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**Ties That Do Not Bind
Russia and the International Liberal Order**

by

Andrej Krickovic

A dissertation submitted in partial satisfaction of the
requirements for the degree of
Doctor of Philosophy
in
Political Science
in the
Graduate Division
of the
University of California, Berkeley

Committee in charge:

Professor Steven Weber, Chair
Professor M. Steven Fish
Professor Yuri Slezkine

Fall 2012

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Abstract

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The world is experiencing an unprecedented shift in wealth and power away from the West and towards the developing countries. According to some estimates the combined gross domestic product of the BRICs (Brazil, Russia, India and China) will surpass that of the G7 nations by 2032. India's GDP alone is predicted to surpass that of the United States by 2043 and China's GDP will be almost twice that of the US by 2050. Rising powers are using this newfound wealth to expand their global influence. China has taken the lead in investment and development in Africa. Russia is consolidating its influence in the Post-Soviet space. India is flexing its muscle on the subcontinent. Brazil is pushing for regional integration in South America and promoting diplomatic initiatives to address some of the world's most difficult problems, such as the Iranian nuclear program.

What is the impact of institutions and regimes during periods of major power transition in the international system? My dissertation challenges liberal theories, which argue that the institutions and regimes established by the Western powers after World War II constitute a resilient and robust "International Liberal Order" (ILO) that will shape and restrain the behavior of rising powers. I develop a test of eight observable hypotheses for how the ILO should affect the behavior of rising and then test these against the behavior of post-Soviet Russia. I find that the Russian case fails along all eight hypotheses and that Russia has adopted a range of policies that undermine the existing order and work to transform it. The ILO's institutions and regimes have not shaped and constrained Russia's behavior in the ways that the theory predicts. Nor have the larger political and economic processes that ILO theorists believe bolster the existing order, such as global economic integration, the rise of transnational non-state actors (NGOs and big business) and the spread of liberal and democratic values, made Russia more amenable to integration into the ILO. Evaluated in this way, claims about the robustness and resilience of

the existing order fail, suggesting that Russia and other rising states will look to use their growing power to bring about major changes in the international order.

Interestingly, it's not only Russia's behavior that does not conform to the ILO's expectations. The leading Western powers have not been willing to give Russia a seat at the table that would give it a real say over major political and economic questions. They continue to be wary of growing Russian power and suspicious of Russia's true intentions. As a result, Russia's leaders are unsatisfied with the existing order's ability to promote their country's interests. Instead of embracing the ILO, Russia has increasingly looked to preserve its freedom of action and has followed an independent foreign policy course.

The Russian case challenges the ILO's universalistic argument that all emerging states will simply find common cause within the existing framework of international institutions and regimes. It shows that rising states have a mind of their own and that they are ready to utilize a wide range of tools to realize their ambitions. They see the ILO as only one among many means to pursue their interests. But in many cases concerns about relative gains and their reluctance to enter into relationships of dependence will also make them question the wisdom of working through existing institutions. Rising states will often see the pursuit of their own power and capabilities – rather than strengthening institutional relationships - as the most reliable strategy for promoting their interests. They will also look to use their newfound power to transform international institutions so that they serve their interests more effectively.

Not only is there a demand for change on the part of rising powers, but they may also be able to effect change more readily than is usually acknowledged by either realist or liberal IR theories. Both realist and liberal theories assume that rising powers only have two strategies open to them: they can either accept the existing order or wage a full-out frontal assault to overthrow it (i.e., behave as Germany and Japan did in the lead up to WWI/WWII or the Soviet Union did after WWII). Proponents of the ILO argue that rising powers will accept the established order because they will find the costs and risks of pushing for change to be prohibitive. In examining Russia's behavior, I find that rising powers have a wider menu of effective strategies and tactics available to them – from simply ignoring the parts of the ILO that they do not like, to forming new relationships and institutions that achieve specific aims. These strategies allow rising powers to resist the current order and work towards its gradual transformation without having to challenge it openly and directly.

The future international order may take the form of a traditional multi-polar system where order is the product of power balancing between system's most powerful states. This does not mean that we will see a complete return to intense military competition between great powers, as some realists have claimed. Though liberal theorists tend to overstate their transformative effects, new technologies and other processes related to globalization have had a profound effect on international relations. Nuclear weapons and growing economic interdependence will moderate conflict between states and make the prospects of great power war – and even the type of hard balancing we witnessed in earlier historical periods – remote. Competition between states will be intense, though it will manifest itself primarily in the economic and

ideological (soft power) realms. Nontraditional security threats will also continue to be a primary concern in the years to come. However, states will be more likely to address these threats through ad-hoc and bilateral cooperation, rather than through institutions.

Change can be gradual and can come through the decay and reform of old international institutions or the creation of new ones. This last point gives us some comfort and hope for the future as we enter an era of uncertainty and unpredictability in international politics. It suggests that Western leaders need not be afraid of change. Rather than insisting that rising powers accept the existing order, it may be in the West's own long-term interests to begin looking for ways to work with rising powers to transform the international order so that it better serves the interests of all of states.

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Chapter 1 Introduction: Will the International Liberal Order Survive the Decline of the West and the Rise of the Rest?

The world is experiencing an unprecedented shift in wealth and power away from the West and towards the developing countries. According to some estimates, the combined gross domestic product of the BRICs (Brazil, Russia, India and China) will surpass that of the G7 nations by 2032. India's GDP alone is predicted to surpass that of the United States by 2043 and China's GDP will be almost twice that of the United States by 2050.¹ Rising powers are using this newfound wealth to increase their military capabilities. At a time when Western defense budgets face increased financial constraints, all four BRIC countries are in the middle of ambitious military modernization efforts.² The BRICs are also expanding their global influence. China has taken the lead in investment and development in Africa. Russia is consolidating its influence in the Post-Soviet space. India is flexing its muscle on the subcontinent. Brazil is pushing for regional integration in South America and promoting diplomatic initiatives to address some of the world's most difficult problems, such as the Iranian nuclear program.

What impact will this shift in power have on global governance? Will existing international regimes and institutions survive such momentous changes? International relations theorists operating in the liberal tradition believe that the institutions and regimes laid out by the US after World War II constitute a resilient and robust "International Liberal Order" (ILO) that significantly shapes and constrains state behavior. This order is embedded in a dense network of consensual institutions and international regimes, and is bolstered by deeper economic and political processes that accompany globalization. They argue that the continued resilience and robustness of the ILO is not dependent on the distribution of power in the international system, and it will continue to shape state behavior even as the US's ability to exert its influence and maintain the order begins to decline. Rising powers will be accommodated within this order and will acquiesce to it, finding it "easy to join and hard to overthrow."³

This study evaluates these claims with reference to post-communist Russia and other rising powers. A study of this kind can help us develop a better understanding of how order is constituted and maintained in international relations. It also allows us to make some

¹ Goldman Sachs, "BRICS and Beyond: A study of BRIC and N11 nations", November 23, 2007, <http://www2.goldmansachs.com/ideas/brics/book/BRIC-Full.pdf>, Accessed: June 8, 2011.

² Since 2005 the Brazilian defense budget has grown by 5 percent per year. Russia is in the middle of a revolutionary military reform and has pledged to spend \$620 billion on new arms for its military by 2020. India increased its defense budget by 21 percent in 2009 and by a further 11 percent in 2010. China's military budget has increased by an average of 10 percent per year over the last decade and China is investing heavily in maritime and aerial capabilities that could rival US force in the Pacific. Sources: "Brazilian Military Spending Continues", *The Rio Times*, November 23, 2010, "Russia launches \$600 bn defense spending drive", *AFP*, February 24, 2011, "China, India Boost Defense as Crisis Takes Toll on West", *Reuters*, February 3, 2010.

³ G. John Ikenberry and Thomas Wight, *Rising Powers and Global Institutions* (New York, Century Foundation Working Papers, 2007).

predictions about the future forms that order will take. These issues are more than of just academic interest. We are entering an era where the international system is undergoing profound and deep changes. Many policy makers and theorists argue that international peace and stability depend on the continued robustness of the ILO. From this perspective its demise would unleash many disturbing developments: the end of globalization, the intensification of geopolitical conflict, and even war between the great powers.⁴

Theories of Order in International Relations

The origins, nature, and impact of order on the behavior of states and other relevant international actors have been the subject of intense debate within the discipline. Theorists operating in the realist tradition argue that the nature of the international system reflects the distribution of power between states.⁵ The most stable and comprehensive orders (in terms of rules and institutions that shape state behavior) are those set up by hegemonic states. Hegemons set up institutions and regimes that help them advance their own interests. These states enjoy a preponderance of power that allows them to offer incentives – both positive and negative – to other states for participating in the order. But power is not static and the distribution of power between states inevitably shifts over time. The power of the hegemonic state will wane and challenger states will increase their power. This will lead to ruptures and conflicts in the system. Rising powers will find that the established order restricts their ambitions and they will begin to challenge it. In some cases this dynamic process may lead to hegemonic war and to the creation of a new order that better reflects the new distribution of power in the international system.

From this perspective the contemporary international liberal order is a product of post-WWII American hegemony. Its continued existence will depend on continued US dominance. Any decline in US power will undermine the order and the institutionalized arrangements that define it. Power transitions theories of this kind gained prominence in the 1970s and 1980s, when it seemed like the US was mired in decline and newcomers like Japan and unified Europe were rapidly gaining ground. Scholars began to speculate about a return to intense mercantilist competition or about whether Japan would overtake the US and become the new hegemon.⁶ US dominance reasserted itself after the end of the Cold War; and these theories lost much of their popularity. The emphasis shifted towards liberal theories that predicted a new age of peace and cooperation based on free trade and liberal democracy. It seemed like traditional

⁴ John Mearsheimer, *The Tragedy of Great Power Politics* (New York: Norton, 2001).

⁵ Robert Gilpin, *War and Change in World Politics* (New York: Cambridge University Press, 1981), Paul Kennedy, *The Rise and Fall of the Great Powers: Economic Change and Military Conflict From 1500 to 2000* (New York: Random House, 1987), Charles Kindleberger, *The World in Depression: 1929-1939* (Berkeley: University of California Press, 1986).

⁶ Kennedy, *The Rise and Fall of the Great Powers*, Ezra Vogel, "Pax Nipponica?", *Foreign Affairs* 64 (Spring 1986), pp 752-767, Jeffrey E. Garten, "Japan and Germany: American Concerns", *Foreign Affairs* 68 (Winter 1989), pp 84-101.

power politics had become an anachronism.⁷ At present, however, American power again seems to be in decline and facing new challenges from China and the other BRICs. Studies of power transition are again in vogue as theorists look to examine the consequences that US decline will have on stability in the international system and to predict what shape order will take in a post-hegemonic world.⁸

Ikenberry's Theory of International Liberal Order

Liberal theorists have tackled the question of order. Unlike realists, however, they draw much more optimistic conclusions. According to liberal theories, the current international liberal order significantly shapes and constrains the behavior of states. Because it is highly institutionalized it operates independently of the distribution of power in the international system. The ILO can thus be expected to continue to shape state behavior even as the hegemon's ability to exert its influence begins to decline. G. John Ikenberry is the premier contemporary theorist of liberal international order. Taken together his works constitute a comprehensive theory about the ways in which an International Liberal Order is formed and the ways in which it shapes international behavior.⁹ The liberal hypotheses I test in this study are primarily drawn from Ikenberry's work.

In his book *After Victory*, Ikenberry explores how hegemonic powers set up institutions after great power wars. Post-war situations are the starting point for all order building because at this time the distribution of power is most lopsided. Winners can impose their vision of order on the losers. Power realities underlie institutional bargains that form the different hegemonic orders. Weak states accept these institutions because they constrain the power of the stronger hegemonic state and keep them from pursuing policies that will harm them. Dominant states have an interest in entering into institutional arrangements that constrain their power because institutions lock in political outcomes that would otherwise require more costly applications of coercion or inducement. In this sense they are a kind of power investment. Dominant states give up some of their power in the short run to preserve power in the long run. They also gain some sense of certainty about what actions other states will pursue as they get stronger. Institutions thus play a two-sided role: "They must bind the leading state when it is initially stronger and subordinate states when they are stronger."¹⁰

These power bargains underpin the institutional arrangements established among the Western states after WWII. The weaker, war ravaged European states entered into these institutions

⁷ Francis Fukuyama, *The End of History and the Last Man*, (New York: Free Press, 1992), Thomas Friedman, *The Lexus and the Olive Tree*, (New York: Farrar, Straus and Giroux, 2000).

⁸ Charles Kupchan, *The End of the American Era: US Foreign Policy and the Geopolitics of the Twenty-First Century*, (Princeton, Princeton University Press, 2002), Fareed Zakaria, *The Post-American World*, (New York: WW Norton & Company, 2009), Ian Bremmer and Nouriel Roubini, "A G-Zero World", *Foreign Affairs*, Vol: 90, No 2, March-April 2011.

⁹ For a sample of Ikenberry's work on the ILO see: *After Victory: Institutions, Strategic Restraint and the Rebuilding of Order After Major Wars* (Princeton: Princeton University Press, 2001), *Liberal Order and Imperial Ambition* (Cambridge: Polity, 2006), *Liberal Leviathan: The Origins, Crisis, and Transformation of the American World Order* (Princeton: Princeton University Press, 2011).

¹⁰ G. John Ikenberry, *After Victory*, pg 57.

hoping to curb and constrain American power and (perhaps more importantly) to keep the US from abandoning its natural leadership role the way it had in the interwar period. At the same time, US policymakers hoped these institutions would help the US maintain its position of leadership well into the future, and keep the Europeans from reverting back to great power competition after they emerged from the devastation of WWII and rebuilt their power.

According to Ikenberry, the ILO is more open, institutionalized, consensual, and rule-based than the international orders established by earlier hegemonies. It is much more resilient to changes in the distribution of power between states in the system because the order is strongly anchored in a dense network of institutions: “This is order built around multilateralism, alliance partnership, strategic constraint, cooperative security, and institutional and rule-based relationships. The United Nations, the International Monetary Fund (IMF), the World Bank, the North Atlantic Treaty Organization (NATO), General Agreement on Tariffs and Trade (GATT), and other institutions that emerged provided the most rule-based structure for political and economic relations in history.”¹¹ Rules, institutions, networks, and political relationships are embedded in this order giving it its overall liberal character. “More so than in the past, [this order] is built around agreed-upon universal rules that allow access and participation by a wide and growing array of states; and an order in which the material benefits of the open system flow in all directions.”¹²

One of the most important institutional mechanisms of the ILO is co-binding. Liberal states “attempt to tie one another down by locking each other into institutions that place mutual constraints on one another.”¹³ These constraints eliminate the threat that states would normally pose to one another in an anarchical international environment. “It is a practice that aims to tie potential threatening states down into predictable and constrained patterns of behavior, and it makes unnecessary balancing against such potential threats.”¹⁴ In the security sphere the most important of these is NATO and in the economic sphere the European Union. Both institutions go much further than standard alliances or trade agreements, establishing mechanisms of joint command, joint political decision making, and (at least in the case of the EU) strict requirements for membership (i.e., members must be liberal democracies).

The American-led liberal order is more legitimate than past orders because it is not based solely on coercive relations between the hegemon and his subordinates. America is the hegemon, but its hegemony is a “penetrated hegemony” where other states also get a chance to participate in decision making and have their voices heard. Because America is a liberal democracy with an open political system there are many channels and points of access through which other states can lobby and promote their interests. Transnational relations that include non-state groups are also a vital component of the order. Multinational corporations, Non Governmental Organizations (NGOs), international organizations, and networks of transnational and non-

¹¹ Ibid. 10.

¹² Ibid. 11.

¹³ G. John Ikenberry and Daniel Deudney, “The Nature and Sources of Liberal International Order”, in G. John Ikenberry, *Liberal Order and Imperial Ambition: Essays on American Power and World Politics*, (Cambridge: Polity Press, 2006), pg 91.

¹⁴ Ibid. 92.

governmental experts influence and shape the decisions of states. Transnational relations and the receptiveness of liberal states to outside influences give subordinate states effective representation. “The arrows of influence are not in one direction- from the center to the periphery – as in the hegemonic model, but rather run in both directions, producing a fundamentally reciprocal political order.”¹⁵ The openness of politics in liberal states and transnational relations create a consensual political process that gives a voice to all parties. This makes the hegemonic order consensual and legitimate. In the absence of an open political process the order would eventually be undermined by balancing behavior on the part of the weaker states. Its legitimacy would also be compromised as the hegemon would need to rely on coercion to ensure compliance by the other states.

Economic openness and the complexity and interconnectedness of modern industrialized economies also bolster the ILO. Realist scholars of international relations argue that the absolute gains to be had from cooperation between states will often be undermined by states’ concerns about relative gains – that other states will gain proportionally more from the transaction and that they will use these gains to increase their own power and threaten the security of others.¹⁶ But in today’s high tech globalized world the potential gains from cooperation are so great that states actually have an incentive to find ways in which to minimize relative gains concerns so that they do not interfere with the absolute gains to be had. “In a world of advanced industrial states the absolute gains to be derived from economic openness are so great that states have the strong incentive to abridge anarchy so that they do not have to be preoccupied with relative gains consideration at the expense of absolute gains.”¹⁷ At the same time modern economies are so complex that it is often difficult to calculate relative gains accurately. Gains from trade are distributed across different sectors of the economy. Wins and losses are allocated in ways that make it difficult to speak of any unified position that a state may take on relative gains questions. The rate of change in advanced industrial capitalism also insures that the distribution of relative gains will fluctuate rapidly. The continuous redistribution of gains and losses makes it less tempting for states to use power gains to solidify or improve their position. “Thus, even if one country can foresee that it will be a loser in a particular period, it can assume that it will experience a different outcome in successive iterations.”¹⁸ Because the game is played over and over again today’s losers can reasonably assume that they will have a chance to be tomorrow’s winners.

There is also a strong cultural dimension to the ILO argument. Globalization, through economic interdependence and increased communication, is fostering a convergence of world views and values around liberal capitalism. “The cumulative weight of these international homogenizing and interacting forces has been to create an increasingly common identity and culture – a powerful sense that ‘we’ constitutes more than the traditional community of the nation

¹⁵ *ibid.* 96.

¹⁶ Kenneth Waltz, *Theory of International Politics* (Reading: Addison-Wesley, 1979), Joseph Grieco, *Cooperation among Nations: Europe, America, and Non-Tariff Barriers* (Ithaca: Cornell University Press, 1990).

¹⁷ Ikenberry and Deudney, pg 100.

¹⁸ *ibid.* 101.

state.”¹⁹ Realists believe that state-centric ethnic and national identities intensify competition between states and thus reinforce the anarchical nature of the international system. Today these identities are being increasingly displaced by a global capitalist identity and culture. This process has developed furthest in the West, where it has also been accompanied by a convergence around liberal political values and civic identities. “Ethnic and national identity has been muted to the point where it tends to be semi-private in character.”²⁰ But similar processes seem to be at work in the developing world as well. While a consensus around political liberalism and democracy has yet to emerge, consumer culture and a capitalist “business civilization” have taken root in many non-Western societies and are supplanting indigenous values and identities. Although difficult to quantify there is a convergence around a global capitalist “spirit” that gives the international order cohesiveness and solidarity.

Finally, path dependency also adds to the resiliency and robustness of the ILO. The institutions created and bargains struck in the aftermath of WWII have become more rooted in the wider structures of politics and society of the countries that participate in the order. More and more people and more activities become connected to the institutions and operations of the ILO. The costs of disruption or change have grown steadily over time. The cost of replacing existing institutions with new ones has increased to a point where it is just not worth the effort – even if these institutions may promise to be more effective or to distribute gains in a way that is more in tune with the actual distribution of power between the players. “A wider array of individuals and groups, in more countries and more realms of activity, have a stake – or a vested interest – in the continuation of the system....[This] means that ‘competing orders’ or ‘alternative institutions’ are at a disadvantage.”²¹

Eight (Testable) Hypotheses for How the ILO Shapes and Constrains State Behavior

Ikenberry constructs a coherent and compelling vision of liberal world order. But as a corpus, his writings do not explicitly draw out testable hypotheses. Moreover his empirical evidence is largely drawn from the states belonging to the liberal Western world (i.e., the US, Western Europe and Japan). From a theoretical standpoint this presents problems because his version of ILO theory is difficult to test or falsify. I thus propose that the following eight falsifiable hypotheses about how the order shapes and constrains state behavior can be derived from his writings on the ILO and the institutions that constitute it. I believe that this list is exhaustive; it includes all the major theoretical arguments he has made to support his claim about the resiliency and robustness of the ILO. If state behavior is indeed shaped and restrained in the ways described by these eight derived hypotheses, this would confirm Ikenberry’s arguments about the ILO. As such these eight hypotheses constitute a reasonable test of ILO theory.

Hypothesis 1: States will prefer to use institutional co-binding rather than power balancing to meet their security needs. Through co-binding, states lock each other into institutions that place mutual constraints on each other’s behavior. These constraints reduce the threat that

¹⁹ Ibid. 104.

²⁰ Ibid. 104.

