the French colonial empire. The same can be said about the predominantly Hungarian-populated areas of Romania (Székely Land, North Crişana and Western Maramureş), where the autonomist Democratic Union of Hungarians won the most support in the 2012 and 2016 legislative elections: although they are not more prosperous than all the regions in Hungary, their GDP per capita surpasses that of most of the Danubian counties and of almost all counties in the north-east (except Iaşi).¹⁷

Valaskakis' second argument—the multinational nature of many modern states, where ethnic minorities feel themselves to be inferior and vulnerable—is too generalised and schematic to explain the rise of secessionism in the late 1990s–early 2000s. This argument is applicable to a much longer period of European history, especially to the nineteenth century, the 'age of nationalism', when the growth of ethnic self-consciousness came into conflict with the then dominant political model—a multi-ethnic empire (Austrian, Russian, Ottoman, German). Besides, although in most cases it was ethnicity that fed secessionist movements, as, for instance, in Catalonia, Flanders, or Székely Land, sometimes it was instrumentalised as a way to express the regionalist sentiments having no ethnic roots. The best example is Scottish separatism, closely connected historically with a kind of 'pseudo-cultural nationalism'. The vast majority of Scots exist within a cultural paradigm genetically related to northern English culture, and it is not surprising that, despite all the efforts to revive the Gaelic language, only 1.1 per cent of them, according to the 2011 census, could speak it; moreover, the proportion of Gaelic speakers within the total Scottish population and even their absolute number have declined (from more than 93,000 in 2001 to 87,000 in 2011).¹⁸ Political nationalism in Scotland did not result from the increasing social demand for the formation of the Scottish nation and national statehood; it was the reaction in many parts of Scottish society to the malfunctioning of the old political system in the new geopolitical and economic conditions prevailing after the collapse of the British Empire. It is significant that, over the last 15 years, the Scottish separatists have made much more impressive electoral strides than their Welsh counterparts (Plaid Cymru), who are posing as

¹⁷ "PIB par habitant".

¹⁸ "Scotland's Census 2011: Gaelic Report (Part 1)", at <https://www.nrscotland.gov.uk/news/2015/scotlands-census-2011-gaelic-report-part-1> (Accessed August 20, 2019).

champions of certain ethno-cultural values and patterns (the Welsh language and traditions): obviously, they would never attain the leading position in Scotland's political life, if they focused primarily on similar issues. If in the Basque country, with its long-standing secessionist aspirations, the share of Basque speakers has increased in 1991–2016 from 24.1 to 33.9 per cent,¹⁹ in Corsica, on the contrary, the growth of separatist and autonomist sentiment and activity in recent years has combined with the decrease in the share of native speakers of the local language (from 70 per cent in 1980 to 28–42 per cent in 2013), especially among youth.²⁰ Thus, the role of ethno-linguistic components in separatism can be different in historically distinct cases, and it is difficult to accept unreservedly the statement that, 'there is a correlation between the actions of popularising national traditions and tongue, and the revival of national identity with the support and lobbying for the independence by wider and wider (and more and more educated) circles of the society'.²¹

The failure of policies of national governments—the third of Valaskakis' arguments—also does not explain the secessionist wave. It's hard to argue that it was in the late 1990s and early 2000s that central governments at the nation-state level suddenly lost their ability to implement effective domestic policy-making. Of course, there was a wide dissatisfaction with the policies of European national governments in the context of the global financial crisis of 2008–2009. However, the growth of secessionist sentiment began much earlier. The separatist Scottish National Party (SNP) won a plurality of votes already in the Scottish Parliament election of 2007 (31 per cent); together, the parties advocating independence (SNP, Solidarity, Greens, Socialists) received about 37 per cent. Pro-independence forces won Catalan parliamentary elections as early as 2003 (51.2 per cent) and 2006 (55 per cent). Secessionists earned an absolute majority of votes in all Basque Parliament elections from 1980 on, that is, after the death of Franco, and only in 2009, in the midst of the crisis, they lost it (47.76 per cent). It is true that these regions are areas with the highest concentration of those dissatisfied with the role played by the central government; however, this phenomenon could not be fully explained by any

¹⁹VI Encuesta Sociolingüística, *Comunidad Autónoma Vasca*. Servicio Central de Publicaciones del Gobierno Vasco, Donostia-San Sebastián, 2016, p. 7.