²¹ Ikenberry, *After Victory*, pg 253.

states would normally pose to one another in an anarchical international environment, tying potentially threatening states down into predictable and constrained patterns of behavior. Rather than employing the strategy of balancing, rising states (the weaker party) will prefer to restrain the power of hegemonic states (the stronger party) by getting them to enter into co-binding agreements that limit their power and freedom of action. Rather than seeking to maximize their current advantages, hegemonic states will accept restraints on their power in order to lock rising states into predictable patterns of behavior – thereby preserving some of their current power advantages and gaining some certainty about the future.

Hypothesis 2: The absolute gains to be had from integration into the ILO are so great that they will diminish the importance of states' relative gains concerns. Relative gains concerns will not play a dominant role in states' calculations. The absolute gains to be had from participating in the ILO are so great that they allay concerns about relative gains. At the same time complex interdependence will make it harder for states to calculate aggregate relative gains across different issue areas. In fact, states will have an incentive to enter into institutional relationships that abrogate anarchy in order to minimize relative gains concerns and take full advantage of the absolute gains to be had from cooperation.

Hypothesis 3: Growing economic interdependence between states alleviates relative gains and security concerns. Countries that are economically interdependent are less concerned about relative gains and more focused on capturing the absolute gains to be had from mutually beneficial economic cooperation. As their relative gains concerns diminish, states will be less concerned about increasing their power relative to other states. Instead, they will focus on integration into the world economy in order to maximize the benefits from globalization and trade. They will be less inclined to challenge the established order, and more inclined to work within it because this will further the goals of economic integration.

Hypothesis 4: The global expansion of capitalism and free markets alter the preferences and character of states in a liberal and democratic direction. The role of the state in the economy is substantially diminished, giving way to private property and private enterprise. Trans-national commercial relations between individuals and private enterprises based on market principles have greater significance than power based relations between states. In the open global capitalist economy states do not need to exert raw power in order to advance their interests. They can gain wealth and power by simply participating in the system. In fact this is the least risky and most effective way to get ahead.

Hypothesis 5: Transnational and non-state actors who have a vested interest in the ILO restrain states. The ILO and its institutions give rise to powerful new international actors: international organizations, transnational NGOs, epistemic communities, and private (i.e., business) interests. These groups have a vested interest in the ILO and will look to keep states anchored in the ILO and its institutions. They will restrain and shape policies of states to make them more supportive of the established liberal order.

Hypothesis 6: The evolution of human rights norms is eroding state sovereignty and placing strict limits on state's freedom of action. Sovereignty has become a right that has to be

earned by states. “[Sovereignty] is now contingent on the fulfillment by each state of certain fundamental obligations, both to its own citizens and to the international community”.²² States that violate human rights lose their right to sovereignty and are subject to intervention by the international community. This is not only good for human rights more generally, but also contributes to the stability of the order as well. States that violate human rights domestically are also prone to aggressive behavior internationally. The enforcement of human rights norms thus prevents aggressive and illiberal challenger states from rising that could seek to violently overthrow the ILO.

Hypothesis 7: Rising powers will find that the existing international order adequately accommodates their interests and concerns. Rising states will find that their existing order serves their economic interests (by maintaining an open world economy) as well as their security interest (through co-binding). There is thus no compelling reason for them to challenge the order.

Hypothesis 8: Rising states will find that challenging the existing order is too costly. Path dependency – the “sunken costs” and “increasing returns” of established institutions – will make them very “sticky”. States will not seek to replace them with new institutions – even if these new institutions promise to work better and more accurately reflect the actual power between states.

For the sake of clarity I have prepared Table 1, which cross references the three major qualities of the ILO as described by Ikenberry (The Denseness of the Institutional Order, The Open and Complex Global Economy, and the Diffusion of Liberal Democratic Norms and Values) with the eight hypotheses about state behavior that I derive from the theory. It also includes a brief description of how each of these qualities leads to the particular behavior predicted by the eight hypotheses.

²² G. John Ikenberry, “America’s Imperial Ambition”, in Ikenberry, ed., *Liberal Order and Imperial Ambition*, pg 221.

Table 1: Qualities of the ILO (Across) and Hypotheses Predicting State Behavior (Down)

| | Dense web of international institutions | Growing economic integration and emergence of global economy | Diffusion of liberal norms, values and identities |
|---|---|---|---|
| Hypothesis 1 Institutional co-binding over balancing | Creates opportunities for co-binding in institutions like NATO and the EU | States engage in co-binding to capture absolute gains from economic cooperation | |
| Hypothesis 2 Relative gains concerns diminished | | Absolute gains from cooperation trump relative gains concerns | |
| Hypothesis 3: Growing economic interdependence between states alleviates relative gains and security concerns | | Huge gains from participation in global economy trump states concerns about dependence or relative gains. | |
| Hypothesis 4: The spread of capitalism and free markets alter the preferences and character of states in a liberal and democratic direction | | Global economic integration spreads capitalism and free markets to all corners of the globe | The diffusion of liberal capitalism and consumer culture changes the way state leaders look at international relations. |
| Hypothesis 5: Transnational and non-state actors w/ vested interest in ILO restrain states | Gives rise to influential actors from international organizations | Gives rise to international business interests | Gives rise to international civil society and global networks of NGOs |
| Hypothesis 6: Human rights norms erode state sovereignty and freedom of action | | | Countries increasingly accept that sovereignty is conditional on their obligation to uphold human rights |
| Hypothesis 7: Rising powers will find ILO accommodates their interests and concerns | Reciprocal and consensual nature of ILO accommodates diverse set of interests | Continues economic integration the priority for states | States converge around liberal values that the ILO promotes |
| Hypothesis 8: Rising states will find that challenging the existing order is too costly | Path dependency: the sunken costs and increasing returns of existing institutions | Challenging the existing order threatens to disrupt mutually beneficial economic relations | |

Russia as a Test Case for the ILO

I will test the above eight hypothesis against the behavior of today's rising powers. Though I examine evidence from all the BRIC countries the primary focus of this study is post-Soviet Russia. Why choose Russia? I believe that Russia is an important case for the ILO for several reasons. First, Russia is an important state in the international system that aspires to power and status and looks to maximize its influence in international affairs. As a rising power, it is one of the potential challengers to the current hegemonic order. To paraphrase the Russian discourse, Russia is not simply an object of international affairs but also a subject that looks to shape them.²³

Second, Russia has an open and vibrant discourse on international relations and foreign policy issues. Great power politics is an integral theme of Russia's domestic political discourse and there are many open public sources to draw from. This gives Russia an advantage for the purposes of a study of this kind over some of the other great power challengers. Most foreign policy debates in China occur behind the scenes. The elites in India and Brazil do not have the same tradition of participation in great power politics and are still not used to thinking of their countries' foreign policies in geopolitical terms. Russian political thinkers are accustomed to thinking in geopolitical terms and are ready and able to express their opinions on these issues openly and publicly.²⁴

Finally, over the last 20 years Russia has experienced dramatic variation in its trajectory of geopolitical power. Russian power experienced a stunning free fall in the late 1980s and 1990s unlike anything we have seen in recent history. Russia's collapse was so extensive that the country was faced with geopolitical irrelevancy.²⁵ This was followed by a remarkable resurgence in the 2000s. Russia is a serious international player again which others have to take into account. This variation makes Russia an interesting case for testing the ILO hypothesis. A declining Russia should be expected to come under the full sway of the ILO and its liberal institutions. It would not have the power to resist the ILO and it would look to compensate for its own declining abilities by becoming more closely tied to the established order. A resurgent Russia would test the robustness and resiliency of the ILO, as Russia would have a growing ability to resist the restrictions imposed by the ILO and forge its own independent path in international politics.

²³ Sergei Karaganov, "Novaya epoxa protivostoyaniya" (The New Epoch of Confrontation), *Rossiya v globalnoi politike*, No 4, October-December 2007.

²⁴ For an overview of Russian foreign policy debates including the different school of thought see: Andrei Tsygankov, *Russia's foreign policy: change and continuity in national identity*, (Lanham, MD: Lowman & Littlefield Publishers, 2010), Andrei P. Tsygankov and Pavel A. Tsygankov, "New Directions in Russian International Studies: Pluralization, Westernization, and Isolationism", *Communist and Post-Communist Studies*, Volume 37, Issue 1, March 2004, pg 1-17, Alexander A. Sergunin, "Discussions of International Relations in Post-Communist Russia", *Communist and Post-Communist Studies*, Volume 37, Issue 1, March 2004, Pg 19-35, Tatyana A. Shakleyina and Aleksei D. Bogaturov, "The Russian Realist School of International Relations", *Communist and Post-Communist Studies*, Volume 37, Issue 1, March 2004, pg 37-51.

²⁵ Thomas Graham, "A World Without Russia", *Jamestown Foundation Conference*, Washington, DC, June 9, 1999, Zbigniew Brzezinski, "A Geostrategy for Eurasia", *Foreign Affairs*, Vol. 76, No. 5 (Sep. - Oct., 1997) (pp. 50-64).

My research combines a close examination of Russian foreign policy moves with an exhaustive study of the Russian press and specialized literature on foreign policy. Over the last few years I have also conducted 42 in-depth interviews with some of Russia's most distinguished foreign policy experts. My interviewees span Russia's political spectrum – from liberals such as Fyodor Lukyanov and Dmitri Trenin who are sympathetic to the existing international liberal order to ultranationalists such as Aleksandr Dugin and Aleksandr Prokhanov who vehemently opposed it. These interviews have given me a fresh perspective on the way that Russia's leaders and elites think about foreign policy and their country's place in the world.

I find that the ILO has not had a significant impact on Russian foreign policy behavior during either period. Strikingly, all eight hypotheses derived from ILO theory fail the Russian test. Russia has sought to remain free of the ties of the ILO and has consistently chosen to preserve its freedom of action and to follow an independent foreign policy course. The logic behind this choice was neatly summed up by one of my interviewees, Duma Deputy and Member of the Duma's Foreign Affairs Committee Shamil Sultanov: "Russia is a great power. It does not join institutions. It creates them. Russia will not be bound down by institutions that are controlled by others."²⁶

This attitude was prevalent very early on in Russia's post communist history. Russia was looking to buck the ILO and follow an independent line even as its power reached its nadir in the early 1990s and when it should have been most susceptible to the ILO. Gorbachev and Andrei Kozyrev (Russia's first foreign minister) saw integration into Western institutions as the first priority of Russia's foreign policy and saw Russia's future in the common Western (European) "home". But these ideas never gained wide acceptance among Russia's elites. As early as 1992 Russia's elites began to vociferously oppose these policies as being, at best, naïve and at worst a conscious betrayal of Russian interests. They advocated a more traditional *realpolitik* approach to foreign policy in which Russia would look to play a more independent role and in which it would aggressively carve out its own sphere of influence in the former Soviet world.²⁷ These critiques became policy when Kozyrev was replaced by Yevgenii Primakov in 1996. Primakov pursued a foreign policy that consciously sought to balance against the US by forging strategic relationships with China and other regional powers.²⁸

Nevertheless, much of this took on a virtual character during the years of Boris Yeltsin's presidency. Russia's continued weakness did not allow it to back up much of the rhetoric about

²⁶ Shamil Sultanov, Interview with Author, Moscow, September 18, 2007.

²⁷ For influential statements of this kind see Andranik Migranyan, "Rossiya i blizhnee zarubezhe" (Russia and the Near Abroad), *Nezavisimaya Gazeta*, January 12 and 18 (published in two parts), 1992, Igor Shafarevich, *Rossiya naedine s soboi* (Russia Alone with itself), *Pravda*, November 2, 1991, Sergei Stankevitch, "Derzhava v poiskakh sebia", (A Great Power in Search of Itself), *Nezavisimaya gazeta*, March 28, 1992, . Migranyan went so far as to argue that Russia should emulate the US and its Monroe doctrine. This became known as the "Migranyan doctrine".

²⁸ For an illustration of Primakov's ideas see: Evgenii Primakov, "Rossiya byla i ostaetsia velikoi derzhavoi", (Russia is and will always be a Great Power), *Panorama*, May 12, 1996, *Mir bez Rossii: k chemu vedet politicheskaya blizorukost*, (A World Without Russia?: Where is political myopia leading us?), (Moscow: Rossiiskaia gazeta, 2009).

foreign policy independence and great power politics.²⁹ This began to change under Vladimir Putin, who revived Russian state capacity at home and oversaw a growing economy (bolstered by higher energy prices), thereby setting Russian power on a resurgent course and increasing Russia's international capabilities. Russia has continued to make independence a cornerstone of its foreign policy. Russia's leaders often speak of their desire to establish friendly and cooperative relations with the outside world, but they almost always qualify these statements by reiterating their commitments to independence and sovereignty and their desire to see the world develop away from US hegemony and towards multipolarity.³⁰ Their vision of international relations is very different from the ILO. According to Fyodor Lukyanov, editor of *Russia in Global Affairs* (who frequently criticizes mainstream Russian views of Foreign Policy from a liberal perspective), "Moscow bases its modus operandi on national interests and a balance of power approach more appropriate to the classical geopolitics of the 19th Century."³¹ World politics should be governed by great power concert. The world's largest and most powerful countries should decide the major questions, accommodating each other's interests in a friendly, but competitive manner. Great powers should refrain from intervening in each other's domestic politics and respect each state's right to their own path of economic and political development. Even the seemingly more liberal president Dmitri Medvedev has continued this *realpolitik* approach. In laying out his "five principles for Russian foreign policy" in 2008, Medvedev affirmed Russia's special sphere of interest in the former Soviet countries and asserted Russia's right to protect its citizens abroad (an allusion to ethnic Russian minorities in the Baltic states and elsewhere throughout the former Soviet Union).³²

Some may claim that certain characteristics peculiar to Russia, including the country's Russia's imperial legacy and identity (and subsequent imperial hangover), its authoritarian political culture, and its dependence on natural resource wealth all make Russia a hard case for the ILO.³³ According to this line of reasoning, the theory's failure in the "tough" Russian case does not tell us much about its overall validity. Nevertheless, an argument could also be made that Russia is

²⁹ Bobo Lo has called this the "Potelmkinization" of Russian foreign policy : see, Bobo Lo, *Russian Foreign Policy in the Post-Soviet Era* (London: Pelgrave), 2002. An illustrative example is the Russian decision to send peacekeeping troops to Kosovo in advance of NATO forces in 1999. The move was designed to show Russia's ability to stand up to NATO unilateralism. But Russian troops were ill equipped for the missions and were reduced to begging for food and water from NATO troops. "NATO Troops roll into Kosovo despite Airport Impasse", *CNN.com*, June 13, 1999, http://articles.cnn.com/1999-06-13/world/9906_13_kosovo.03_1_natoled-kfor-nato-peacekeepers-russian-troops?_s=PM:WORLD, Accessed: January 3, 2012.

³⁰ Vyacheslav Nikonov, "Nazad k koncertu" (Back to the Concert), *Rossiya v globalnoi politike*, No 1, Nov-Dec 2002

³¹ Author's interview with Fyodor Lukyanov, Moscow, July 13, 2007. Interestingly since my interview with him in 2007 Lukyanov's views have evolved in a much more *realpolitik* direction and he has begun to question the continued relevance of the established international institutional order. See: Fyodor Lukyanov, "Requiem for NATO", *Moscow News*, June 14, 2011.

³² Dmitri Medvedev, 'Interview given by Dmitry Medvedev to Television Channels', 31 August 2008, , *Website of the President of Russia*, www.president.kremlin.ru, accessed January 28, 2011.

³³ Anne Clunan, *The Social Construction of Russia's Resurgence : Aspirations, Identity, and Security Interests* (Baltimore : Johns Hopkins University Press, 2009), Geoffrey Hosking, *Russia: People and Empire, 1552-1917* (Cambridge: Harvard University Press, 1998), Richard Pipes, *Russia Under the Old Regime* (New York : Scribner, 1974), Steven Rosefielde, *Russia in the 21st Century: The Prodigal Superpower* (Cambridge: Cambridge University Press, 2004).

an easy case for the ILO. Russia is much closer to Europe, both geographically and culturally than the other BRICs. One could thus expect liberal and democratic values that underpin the ILO to spread to Russia. While it's true that Russia's integration into the world economy is primarily based on natural resource exports, these exports are primarily directed at West European markets. According to the ILO theory described above, economic interdependence is a major factor that pushes a state towards adopting the ILO and its rules. While Russia certainly has a tradition of imperialism, it also has a long history of participation in the European state system as one of the "Great" European powers. With the exception of the communist period (when Marxist-Leninist ideology shaped Russian foreign policy thinking), in its international behavior, Russia has traditionally adopted the rules and norms accepted by the other major European states. A post-communist Russia could thus be expected to adopt the same liberal rules and cooperative norms that have been adopted by the rest of European society since the end of WWII.³⁴ If one takes all these factors into account Russia does not look like a particularly tough case for the ILO. If anything Russia most likely falls somewhere in the middle of the range of tough and easy cases, with factors peculiar to Russia both favoring and working against its adoption of the ILO.

Admittedly the ILO's failure in the Russian case alone does not constitute a conclusive validity test for the theory. A true validity test would measure the eight hypotheses against the behavior of several other rising powers. This is beyond the scope of this particular study. One should not, however, underestimate the significance of the Russian case. It is striking that the Russian case fails to conform along expectations along all of the ILO's seven hypotheses. Moreover, the West's behavior vis-à-vis Russia does not conform to the ILO hypothesis, in as far as the West has been reluctant to enter into relationships of interdependence with Russia and has not sought to establish the kind of binding security relationships prescribed by the theory. Finally The ILO's failure in the Russian case is significant in and of itself. Russia is not just any country. It is one of a handful of states that are real players and whose behavior can shape international relations. If the ILO is unable to bring Russia into the fold it won't be able to shape international relations to the extent that the theory claims it can.

Moving Forward

The chapters in this study are organized as follows: Chapter 2 evaluates ILO hypothesis 1 (states' preference for co-binding) and hypothesis 2 (the diminished importance of relative gains concerns) by looking at Russia and its Western partners' bargaining behavior on key security and economic issues. I find no evidence that the ILO has affected bargaining behavior in the ways these two hypotheses predict. In fact, balancing and relative gains concerns play a very significant role in both Russia and its Western partners' bargaining behavior, suggesting that co-binding institutions and the diminished importance of relative gains – two critically important hypotheses for the ILO argument – do not shape and restrain state behavior in the ways that ILO theory claims.

³⁴ Here I am referring to "international society" as theorized by Hedley Bull, See: Hedley Bull, *Anarchical Society* (New York: Columbia University Press, 1977).

Chapter 3 tests ILO hypotheses 3 and 4, which trace the effects that growing economic interdependence and the emergence of a capitalist world economy are having on states. A close examination of Russia-EU energy relations (Russia's most important economic relationship) reveals that interdependence can actually exacerbate relative gains and security concerns. States continue to pursue power over other states for economic, as well as security reasons. Russia and other rising powers embrace capitalism and free markets and recognize the benefits of economic integration into the world economy. But they also believe that integration must come from a position of strength. They have adopted a range of statist and mercantilist practices to capture relative gains in trade relations so that they can take up the choicest and most profitable positions in the global economy.

Chapter 4 looks at hypotheses 5 and 6, which claim that the emergence of new actors and the evolution of human rights norms are eroding state sovereignty and thereby strengthening the ILO. I find that Russia and China's authoritarian regimes have been able to check the rise of Transnational Non-State Actors and have kept them from significantly influencing foreign policy. Russia and other rising powers are also united in their opposition to liberal challenges to traditional norms of sovereignty and non-interference. In fact the erosion of state sovereignty is one of the main reasons that they are dissatisfied with the current order and beginning to push for change.

Chapter 5 looks at hypotheses 7 and 8, i.e., the ILO's claim that rising powers will find the established order "easy to join but hard to overthrow". I find that ILO theory underestimates rising powers' dissatisfaction with the current order and the degree to which they have grown disillusioned with the leadership of the leading Western states. Not only is there a demand for change on the part of rising powers, but they may also be able to effect change more readily than is usually acknowledged by either realist or liberal IR theories. Both realist and liberal theories assume that rising powers only have two strategies open to them: they can either accept the existing order or wage a full-out frontal assault to overthrow it (i.e., behave as Germany and Japan did in the lead up to WWI/WWII or the Soviet Union did after WWII). I find that rising powers have a wider menu of effective strategies and tactics available to them that allow them to work towards the order's gradual transformation.

The concluding chapter summarizes the findings from the preceding chapters and uses them to sketch out the rough outlines of what a post-ILO order may look like. I predict that the changes in the distribution of power in the international system will lead to the formation of a limited balance of power system, where military competition between states is mitigated by nuclear weapons and by economic interdependence between states. While the preceding chapters primarily focus on Russia, the concluding chapter also looks at some evidence from some of the other rising powers. I find that there is a considerable amount of variation in how rising states' relate to the ILO. Russia and China have been most dissatisfied with the ILO and have been the most active in challenging it. India and Brazil have been more favorably disposed towards the order, though there are indications that they will be more disposed towards challenging it as their power grows. I also take a first cut at explaining these variations by looking at how systemic (power), ideational and economic factors shape rising states' choices. I find that the distribution of power in the international system best explains variations in rising state's

behavior in that it also accounts for what appears to be a growing trend towards more assertive behavior by rising states, including those that have been most hesitant to challenge the ILO in the past. It must be noted that this is only a recent trend that should be allowed to take its course before any definitive judgments can be made. A more complete study of variation will require substantial future research. However, a study of this kind would be well worth the effort as it presents an opportunity for scholars to test major IR theories against an important set of comparative cases.