²⁰“Inchiesta sociolinguistica nant’a a lingua corsa”, at https://www.isula.corsica/lingua-corsa/Inchiesta-sociolinguistica-nant-a-a-lingua-corsa_a123.html (Accessed August 20, 2019).

²¹M. Pobóg-Lenartowicz and K. Rojek, op. cit, p. 69.

particular unpopular administrative measure or failed action, but only by a general negative attitude towards the centre, in some sense instinctive and abstract: the national government as a major political actor inevitably attracts, by definition, any social resentment, disappointment, or negativity.

The fourth of Valaskakis' arguments—the reluctance of the richer regions/provinces of a state to 'feed' the poorer ones—seems to be the most plausible explanation for the rise of secessionism in today's Europe, and it actually negates his first hypothesis (the emergence of separatist movements in the most economically vulnerable areas). In other words, contemporary European secessionism is a revolt of the rich against the poor. Indeed, a number of cases solidly confirm this assumption. Currently, the Basque country, Navarra (where secessionist parties have won 32 per cent in the 2019 regional election) and Catalonia are the wealthiest Autonomous Communities in Spain (not counting Madrid)—in terms of GDP per capita, in 2017 taking second (€33,000), third (€30,900), and fourth (€30,100) places, respectively.²² By the early 1960s, Flanders had surpassed Wallonia as Belgium's economically predominant region. And it was in the 1960s that the Volksunie, the Flemish nationalist party, founded in 1954, began to increase in popularity: while in the 1958 parliamentary election, it received only 2 per cent of the vote; in the 1971 election, it gained more than 11 per cent. In 2017, GDP per capita in the provinces of Flanders ranged from €32,000 (Limburg) to €46,600 (Antwerp), whereas in the Walloon provinces—with the exception of Walloon Brabant (€43,700)—it was considerably lower: from €24,300 (Luxembourg) to €27,900 (Liege).²³ In Italy, secessionist sentiment in the late 1990s–early 2000s was particularly strong not in the rural, poverty-stricken South, but in the industrialised, relatively affluent North—in Lombardy (in 2017 it ranks second in terms of GDP per capita, €38,000), Veneto (sixth, €33,100), and Autonomous province of Bolzano (South Tyrol), the most prosperous area in the country (€42,300),²⁴ where, in the 2013 regional election, two separatist parties (Die Freiheitlichen and the South Tyrolean freedom) could win together over 25 per cent of the total votes cast, while autonomist parties got more than half. In Germany, where a secessionist movement is not as vigorous as in the Latin Catholic countries of Europe, the 'spirit of independence' is nowhere stronger than in Bavaria, one of

²² "PIB par habitant".

²³ Ibid.

²⁴ Ibid.

the wealthiest areas in the EU (GDP per capita €46,100), where the separatist Bavarian party, since the late 1990s, has gradually strengthened its positions up to 2.1 per cent in the 2013 regional elections (1.7 per cent in 2018) with a consistently higher level of electoral support in Upper Bavaria, the richest part of the region (€56,600).²⁵

But even these obvious examples are insufficient to make this assumption a universal explanation for contemporary European secessionism. We have already mentioned several cases showing that separatist movements could emerge not only in the richest areas of Europe (Corsica, Székely Land, Kosovo). To this list we can also add one of the regions most affected by separatism on the continent, Scotland, where living standards are lower than in England, from which so many Scots seek to secede: in May–July 2015, the unemployment rate in Scotland (5.9 per cent) was higher than in England (5.4 per cent)²⁶; in 2014 GDP per capita in Scotland was almost 9 per cent below that of England²⁷ (in 2017, 9.3 per cent²⁸). In Wales, also affected (although to a lesser extent) by separatist sentiment, this figure is even lower—30.7 per cent (in 2017, 29.2 per cent).²⁹ In 2012 in Sardinia, one of the poorest areas of Italy (in 2017, its GDP per capita (€20,600) was almost twice as low²² and unemployment rate (17 per cent) is more than two and half times higher than that of Lombardy³⁰), 40 per cent of the population expressed their clear desire for independence,³¹ which, however, until today has not been converted into significant electoral gains by the island's secessionist parties (just 17.6 per cent in the 2019 regional election).

The analysis thus demonstrates that there is no universal scheme that is able to explain fully the nature of separatist trends in Europe and its

²⁵ Ibid.

²⁶ “Office for National Statistics, Regional Labour Market: September 2015”, at <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/regionallabourmarket/2015-09-16> (Accessed August 20, 2019).

²⁷ Daniel Harari, “Regional and Local Economic Growth Statistics”, Briefing Paper No. 05795, London, December 11, 2015, p. 7.

²⁸ D. Harari and M. Ward, “Regional and Local Economic Growth Statistics”, Briefing Paper No. 06924, London, August 14, 2019, p. 4.

²⁹ Ibid.

³⁰ “Eurostat. My Region: Sardegna”, at https://ec.europa.eu/eurostat/cache/RCI/myregion/#?reg=ITG2&ind=12-2_lfst_r_lfu3rt (Accessed August 20, 2019).

³¹ “La Sardegna vuole l’indipendenza. Favorevoli 4 sardi su 10”, at <http://www.controcampus.it/2012/05/la-sardegna-vuole-lindipendenza-favorevoli-4-sardi-su-10/> (Accessed August 20, 2019).

intensification in recent years: in each case there is a complex interaction between a number of factors such as historical memory, traditional values, mentality and behaviour patterns, social and economic contexts, the region's position in the national state, the effectiveness of the strategy and tactics used by the groups and parties advocating independence, and so on. None of these factors is absolutely determinative. No general rule, applicable to all cases, can be laid down. At the same time, the rise of separatist movements in Europe (although not in all its parts) could be caused not only by certain variables at the regional level, but, undoubtedly, by some changes common to the whole continent.

As Bell rightly notes, secessionism and supranational integration are two sides of the same coin. In the case of Europe, it was the desire for a closer union between EU member states that provoked, paradoxically, strengthening of separatist sentiment. That is why those who attempt to interpret the nature and dynamics of contemporary European politics in terms of an evolving conflict between two tendencies—decentralisation, with secessionism as its most extreme manifestation, and centralisation, with the nation-state and supranational institutions as its main promoters—make a serious error. It's also not a struggle between two principles—federalism and confederalism; their confrontation is only one of the forms reflecting the current political reality. Instead, there is a redistribution of the previously indivisible sovereignty of the nation-state and transfer of powers from national to other levels of government. At the core of the nascent political configuration lies not the nation-state but the regional 'sub-state' that voluntarily delegates a part of its sovereignty to higher-level units, both national and supranational. In this configuration, national-level decision making is no longer a *sine qua non* for the European political process, but only one of its possible components. As for supranational institutions, they can provide the regional 'sub-state' with a range of tools, allowing it to avoid those dangers which many experts and commentators forecast in arguing against its viability.³² As Valaskakis says, 'In today's interdependent world sovereignty is an illusion except if you are a superpower. The problems are too big while the means available to the new so-called "sovereign" government are too small'.³³ It is significant that no one separatist movement in the EU, that achieved some electoral support, makes a promise to withdraw a projected regional 'sub-state' from the Community; moreover,

³² M. Pobóg-Lenartowicz and K. Rojek, *op. cit.*, p. 67.

³³ Kimon Valaskakis, *op. cit.*

the pledge to keep this 'sub-state' in the EU is used as an important argument against those who predict its inevitable economic collapse after separation from the national state. Only one-quarter of Sardinians, advocating its independence from Italy, want to leave the EU.³⁴ At the referendum in April of 2004, the vast majority of the Turkish-Cypriot community (64.9 per cent) approved the UN plan to reunite the island, hoping in this way to join the EU.