International relations scholarship is finally beginning to acknowledge that power is shifting away from the West and towards the countries of the developing world. However the mainstream view in academic and policy circles continues to assume that rising powers will become integrated into the order. Few studies offer a critical assessment of the existing order's ability to adjust to the coming redistribution of power in the international system and integrate rising states. Even fewer consider what an alternative post-ILO order will look like. The following chapters hope to help fill this void in the IR literature, by putting ILO theory through a vigorous test. The results call some of the most optimistic predictions about the future of the ILO into question and indicate that we are headed for a period of dramatic changes to the international order.

Chapter 2: Testing the ILO's Hypotheses about Co-Binding and Relative Gains

Co-binding institutions and relative gains are two important pillars of ILO argument. Through co-binding, states lock each other into institutions that place mutual constraints on each other's behavior. These constraints reduce the threat that states would normally pose to one another in an anarchical international environment, tying potentially threatening states down into predictable and constrained patterns of behavior. In situations where co-binding institutions have already been established and function well, co-binding replaces balancing as the primary strategy that states will use to improve their security. Rather than balance against other states by increasing their own power (internal balancing) or forming balancing partnerships with other states (external balancing), states will respond to threats by entering into co-binding relationships with potential adversaries through the established institutional order.³⁵

Examples of co-binding mechanisms include treaties, interlocking organizations, joint management responsibilities, and agreed upon standards and principles of relations. "These mechanisms 'raise the cost of exit' and create 'voice opportunities', thereby creating mechanisms to mitigate or resolve conflict."³⁶ Proponents of the ILO often point to NATO and the EU as examples of successful co-binding. By committing member states to joint military planning and decision making, joint command structures, and joint deployment of forces, NATO shapes and constrains its members' security policies so that they do not threaten other member states. It also fosters interdependence by making member states dependent on each other for their security. The EU achieves the same goals through its members' political and economic integration. In adopting EU norms and laws and by ceding their sovereignty in some areas to EU bodies states avoid the dangerous economic competition and "beggar thy neighbor" policies that would lead states back to the kind of adversarial relations envisioned by realist theories. At the same time economic interdependence and economic integration (member states have ownership stakes in each other's key and strategic industries) fosters a harmonization of interests. Member states have more to gain from cooperation and trade than they do from competition, and have a genuine interest in seeing other members prosper because they have tied their economic fates to one another.

Co-binding has major implications for the study of major power transitions in the international system, such as the one we are witnessing today with the rise of the BRIC countries. If what the ILO claims about co-binding is true, both rising power and declining hegemony can guarantee their security through the existing institutional order, and without resorting to traditional balancing behavior. In fact, co-binding will be the preferred strategy for both parties because it allows them to escape the security dilemma. States can now respond to security threats without having to constantly seek power advantages over others. They break out of the dangerous spiral where one state's security gains always comes at others' expense, and thereby

³⁵ G. John Ikenberry, *After Victory* (Princeton: Princeton University Press, 2001), pp 40-43, G. John Ikenberry and Daniel Deudney, "The Nature and Sources of Liberal International Order", in G. John Ikenberry, *Liberal Order and Imperial Ambition* (Malden, MA: Polity, 2006), pp 91-93.

³⁶ Ikenberry, *After Victory*, pg 42.

avoid the intense military competition or arms races that have made major power transitions so dangerous and unstable in the past.

Under the ILO the advantages to be had from absolute gains are so great that relative gains concerns no longer play as significant a role in states' calculations as they have in the past. Realists argue that international anarchy leads states to worry not only about absolute gains (i.e., how much they themselves can gain from cooperation) but also about relative gains (i.e., how well they do compared to other states).³⁷ States always have to be mindful of the distribution of gains because other states will use their increased power to threaten them, and this often impedes their ability to cooperate. The modern open world economy created by the ILO increases the potential absolute gains to be had from cooperation to the point where states have a strong incentive to abridge anarchy so that they do not have to be preoccupied with relative gains considerations.

As was the case with, co-binding, the diminished importance of relative gains has major repercussions for situations when the distribution of power in the international system is in flux. With the specter of relative gains out of the picture, states will find it easier to cooperate. Rising states will find it less advantageous to go up against existing institutions because this may threaten mutually beneficial economic cooperation. They will be more focused on using their power to capture the absolute gains that come from economic cooperation, rather than on pursuing military advantage over other states. This will make them less threatening in the eyes of declining states, which will see less of a need to contain or balance against their rise because they too will stand to benefit from it through cooperation.³⁸ Moreover states will have an incentive to strengthen the co-binding institutions of the existing order in order to mitigate relative gains concerns and take full advantage of the absolute gains to be had from cooperation. The dense web of institutions that holds the ILO in place will become thicker, thereby strengthening the existing order and its ability to respond to changes in the distribution of power.

Russia is an excellent case for testing these predictions. Of all the major rising powers, it is Russia that has the most direct contact with the ILO's chief co-binding institutions (NATO and the EU). Russia's relationship with both organizations is critical to its security and economic interests. There is an extensive record of bargaining between Russia and these institutions on many critical issues, such as NATO and EU expansion, Missile Defense, energy security, and trade. We can examine bargaining behavior in these cases to determine whether the ILO's predictions about co-binding and the diminished importance of relative gains concerns play themselves out as the theory predicts they will.

³⁷ For some realist works that explore the relative gains question see: Kenneth Waltz, *Theory of International Politics* (Reading: Addison-Wesley, 1979), Robert Gilpin, *The Political Economy of International Relations* (Princeton: Princeton University Press, 1987), Joseph Grieco, *Cooperation among Nations: Europe, America, and Non-Tariff Barriers* (Ithaca: Cornell University Press, 1990).

³⁸ Observers who argue that the US should not be afraid of China's rise because it provides economic opportunities to the US often implicitly make the same assumptions about the diminishing importance of relative gains. See James Fallows, "Why China's Rise is Good for US", *Atlantic Monthly*, July 2007.

In the following paragraphs I hope to show that Russia-NATO/EU bargaining behavior does not conform to the ILO's predictions. Russia has, on occasion tried to establish co-binding relationships with both institutions in order to improve its bargaining position on key economic and security issues. Russia has looked to institutionalize its relationship with NATO to give it a true voice in the alliance's policies and decision making. Russia has also looked to engineer asset swaps between Russian and European companies, hoping that these will foster economic interdependence and integration between the two sides. In this way Russia hopes to replicate the successes that the architects of European integration had at the beginning of the EU's formation in the immediate post-WWII period with the European Steel and Coal Community. But for the most part these efforts have not been fully reciprocated by Russia's western partners, who are still suspicious of Russia's true intentions. They have preferred to press the immediate advantage they hold over Russia, either by expanding the alliance to include new members (in the case of NATO) or by insisting that Russia adopt European norms values and laws (in the case of Russia EU relations).

Relative gains concerns have also factored very strongly in Russian calculations, and have shaped its bargaining behavior in several important areas, including NATO and EU enlargement, EU and NATO efforts to bring stability to the Post-Soviet space, and even in the attempts by Russia and the EU to resolve more mundane trade disputes. Both Russia and its Western partners are aware that relative gains concerns are hindering cooperation and preventing them from making substantial absolute gains. Both sides have floated ideas and proposals that they hope will allow them to overcome these concerns, most recently in the form of a European Missile Defense system. But neither side has thus far been willing to take the necessary sacrifices that would make co-binding a reality. The Western liberal states continue to be apprehensive about Russia's true intentions and reluctant to give Russia (what they see as) an effective veto over their security. For its part, Russia still jealously guards its own sovereignty and freedom of action. Moscow also has growing doubts about the wisdom of tying itself too closely to Western institutions at a time when Western dominance is waning and Western institutions seem to be losing their ability to address global problems.

In the end, both Russia and its Western partners' bargaining behavior have been much closer to realist predictions. Both sides have looked to improve their bargaining position by maximizing their immediate advantages, and in the case of the weaker party (Russia) balancing against the power of the stronger one. Russia has pursued both internal and external balancing strategies to counter American and Western power and influence – both in the post-Soviet region and globally. In fact it is through balancing NATO and Western power that Russia has achieved one of its most prized foreign policy objectives: halting further NATO expansion into the Post-Soviet space. The 2008 Georgia war revealed the limits of NATO's capabilities and demonstrated Russia's resolve to push back and defend what it saw as its vital national interests. As a result Russia's complaints about expansion have finally been heeded and NATO membership for Ukraine and Georgia has been pushed back into the distant future.

Co-Binding in ILO Theory

A dense web of international institutions forms the backbone of the ILO, giving the order legitimacy and stability. This network of institutions constrains and shapes the behavior of states, providing for some level of certainty in inter-state relations. Institutions establish rules and expectations about how power is exercised and how disputes are settled, making it more difficult for both the leading and lesser states to make radical shifts policy. "It is precisely because institutions can in various ways bind (particularly democratic) states together, constrain state actions and create complicated and demanding political processes, that participating states can overcome worries about the arbitrary or untoward exercise of power."³⁹ For Ikenberry, stable institutional orders are created after major wars, when the balance of power in the international system is the most lopsided and there are clear winners and losers. At these times the weak states look for ways to restrain the power of dominant states. But dominant states also have an interest in entering into institutional arrangements that restrain their power. These arrangements lock in political outcomes that would otherwise require more costly applications of coercion or inducement. In this sense they are a kind of power investment; dominant states give up some of their power in the short run to gain some sense of certainty about which actions weaker states will pursue as they get stronger. Institutional binding allows stronger states to make their pledges to restrain their power credible and thus reassures the weaker states. At the same time institutions also give weaker states a voice in decision making, establishing mechanisms by which they can influence the behavior of stronger states – even in the realm of security policy. "Binding restricts the range of freedom of states – weak or strong – and when states bind to each other they jointly reduce the role and consequences of power in their relationship."⁴⁰

In theorizing about co-binding, Ikenberry and Daniel Deudney draw on constitutional theories, applying some of the lessons these theories hold for order in domestic politics to international relations. Just as individuals or groups agree to rules and procedures to limit the arbitrary use of power and guarantee security for all individuals in a domestic polity, states can also agree to rules and procedures that limit their freedom of action in order to establish security for all states in the international system. Deudney argues that a false dichotomy is often drawn between domestic and international security issues. He sees the American states in the immediate aftermath of the American Revolution as constituting a kind of inter-state system, comparable to the state system that emerged in Europe a century earlier. But unlike the European states, which chose balance of power politics to manage their security concerns, the American states used the insights from republican security thinking to establish a stable constitutional order, enshrined in the American Articles of Confederation.⁴¹

As is the case with domestic constitutional orders, in adopting co-binding institutions states respond to potential threats and strategic rivalries by linking together in mutually constraining

³⁹ Ikenberry, *After Victory*, pg 35.

⁴⁰ *Ibid.* 64.

⁴¹ Daniel Deudney, "The Philadelphian System: Sovereignty, Arms Control, and Balance of Power in the American States-Union, circa 1787-1861", *International Organization*, Vol. 49, No. 2 (Spring, 1995), pp. 191-228.

institutions. They build long term security, political, and economic commitments that are difficult to retract. Institutions thus allow states to lock in restraints on their behavior and to cement relationships that would ordinarily fluctuate because of changing interests or distributions of power. This creates some degree of certainty in the traditionally uncertain realm of inter-state relations. States that are closely linked together in co-binding institutions minimize the problems of anarchy that lead to security dilemmas and power balancing. “Surprises are reduced and expectations of stable future relations dampen the security dilemmas that trigger worst-case preparations, arms races, and dangerous strategic rivalry.”⁴²

Security co-binding establishes formal institutional links between potential adversaries, reducing the need for states to balance against each other in order to guarantee their security. “Rather than responding to a potential strategic rival by organizing a counter balancing alliance against it, the threatening state is invited to participate within a joint security association or alliance.”⁴³ Most studies of alliances primarily focus on the ability of alliances to bring states together in order to pool together their capabilities against a common security threat. However another dimension of alliances often goes overlooked. Alliances can also be created to serve as mechanisms for states to manage and restrain their alliance partners. As such they act as “pacts of constraint” between their members. “Alliances create binding treaties that allow states to keep a hand in the security policy of their partners....[Potential] rivals tie themselves to each other—alleviating suspicions, reducing uncertainties, and creating institutional mechanisms for each to influence the policies of the other.”⁴⁴

NATO’s founders turned to co-binding to alleviate these concerns from the very beginning of the alliance’s formation. To paraphrase NATO first secretary General Lord Ismay’s famous quote: NATO was not only created to keep Russia *out*, but also to keep America *in* and Germany *down*.⁴⁵ In fact the alliance’s ability to unite against the outside threat (Russia) was heavily dependent on its ability to influence and restrain the behavior of its members; i.e., to keep the US engaged in Europe and to mobilize Germany’s industrial potential in a way that did not threaten the rest of Europe. As such the alliance was not only about banding together to face the Russian challenge, but also about locking the states of Europe together into an institutional arrangement that would keep them from going at each other’s throats, as they had done so many times in the past. The alliance members have agreed to an elaborate system of practices that shape and constrain their defense policies. This goes well beyond how security alliances have traditionally been organized. Political decision making is by consensus, giving all members some voice in policy. Joint military command structures, joint military planning, and joint exercises tie NATO militaries together, alleviating suspicions and fears about what the other side is doing. These co-binding institutions have helped NATO’s members move beyond the state of anarchy and uncertainty that has characterized European relations throughout

⁴² Ikenberry, “American Power and the Empire of Capitalist Democracy”, in G. John Ikenberry, *Liberal Order and Imperial Ambition*, pg 160.

⁴³ *Ibid.* 160.

⁴⁴ *Ibid.* 64.

⁴⁵ The quote attributed to Lord Ismay is “NATO was created to keep the Russian out, the Americans in, and the Germans down”. Quoted in Ikenberry and Deudney, pg 92.

history. To this day NATO remains one of the pillars of the ILO, even though its primary external threat, the Soviet Union, has disappeared from the scene entirely. "If NATO were simply a balancing alliance, the organization would be in an advanced state of decay. It is NATO's broader political function – binding the democracies together and reinforcing political community – that explains its remarkable durability."⁴⁶

Relative Gains in ILO Theory

In an international environment defined by anarchy survival and independence must be the overarching goal of state policy. In this sense, states are not simple utility maximizers; their calculations of utility must also take into account the capabilities of other states. "The essential fact of politics is that power is always relative; one state's gain in power is by necessity another's loss. Thus even though two states may be gaining absolutely in wealth, in political terms it is the effect of these gains on relative power positions which is of primary importance."⁴⁷ States that gain disproportionately from interactions can achieve a superiority that threatens the goals (and in many cases the very security) of their cooperative partners. According to Kenneth Waltz "Even the prospect of large absolute gains for both parties does not elicit their cooperation so long as each fears how the other will use its increased capabilities."⁴⁸

Even in an area as seemingly innocuous as trade, states have to be concerned about relative gains. Wealth can be converted into military capabilities and thus a disproportionate economic gain on the part of one's partner can threaten your own security. Relative gains concerns do not just have to be limited to direct military threats. Even where the prospects of military confrontation between states are remote, states must also worry about their political autonomy. Cooperative relations that benefit both sides may lead to a situation of asymmetrical interdependence – where one state's vulnerabilities open up opportunities for others to constrain or manipulate their political choices.⁴⁹ Relative gains can also have an effect on a state's economic welfare. Neomercantilists argue that states can pursue strategic trade policies that strive to capture market share in the most profitable and high value added sectors of the global economy. States that capture relative gains are in a better position to do this. "States may be concerned about the consequences for their national economic welfare, to the extent that mutually beneficial inter- action puts their firms at a competitive disadvantage, leads to a shrinkage of their industrial base, or results in the movement of high value-added activity away from their territory."⁵⁰

⁴⁶ Ikenberry, "The Myth of Post-Cold War Chaos", in G. John Ikenberry *Liberal Order and Imperial Ambition*, pg 182.

⁴⁷ Gilpin (1987), pg 34.

⁴⁸ Waltz (1979), pg 105.

⁴⁹ Michael Mastanduno, "Do Relative Gains Matter? America's Response to Japanese Industrial Policy", *International Security*, Vol. 16, No. 1 (Summer, 1991), pg 80.

⁵⁰ *Ibid.* 80.

Proponents of the ILO argue that the absolute gains from integration into the ILO are so great that states are willing to look beyond relative gains concerns.⁵¹ In fact states will actually look to abrogate the effects of anarchy in order to lessen relative gains concerns so that they can thus ensure access to these absolute gains. They will do so by strengthening institutional relationships that will cause them to give up some of their sovereignty and freedom of action. “The extensive institutions that liberal states have built can be explained as the mechanisms by which they have sought to avoid the need to forego absolute gains in order to pursue relative gains.”⁵² The EU is an example of this kind of institution building. Motivated by the potential gains to their economic welfare from integration, European states have been willing to give up a considerable degree of their sovereignty – both in terms of domestic and foreign policy – in order to suspend the state of anarchy that would normally define their relationship.

Testing ILO Predictions about Co-Binding and Relative Gains

We can examine the impact of binding and relative gains by looking at state bargaining behavior. According to realist theories, bargaining in an anarchic international system will revolve around every state’s desire to maximize their power relative to other states. The weaker states in a bargaining relationship will look to strengthen their bargaining positions by balancing the power of stronger states. The stronger state will seek to maximize their gains at the expense of weaker states. Relative gains concerns will figure prominently into all state’s calculations, impeding cooperation. States must not only be concerned by the gains they stand to make but also wary of the gains of their bargaining partners, lest their partners use today’s gains to attack them tomorrow. Finally, states will jealously guard their sovereignty and freedom of action. They will be weary of entering into any institutional relationships that restrict their behavior or put them at the risk of developing dependent relationships that other states can exploit.

Co-binding and the diminished importance of relative gains should have a profound effect on states’ bargaining behavior. Co-binding reduces the impact that anarchy has on the international system. By agreeing to restrict their freedom of action through co-binding institutions, states make their relations more predictable. This reduces the need for states to pursue power maximization at any costs because they are certain that other states are not doing the same. Weaker states can use co-binding institutions to improve their bargaining

⁵¹ Other theorists have also questioned realist’s assumptions concerning relative gains. For example: Robert Powell (1991) uses formal modeling to argue that relative gains concerns play a much bigger role in state calculations when it comes to military, rather than economic cooperation. Duncan Snidal (1991) also uses modeling to argue that relative gains concerns are really only an issue in dyadic relationships between states and have very little effect when cooperation involves three or more parties. These debates are beyond the scope of my concerns here. My intention is to lay down the theoretical framework and to then examine how relative gains concerns have factored into the bargaining behavior of Russia and its Western partners. For more on the relative gains debate see: Robert Powell, “Absolute and Relative Gains in International Relations Theory”, *The American Political Science Review*, Vol. 85, No. 4 December 1991, pp. 1303-1320, Duncan Snidal, “Relative Gains and the Pattern of International Cooperation”, *The American Political Science Review*, Vol. 85, No. 3, September, 1991, pp. 701-726.

⁵² Ikenberry and Deudney (2006), pg 100.

position. Instead of balancing against stronger states, they can reduce the bargaining power of stronger states by tying it down in institutional arrangements. Stronger states can forego visibly achievable and immediately attainable gains in favor of the promised long term returns and certainty about other's actions provided by co-binding institutions. At the same time the diminished importance of relative gains will make it easier for states to cooperate. All states, weak and strong, will be less concerned with the potential gains of their bargaining partners and more concerned with attaining the absolute gains to be had from cooperation. In fact, in an ILO world where we have an open global economy, the absolute gains to be had from economic cooperation are so tantalizing that states have an incentive to build co-binding institutions that will minimize relative gains concerns. They will be willing to bargain away some of their sovereignty and freedom of action to make these co-binding institutions work. (Table 2 summarizes the realist and ILO predictions about state bargaining behavior.)

Table 2: Realist vs. ILO Predictions about State Bargaining Behavior

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| <p><u>Bargaining under anarchy (realist view)</u></p> <ul style="list-style-type: none"> - Weaker states seek to improve their bargaining position by balancing against the power of stronger states - Stronger states push to maximize their gains at the expense of weaker states - Relative gains concerns factor prominently into a state's calculations, impeding cooperation - States are unwilling to bargain away their sovereignty, even when this promises to abrogate anarchy and open up the possibility of absolute gains <p><u>Bargaining under the ILO</u></p> <ul style="list-style-type: none"> - Weaker states seek to improve their bargaining position by forming co-binding relationships with stronger states - Stronger states forego visibly achievable and immediately attainable gains in favor of promised long-term returns and certainty about other's actions provided by co-binding - Relative gains concerns are diminished as states seek to capture tantalizing absolute gains from cooperation - States are willing to bargain away some elements of their sovereignty as a way of abrogating anarchy, thereby making relative gains concerns less salient so that absolute gains from cooperation can be more easily attained. |
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In the case of bargaining between Russia and its Western partners, the ILO predicts that both sides would invest heavily in co-binding. Russia would look to overcome its weakness and make Western power more predictable by forming institutionalized relations with the EU and NATO that give it some say in the workings of these institutions and which constrain the ways in which these stronger organizations can behave. The US and Western European states would not look to take advantage of Russia's weakness, and would instead look to tie Russia closely to Western institutions like NATO and the EU – in much the same way that they did with Germany after WWII. Because both sides have so much to gain from Russia participating in an open world economy, they should be willing to set aside relative gains concerns about the growing power of the other side aside. In fact both Russia and its bargaining partners should also be willing to give up elements of their sovereignty in order to make co-binding work.

Part I: Russia and NATO: The Failure of Co-binding and the Continued Salience of Relative Gains

The end of the Cold War seemed to herald the beginning of a new era of relations between Russia and the West. Relations were now poised to go beyond the confrontation and insecurity of the past and towards partnership as Russia seemed set to return to the “common European home.” As was discussed above, the ILO predicts that in bargaining with other states over the issue of security, states will increasingly turn to co-binding institutions, rather than balancing strategies, to improve their bargaining position. Co-binding institutions such as NATO seem to offer Russia a way of finally overcoming security concerns which have worried Russian leaders for centuries, and which many historians argue have significantly shaped the country's political and economic development away from democracy and liberalism.⁵³ From the Western perspective, co-binding would give Russia an enduring stake in the Western order, so much so that the advantages of co-binding would pre-empt any potential future challenges to that arrangement

Yet these hopes never came to their fruition. Co-binding has not had a meaningful and lasting impact on either side's bargaining behavior. The stronger Western partners have not tried to establish co-binding relationships with Russia. Instead they have largely ignored Russia's concerns and have looked to maximize their short term gains. Charles Kupchan argues that the US and its NATO allies have built a post-War security architecture that excludes Russia from the main institutions of the North Atlantic community. “The West is making a historic mistake in treating Russia as a strategic pariah. As made clear by the settlements after the Napoleonic Wars and World War II– in contrast to the one that followed World War I– including former adversaries in a postwar order is critical to the consolidation of great-power peace.”⁵⁴ NATO

⁵³ Many scholars argue that throughout Russia's history its precarious geographical situation (i.e., the fact that it has so many land borders to defend) has forced its government to continually martial its resources and mobilize the population in preparations for war, which in turn have had a negative effect on the country's economic and political development. See: Geoffrey Hosking, *Russia: People and Empire* (Harvard University Press: Cambridge 1997), Richard Pipes, *Russia Under the Old Regime* (New York: Scribner, 1974), George Vernadsky, *A History of Russia*, (Yale University Press: New Haven, 1969).

⁵⁴ Charles A. Kupchan, “NATO's Final Frontier”, *Foreign Affairs*; May/June 2010, Vol. 89 Issue 3, pg 100.

has never seriously considered letting Russia into the alliance. Nor has it allowed Russia to have the kind of say over NATO planning and strategy that a co-binding relationship would require.

Several schemes have been hatched to institutionalize Russian-NATO relations. The 1997 NATO Russia Founding Act on Mutual Relations, Cooperation and Security established a consultative body, the NATO Russia Permanent Joint Council (PJC), to manage relations between the two sides. In order to improve relations in the wake of the 1999 Kosovo Crisis, the PJC was strengthened and transformed into the NATO Russia Council (NRC) in 2002. Through the NRC Russia now has a permanent institutional presence in Brussels, including its own permanent mission led by an ambassador to NATO. The NRC has also identified nine issue areas where NATO has pledged to seek out consultation and consensus-building with Russia. These include military crisis management, counter terrorism, prevention of the proliferation of weapons of mass destruction, and anti-ballistic missile defense.

Yet these arrangements fall well short of giving Russia a real decision-making role within NATO. Areas where Russia is guaranteed a say are still limited in scope and do not include issues areas like NATO's future membership, decisions about deployment or military command, and threat assessment. "Russia's disappointment is growing because our concerns aren't being taken seriously," says Alexander Khramchikin, deputy director of the independent Institute of Political and Military Analysis in Moscow. "It turns out that improvements in our relations are fleeting, based on nothing substantial, while on the big issues NATO does whatever it wants and just makes Russia face the fact."⁵⁵ Even in areas that are open for discussion within the NRC (and where Russia is thus guaranteed a voice) NATO members have reserved the right to jointly formulate their positions before entering into discussions with Russia. According to former Russian Ambassador to NATO Dmitri Rogozin, "Debates within NATO are always a step or two ahead, so that the Russian-NATO Council is usually presented with a *fait accompli* – that is not what I call debate on equal terms."⁵⁶ The institutions set up to establish cooperation between the two sides, such as the PJC and RNC may hide the real conflicts of interest in the relationship and they may, at times, even placate Russia. But they do not give Russia a real say in the relationship. According to Mark Weber the relationship has largely been defined by the balance of power between Russia and NATO, with Russia at a disadvantage. "Practical and mutually beneficial cooperation can and has occurred but it has done so on the basis of two crucial assumptions which Russia has been required to accept: first, that the status of NATO and the EU is unquestioned; second that Russia has no *entrée* into the inner workings and deliberations of either organization. What this ultimately means is that the debate on security governance has been carried out increasingly in and between the EU and NATO with less and less attention paid to the voice of Russia."⁵⁷

⁵⁵ Fred Weir, "New US-Russia arms race? Battle lines grow over missile defense", *Christian Science Monitor*, June 9, 2011.

⁵⁶ Rogozin quoted in: Alexander Gabuyev, Yelena Chernenko, "European Defense: Development of the European ballistic missile defense system is under way", *Kommersant*, March 3, 2011, Taken from Johnson's Russia List #39, March 3, 2011.

⁵⁷ Mark Weber, "Russia and the European Security Governance Debate", in Jackie Gowers and Graham Timins eds, *Russia and Europe in the Twenty-First Century* (Anthem Press: London, 2007), pg 284.

Instead of showing restraint, as predicted by the ILO, the stronger party in the relationship (the West) has looked to maximize its gains by taking advantage of the weaker party's (Russia) weakness. Despite Russian objections, NATO has expanded to Russia's very borders. It has also embraced a global role that includes the use of force without United Nations sanction. "NATO functionaries demonstrate a complete misunderstanding of Russian concerns regarding NATO's expansion and other policies that threaten Russia and this indicates the superficial nature of the partnership. You can't build a real partnership when one of the parties refused to hear, perceive or even consider the positions of the other."⁵⁸

Russia has shown more enthusiasm for co-binding than its alliance partners. Moscow was hopeful that consultative arrangements like the PJC and NRC would improve Russia's bargaining position, and force NATO members to acknowledge Russia's security concerns and put a stop to policies that threatened Russia, such as enlargement and the deployment of Anti Ballistic Missile (ABM) infrastructure to Russia's borders. Yet it would be wrong to place all the blame for the failure of co-binding on the stronger West. While Russia is keen on tying NATO down in institutional arrangements that would give it a say in the alliance's policies, it is doubtful that it is willing to restrict its freedom of action. A true co-binding relationship with NATO would require Russia to relinquish much of its freedom of action in military affairs and submit to an unprecedented level of transparency in terms of its military plans and distribution of forces.⁵⁹ Moscow is simply unprepared to give up this much sovereignty. Russia is also wary of entering into co-binding relationships in which it would be the junior partner and where more powerful actors like the US would have the upper hand. According to Putin, "We all know how decisions are made in NATO. Military-political blocs limit the sovereignty of any member country. Inside barrack-like discipline appears. And the decisions are at first made (we all know where) in one of the leading countries of the bloc, and then legitimized and dispersed."⁶⁰ Russia sees itself as one of the independent poles in world politics and prefers to maintain its freedom of action. When asked about the prospects of Russia one day joining NATO Rogozin replied: "Superpowers do not participate in coalitions, they create them".⁶¹

Russia's Kosovo Lesson

NATO's 1999 Intervention in Kosovo was a watershed event in Russia's relations with the West and has had lasting influence on Russia's perceptions about statehood, the international order and the norms of international society. NATO's actions disabused many Russia leaders of their illusions that American and Western power could be restrained through co-binding institutions or through shared democratic values and norms.⁶² Russia's elites and general public were united in their opposition to Western military intervention from the very beginning of the Kosovo crisis and worked to dissuade the West from intervening militarily against Serbia. Russia

⁵⁸ Sergey Oznobishchev, "Rossiya-NATO: Realistichnoe partnerstvo ili virtualnoe protivostoyanie?" (Russia-NATO: Realistic partnership or virtual conflict, *Mirovaia ekonomika i mezhdunarodnye otnosheniia*, No. 1, 2006, pg 19.

⁵⁹ Dmitri Trenin, Interview, Moscow, May 17, 2007, Martin Smith, *Russia and NATO Since 1991: From Cold War Through Cold Peace to Partnership?* (Routledge: New York, 2006), pg 126.

⁶⁰ "Interview with Putin: Russia opposes NATO Expansion in Principle", *Le Monde*, May 31, 2008.

⁶¹ "Ukraine, Georgia membership would kill off NATO - Russian envoy", *Interfax*, September 29, 2009.

⁶² Author Interview Sergei Karaganov, Moscow, October 10, 2007.

was hopeful that the Western powers would have to at least acknowledge these concerns in the PJC, and that this relationship would give Russia the diplomatic leverage to broker a solution to the crisis that avoided military intervention against Serbia. Moscow also believed that NATO would not make any military moves without further authorization by the UN – where Russia could exercise its veto as a permanent member of the Security Council.⁶³ Russia thus adopted the kind of bargaining strategy predicted by the ILO. Moscow hoped that co-binding intuitions such as the PJC and the UN Security Council would improve its bargaining position and help restrain NATO from using force against Serbia. But in launching the air campaign against Yugoslavia, NATO showed that it was willing to bypass these co-binding institutions in order to achieve its goals. A discussion over the use of force in Kosovo was never even broached at the PJC. Nor did NATO seek UN approval for its bombing campaign. Russia was invited to participate in NATO's negotiations with the Serb and Kosovar leadership at Rambouillet. But even these talks only left Russian leaders feeling that NATO was not negotiating in good faith, and was in fact actively seeking to engineer a situation where the Serbs would be blamed for their failure, thus offering a pretext for the use of force.⁶⁴ Any illusions that Russian leaders may have had that co-binding institutions guaranteed it a strong voice in European security decision making were shattered.⁶⁵ From the Russian point of view, the US and Western Europe were trying to impose their vision of order on the world, with complete disregard for Russia and other influential states. According to Russian Foreign Minister Igor Ivanov, after Kosovo it was clear that these efforts were "aimed at building a one-dimensional model, dominated by a group of the most developed countries and supported by the economic and military might of the US and NATO. The rest of the world is expected to live by the rules that suit this 'select club'."⁶⁶

Russian observers were also skeptical about NATO's claims that its main motivation was humanitarian and that its goals were limited to protecting human rights and upholding liberal democratic values. They saw NATO's intervention in Kosovo as a selective application of democratic and human rights norms. These were being promoted in the Kosovo case to further more narrow Western interests. In the process, the Western states were rewriting international law to suit their interest with complete disregard for the opinions of the other leading states. According to Ivanov, "Particularly troubling are the attempts that have been made to refashion the basic principles of international law to make them fit this scheme, to replace them with the doctrines of 'limited sovereignty' and 'humanitarian intervention'."⁶⁷

Relative gains concerns also played an important role in Russia's bargaining calculation. Despite Russia's historic and cultural ties to Serbia, NATO's operations there did not directly threaten Russia's immediate security or economic interests. Russia was more concerned that Western military operations in Kosovo would strengthen the alliance, giving it a new mandate to exert its

⁶³ Smith, pg 78.

⁶⁴ Dmitry Gornostayev and Viktor Sokolov, "Boris Yeltsin Declares: 'We won't let anyone touch Kosovo!'", *Nezavisimaya gazeta*, Feb. 19, 1999, Current Digest of the Russian Press, No. 7, Vol.51, March 17, 1999, pp 20.

⁶⁵ Mark McGuigan, NATO and Russia: Progress or Process, in Gowers and Timins eds, *Russia and Europe in the Twenty-First Century*, pp 153.

⁶⁶ Igor Ivanov, "Russia and Today's World", *Nezavisimaya gazeta* (Dipkurer), January 20, 2000, p. 9.

⁶⁷ *Ibid.* 9.

influence beyond its traditional sphere of influence in Western Europe. What was especially troubling from Moscow's point of view, was that Kosovo could become a possible precedent for NATO intervention for the purpose of "crisis management" or "humanitarian" purposes in unstable regions in Russia's immediate sphere of interests—the Black Sea, the Caucasus or even in Central Asia. According to one influential Russian observer, "The Balkans were chosen as the first test site for the enforcement of a new world order based on disregard for national sovereignty, territorial integrity and independence of states, as well as the legalization of the use of force under the pretext of protecting civil rights and imposing Western style democracy."⁶⁸

Kosovo taught Russian elites that in the end, self-reliance, independence and a strong Russian state were the only way to guarantee that their voice would be heard and their interests taken into account in international affairs. "Russia's response has been to recast its approach to international affairs in realist terms, perceiving sovereign states alternately cooperating and contending for influence in an unpredictable, 'anarchic' system, and consequently to reinforce its ambitions to shape this environment."⁶⁹ In a world where the stronger powers are focused on maximizing their immediate advantages and are ready to ignore institutions when it suits their interests, balancing, rather than co-binding, is the only reliable strategy for weaker states that want to improve their bargaining position. "[NATO's bombing of] Yugoslavia showed us that in international affairs power and force are the only things that command respect and that it is foolish to rely on the other sides' magnanimity or sense of fair play."⁷⁰

Relative Gains and NATO Enlargement

NATO's enlargement has been a particularly sore point in Russian-Western relations, and a subject of extensive bargaining between the two sides. NATO leaders claim that expansion is not directed at Russia, and that expansion actually serves Russian interest. According to their arguments it brings stability to the transition states on Russia's Western periphery, many of which face major economic and/or ethnic challenges. It also makes their security behavior predictable, as it binds them to NATO military and command structures and restricts their ability to unilaterally pursue policies that may threaten Russia.⁷¹ Yet Russia's relative gains concerns prevent it from accepting these arguments. Russia's alleged gains are offset by the fact that NATO has become more powerful and had now moved to Russia's very borders. According to a 2001 poll of Russian foreign policy experts by the Friedrich-Ebert-Stiftung (Moscow Branch), the experts ranked NATO enlargement as the fourth most pressing threat to Russian national security (53 percent), just behind Islamic Fundamentalism (63 percent) and Russia's economic (59 percent) and technological backwardness (55 percent) vis-à-vis the West, and well ahead of the demographic threat from China (17%) and the uncontrolled spread of

⁶⁸ Yuliy Kvitsinsky, "Segodnya Kosovo, a zavtra?" (Today Kosovo, and tomorrow?), *Mezhdunarodnaia zhizn*, No. 5, May 2007, pg 55.

⁶⁹ Derek Averre, "From Pristina to Tskhinvali", *International Affairs*, 85: 3 (2009), pg 591.

⁷⁰ Shamil Sultanov, Interview, Moscow, September 18, 2007.

⁷¹ Strobe Talbott, "The Case for Expanding NATO", *Time*, July 14, 1997, "Rasmussen: NATO Enlargement Benefits Russia", *Interfax*, June 7, 2011.

nuclear weapons (12 percent).⁷² All of Russia's military doctrines (going back to the first Military doctrine of 1992) treat NATO as a direct military threat to Russia. The current Military doctrine, approved by President Medvedev in February of 2010, lists "the desire to endow the force potential of the North Atlantic Treaty Organization (NATO) with global functions carried out in violation of the norms of international law and to move the military infrastructure of NATO member countries closer to the borders of the Russian Federation, including by expanding the bloc" as one of the eleven major external threats facing the Russian Federation. In fact, it is at the very head of the list, ahead of both international terrorism and the proliferation of weapons of mass destruction.⁷³

Russia's relative gains concerns do not primarily stem from any fear of a direct military threat coming from the alliance. Few think that NATO leaders are reckless enough to be planning a direct military confrontation with Russia. Rather the alliance's continued eastern expansion puts subtle political pressure on Russia. "The inclusion of new countries in NATO increases the opportunities for the U.S. and other major powers to exert political and military pressure on Russia from the south, southwest, west and north-westerly direction. This pressure can be seen as an attempt to blackmail, carried out without the direct application of military force in order to achieve a variety of interests: from the subjectively interpreted humanitarian issues and ending with territorial concessions."⁷⁴

Others argue that the West is using NATO and its expansion to bait Russia into a ruinous arms race. "They understand that if the opponent cannot be eliminated physically, since Russia still has enough military power to resist a military scenario, it must be weakened. How to do it? How to figuratively speaking, push Russia to her knees? It's very simple: you draw her into ruinous arms race, and thus repeat what was already in the second half of last century."⁷⁵ Others see NATO as a mechanism for imposing US hegemony over allies. "My four months in Brussels convinced me that NATO is not really about collective security.", says Rogozin, "It is just a military bloc led by the United States obsessed with the idea to mold the world to its own liking."⁷⁶ Despite the rhetoric of some Western leaders, Russia is not really welcome in the alliance. "If Russia had joined NATO, U.S. hegemony over the organization would have been weakened, while the alliance would have become an organization of pan-European security, rather than a military geopolitical bloc of the West."⁷⁷

A.Andreev, L.Byzov, M.Gorshkov, V.Petukhov, N.Sedova, F.Sheregi, *International Policy of Russia: Expert Opinion. Analytical Report for Friedrich-Ebert-Stiftung (Moscow Branch)* (Moscow: Russian Independent Institute of Social and National Problems, Mimeo, 2001), pp 20-21, note: every respondent was allowed to choose more than one threat.

⁷³ *Voennaya Doktrina Rossiskoi Federacii*, (Military Doctrine of the Russian Federation), http://news.kremlin.ru/ref_notes/461, Accessed: March 5, 2011.

⁷⁴ Leonid Ivashov, "Transformatsiia NATO: deistvitel'nost ili vidimost'" (The Transformation of NATO: real or cosmetic?), *Novaia i noveishaia istoriia*, No. 1, 2009, pg 19.

⁷⁵ Vladimir Kirillov, "Rossia i NATO: Kogo nado opasatsia?" (Russia and Nato: Who should fear whom?), *Sotsiologicheskie issledovaniia*, No. 12, December 2008, pg 113.

⁷⁶ Yuri Shpakov, "Dmitry Rogozin: Democracy is to be Promotes by Democrats, not by the Military (NATO)", *Vremya Novostei*, May 30, 2008.

⁷⁷ Sergei Karaganov, "Magiya tsifr 2009", (The Magic Number 2009), *Rossiskaya Gazeta*, March 13, 2009..

From the Russian point of view, NATO expansion is drawing new dividing lines that artificially isolate Russia from Europe. “Moscow is highly concerned by NATO’s expansion as it believes it threatens Europe’s unity. Key EU countries such as France and Germany want to see Russia in Europe, but NATO’s expansion is an obstacle to this.”⁷⁸ Russians fear that NATO expansion reinforces the old Cold War divisions in Europe, isolating Russia and pitting it against the developed European states that it would like to forge economic ties with. According to Putin, “Expanding the bloc is only creating new borders in Europe and new Berlin walls – this time invisible, but no less dangerous. It limits the power of joint efforts against common threats, because it leads to distrust. It’s obstructive.”⁷⁹

The Central European countries that are being brought in under expansion all hold historical grudges against Russia and their inclusion increases anti-Russian sentiment in the alliance and even calls for a new “Cold War” against Russia. According to Sergei Karaganov: “Because of this enlargement, the former confrontation between the ‘Old East’ – the Soviet Union and its satellites – and the ‘Old West’ is being replaced with a new one – between Russia, on the one hand, and the U.S. and some of the ‘New Europeans’ on the other. ‘Old’ Europe is a hostage and cannot move farther away.”⁸⁰ Rogozin echoes these same arguments, “Our relations with the new NATO composed of 28 countries are today far worse than they would be in the event of dealings with the NATO of the cold-war model, when it was composed neither of East European nor Baltic recruits, which have brought to Brussels in their backpacks the ‘cockroaches of Russophobia’.”⁸¹

NATO expansion also threatens Russia’s sphere of influence in the former Soviet states, a region that Russian leaders frequently referred to as Russia’s “near abroad” – a reflection of just how vital Russians believe this region is to their country’s interests and future. Few Russian policy makers believe that restoring empire is a practical or even desirable goal. However, they do see the maintenance of Russian hegemony in the region as essential if the country is to regain its former global prominence as one of the major poles in a multipolar world.⁸² Keeping Ukraine out of NATO is critical in this respect, because of its close ties to Russia’s energy and strategic arms industries and because of its geographic location as a pivot between East and West.⁸³ Even more liberal Russian politicians like Medvedev endorse this line of thinking. Medvedev has made the preservation of Russia’s sphere of influence in the former Soviet

⁷⁸ Alexei Pankin and Vitaly Shlykov, “Why We Are Right to Fear NATO”, *Russia Beyond the Headlines* www.rbth.rg.ru, April 30, 2008, Accessed: July 15, 2012.