Valaskakis paints an apocalyptic picture of what would happen to the international system if separatist movements in different parts of the world achieved their ultimate goal: the replacement of 200 contemporary states with 1000 smaller ones would make the UN completely unworkable and transform the world into an El Dorado for organised crime, tax evaders, and jihadists. 'The "balkanization" of Eastern and Southern Europe after the First World War', he asserts, rather surprisingly, 'led to the Second World War. The balkanisation of the world through wide-spread separatism could increase the probability of a third one'.³⁵ However, it should be recognised that both supranational integration and decentralisation of the nation-state up to its territorial fragmentation are inevitable processes, because they are triggered primarily by the increasing complexity and acceleration of social and economic life and, correspondingly, by the multiplication of administrative functions that cannot be concentrated at only one level of government. In this sense, both the risk of the disintegration of the European nation-states into a large number of absolutely sovereign smaller entities, and the possibility of the transformation of the EU into a federal superstate seem not very real. On one hand, little regional 'sub-states' are doomed to become progressively non-viable, at least in economic terms, if they reject integration and participation in the supranational institutions that are able to provide the necessary coordination and cooperation between various countries and have many more opportunities to protect their most fundamental interests. On the other, the multi-state supranational union may not evolve into a federal superstate having the decisive voice in economic and political affairs: if this burden proved too heavy for the nation-state, for the supranational state it would be unbearable. It is not surprising, then, that, as Bosoni rightly observes, 'despite its remarkable evolution, the European Union is still a contract. And contracts

³⁴ "La Sardegna".

³⁵ Kimon Valaskakis, *op. cit.*

could be modified or even cancelled if they stop being beneficial for their signatories'.³⁶

The emerging mode of the territorial distribution of political power in Europe becomes a serious challenge for leaders of nation-states. On one hand, they recognise the growth of separatist sentiment as a real threat, but, on the other, it is very difficult for them to abandon a core principle of the national state: its territorial integrity. That is why their answer boils down to the formula, 'Internal autonomy, yes; independence, no'. This attitude was clearly manifested both in manoeuvring of British political elite before the 2014 Scottish independence referendum and in the reaction of the Spanish Constitutional Court and Mariano Rajoy's government to the Declaration of sovereignty passed by the Catalan Parliament in January 2013, its Declaration on the start of Catalonia's transition to independence (November 2015), the Law on the Referendum on Self-determination of Catalonia approved by the regional parliament in September 2017, the October 1, 2017 referendum itself and the October 27, 2017 Declaration of independence.

If the central government takes immediate steps to expand the powers of regions as a response to the rising separatist sentiment, it may reduce its strength, at least temporarily. In the early 2000s, Italian Prime Minister Silvio Berlusconi's decision to support the constitutional reform proposed by the Lega Nord led to the transformation of this separatist party into a rather autonomist one. The joint promise of the leaders of the UK's three main political parties to devolve more powers to the Scottish parliament in the event of a 'no' vote may have influenced the outcome of the 2014 independence referendum. On the contrary, any attempts by central authorities to find ways of preventing the further empowerment of regional governments contribute to the growth of secessionist sentiments at both elite and popular levels, as has occurred in Catalonia after the ruling of the Spanish Constitutional Court of June 28, 2010, which declared unconstitutional 14 articles of the Catalan Statute of Autonomy approved in the 2006 referendum: support for independence has risen from less than 40 per cent in 2009 to more than 50 per cent in 2012, and after a mass demonstration of 1.5 million people in Barcelona on September 11, 2012 under the slogan 'Catalonia, new state in Europe', the autonomist alliance *Convergència i Unió*, the strongest political force in the region, took an openly separatist stance.

³⁶ Adriano Bosoni, *op. cit.*

Both for the national governments of the EU member states and for EU officials, the principles of territorial integrity and inviolability of borders, incorporated in the 1975 Helsinki Final Act, remain predominant, and this delegitimises any secessionist claims. Even the emergence of new states in East-Central Europe after the collapse of the communist regimes did not formally violate these principles; it was rather the result of a legal ‘divorce’ (although sometimes through force) of federal ‘socialist’ states (Yugoslavia, the USSR, Czechoslovakia), because each of their constituent parts had the right to self-determination. Only one case—the secession of Kosovo from Yugoslavia—contradicted them, albeit most EU countries regarded it as the exception that proves the rule. However, despite the favourable decision of the International Court of Justice and the recognition of Kosovo’s independence by 101 out of 193 UN member states and 23 of the 28 EU countries, there are still 5 EU member states (Spain, Slovakia, Romania, Greece, and Cyprus) that consider this territory as an integral part of Serbia, and until now, Kosovo has not been able to join the UN.