⁷⁹ “Putin: NATO Enlargement Creates Impression Of Attempts To Replace UN”, *Interfax*, March 8, 2008.

⁸⁰ Sergei Karaganov, “Magiya tsifr 2009”.

⁸¹ Dmitriy Rogozin, “Without the Cockroaches of Russophobia”, *Gazeta.ru*, December 15, 2009.

⁸² Andranik Migranyan, “Rossiya i blizhnee zarubezhe”.

⁸³ For Russian views on Ukraine see: Sergey Karaganov, “Geopolitical Infantilism”, *Rossiyskaya Gazeta* June 12, 2006. Vitaly Shlykov and Alexei Pankin, “Why We Are Right to Fear NATO”. In 2009 around 80% of Russian gas exports to Europe crossed the Ukraine. See: “Flow of Russian gas across Ukraine picks up”, *Reuters*, September 8, 2009. Russia’s SS-18 ICBMs (a core component of Russia’s nuclear arsenal) were designed by a Ukrainian design bureau in the Soviet days. The same company is still charged with their maintenance. See: Shlykov and Pankin, “Why We Are Right to Fear NATO”.

countries one of his “five guiding principles” of Russian foreign policy.⁸⁴ NATO’s expanding influence in the former Soviet states and the spread of Western ideas and values that follow it are seen as detrimental to Russia’s vital national interests. According to Bobo Lo: “The existing Euro-Atlantic security system, dominated by the US and NATO, is a major hindrance to [Russia’s ambitions]. For all its imperfections, it has been instrumental in promoting Western interests and values throughout much of the Former Soviet Union (FSU). It is unsurprising, then, that Moscow should challenge its legitimacy.”⁸⁵

Russia initially responded to the threat of further NATO expansion by trying to develop co-binding ties with NATO. The founding of the PJC in 1997 was largely interpreted as a concession to Russia in return for its acceptance of the first wave of NATO enlargement. Yet, as is discussed above, Russia has become disappointed with the PJC and its successor, the NRC. Neither institution has given Russia much influence over the issue of enlargement. NATO has expanded to include the former Soviet Baltic states in 2003. It has also entered into membership talks with Georgia and Ukraine. As a result, Russia has begun to push back against NATO’s plans to extend membership to countries it sees as being part of its backyard. In doing so it is increasingly looking to balance against NATO power, rather than to tie into co-binding institutions – a strategy that had paid little dividends in the past. In order to balance NATO’s growing influence Russia has breathed new life into regional security structures like the Collective Security Treaty Organization (CSTO) and Shanghai Cooperation Organization (SCO), looking to tie post-Soviet states into security arrangements that exclude NATO. Moscow has not shied away from the use of threats in order to improve its bargaining position on this issue. At a closed-door meeting at NATO’s 2008 Bucharest summit, where Ukrainian and Georgian membership was one of the items on the agenda, Putin warned NATO leaders that Russia saw the alliance’s expansion as a “direct security threat to Russia”. He criticized the alliance for looking to enhance their security at Russia’s expense and warned that Moscow will take “necessary measures” if NATO continues to expand towards Russia’s borders.⁸⁶ Putin also reportedly warned American President George Bush that Ukraine would “cease to exist as a state” if it ever joined NATO. Many analysts have interpreted this as a threat that Moscow will fan the flames of separatism in Crimea and Eastern regions of Ukraine (where pro-Russian and anti-NATO sentiments are strong) if the country enters the alliance.⁸⁷ The August 2008 Georgia War sent a similar message. Regardless of who was to blame for the war’s start, its outcome demonstrated Russia’s willingness to use massive military force to defend its vital interests. As a result Georgia’s NATO membership bid has been pushed off the alliance’s immediate agenda and relegated to some undefined and vague point in the far future. According to influential Russian Military affairs magazine *Nezavisimoye Voyennoye Obozreniye*, the way Russia handled the Georgian crisis “demonstrated to the whole world that the Kremlin has a ‘red line’ which, regardless of our desire for comprehensive cooperation with the West and even our

⁸⁴ Dmitri Medvedev, “Interview given by Dmitri Medvedev to Television Channels”, August 31, 2008, *Website of the President of Russia*, www.president.kremlin.ru, Accessed: January 28, 2011.

⁸⁵ Bobo Lo, “Medvedev and the New European Security Architecture”, *Centre for European Reform Policy Brief*, July 2009, http://www.cer.org.uk/pdf/pbrief_medvedev_july09.pdf, Accessed: March 8, 2011.

⁸⁶ Dmitry Kosyrev, “Putin confronts NATO at Bucharest Summit”, *RIA-Novosti*, April 4, 2008.

⁸⁷ “Putin Hints At Splitting Up Ukraine”, *Moscow Times*, April 8, 2008.

concessions to it in some matters, nobody is permitted to cross – neither adventurists of the Saakashvili-type, nor the United States, nor NATO.”⁸⁸

Missile Defense – A New Opportunity to Make Co-binding Work?

Both Russia and NATO have been eager to move their relations beyond the deadlock they found themselves in the aftermath of the 2008 Georgia war. The “reset” undertaken by the Obama and Medvedev administrations has improved diplomatic atmosphere and yielded tangible results in a new treaty on nuclear arms reductions, Russia’s logistical support for NATO operations in Afghanistan, and Russia’s willingness to take a tougher line on Iran in the UN. Russian President Dmitri Medvedev was also present at NATO’s 2010 Lisbon summit, at which NATO and Russia agreed to explore the possibility of cooperation on missile defense. NATO’s plans to build a European missile defense system have been a bone of contention between the two sides for years. Though NATO claims that the system is not directed at Russia, Russians are still fearful that it could eventually undermine its nuclear deterrent.⁸⁹ Russia fiercely opposed NATO plans to build missile interceptors and radar installations in Poland and the Czech Republic, even threatening to deploy short range nuclear missiles in Kaliningrad as a counter-response.⁹⁰

Cooperation on missile defense seemed to offer a way out of this impasse. It also promised to fundamentally change the very nature of the NATO-Russia relationship. NATO Chief Anders Fogh Rasmussen believes that progress in this area could be used to take Russia-EU relations beyond their current focus on narrow pragmatic interest and towards a real and lasting partnership. “The more that missile defense is seen as a shared security roof – built, supported, and operated together – that protects us all, the more people from Vancouver to Vladivostok will know that they are part of one community.”⁹¹ Moscow has proposed a “sectoral” approach to missile defense cooperation, where NATO would defend against missiles targeted at Russia that flew over member countries’ territory, while Russia would intercept missiles that travel over its territory bound for Europe. This kind of compromise would establish a co-binding relationship between the two sides. Because each side would essentially be defending the other against nuclear attack by “rogue states” it would insure that none of the two sides could use the elements of the joint system that are under their control to target the other’s nuclear weapons, thereby maintaining each side’s nuclear potential.⁹²

Recently, Moscow has also made two alternative proposals – both of which incorporate elements of co-binding. The first is for the creation of a multilayered missile defense system with a data exchange center and an integrated command and control system based on joint

⁸⁸ “The five-day war drew a red line between Russia and the West”, *Nezavisimoye Voyennoye Obozreniye*, August 18, 2011.

⁸⁹ Igor Korotchenko, “Retaining Capacity to Retaliate – Washington is Out to Engineer the Reduction of Russia’s Nuclear Forces so that the ABM System Can Take them Out”, *Voyenno-Promyshlenny Kurier*, No 20, May 2009.

⁹⁰ “Russia could aim rockets at European missile shield – Putin”, *Interfax*, February 24, 2008.

⁹¹ Anders Fogh Rasmussen, “The Case for Western Missile Defense”, *Guardian*, March 31, 2010,

<http://www.guardian.co.uk/commentisfree/2010/mar/31/missile-defence-nato-russia>. Accessed: March 2, 2011.

⁹² “Korotchenko: Russia Should Participate in the Building and Operation of a Euro-Missile Defense System”, *RIA Novosti*, December 13, 2010.

analysis of missile threats. The second option envisions the creation of independent Russian and NATO missile defense systems. In this scenario, Moscow and Brussels would need to provide legally binding guarantees that their systems would not be directed against each other. Guarantees, in Moscow's opinion, should come in the form of a special treaty in which the alliance would promise not to deploy its missile system against Russia and which would also specify in detail the technical characteristics of the two countries' strategic defensive weapons, including the location of radar stations and missile interceptors, the number of interceptors and their speed. According to Rogozin, "Then NATO can do whatever it likes and deploy any systems. The main thing is for the coverage area of their system not to extend into our territory or waters, and we will not intrude into their area of responsibility."⁹³

However, NATO countries have balked at establishing co-binding relations with Russia on missile defense. NATO insists that both sides must be free to develop separate systems that would only be coordinated at the level of threat assessment. NATO is unwilling to give Russia a say over how its missile shield may be used, arguing that Article 5 of the alliance's founding Washington Treaty does not allow it to delegate this much responsibility to a nonmember state. Nor are NATO countries ready to provide Russia with a legally binding guarantee that an ABM system would not be targeted against them.⁹⁴ A legally binding document would have to be endorsed by the national parliaments of all NATO countries, and would have a particularly difficult time making it through the US senate, which has already amended the new START treaty to specify that no restrictions can be put on the development of missile defense.

NATO and Western leaders argue time and again that its proposed missile shield is not directed at Russia, but at threats from "rogue states" like Iran and North Korea. But after their experience in the 1990s, when Russia was allegedly promised that NATO would not expand to its borders, Russians have become weary of the West's security promises. They don't understand why NATO countries will not allow Moscow some measure of control over the system if it truly is not directed at Russia. "Russians perceive a profound duplicity in the US and NATO's presentation of the European ABM concept. It is announced as 'not threatening Russia', however Russia is denied the confidence-building relationship to this proposed system, which would convince it that NATO and the United States are truly sincere in their declarations. It is, as if a cowboy would state that his six-shooter is not loaded, but would not allow an impartial inspection of the gun, to confirm that he speaks the truth."⁹⁵

Relative gains concerns clearly manifest themselves in the bargaining position that Russia has adopted on missile defense. US and NATO leaders argue that Russia has an interest in cooperating on missile defense as it too will benefit from being protected by potential missile attacks from states like Iran or Pakistan. In fact, given its geographical proximity to these states and the limited missile technologies available to them it is far more likely that these missiles will be used to attack Russian territory than the territory of the US. According to Rasmussen "Large

⁹³ "Your Sector is Near Russia", *Kommersant*, July 16, 2011.

⁹⁴ "NATO Head Spurns Giving Russia Legal Pledge on Missile Shield", *AFP*, June 7, 2011.

⁹⁵ Vladimir Belaeff, in Russia Profile Weekly Experts Panel: "Russia Raising the Stakes on Missile Defense" Introduced by Vladimir Frolov, *Russia Profile*, February 25, 2011, taken from *Johnson's Russia List* no 36, February 28, 2011.

parts of Russia, and many Russian citizens, face a missile threat too. And NATO is convinced that cooperating with Russia on missile defense is in the interest of all of us – NATO Allies, and Russia. It makes sense politically. It makes sense practically. And it makes sense militarily.”⁹⁶ NATO’s current plans for missile defense are modest and involve the deployment of a small number of missile interceptors. Few Russian observers claim that these systems pose an immediate threat to Russia’s nuclear arsenal. However, Russian leaders are still worried that the technological gains that the US and NATO will make in deploying these systems will one day threaten Russia’s nuclear deterrent. “They tell us that Missile defense is not directed at Russia. But who can say years from now – when the US has developed the technological capability – that these missile killers will not be pointed at us.”⁹⁷ Russian observers are also troubled by NATO’s plans to station missile defense system on Russia’s borders. Rogozin offers an amusing parable to illustrate how Moscow sees this situation: “The Russian bear sits in its lair, and the NATO huntsman comes over to his house and asks him to come hunt the rabbit.... Why do your rifles have the caliber to hunt bears and not rabbits?”⁹⁸

In the absence of a co-binding agreement on missile defense it is likely that bargaining between Russia and the West on nuclear arms issues will again revert to balance of power politics. This, in turn, could have dire consequences for the future nuclear disarmament. Russia has warned that it will walk away from START if an agreement on missile defense is not reached.⁹⁹ In his annual address to the Federal Assembly in 2010 Medvedev warned that, “One of the following two things will happen within the next ten years: Either we reach an agreement on missile defense and create a full-fledged cooperation mechanism, or – if we can’t come to a constructive agreement – we will see the start of another of the arms race.”¹⁰⁰ President Obama’s decision to cancel plans to deploy missile defense systems in Poland and the Czech Republic in favor of a more gradual “adaptive approach” to missile defense was one of the major features of the highly vaunted “reset” in US Russia relations. Nevertheless, suspicions from the Russian side are growing as the US continues to develop ABM capabilities. According to a Russian foreign ministry communiqué from June 2011, “Surprises are already emerging at the first stage in the implementation of the American ‘adaptive approach’ points to a high level of strategic uncertainty, which the American missile defense system is creating. Still, more justifiable is the question about how reliable the verbal assurances are that it is not targeted against Russia.”¹⁰¹

⁹⁶ “NATO: Defending against Ballistic Missile Attack”, Speech by NATO Secretary General Anders Fogh Rasmussen at the Royal United Services Institute in London, http://www.nato.int/cps/en/natolive/opinions_75473.htm, Accessed: July 7, 2011.

⁹⁷ Shamil Sultanov, Interview, Moscow, September 18, 2007.

⁹⁸ “China and Allies Back Russia Against U.S.-NATO Global Missile Shield”, *Reuters*, June 16, 2011.

⁹⁹ “Strategic offensive statements: Russia threatens to withdraw from the START treaty”, *Kommersant*, July 4, 2011.

¹⁰⁰ “Annual address by President Dmitry Medvedev to the Russian Federal Assembly”, November 30, 2010, www.kremlin.ru/news/9637, Accessed: May 3, 2011.

¹⁰¹ “US warship in Black Sea ‘security threat’ to Russia - Foreign Ministry”, *Russia Today*, June 12, 2011, <http://rt.com/news/us-black-sea-russia-monterey/>, Accessed, June 14, 2011.

An examination of Russian-NATO bargaining on key security issues shows that the ILO has not had the kind of impact that its proponents predicted it would. Co-binding has fallen short and relative gains continue to be a concern, especially for Russia. While Russia, the weaker party, has looked to use co-binding relations (as ILO theory would predict), these efforts have not been reciprocated by NATO. Co-binding has not helped Russia improve its bargaining position, and as a result, it has not displaced balancing as Russia's preferred (or most effective) bargaining strategy. Relative gains concerns have not diminished in importance, but have continued to be a significant factor for both sides. "Whilst being willing to engage in mutually advantageous co-operation, each side remains primarily concerned about the relative power of the other vis-à-vis itself. So called 'zero-sum' consideration will thus, in all probability, be a continuing part of the relationship."¹⁰²

In fact, the behavior of both sides has been closer to realist predictions about bargaining. Calculations of immediate gain and the balance of power continue to define the relationship. "The partnership that exists between Russia and NATO today is primarily of the pragmatic kind....[It] is based mainly on expedient and tactical calculations and only really becomes operative when important interests are perceived on both sides to coincide."¹⁰³ Both sides have never been able to shake the mutual suspicions and security dilemmas that have plagued the relationship, and despite mutual declarations to the contrary, both continue to see the other as a major security threat. After a long hiatus NATO has resumed strategic planning against a Russian attack on Poland or the Baltic countries. Similarly, Russia has resumed military exercises on NATO's borders.¹⁰⁴ In October 2009 Russia held its largest military exercises since the Cold War. These exercises simulated offensive maneuvers against Poland and included a simulated nuclear strike against Warsaw.¹⁰⁵

Part II: Russia and the EU – Co-Binding Fails Once Again

While NATO has been the primary co-binding security institution of the ILO, the EU has been the primary economic co-binding institution. Co-binding concerns played a prominent role for the EU from the very start. The idea has been to establish institutional relationships that would "bind the European states together and thus foreclose a return to the syndromes of anarchy."¹⁰⁶ The European Coal and Steel Community set out to eliminate Franco-German strategic rivalry by established a Franco-German ownership consortium in these key war making industries. According to French foreign minister Robert Schumann, the aim was "to make war between the Western European countries "not only unthinkable but materially

¹⁰² Smith, pg 112.

¹⁰³ Ibid. 127.

¹⁰⁴ "Trust, But Make Military Plans", *The Economist*, Vol. 396 Issue 8693, July 31, 2010, pg 39.

¹⁰⁵ "Russia 'simulates' nuclear attack on Poland", *Telegraph*, Nov 1, 2009,

<http://www.telegraph.co.uk/news/worldnews/europe/poland/6480227/Russia-simulates-nuclear-attack-on-Poland.html>, Accessed March 16, 2011.

¹⁰⁶ Deudney and Ikenberry, pg 93.

impossible.”¹⁰⁷ Rather than balancing against Germany or destroying its industrial base (as was proposed by many influential Western European leaders at the time), France and the other Western European countries chose to deal with the problem of German power by binding the defeated power to the wider Western European order.¹⁰⁸ Proponents of European unification believed that economic interdependence between the states of Europe would make strategic military competition more costly and less attractive. “American supporters of European reconstruction, as well as European advocates of the European community, explicitly sought to create European institutions that were more like the United States than the traditional Westphalian states in anarchy.”¹⁰⁹ This European order rejects balance of power and traditional notions of sovereignty that separate domestic and foreign affairs. In fact mutual interference in state’s domestic affairs is one of the pillars of stability. “The key elements of this post-modern European order were thought to be a highly developed system of mutual interference in each other’s domestic affairs and security based on openness and transparency....The essence of this order is the gradual transformation of the traditional European nation-state into an EU member state or an EU-compatible state.”¹¹⁰

Negotiating the Terms of Russia’s Integration into Europe

What impact has co-binding had on Russia-EU bargaining over the terms of Russia’s economic and political integration into Europe? The EU has not tried to recruit Russia to membership in the union. Nor has the Russian leadership made membership an explicit goal. The EU, has, however, hoped to bind Russia to European institutions and has tried to persuade Russia to adopt the European model of economic and political governance that Europeans have developed to manage their affairs and free them of anarchical competition. “In the place of an EU-Russia relationship based on the balance of power, non-interference in each other’s affairs and a clear separation of foreign and domestic policy, the EU hoped to bring Russia into the ‘postmodern’ world of the EU where security is achieved through transparency, a common legal framework, consensus and mutual interference in each other’s internal affairs.”¹¹¹ Russia was initially receptive to these efforts. Russia and the EU signed a Partnership and Cooperation Agreement (PCA) in 1994. The PCA set out to eventually establish a free trade zone between Europe and Russia and the goal of establishing an eventual “European Economic and Social Space” was added to the agenda at a Russian-EU summit in 2002. The PCA also asks Russia to ensure the “approximation of legislation” along the lines of the EU’s *acquis communautaire*. Both parties embraced a strategy of integration whereby Russia would adopt the norms and values enshrined in European legislation, which both sides accepted as being superior and more progressive. “Without a detailed analysis of this document, we can point out its main idea,

¹⁰⁷ From the text of Robert Schuman's Proposal of 9 May 1950: “Founding of the Means of Gathering the European Nations into a Peace-Enhancing Union”, *Schuman Project*, <http://www.schuman.info/9MayProp.htm#war>, Accessed: April 5, 2011.

¹⁰⁸ Ikenberry, *After Victory*.

¹⁰⁹ *Ibid*, 43.

¹¹⁰ Ivan Krastev, “The crisis of the post-Cold War European Order”, *Eurozine*, September 10, 2008, <http://www.eurozine.com/articles/2008-09-10-krastev-en.html>, Accessed: July 6, 2011.

¹¹¹ Mark Lenard and Nicu Popescu, *A Power Audit of EU-Russia Relations* (London: European Council on Foreign Relations, 2007), pg 25.

namely the Europeanization of Russia. Without claiming membership in the European Union (an idea that only inveterate idealists voiced even then), Russia would nevertheless gradually approach the 'European model'.¹¹² Both sides thus seemed to have accepted co-binding. Russia sought to improve its bargaining position by joining institutions that would also restrict the behavior of European powers towards it. The Europeans hoped to make Russian behavior more predictable by tying it into European institutions and committing it to abide by European norms of domestic politics and foreign policy behavior.

Over time, however, Russians became disillusioned with this arrangement. European norms and values lost their luster as Russia experienced the bitter disappointments of reform and transition. What was billed as integration and convergence looked more and more like Europe imposing its standards and norms on Russia. According to Lukyanov "The European Union is convinced that a win-win relationship will require Russia to adopt their political and economic models (which are thought to be historically superior). In other words, in the West there is an a priori conviction that what is good for Europe and the US is good for everyone else, because the Western model is the correct one."¹¹³ From the Russian perspective the EU "offers Russia the option of either being imperialized within its folds, or, alternatively, remaining marginalized on the periphery of Europe."¹¹⁴ It is difficult for Moscow to accept these terms.