The great majority of Europe’s political class rejects the prospect of the future fragmentation of EU states. According to the Parliamentary Assembly of the Council of Europe (PACE) Resolution 1832 of October 4, 2011:

*a right of national or ethnic minorities or even, in some cases, national majorities, to self-determination ... would not give rise to an automatic right to secession. The right to self-determination should first and foremost be implemented by way of the protection of minority rights.*³⁷

In other words, the principle of self-determination is secondary or subordinate: it can be legitimately used only if the nation-state fails to address adequately the pressing needs of minority groups and to supply protection for their rights and especially when national government actions threaten their very physical existence. In general, ‘separatism and secession are not recognised on the geopolitical arena ... the international community, and also the United Nations Organization, have a negative approach towards secession, or a neutral one at best’.³⁸

³⁷ Council of Europe, “Parliamentary Assembly. Resolution 1832 (2011)”, at <http://assembly.coe.int/nw/xml/XRef/Xref-XML2HTML-en.asp?fileid=18024&lang=en> (Accessed August 20, 2019).

³⁸ M. Pobóg-Lenartowicz and K. Rojek, op. cit, p. 67.

To what extent do these trends in Europe reflect global developments? In other parts of the world, a tendency towards increasing political integration is also observed; however, it still did not lead to the creation of supranational governance structures similar to those in the EU: its development is limited to the formation of regional organisations operating on the principle of intergovernmentalism, such as the African Union (AU), Caribbean Community, or Association of Southeast Asian Nations, in which all decisions are made by consensus. Sometimes politicians of their member states spoke out in favour of strengthening regional political integration emulating the model of the EU, for example, Ghana's President John Atta Mills or South Africa's President Jacob Zuma, who proposed in October 2009 to delegate full legislative powers to the Pan-African Parliament, the AU consultative body, and to elect its members by universal suffrage.³⁹ But such initiatives have so far been unable to give a new impetus to African political integration. Currently, according to Abdeslam Badre:

*the AU is merely a deformed imitation whose structure might resemble the EU's but its operational method remains an intergovernmental structure which is handicapped by the lack of supranationalism approach to decision making upon which the EU has been founded, and is being governed and expended.*⁴⁰

The recent history of Asia and Africa shows that, for a considerable part of the world, the political integration at the nation-state level, that is, the development of 'a sense of territorial nationality which overshadows—or eliminates—subordinate parochial loyalties',⁴¹ is a much more relevant issue. In many countries, the process of nation-state formation is not over yet, and in a number of them, it even collapsed completely, thereby turning some states into 'failed states', like Somalia, South Sudan, Yemen, or Syria. In this context, the creation of supranational institutions has not yet become high priority in the developing world; current initiatives to revive the process of regional political integration have no more chance of being implemented than any previous projects, for example, those proposed by some leaders of Arab 'progressive' states, such as Gamal Abdel Nasser,

³⁹ Morris Mkwate, "Zimbabwe: Pan-African Parliament Opens", *The Herald*, October 27, 2009, p. 1.

⁴⁰ Abdeslam Badre, *Supranational Integration versus Intergovernmental Structure: The European Union vs. the African Union*. Institute for Cultural Diplomacy, Berlin, 2014, p. 3.

⁴¹ M. Weiner, op. cit, p. 53.

Habib Bourguiba, or Muammar Gaddafi. The only role the supranational bodies could play today outside of Europe is that of contributing to the resolution of internal armed conflicts through mediation and of organising peacekeeping operations.