Russian observers are increasingly suspicious about Europe's true intentions. Some believe that the EU's attempts to impose its norms and standards on Russia will pave the way for European firms to exploit Russia's markets and natural resource wealth. European firms will enjoy a competitive advantage over Russian firms if formal and informal barriers to competition are removed, and will squeeze them out of their own markets.¹¹⁵ According to this view, the EU is really interested in exploiting Russia's economic potential for its own economic and political purposes. It views economic expansion into Russia as a critical component of Europe's strategy for reversing its declining position relative to the more dynamic economies of Asia and the US.¹¹⁶ In order to compete, Russia's elites believe they must give up on their naïve attempts to emulate Europe and be prepared to play hardball. According to Oleg Ziborov, of the European Department of the Russian Foreign Ministry, great power politics should be the only guiding principle for Russia; any "attempts, for example, to impose the dubious wisdom of the European Lilliputians on Russia should be seen as psychological aggression."¹¹⁷

Russia has also failed to meet Europe's expectation about convergence. Russia's growing political and economic centralization under Putin; the government's moves to clampdown on

¹¹² Fyodor Lukyanov, "Russia-EU: The Partnership That Went Astray", *Europe-Asia Studies*, Vol. 60, No. 6, August 2008, pg 1109.

¹¹³ Ibid. 1107.

¹¹⁴ Sergei Medvedev, "The Stalemate in EU Russian Relations", in Ted Hopf ed., *Russia's European Choice* (New York: Palgrave, 2008), pg 216.

¹¹⁵ Georgii Skorov, "Rossiia-Evrosoiuz: Voprosy strategicheskogo partnerstva" (Russia-European Union: Issues of Strategic Partnership), *Mirovaia ekonomika i mezhdunarodnye otnosheniia*, no. 3, 2005, pg 79-84

¹¹⁶ Ibid.

¹¹⁷ Oleg Ziborov, "To Harmonize International Relations," *International Affairs* (Moscow). Vol 53, no. 2, 2007, pp 13-14.

civil society, the brutal suppression of secessionists in Chechnya, the obtrusive state role in the economy (exemplified by the Mikhail Khodorkovsky case and Yukos takeover) and Russia's heavy-handed energy diplomacy, all seem to indicate a growing value gap between Russia and Europe. Russia was actually moving away from European norms and values, not converging towards them. According to Lukyanov, "Russia failed to become another Poland – even a large one."¹¹⁸ There were growing doubts that the strategy that had seemed to work well with the former Communist states of Eastern Europe, would ever work with Russia. "There is a growing awareness [in Europe] that it may not just be a question of the Russian transition taking much longer than that of the former communist states of Central and Eastern Europe (CEE) but rather that Russia may be pursuing a different trajectory towards a specifically Russian model."¹¹⁹

Both sides began to understand integration in very different ways. While Europeans stuck to the initial vision and continued to insist that co-binding meant that Russia would have to adopt European laws, norms, and values, Russia rejected this agenda as being one sided and ideologically dogmatic. Instead Russian leaders argued that co-binding should be achieved through concrete and practical means. Russia and EU companies would engage in "asset swaps" that would allow them to establish ownership stakes in each other's strategic industries. This would establish economic interdependence in areas like energy security, where tension between the EU and Russia have given rise to suspicion about each other's intentions and fears that one side will use the other's vulnerabilities to its political or economic advantage.¹²⁰ According to Putin:

The only way to ensure truly global energy security is to form interdependence, including a swap of assets, without any discrimination or dual standards. Implementation of our initiative could play a political role comparable to the treaty establishing the European Coal and Steel Community. I have no doubts on this matter. That is to say, consumers and producers would finally be bound by a real single energy partnership based on clear-cut legal foundations.¹²¹

Given the EU's history, European leaders are sympathetic to the idea that co-binding can be achieved through economic interdependence. However, they do not believe that asset swaps can go forward unless Russia first adopts European standards and regulations that liberalize energy markets, thereby protecting them from state dominance or monopoly control. In the last few years the EU has passed legislation that forces energy companies to unbundle their upstream and downstream assets. This has already forced Russian energy giants Gazprom and Lukoil to sell off downstream assets they own in EU countries. EU legislation also demands that Russia grant foreign companies equal access to its energy transit and pipeline infrastructure. Russia flatly refuses to do this as it sees the maintenance of its control over transit infrastructure as a critical national interest. Individual European states have also invoked

¹¹⁸ Fyodor Lukyanov, "Russia–EU: The Partnership That Went Astray", pg 1109.

¹¹⁹ Marco Fantini, "The Economic Relationship Between Russia and the EU", in Gower and Timmins eds., pg 290.

¹²⁰ Andrew Monaghan, "Russia EU-Relations: An Emerging Security Dilemma", *Pro et Contra*, Volume 10, No. 2-3, 2006.

¹²¹ "Prime Minister Vladimir Putin's speech at the opening ceremony of the World Economic Forum", <http://www.premier.gov.ru/eng/visits/world/6095/events/3221/>, Accessed; April 9, 2011.

energy security concerns to prevent Russian companies from buying into their energy markets. In 2006, Gazprom backed off from its plans to buy a larger stake in Centrica, the UK's largest energy supplier, after the British government warned that any Russian bid would face rigorous tests about its effect on energy security.¹²²

Russian companies' attempts to buy into other strategic sectors have also been thwarted by European business and political leaders. Citing national security concerns, European leaders rebuffed Putin's plans for Russia's state owned VTB bank to buy a larger share in the European Aeronautic Defense and Space Company (EADS), one of Europe's largest aerospace defense contractors, thereby preventing Russia from obtaining a spot on the company's board of directors.¹²³ European business and political leaders also banded together to scuttle a deal that would have seen Russia's Severstal buy a controlling stake in European steel giant Arcelor. The company was eventually sold to India's Mittal at a much lower price, with Arcelor agreeing to pay 140 million Euro in restitution to Severstal for renegeing on the previous deal. While European observers claimed that the deal was scuttled because of the alleged lack of transparency in Russia's metals industry, Russian observers saw it as a political move designed to keep Russia from gaining a foothold in Europe's strategic industry.¹²⁴

As was the case with NATO, Russia's hopes of improving its negotiating position with the EU by forming co-binding relationships have not been reciprocated by the stronger partner in the bargaining relationship. Instead the EU has continued to insist that Russia must integrate itself into Europe on Europe's terms. As a result, Russia has recast the EU-Russia relationship as a traditional relationship between great powers where balancing of power would play a dominant role. Russia is open to cooperation with Europe. But it also protects its own interests and defends its sovereignty. According to Russian political analyst and Kremlin adviser Gleb Pavlovsky "Russia will have to choose between a subordinated Europeanization – implementation of all kinds of Brussels standards without the promise of membership of the EU – and the path of sovereign Europeanization, where Russia decides on its own what its European choice means."¹²⁵ Russia is not simply content to adopt EU legislation and norms. Moscow now wants some measure of reciprocity in the relationship. Putin gave voice to these frustrations in his comments at an EU summit in May 2006, when he spoke out against EU efforts to monopolize the integration agenda. "Of course we cannot help but ask what we are to get in return.... This is very easy to understand if you just think back to childhood when you go into the street with a sweet in your hand and another kid says, 'Give it to me'. And you clutch your little fist tight around it and say, 'And what do I get then?'"¹²⁶

¹²² "UK govt would block Gazprom bid for Centrica", *AFP*, February 2, 2006.

¹²³ "Germans Say No to Putin on EADS", *Moscow Times*, October 12, 2006.

¹²⁴ "Zhlezni zaxvat Evropi" (A Steel Takeover of Europe), *Kommersant*, May 24, 2006.

¹²⁵ "Interview with Gleb Pavlovsky", *Nezavisimaya Gazeta*, April 8, 2005.

¹²⁶ Vladimir Putin, "Responses to Questions from Russian Journalists following the Russia-EU Summit and Press Conference", May 25, 2006, http://archive.kremlin.ru/eng/speeches/2006/05/25/2359_type82915_106123.shtml, Accessed: April 9, 2011.

Managing the EU-Russia Relationship in Russia's "Near Abroad"

Both sides see the post-Soviet region as critical to their economic and security interest and are keen on exerting their influence. At the same time both also recognize the other is a competitor that must be accounted for. Hence, the management of the post-Soviet space has also become a subject of strategic bargaining for the two sides. In order to exert its influence in the East, The EU has formulated the European Neighborhood Policy (ENP). The ENP extends the policy of EU conditionality without directly offering eventual membership. The EU grants closer economic integration to post-Soviet countries in return for effective implementation of reforms – including aligning significant parts of national legislation with the EU's *Acquis Communautaire*. The ENP thus continues the EU's policy of trying to establish co-binding relationships with its Eastern neighbors by getting them to accept the EU's norms, values and laws. The EU also invited Russia to participate in ENP, hoping the prospects of economic integration with Europe would alleviate Russian concerns about the EU encroaching on its turf. However, as was the case with previous efforts to get Russia to accept EU norms and values, Russia has refused to participate in the ENP. Moscow resents that the EU was lumping Russia together with the smaller and less consequential states on the European periphery, such as Moldova and the states of the Southern Mediterranean. It feels that as one of the influential world powers it should develop a special relationship with the EU based on mutual reciprocity. Vladimir Chizhov, Russia's Representative to the EU, summed up Russia's objections to the ENP: "Russia is a large self-sufficient country with its own views on European and Euro-Atlantic integration. In contrast to some smaller Eastern European or South Caucasus countries striving for EU-membership Russia is neither a subject nor an object of the European Neighborhood Policy."¹²⁷

But more than national pride is at stake. Relative gains concerns have also shaped Russia's response to the ENP. While Moscow does recognize that the EU has legitimate interests in the region, it sees the ENP as an unwelcome intrusion into its traditional sphere of influence. In March of 2009, Russian Foreign Minister Sergei Lavrov lashed out against the Eastern Partnership program at a meeting with his EU counterpart Javier Solana. Lavrov accused the EU of using the ENP as a way of carving out its own "sphere of influence" in the former Soviet States.¹²⁸ He also accused the EU of putting pressure on Belarus, by withholding its membership in the Partnership because of its recognition of South Ossetia and Abkhazia. With the EU's eastward enlargement of 2004 and with the ENP there is a growing sense that the European Union may develop into a more serious challenger to Russia's position than even NATO.¹²⁹ Many Russian observers see this as a zero-sum competition between the West and Russia for influence in the region. According to Sergei Zhiltsov, Director of the CIS Center at the Russian Foreign Ministry's Diplomatic Academy, the US and EU are using initiatives like the ENP to gradually transform the former Soviet Republics into a "cordon sanitaire" that will work to

¹²⁷ Vladimir Chizhov, "Interests and Partners of German Foreign Policy", *Remarks Delivered at the 135th Bergedorf Round Table*, Berlin, September, 29–October 1, 2006), www.koerber-stiftung.de/bg/recherche/pdf_protokoll/bnd_135_en_text.pdf, Accessed: April 8, 2011.

¹²⁸ "Russia's Lavrov lashes EU over new Eastern Partnership", *AFP*, March 22, 2009.

¹²⁹ Vitaly Dymarsky, "The Sensitive Issue of Eastern partnership: The EU's Eastern partnership as a Challenge to Russia's Interests in the Region", *Rossiskaya Gazeta*, May 14, 2009.

restrain Russia's geopolitical ambitions.¹³⁰ "The Eastern Partnership has basically confronted Russia with a situation in which it is being told, in a veiled fashion, to bid farewell to its geopolitical ambitions and stop viewing the post-Soviet space as a zone of its special interests."¹³¹

Thus, despite the substantial economic gains that participation in the ENP seem to offer, relative gains concerns about Russia's diminished influence in its post-Soviet backyard have led Russia to reject the ENP. Rather than co-binding on the EU's terms, Russia has tried to balance against this new challenge. It has responded by revitalizing its efforts to integrate the post – Soviet space and has developed new initiatives such as the Eurasian Economic Community (EurAsEC) and the Customs Union with Belarus and Kazakhstan that promote an alternative vision of integration for the post-Soviet region that is centered on Russia.

Russian-EU Bargaining on Trade Disputes

Concerns about relative gains have also come into play in negotiations over seemingly mundane trade issues between Russia and the Union. In their case study of three major contemporary trade disputes between individual EU countries and Russia, Tuomas Forsberg and Antti Sepo found that Russia's negotiation positions actually hardened after the EU became actively involved in negotiations. The two trade disputes that were resolved (Russia's ban on meat imports from Poland and Russian export tariffs on lumber exported to Finland) were settled on a bilateral basis after the EU had stepped aside from negotiations. The dispute the EU remains actively involved in, Russian tariffs on European airlines' over flights over Siberia, continues to be a major sore point in trade relations. "It seems that the increased cohesion of the EU does not always increase the likelihood of an agreement, because it is in the interests of Russia to resist the emergence of a more united EU and therefore it has additional reasons not to budge."¹³²

EU-Russian relations have thus far been spared the kind of acrimony that has, at times, characterized relations with NATO. For the most part relations are polite and calm as both sides are willing to pretend, at least on a rhetorical level, that integration is going forward. Yet, Russian-EU bargaining behavior reveals that relations continue to be defined by immediate power and interests. The kind of co-binding relationships that hold EU countries together are not moving forward. Russia has rejected the EU's vision of normative conversions and the Europeans are wary of Russia's strategy of asset swaps. Relative gains concerns still play a major role in both actors' calculations. Rosy declarations by both sides about the future of Russia-EU integration abound, but they lack real substance. Russian analyst Sergei Medvedev vividly compares the situation to Brezhnev era stagnation. "In the 1970s and early 1980s the crisis affecting the ailing USSR was disguised by high oil prices and by the inflow of petrodollars,

¹³⁰ Sergei Zhiltsov, "SNG ugotovlena uchast sanitarnogo kordona" (The CIS is Becoming a Cordon Sanitarie), *Nezavisimaya Gazeta*, December 7, 2009, www.ng.ru/politics/2009-12-07/3_kartblansh.html, Accessed: April 8, 2011.

¹³¹ Sergei Zhiltsov, "CIS Under Onslaught from the Eastern partnership", *Nezavisimaya gazeta*, April 30, 2009.

¹³² Tuomas Forsberg and Antti Sepo, "Power without Influence? The EU and Trade Disputes with Russia", *Europe-Asia Studies*, Vol. 61, No. 10, December 2009, pp 1806-1807.

as well as the immense symbolic economy of the Soviet system: pompous party congresses and May Day parades, exaggerated 5 year plans, and triumphant reports. By the same token, the current state of EU-Russia relations is disguised by massive East-West hydrocarbon flows and by impressive symbolic activity, including heady summits, strategies, road maps, and ritual invocation of a 'strategic partnership.'"¹³³

The pomp and circumstance of ongoing EU-Russia meetings and summits masks a troubled relationship that has calcified into a balance of power competition over the very question of interests. The Russians push sovereignty and *realpolitik*, while the EU pushes a postmodern agenda that goes beyond sovereignty. As a result, little progress has been made in developing the kind of co-binding relationships envisioned by the ILO. According to Andrei Makarychev and Alexander Sergunin, "The EU–Russia summits have for quite a number of years become the object of mockery by Russian experts and journalists, most of who had reason to deem that the regular meetings of Russian and EU leaders had turned into largely futile diplomatic ceremonies deprived of any meaningful content."¹³⁴

Part III: Balancing Instead of Co-binding

With the failure of co-binding, Russia has increasingly turned to balancing in order to improve its bargaining position in relations to its Western partners. Russia has looked to improve its own capabilities in order to make it less dependent on the leading Western states for its security and economic well-being. Moscow has also tried to build relationships to counter Western influence both in its post-Soviet "near abroad" and in the larger world. In doing so it often adopts a transactional approach. Russia looks to develop positions on issues that are important to the West (such as the Iranian nuclear program) that it can later trade for concessions in areas that it regards to be more vital to its interests.

This is not trying to suggest that balancing has simply replaced co-binding as Russia's dominant strategy. Russia is still eager to explore possibilities for co-binding and to join international institutions (though it increasingly insists on doing so on its own terms). Rather, my purpose here is to point out just how prevalent balancing has been in Russia's bargaining behavior and its overall foreign policy. In important areas of Russia's foreign policy, such as NATO expansion, missile defense, and relations with the EU, Russia has consistently turned to balancing in order to promote its interests.

Internal Balancing: Building up Russia's Power Resources

Russia is in the middle of a comprehensive and ambitious military modernization drive. The Russian military has completely overhauled its Cold War era command and force structures in order to make them more suited to modern military threats and fighting techniques. According to one study, of the 50 top military commanders (including deputy ministers, heads of main directorates, chief commanders, and chiefs of military districts), 44 have been replaced since

¹³³ Sergei Medvedev, pp 215-232.

¹³⁴ Andrei Makarychev and Alexander Sergunin, "EU-Russia: Divergent logics of communication", *CEPS Policy Brief*, No. 244, June 17, 2011.

2007.¹³⁵ The military is also has also embarked on an ambitious equipment modernization program. The government has pledged to spend over \$600 billion on weapons procurement with the goal of assuring that 70% of equipment will be cutting edge by 2020. This rearmament drive will focus on the development of strategic nuclear weapons, construction of over 100 military vessels for the Russian Navy (including the purchase of four state of the art French-made amphibious assault ships) and the introduction into the Air Force of over 1,000 helicopters and 600 military planes, including fifth generation fighter aircraft.¹³⁶ Russia is not trying to revive its ability to fight a conventional land war with NATO. Few in Russia regard this to be a real danger.¹³⁷ Rather these reforms are designed to increase Russia's ability to respond to modern non-conventional and local threats, such as insurgencies, small local wars (such as the 2008 Georgia war), peacekeeping operations and anti-terrorism. Russia wants to improve its capabilities in these areas in order to dissuade its "external foes" from trying to foment conflicts in the region that could potentially destabilize the political situation in Russia itself. At the same time Russia also wants to improve its ability to keep peace in the post-Soviet region (the Caucasus and Central Asia) so that it will no longer have to rely on outside powers like the US to keep the peace there.¹³⁸

In addition to this military buildup, the Russian military has also made specific moves to counter US and NATO policies that it sees as threatening its security. Moscow has repeatedly warned that it will deploy short range strategic missiles to the Kaliningrad region to counter any ABM deployments by the US or NATO in Poland or the Czech republic.¹³⁹ Similarly, many experts view Russia's decision to resume regular trans-continental long-range strategic bomber flights and to hold joint naval exercises with Venezuela in the Atlantic (thereby announcing Russia's presence in the Western hemisphere – the US' traditional backyard) as responses to the US' "encroachment" on Russia's traditional sphere of influence in the post-Soviet space.¹⁴⁰ Since 1999 Russia has held regular large-scale military exercises on its Western borders. The largest of these, the "Zapad" 2010 and 2009 exercises and the "Lagoda" 2009, exercises all involved tens of thousands of troops and coordinated maneuvers by land, naval and air forces. Though Moscow does not say so openly, their geographic location, their scale, and the tasks undertaken by troops suggest that these exercises are preparing for a threat coming from NATO or the US.¹⁴¹ After closing Cold War era bases in Vietnam and Cuba in the early 2000s, Russia has

¹³⁵ Elena Melnichuk and Vasilii Toropov, "Nepotoplyaemii" (Unsinkable), *Profil*, No 37:640, October 12, 2009.

¹³⁶ "Russia launches \$600 bn defense spending drive", *AFP*, February 24, 2011, "Russia's military spending soars", *Russia Today*, February 25, 2011, <http://rt.com/news/military-budget-russia-2020/>, Accessed June 23, 2011.

¹³⁷ Dmitry Gorenburg, "Where does the Russian Military Stand after a Year of Military Reform?", *russiamil.wordpress.com*, October 15, 2009, <http://russiamil.wordpress.com/2009/10/15/where-does-the-russian-military-stand-after-a-year-of-military-reform/>, Accessed June 23, 2011.

¹³⁸ Stanislav Kuvaldin, "Armiya dlya skromnoi derzhavoi", (An army for a thrifty Great Power), *Ekspert*, №39 (676), October 12, 2009.

¹³⁹ "Russia ready to deploy Iskander missiles at any time - Gen. Staff", *RIA Novosti*, November 19, 2008.

¹⁴⁰ "Putin revives long-range bomber patrols", *The Guardian*, August 18, 2009, Ariel Cohen, "Russia provokes U.S. with Venezuela sea exercises", *UPI*, Jan. 7, 2009.