As for separatist movements in Asia, Africa, Latin America, and Oceania, especially those ethnically and religiously based, they, on the contrary, increasingly gained momentum after bipolar confrontation ended: firstly, the great powers no longer had a geopolitical incentive to support autocratic proxy regimes in the so-called Third World; secondly, the 'third wave of democratisation' facilitated by large-scale changes in the international system degenerated (chiefly in Africa) into political chaos, civil wars, mass murders, and even genocide, as in Rwanda.

Thus, outside of Europe, the most fundamental opposition in the political sphere is that between the nation-state, on the one hand, and autonomist or separatist movements, on the other, and it becomes particularly deep where artificial colonial-era borders divide ethnically and religiously homogeneous communities such as the Tuaregs, Kurds, Baluchis, Bengali Hindus, Papuans, Mapuche, and so on.

However, whatever strength and momentum separatist movements in the non-European world had, they rarely succeeded in attaining their main goal, *vis à vis* to transform a territory into a sovereign state and to make it a full-fledged member of the international community (constitutive recognition). There were only four cases of successful secession after 1945 (Bangladesh, Eritrea, East Timor, and South Sudan). Others might succeed, at best, in obtaining autonomy (Aceh, West Papua, and Papua in Indonesia, Kurdistan in Iraq, Bougainville in Papua New Guinea) or *de facto* independence (declarative recognition) as an unrecognised (Somaliland) or partially recognised state (Western Sahara, Kosovo).

These multidirectional trends in different parts of the world present a serious foreign policy challenge to the strategic vision and diplomatic creativity of Russian foreign policymakers. As for Europe, the main problem is how to react to the newly emerging configuration of European politics and to the changing distribution of power between different levels of government: the weakening role of the nation-state and the growing importance of both subnational and supranational institutions. On the one hand, the increasing number of foreign policy actors and their constantly changing roles and significance complicate Russia's foreign policy-making and implementation and make the relationship between national leaders and personal diplomacy more difficult. On the other, however, this widens

Russia's room for diplomatic manoeuvring and increases the opportunities to exploit the contradictions between the EU, the nation-states, and the regions. After the wave of recognitions of Kosovo's independence in 2008, Russia refused unconditional support for the principles of the territorial integrity of the nation-state and inviolability of European borders, acknowledging the independence of Abkhazia and South Ossetia in August 2008 and annexing the autonomous Republic of Crimea from Ukraine in March 2014. In February 2013, the phrase 'Attempts to lower the role of a sovereign state as a fundamental element of international relations ... are fraught with undermining the international rule of law and arbitrary interference in internal affairs of sovereign States' was deleted from the text of the Foreign Policy Concept of the Russian Federation⁴² and was not restored in its 2016 version.⁴³

But it does not mean that Russia has made a final choice in favour of Lenin's principle of 'the right of nations to self-determination'. Russian foreign policy makers, having taken a first step, hesitate to take a second and to begin using this principle as an instrument to exert pressure on some national governments, especially Western, and as a way to find new allies in a difficult geopolitical situation, primarily among the territorial entities that have the greatest chance of achieving full national sovereignty in the medium-term (Catalonia, Kurdistan) or even short-term perspective (Scotland in the context of a no-deal Brexit). Not the least of the reasons for this caution are obsolete foreign policy paradigms, serious domestic political risks (the danger of provoking separatism in Russia itself), the reluctance to spoil relations with the friendly states facing secessionist challenges, like China and India, or some Central Asian and Caucasian neighbours, like Kazakhstan and Azerbaijan, as clearly demonstrated, for example, by Moscow's negative attitude towards the independence of Nagorno-Karabakh or secessionist claims of Azerbaijani Lezgins. But the rapidly changing global political situation may impel Russia to reconsider its foreign policy priorities.

⁴² "The Foreign Policy Concept of the Russian Federation approved by President of the Russian Federation V. Putin on 12 February 2013", at <https://www.rusemb.org.uk/in1/> (Accessed August 20, 2019).

⁴³ "The Foreign Policy Concept of the Russian Federation approved by President of the Russian Federation Vladimir Putin on November 30, 2016", at https://www.rusemb.org.uk/rp_insight/ (Accessed August 20, 2019).