¹⁴¹ Jacob W. Kipp, "Ten Years of Anti-NATO Exercises by Russian and Belarusian Armed Forces", *Jamestown Eurasia Daily Monitor* Volume: 6 Issue: 178, September 29, 2009, [http://www.jamestown.org/single/?no_cache=1&tx_ttnews\[tt_news\]=35552](http://www.jamestown.org/single/?no_cache=1&tx_ttnews[tt_news]=35552). Accessed: June 23, 2011.

looked to reestablish bases in order to give its military a more global reach. Russia has pushed to reestablish its bases in Central Asia, including a major airbase in Kant Kyrgyzstan that is located less than 30 miles from the US airbase base in Manas.¹⁴² Russia has also reopened its Cold War era naval base in Tartus, Syria, thereby significantly increasing its capabilities in the southern Mediterranean.¹⁴³ The Russian daily Izvestia also reported that the Russian military is considering a plan to open an airbase in either Venezuela or Cuba as a response to any future US deployment of anti-missile systems on its borders.¹⁴⁴

Circling the Wagons in the “Near Abroad”

Russia has also pursued a policy of external balancing – teaming up with other countries to counter threats it perceives coming from the US, NATO and the EU. Russia has looked to strengthen its security ties to other post-Soviet states through the CSTO, a defensive alliance which ties Russia together with six other post-Soviet states. For Moscow the CSTO plays a useful geopolitical role as a counterweight to NATO expansion in the post-Soviet region.¹⁴⁵ States that join the organization are not allowed to join other military alliances or blocs. This provision of the security treaty is of particular significance for Russia. Russia’s efforts to promote the CSTO can be seen as a direct response to the increased US presence in Afghanistan and other areas of Central Asia following 9-11 and also to NATO expansion in the former Soviet States, which began with the ascension of the three former Soviet Baltic republics in 2003 and seemed poised to continue after Georgian and Ukrainian government declared their intentions to join the alliance. Russia’s political and military elites are concerned that the US and NATO will displace Russia’s security dominance in the region, and efforts to strengthen the CSTO are a response.¹⁴⁶

Russia is also promoting two major economic integration projects, EurAsEC and the Customs Union of Belarus, Russia and Kazakhstan, as counterweights to growing EU economic influence in the region.¹⁴⁷ Economic integration initiatives of this kind floundered in the 1990’s, but have gained new momentum under Putin. Moscow is putting pressure on Ukraine to scuttle its plans to establish a free trade zone with the EU and join the Customs Union instead. Russia has offered Ukraine a significant discount on its natural gas, and threatened that it will have to take

¹⁴² Roger McDermott, “Kant Air Base and Russia’s Strategic Planning in Central Asia”, *Jamestown Eurasia Daily Monitor*, Volume: 6 Issue: 41, March 3, 2009, Accessed: June 27, 2011.

¹⁴³ Hugh Macleod, “From Syrian fishing port to naval power base: Russia moves into the Mediterranean”, *The Guardian*, October 8, 2008.

¹⁴⁴ “Russian combat aircraft could return to Cuba”, *RIA Novosti*, July 21, 2008. Both Fidel Casto and Hugo Chavez appear to be receptive to such basings. See: “Fidel Castro hints at Russian air base in Cuba”, *The Telegraph*, July 25, 2008, “Venezuela offers use of air base to Russia”, *AFP*, March 16, 2009.

¹⁴⁵ “Russia wants CSTO to be as strong as NATO”, *RIA Novosti*, May 29, 2009.

¹⁴⁶ Stina Torjesen, “Russia as a Military Great Power: The Uses of the CSTO and SCO in Central Asia”, in E.W. Rowe and S. Torjesen Eds, *The Multilateral Dimension in Russian Foreign Policy* (Routledge, London, 2009), pg 182. Torjesen notes that, ironically, the threat of terrorism from groups such as the Islamic Movement of Uzbekistan that had a base of operations in Afghanistan — one of the major threats that the CSTO is mandated to deal with - has actually decreased as a result of the US presence in Afghanistan.

¹⁴⁷ Sergei Glazev, “Tamozheennyi soyuz v ramkakh EvrAzES i Ukraina” (The Customs Union from the Perspective of EurAsEC and Ukraine), *Mezhdunarodnaia zhizn'*, No. 10, October 2010, pp. 168-175.

steps to protect its markets by raising tariffs on goods coming from Ukraine if Kiev follows through on current plans to establish a free trade zone with EU.¹⁴⁸

Forming a Balancing Partnership with China

Russia has also formed balancing relationships with states outside the immediate post-Soviet region. Russia has teamed up with China to criticize US military interventions in Kosovo and Iraq and to curb US influence in Central Asia. The two rising powers have also collaborated to defend their version of hard sovereignty by speaking out against Western efforts to promote human rights and democracy. As early as 1997, Russian president Boris Yeltsin and Chinese leader Jiang Zemin signed a “Joint Declaration on a Multipolar World and the Establishment of a New World Order”. The declaration affirmed Moscow and Beijing’s commitment to “respect for sovereignty and territorial integrity, mutual non-aggression, non-interference in each other’s domestic affairs, equality and mutual advantage, peaceful co-existence and other universally recognized principles of international law.”¹⁴⁹ They have issued numerous joint statements criticizing democracy promotion and human rights activism efforts and advocating each state’s right to choose its own path towards political and social development. They have also teamed up in the UN Security Council, using or threatening to use their veto powers in order to defend the principles of sovereignty and non-intervention in domestic affairs in the cases of Sudan, Iraq, and Kosovo. In 2007, China and Russia vetoed a US-drafted resolution on Burma, the first time that two countries had vetoed a resolution since 1989, arguing that the issue in Burma is an internal affair that does not require involvement from the Security Council.¹⁵⁰ According to Gennadi Chufirin, of the Moscow Institute of World Economy and International Affairs, one of Russia’s foremost experts on Asian security relations, “The point is to expresses both sides’ disapproval with the way the current global security architecture has evolved and to promote the establishment of a multipolar world where no one state could ride roughshod over the rest of the international community.”¹⁵¹

Their commitment to establishing multipolarity and curbing US influence goes beyond mere rhetoric. Since the end of the Cold War, Russian-Chinese military cooperation has been significant. Russia has been China’s primary external arms supplier since the 1990s. After a brief lull in 2008-2010 Russian arms sales to China picked up at the end of 2010 and now include the most advanced weapons systems Russia manufactures, like the S-300 anti aircraft system which the US pressured Russia not to sell to Iran.¹⁵² Since 2005, Russia and China have conducted regular military exercises under the auspices of the Shanghai Cooperation Organization. The largest of these, Peace Mission 2005, involved over 10,000 troops, including

¹⁴⁸ Zhanna Ulyanova, “Inappropriate bargaining: Ukraine cannot choose between cheap gas and free trade”, *Trud*, June 8, 2011.

¹⁴⁹ *Russian-Chinese Joint Declaration on a Multipolar World and the Establishment of a New International Order*, April 23, 1997, <http://www.fas.org/news/russia/1997/a52-153en.htm>, Accessed, June 25, 2011.

¹⁵⁰ “Russia, China Veto Resolution On Burma”, *Washington Post*, January 13, 2007.

¹⁵¹ Gennadi Chufirin, Interview with Author, Moscow, April 24, 2007.

¹⁵² Stephen Blank, “Turning a New Leaf in Relations: Russia’s Renewed Arms Sale to China”, *Jamestown China Brief*, Volume: 11 Issue: 2, January 28, 2011, [http://www.jamestown.org/programs/chinabrief/single/?tx_ttnews\[tt_news\]=37427&tx_ttnews\[backPid\]=25&chash=c2050b9af5](http://www.jamestown.org/programs/chinabrief/single/?tx_ttnews[tt_news]=37427&tx_ttnews[backPid]=25&chash=c2050b9af5), Accessed: June 26, 2011.

land, naval, air, and amphibious assault forces. Though ostensibly billed as an exercise in coordination of “anti-terrorist activities” many experts believe the scale of the exercises and the heavy weaponry deployed suggest that the exercise was more of a preparation for a conventional conflict with another organized military power. Some observers even argued that the exercises may be designed to simulate a hypothetical conflict over Taiwan and to send a message to the US.¹⁵³ The exercises prompted Taiwan to hold its own military exercises shortly before Peace Mission 2005.¹⁵⁴

The two countries have also cooperated to limit US influence in Central Asia through the SCO. Russia and China sponsored a 2005 SCO resolution which called for the US to close its air bases in Central Asia.¹⁵⁵ They also teamed up to issue numerous joint declarations criticizing what they saw as foreign meddling in the 2003-2005 color revolutions in the post-Soviet states. At a 2005 SCO meeting they issued a joint statement that declared that, “Concrete models of social development cannot be exported and the right of every people to its own path of development must be fully guaranteed.”¹⁵⁶ They cooperated to strengthen incumbent authoritarian regimes in the region against the “revolutionary virus” by sharing information on activists and disseminating techniques that helps these governments clamp down on civil society and domestic media (including the internet).¹⁵⁷ Through the SCO, Russia and China have also cooperated to improve their ability to counter non-conventional security threats in the region, such as terrorism, Islamic fundamentalism, and drug trafficking.¹⁵⁸ They are keen on bolstering regional states’ abilities to respond to these kinds of threats so that they will no longer be as dependent on the US. Most recently, at a June 2011 SCO summit in Astana, the organization slammed US and NATO missile defense plans, criticizing “unrestricted buildup of a missile defense capability by one state or a group of countries can hurt strategic stability and international security.”¹⁵⁹

Russia has also sought to balance its current dependency on energy exports to Europe by developing new markets in China and Asia. Russia has tried to use the threat of diverting its energy exports to China and Asia as a ploy to increase its leverage in negotiations with the EU, and to show its displeasure with EU efforts to liberalize Russia’s energy markets and impose

¹⁵³ Sergei Blagov, “Taiwan Issue Clouds Russia-China Joint Military Exercises”, *Eurasia Daily Monitor* Volume: 2 Issue: 56, March 21, 2005, [http://www.jamestown.org/single/?no_cache=1&tx_ttnews\[tt_news\]=27725](http://www.jamestown.org/single/?no_cache=1&tx_ttnews[tt_news]=27725), Accessed: June 26, 2011.

¹⁵⁴ “Taiwan Holds Military Drill Ahead Of China-Russia Wargames”, *AFP*, August 18, 2005.

¹⁵⁵ “SCO Calls For Deadline On U.S. Presence In Central Asia”, *RFE/RL*, July 5, 2005, <http://www.rferl.org/content/article/1059693.html>, Accessed: June 25, 2011.

¹⁵⁶ “The Backlash Against Democracy Assistance,” A Report prepared by the National Endowment for Democracy for Senator Richard Lugar, Chairman of the Committee on Foreign Relations, US Senate, June 8, 2006, <http://yaleglobal.yale.edu/display.article?id=6035>, Accessed: July 16, 2011.

¹⁵⁷ Andrej Krickovic and Regine Specter, “Authoritarianism 2.0: Non-Democratic Regimes are Upgrading and Integrating Globally” *Paper presented at International Studies Association 49th Annual Convention*, March 2008.

¹⁵⁸ Stephen Aris, “The Shanghai Cooperation Organisation: ‘Tackling the Three Evils’. A Regional Response to Non-traditional Security Challenges or an Anti-Western Bloc?”, *Europe Asia Studies*, Volume 61, Issue 3, April 2009, pp 457-482.

¹⁵⁹ “SCO slams U.S. missile defense plans”, *RIA Novosti*, June 15, 2011.

unbundling of ownership in the energy industry.¹⁶⁰ Thus far Russia's ability to follow through on these threats is limited as most of its energy transport infrastructure is directed to Western markets. But this may change. Moscow is hard at work building new pipelines to Asian markets and partnerships with Asian energy companies. China's development bank agreed to lend \$25 billion to Russia's oil giant Rosneft and pipeline monopoly Transneft. In exchange, both companies will send China 15 million tons of oil a year for the next 20 years.¹⁶¹ In November of 2010 China and Russia completed construction of the 3,000 mile East Siberia Pacific Ocean Pipeline (ESPO), which will bring Russian oil directly to Chinese and Asian markets.¹⁶²

Partnering with "Rogue Regimes"

Russia has also pursued military cooperation with states that have tense relations with the US and which many in the West regard to be "rogue regimes". In recent years Russia and Venezuela have signed \$4 billion in arms deals, with Moscow providing Caracas with advanced anti aircraft and fighter jets and over 100,000 AK-47 rifles. Defense secretary Donald Rumsfeld blasted the rifle deal, saying the move could "destabilize the Western hemisphere" and suggested that Venezuela would funnel the rifles to leftist guerrillas in Latin America such as Columbia's FARC.¹⁶³ Russia and Venezuela have also conducted air and naval military exercises in the Western Hemisphere. As part of one training mission, Russian strategic bombers (capable of carrying nuclear weapons) landed in Caracas in 2008, which Venezuelan President Hugo Chavez said was a "warning" to US imperialists who had designs on his country.¹⁶⁴ Russia's oil and gas companies are also making large investments in Venezuela and have signed an agreement for Russia to help Venezuela develop nuclear energy by building a nuclear power plant in the country.¹⁶⁵ Chavez has met with Putin and Medvedev on numerous occasions and has touted the Venezuelan-Russian partnership as a key component of both countries' efforts to create a "multipolar world".¹⁶⁶ Russian officials have been careful to emphasize that Russia's increasing presence is in no way directed at the US. But many Russian foreign policy experts tout these moves as a direct response to America's pursuit of influence in the former Soviet space. "They have been doing this to us for years, but we are now showing the Americans that we too can extend out influence into their back yard."¹⁶⁷ According to Marshall Goldman, "Chavez is a Fidel Castro (who also thrives on baiting the United States) but without the tin begging cup...he makes a perfect counter for Russia when the United States props up anti-

¹⁶⁰ On numerous occasions Russian leaders such as Putin and Gazprom CEO Alexei Miller have warned Europe that "unfair practices in the West" will lead Russian energy producers to seek out new markets in Asia. See: "Putin hits at the west's 'unfair gas competition'", *Financial Times*, April 27 2006.

¹⁶¹ "China Makes 25 Billion USD Loan to Trans/Rosneft", *Moscow Times*, February 17, 2009.

¹⁶² "Russia's ESPO pipeline delivers first oil to China", *Xinhua*, November 10, 2010.

¹⁶³ "Rumsfeld Blasts Venezuela Plan to Buy Rifles", *Associate Press*, March 24, 2005.

¹⁶⁴ "Venezuela: Russian bombers a 'warning' to U.S.", *AFP*, September 11, 2008.

¹⁶⁵ "Russia and Venezuela sign nuclear power and oil deals", *BBC*, October 15, 2010, <http://www.bbc.co.uk/news/business-11553239>, Accessed: June 27, 2011.

¹⁶⁶ "Putin, Chavez plug 'multipolar world'", *Associated Press*, September 25, 2008.

¹⁶⁷ Shamil Sultanov, Interview with Author, Moscow September 18, 2007.

Russian leaders in places like Ukraine and Georgia or when the United States sends its naval vessel into the Black Sea—which Russia considers to be its backyard.”¹⁶⁸

Russia has tried to expand its influence in the Middle East by forging economic and security relationships with regimes that are not on friendly terms with the US. Russia has provided Syria with \$6 billion in arms since 2002, including modern fighter aircraft and anti-aircraft systems it could use in any possible conflict with Israeli or Western forces.¹⁶⁹ Russia has also begun construction of a second naval base in Latakia and has plans to expand the naval base in Tartus and to permanently base some ships from its Black Sea Fleet there.¹⁷⁰ Syrian president Bashar Assad was one of the few leaders outside the Post-Soviet world to back Russia’s military intervention in Georgia, at a time when much of the rest of the world and especially the foreign press painted Russia as the aggressor in the conflict.¹⁷¹ Russia has also defended the Assad regime during its bloody crackdown against opposition forces throughout 2011 and 2012. At the UN, Russia and China have shielded the Assad regime from Western efforts to impose sanctions.¹⁷² Western diplomats have accused Russia of attempting to suppress a UN report that says Iran has been breaking a UN arms embargo by shipping weapons to Syria in an attempt to bolster the Assad regime.¹⁷³

Russia’s relationship with Iran can also be seen in this light, and has attracted considerable controversy and consternation. Many Russian experts believe that Russia should pursue a relationship with Iran in order to balance against US influence in the region and globally. “There is a convergence of geopolitical interests between Russia and Iran: both oppose NATO expansion to the east, placing U.S. military forces in the region, and the presence of third countries in the Caspian Sea. Both countries do not equate the objective process of globalization with the monopoly of one country in dealing with international and especially national objectives.”¹⁷⁴ Radical nationalists, such as Aleksandr Dugin, take this thinking a step further by advocating the formation of a “continental Russian-Islamist alliance” that would include Iran and oppose the hegemonic policies of the “Atlanticist coalition” led by the United States.¹⁷⁵

¹⁶⁸ Marshall Goldman, “Russia: A Petrostate in a Time of Worldwide Economic Recession and Political Turmoil”, *Social Research*, Vol 76 : No 1 : Spring 2009, pg 69.

¹⁶⁹ “MiGs Will Defend Syria and Iran”, *Kommersant*, June 19, 2007, “Siriya otdevaet Rossiiskii Pancir” (Syria puts on the Russian Bullet Proof Vest), *Nezavisimaya Gazeta*, May 17, 2010.

¹⁷⁰ “Baza v Tartus podgotovlena dlya bazirovaniya korablei ChMF” (The base in Tartus is being prepared to base ships of the Black Sea Fleet), *Nezavisimaya Gazeta*, April 23, 2010.

¹⁷¹ “Syria, Iran warm to Russia as US tensions grow”, *AP*, August 27, 2008.

¹⁷² “Russia, China Shield Syria from Possible U.N. Sanctions”, *Inter Press Service*, June 9, 2011.

¹⁷³ “Report: Russia blocks UN report on Iran arms”, *Reuters*, May 13, 2011.

¹⁷⁴ N. M. Mamedova, “Vzaimnye interesy Rossii i Irana i ikh evolutsiya” (Mutual interests of Russia and Iran and their Evolution), *Afro-aziatskie obshchestva: istoriia i sovremennost*, No. 4, 2007, pg 134. See also: Sergei Kortunov, “Stanovlenie novogo mirovogo poryadka”. *Mezhdunarodnaya zhizn*, 6, 2004 and Andranik Migranyan, “Politika: Konec Rossiii”, (Policy: End of Russia), *Svobodnaia mysl*, V 21:No 7, 2002, pgs 4-12.

¹⁷⁵ Aleksandr Dugin Interview with Author, Moscow, October 2, 2007, See also: Dugin, *Osnovii Geopolitike* (The Fundamentals of Geopolitics), (Arktogaia, Moscow, 2000), pp 158-59. While Dugin’s views are extreme, they are also quite influential in some circles, including the military and security services. See: John B Dunlop, “Aleksandr Dugin’s Neo Eurasian Textbook and Dmitrii Trenin’s Ambivalent Response”, *Harvard Ukrainian Studies XXV* (1/2)

Some of these more fanciful ideas have yet to be realized. Nevertheless, Russia has developed strong relations with Iran. Russia is Iran's main foreign weapons supplier, having supplied billions in sophisticated weapons equipment to the Islamic Republic since the 1990s. Russian arms supplies have included tanks and armored vehicles, aircraft and advanced anti-aircraft systems which Iran can use to protect its nuclear sites from US or Israeli air attack.¹⁷⁶ Russia has also transferred sensitive military technologies to Iran. Iran has developed a high-speed torpedo based on Russian designs, which it could eventually deploy against US aircraft carriers in the Persian Gulf.¹⁷⁷ Russia has helped Iran's space program, and Russian scientists believe that this has helped Iranian ballistic missile technology development.¹⁷⁸ Most recently, Russia bowed to US and Israeli pressure and cancelled a deal to supply Iran with its potent S-300 anti-aircraft systems.¹⁷⁹ These systems are capable of attacking aircraft from up to 200 km away and would have made an Israeli or US raid on Iranian nuclear facilities much more costly and difficult.¹⁸⁰ Nevertheless, Russia has vowed to continue to supply Iran with defensive weapons that it believes are not in breach of UN sanctions imposed on the country because of its nuclear program.¹⁸¹ Russia and Iran also held joint naval exercises for the first time in the Caspian Sea in 2009.¹⁸²

The facet of Russian-Iranian cooperation that has been most controversial is Russia's support for Iran's civilian nuclear program. Stopping Iran from gaining nuclear weapons has been a major foreign policy priority for the US and Israel. Russia completed construction of a \$1 billion civilian nuclear power plant for Iran at Bushehr in 2011.¹⁸³ The US and Israel have opposed the project, though most Russian and foreign experts agree that the reactors at Bushehr alone are of little use to a weapons program.¹⁸⁴ On several occasions Russia has also protected Iran from tough UN sanctions initiated by the US, arguing that Iran had a right to develop nuclear energy and that there was no evidence that Iran was developing nuclear weapons.¹⁸⁵ Russia has also vehemently opposed any mention of military intervention against Iran's nuclear program, arguing that such a move could plunge the entire region into war.¹⁸⁶

Balancing alone does not define the Russian-Iranian relationship. Russia's interests in Iran are diverse. Russia and Iran co-operate on several regional security initiatives in the Caspian and

2001, and Dmitry Shlapentokh, "Dugin's Eurasianism: a window on the minds of the Russian elite or an intellectual ploy?", *Studies in East European Thought*, Volume 59, Number 3, 2007, pg 215-236.

¹⁷⁶ Pavel Felgenhauer, "Iran Takes Delivery of Russian Tor-1 Missiles", *Jamestown Eurasia Daily Monitor*, Volume: 4 Issue: 12, [http://www.jamestown.org/single/?no_cache=1&tx_ttnews\[tt_news\]=32397](http://www.jamestown.org/single/?no_cache=1&tx_ttnews[tt_news]=32397), Accessed: June 30, 2011.

¹⁷⁷ "Iranči zapustili novii 'Shkval'" (The Iranians launched a new "Squall"), *Nezavisimaya Gazeta*, April 4, 2006.

¹⁷⁸ "Russian Scientists Worried Iran Uses Their Know-How for Missiles", *Bloomberg*, February 3, 2011.

¹⁷⁹ Spencer Ackerman, "Blocked! WikiLeaks Shows How Iran's Air Defense Deal Died", *Wired*, November 29, 2010.

¹⁸⁰ "Iran Shields Its Nuclear Activities by Russian Missiles", *Kommersant*, December 27, 2007.

¹⁸¹ "Russia planning new arms sales to Iran despite sanctions", *AFP*, February 24, 2011.

¹⁸² Kaveh Afrasiabi, "Russia and Iran join hands", *Asia Times*, July 30, 2009.

¹⁸³ "Iran in final preparations for launch of first nuclear plant", *RIA Novosti*, September 22, 2009.

¹⁸⁴ "US, Russia disagree over Bushehr", *AP*, March 19, 2010, "Should the West worry about Iran's Bushehr plant?", *Reuters*, August 21, 2010, Konstantin Bogdanov, "Bushehr power plant: Russia balances on the edge of a sword", *RIA Novosti*, Aug. 23, 2010.

¹⁸⁵ "Russia Will Oppose Any Security Council Resolution Punishing Iran", *VOA News*, 21 October 2006.

¹⁸⁶ "Ex-Russian PM warns against attack on Iran's nuclear facilities", *Ria Novosti*, December 21, 2009.

Central Asia, including anti-terrorist and anti-drug trafficking.¹⁸⁷ The two countries have also cooperated to bring an end to the civil war in Tajikistan in the 1990s and against the Taliban regime in Afghanistan in the early 2000s. Russia has an interest in maintaining constructive relations with Iran in order to keep it from supporting Islamists in Chechnya and throughout the Caucasus and Central Asia. "Since the breakup of the Soviet Union, Moscow has valued Iran's decision to meddle little in central Asia and its refusal to support the Chechen rebels or otherwise fuel instability in Russia's North Caucasus region (contrary to the thrust of U.S. policy in those regions, from Moscow's standpoint). Friendly ties and moderate support for Iran's regional ambitions have been a way for Moscow to reinforce those Iranian policies."¹⁸⁸

Though trade turnover remains low, Russia also has substantial economic interests in Iran. The Bushehr project was of critical importance to the Russian nuclear industry, helping it weather some very tough financial difficulties in the 1990s. Rosatom plans to expand its activities abroad to offer nuclear projects to developing countries and the completion of the Bushehr project is important to its credibility in the eyes of its potential customers.¹⁸⁹ Iran is a major gas and oil producer and Russian energy companies have stepped up their activities in the country in recent years, acquiring stakes in major oil and gas fields.¹⁹⁰ There has also been talk of Russia and Iran forming a gas cartel along the lines of OPEC to help control world gas prices.¹⁹¹

Mutual suspicions, however, continue to plague the Russian Iranian relationship and complicate further efforts at cooperation.¹⁹² Russia and Iran are historical rivals for influence in the region and disagree on important issues such as the division of the Caspian Sea bed. Russia also has its own concerns about Iran's nuclear program. The Russian leadership has grown tired of Iranian president Ahmadinejad's inflammatory rhetoric and is disappointed with Iran's refusal to agree to a compromise solution to the nuclear impasse whereby spent fuel from its nuclear reactors would be processed in Russia or another third country (thus eliminating the possibility of their use in a nuclear weapon).¹⁹³ As the world's first (Russia) and second (Iran) supplier of natural gas the two are also rivals for market share. Russia's worst nightmare in this respect would be a rapprochement between Iran and the West that would allow Iran to threaten Russia's near monopoly on gas supplies to Europe. Some analysts speculate that Russia is working to prolong Iran's nuclear standoff in order to prevent such a rapprochement from happening.¹⁹⁴ While Russia has pursued relations with Iran, it has been very careful that these relations should not overly antagonize the US or the West. Russia has adjusted its policies and backed away from

¹⁸⁷ D. Faizullaev, "Rossiiskie Interessii v Irane" (Russia's Interests in Iran), *Aziia i Afrika segodnia*, No 6, 2006, pp 13-18.

¹⁸⁸ Thomas Graham, "The Friend of My Enemy", *National Interest*, May/June 2008, Issue 95, pg 37, See Also: Alexei Malashenko, "The Islam Factor in Russia's Foreign Policy", *Russia in Global Affairs*, No.003 Vol.5, 2007, pp 157-170.

¹⁸⁹ Mamedova, pg 140.

¹⁹⁰ "Gazprom, Iran agree to new large energy projects", *Reuters*, February 19, 2009.

¹⁹¹ "Fears over Russian plan for gas OPEC", *The Guardian*, April 29, 2008.

¹⁹² A. Gusher, "Iran i Rossiia: Chto Meshayet ikh dalneishemu sblizheniiu?" (Iran and Russia: What is preventing them from coming closer together), *Aziia i Afrika segodnia*, No. 5, May 2007, pp. 62-67.

¹⁹³ Vladimir Yevseyev, "Cold spell in Russian-Iranian relations", *RIA Novosti*, January 21, 2010.

¹⁹⁴ Janusz Bugajski, *Dismantling the West: Russia's Atlantic Agenda* (Washington D.C.: Potomac Books, 2009), pg 48.

supporting Iran when pressured by the US or when it has been able to extract concessions from the US.¹⁹⁵ Russia has adopted a transactional approach: it is developing positions on Iran that it can later trade for concessions in areas where it feels it has much more important interests at stake. Thus Russia canceled the S-300 deal and threw its support behind a new round of US led sanctions against Iran in 2011 as part of a larger reset in US-Russian relations under the Obama administration. Moscow understood that this was part of a larger quid-pro-quo whereby the US would stop pushing for NATO membership for Georgia and Ukraine and cancel its plans to deploy ABM systems in Poland and the Czech Republic.¹⁹⁶

Soft Balancing – or Balancing on the Cheap

Russia's relationships with China, Iran and these other regimes fall short of being the kinds of military alliances or aggressive arms build ups envisioned by traditional balancing theories. In none of the various friendship treaties and strategic partnership agreements that Russia has signed with these countries do the parties aid in the event of an attack by a third country. Publicly, Russia and its partners have been careful to emphasize that their relationships are "not directed at a third party" – even in the case of the CSTO and SCO where this seems to be obvious to outside observers.¹⁹⁷ Moscow has been careful not to make their opposition to the US or EU too overt for fear of jeopardizing its relationships with these stronger powers. Rather than traditional hard balancing, this is a kind of soft balancing envisioned by realist theorists such as Stephen Walt, Robert Papa and T.V. Paul.¹⁹⁸ According to these theories American power is so overwhelming that it makes hard balancing strategies, such as the formation of alliances, ineffective and prohibitively costly. Instead of confronting the US directly by forming defensive alliances or other military moves, states adopt less provocative policies designed to delay, frustrate, and undermine American power. "Soft balancing involves tacit balancing short of formal alliances. It occurs when states generally develop ententes or limited security understandings with one another to balance a potentially threatening state or a rising power. Soft balancing is often based on a limited arms buildup, ad hoc cooperative exercises, or collaboration in regional or international institutions; these policies may be converted to open, hard-balancing strategies if and when security competition becomes intense and the powerful state becomes threatening."¹⁹⁹ Russia's policies, detailed above, fit this definition. Moscow is building relationships to counter and balance US power and influence. It is also building positions that it can later trade for concessions from the US in hard bargaining. But it is doing so cautiously so as to avoid the costs of overly antagonizing a stronger rival. "We can counter the US in the Middle East and elsewhere but we have to be cautious. The country is still too weak to

¹⁹⁵ Gusher, pg 66.

¹⁹⁶ John Vincour, "Russia Seeks Quid Pro Quo to Reign in Iran", *New York Times*, February 15, 2010, "Sankcii srednego radiusa deistviya" (Medium Range Sanctions), *Kommersant*, September 23, 2010.

¹⁹⁷ "China-Russia strategic partnership positive element in world order: Putin", *Xinhua*, March 20, 2006, "Medvedev: CSTO is not an anti-NATO", *Itar-Tass*, May 18, 2010.

¹⁹⁸ Stephen M. Walt, *Taming American Power: The Global Response to U.S. Primacy* (W.W. Norton: New York, 2005), Robert A. Pape, "Soft Balancing against the United States", *International Security* 30:1, Summer 2005, Pp 7-45, T.V. Paul, "Soft Balancing in the Age of U.S. Primacy," *International Security*, Vol30, No1, Summer 2005, pp. 46-71.

¹⁹⁹ Paul, pg 63.

challenge the US directly. We want to avoid the trap the USSR fell into – becoming bogged down in a ruinous arms race with a more economically advanced adversary that we can't win."²⁰⁰

Conclusion

Co-binding institutions and relative gains are two important pillars of the ILO argument. The ILO predicts that the option of co-binding and the diminishing importance of relative gains concerns and provides a viable (and preferable) alternative to balancing. However, co-binding has not played a prominent role in Russia's bargaining relationships with NATO and the EU (the ILO's two major co-binding institutions). Russia has shown an interest in co-binding, looking to gain an institutionalized say in NATO decision making and promoting interdependence with the EU through "asset swaps". Yet these attempts at co-binding have not been reciprocated by Russia's Western partners, who still distrust Russia's true intentions and are wary of Russia's growing power. Relative gains concerns also continue to be a strong factor in Russia's calculations, particularly in Russia's attitudes towards NATO and EU expansion, and they have dissuaded Russia from accepting integration into NATO and the EU on Western terms. While Russia has shown an interest in co-binding – particularly in its ability to restrain Western power – Moscow is unwilling to accept the kind of limits on its own freedom of action and sovereignty that co-binding requires. Moscow is reluctant to enter into interdependent relationships where it will be the junior partner. Rather than tying itself down it prefers to preserve its sovereignty and freedom of action.

Cautious balancing, rather than co-binding, has been Russia's preferred strategy for improving its bargaining position vis-à-vis its Western partners. Russia is significantly developing its military capabilities, both to counter US power, but also more importantly, to build up its own ability to deal with modern and unconventional military threats so that it will not have to rely on the US to bring stability to its "near abroad". Russia has strengthened its relationships with other countries to counter US influence, both in the Post-Soviet region but also globally by developing security and economic relations with China, with pariah regimes in the Middle East, and even in America's own "near abroad" by pursuing military and economic cooperation with Venezuela.

²⁰⁰ Shamil Sultanov, Interview, Moscow September 18, 2007.

Chapter 3: Global Economic Integration and the Spread of Capitalism and Free Markets

ILO theory predicts that the spread of capitalism and the open world economy will have a profound effect on states, reinforcing their desire to co-bind and adhere to and participate in ILO institutions. The huge absolute gains that states can gain from participation in the world economy will diminish the importance of relative gains. In fact the theory predicts that states will look to establish co-binding institutions that mitigate the effects of anarchy so that relative gains concerns do not interfere with integration into the World Economy. “Advanced capitalism creates such high prospects for absolute gains that states attempt to mitigate anarchy between themselves so as to avoid the need to pursue relative gains.”²⁰¹ ILO theory predicts that integration into the world economy through trade will also have a profound effect on the identity of states, making them more liberal and democratic. “The expansion of capitalism that free trade stimulates tends to alter the preferences and character of other states in a liberal and democratic direction, thus producing a more strategically and politically hospitable system.”²⁰²

Rather than trying to maximize their own power and influence, as has been the case through much of history (and as is predicted by realist theory) states now see free trade and integration into the World Economy as the key to advancement and the betterment of their societies. States no longer need to exert raw power in order to advance their economic interests. In fact, the pursuit of raw power can be counterproductive because it gives rise to relative gains concerns on the part of other states and thereby hampers economic cooperation with them. The most effective way for countries to prosper is for them to open themselves up to free trade and to support the established liberal order, because it is the ILO that provides the global common goods that make an open world economy possible.

Yet again, the Russian experience runs counter to these predictions. Russia has enthusiastically embraced integration into the world economy. The desire to participate in the open world economy was one of the main factors that pushed Soviet leaders to abandon their zero-sum view of international relations.²⁰³ Yet Russia’s economic integration into the world economy and its growing economic interdependence with Western states has exacerbated concerns about relative gains. This is particularly true in the area of EU-Russian energy trade, where both

²⁰¹ Ikenberry, *Liberal Order and Imperial Ambition*, pg 99.

²⁰² Ibid.101.

²⁰³ Mikhail Gorbachev, *New Thinking for Our Country and the World* (New York: Harper and Row, 1987), Eduard Shevardnadze, *The Future Belongs to Freedom* (New York: Free Press, 1991), Georgy Shakhnazarov, *Tsená Svobody: Reformatsiya Gorbacheva glazami ego pomoshnika* (The Price of Freedom: Gorbachev’s transformation through the eyes of one of his aids) (Moscow: Rossiska Zvezda, 1993).

sides have come to see their growing dependence on each other as a significant risk to their security and economic independence.

Moreover, Russia's transition to capitalism has not transformed it into a liberal and democratic polity. Russia has instead embraced a statist form of capitalism, where the "commanding heights" of the economy remain under government control and where the political system is tightly controlled by the central authorities.²⁰⁴ Russians tend to agree that economic integration is essential to their country's prosperity and wellbeing. But they also tend to see integration in terms that are very different from those envisioned by the ILO. The experience of Russia's weakness in the 1990s and bitterness about the way that the West "took advantage" of this weakness looms large in the Russian consciousness. The major lesson that Russian leaders draw from this experience is that economic integration will only work under the direction of a strong interventionist state. Integration will only truly benefit Russia if it comes from a position of strength. Like the 17th and 18th Century mercantilists described by Jacob Viner decades ago in his seminal essay "Power and Plenty", they do not see a tradeoff between the pursuit of state power and economic prosperity. They believe that both goals are in harmony and mutually reinforce each other.²⁰⁵ According to Shamil Sultanov, "Russian society will only be rich and prosperous when we develop a strong state that can defend its economic interests. If we are weak we will succumb to the economic predation of stronger powers, as was the case in the 1990s."²⁰⁶

From Interdependence to Conflict in EU Russia Energy Relations

Because it is the only area where Russia has a comparative advantage, Russia's integration into the open world economy has primarily come through its energy exports. The Russia-EU energy relationship can best be characterized as one of interdependence; both sides would face formidable costs if cooperation was disrupted. Russia provides the EU with over 15 percent of its crude oil imports and over 25 percent of the natural gas that EU countries consume comes through Russian pipelines.²⁰⁷ Dependence on Russian supplies is only set to increase over time as European consumption rises and domestic European sources are depleted. According to a forecast by Eurogas (the organization of European Gas Producers), Russian gas is expected to comprise 55 percent of European gas consumption by 2020.²⁰⁸ Dependence is a two-way streak. Russia's energy trade with the EU is its most important foreign economic relationship.

²⁰⁴ Vladimir Lenin coined the term "commanding heights" in 1922, as the Bolsheviks were temporarily relaxing government controls over the economy as part of the New Economic Policy. According to Lenin the government would still continue to control the economy's overall development by retaining control over key economic sectors such as steel and heavy industry – the "commanding heights" of the economy.

²⁰⁵ Jacob Viner, "Power Versus Plenty as Objectives of Foreign Policy in the Seventeenth and Eighteenth Centuries", *World Politics*, Vol. 1, No. 1 (Oct., 1948), pp. 1-29.

²⁰⁶ Shamil Sultanov, Interview with Author, Moscow, November 11, 2009.

²⁰⁷ Christophe-Alexandre Paillard, "Russia and Europe's Mutual Energy Dependence", *Journal of International Affairs*, Vol. 63, Issue 2, Spring/Summer 2010.

²⁰⁸ "Natural Gas Demand and Supply, Long-term Outlook to 2030," *Eurogas*, 2008, <http://www.eurogas.org/uploaded/Eurogas%20long%20term%20outlook%20to%202030%20-%20final.pdf>, Accessed March 18, 2011.

Over 60 percent of Russian crude oil and 90 percent of Russian gas is sold to the European Union.²⁰⁹ Over 40 percent of Russian government revenues come from European oil and gas markets and between 75 and 80 percent of Russian export revenues are directly linked to the European Union energy market.²¹⁰

Liberal IR theorists have long argued that economic interdependence reduces the potential for conflict and competition between states.²¹¹ In the case of Russia EU energy trade, however, interdependence has actually led to increased mistrust and conflict. Europe is increasingly worried about its dependence on Russian hydrocarbon exports and fears that Russia will try to use Europe's energy dependence to blackmail Europe.²¹² European governments and private companies have blocked Russian efforts to buy into European companies, especially in the downstream energy sector. The EU has looked to diversify its supply routes by building pipelines that bypass Russian control and bring energy directly from the former Soviet states of Central Asia and the Caucasus to European markets. The EU has also passed measures to liberalize the European energy market which adversely affect Russia's state-owned energy companies. This has prompted Russian leaders to complain of double standards and discrimination. It has also awoken suspicions among many Russians about Europe's true intentions. According to Sergei Kortunov, "All these efforts at so-called 'market liberalization' and the building of new pipelines are only designed to weaken the Russian state and place our natural resources under Western control."²¹³

Some Western observers place the blame for this growing conflict squarely on Russia, arguing that Russia's authoritarian government is using energy as a tool to expand its influence and pursue a geopolitical agenda designed to return Russia to super-power status.²¹⁴ Others see the conflict as stemming from the two parties' different world views. A post-modern Europe which has largely given up on the pursuit of national power in favor of cooperation and interdependence is butting up against a realist and state centric Russia, which still tends to see interstate relations in zero-sum terms.²¹⁵ These studies assume that all would be well in the relationship if both sides simply let the market guide their energy relations.

²⁰⁹ Sadek Boussena and Catherine Locatelli, "Gas Market Developments and Their Effect on Relations Between Russia and the EU", *OPEC Energy Review*, Volume 35, Issue 1, March 2011, pgs 27–46.

²¹⁰ Paillard, pg 75.

²¹¹ Robert Keohane and Joseph Nye, *Power and Interdependence: World Politics in Transition* (New York: Little, Brown and Company, 1977). Keohane and Nye do note that *asymmetrical interdependence* (where one state is substantially more dependent on the other) can be a cause for conflict. However, at least in the realm of energy trade, Russia and Europe appear to be roughly equally dependent on each other as the costs of withdrawing cooperation are steep for both sides. This may change if Europe finds alternative energy sources or if Russia diversifies its customer base to Asia.

²¹² Edward Lucas, *The New Cold War: Putin's Russia and the Threat to the West* (London: Palgrave Macmillan, 2008) Janusz Bugajski, *Expanding Eurasia: Russia's European Ambitions* (Washington D.C.: CSIS Press, 2008)

²¹³ Sergei Kortunov, Interview Moscow, July 12, 2007.

²¹⁴ Edward Lucas, *The New Cold War: Putin's Russia and the Threat to the West*, Marshall Goldman, *Petrostate: Power, Putin and the Rise of the New Russia* (Oxford: Oneworld, 2008).

²¹⁵ Sergei Medvedev, "The Stalemate in EU-Russia Relations : Between 'Sovereignty' and 'Europeanisation'", in Ted Hopf ed, *Russia's European Choice* (New York: Palgrave Macmillan, 2008), pp 215-232.

This point of view fails to fully appreciate just how much the interests of the two parties diverge. As an energy buyer Europe has an interest in diversifying its suppliers and increasing competition on energy markets in order to drive energy prices down. As a producer Russia has an interest in establishing a monopoly over the market and driving up prices to their highest point possible. More than just the price of oil and gas is at stake. The price of hydrocarbons is a vital economic issue for both sides and has significant implications for domestic political stability and external security. Maintaining low energy prices is critical to Europe's economic health and continued global competitiveness. The Russian economy's dependence on hydrocarbons exports magnifies the impact of even the smallest downturn in energy prices. The exploitation of hydrocarbons also plays a critical role in the Russian leadership's plans for modernization and economic development. Russia can't live off of hydrocarbon exports forever. Profits from oil and gas must be used to develop Russia's economy long-term away from hydrocarbon dependency. "[Russia's] strategic vision is currently dominated by the idea of profit-maximization from the sale of Russian oil and gas....these revenues are meant to reform the rest of the economy and to guarantee its drastic modernization and adaptation to the needs of the post-industrial society."²¹⁶

The discussion here will focus on natural gas as this is the area where mutual dependencies are most pronounced. The world oil market is relatively developed. There is a diversity of supplies and it is relatively easy for buyers to substitute one seller for the other. The price of oil is determined by spot pricing – prices are determined “on the spot” by traders in one the major market exchanges of Europe and North America. It is very difficult for the Russian state to influence pricing through its own actions. Though Russia is a major oil producer, it only has 10 percent of proven global oil reserves, and is dwarfed by Saudi Arabia (25 percent) and the OPEC countries (77 percent). Russian supplies only account for 15 percent of aggregate consumption in European markets and are vulnerable to competition from supplies from the North Sea and Middle East.²¹⁷ It is difficult for Russia to use the threat of withholding its oil as a tool of statecraft because buyers have so many sources of oil readily available to them on world markets. Because of its physical properties the situation with natural gas is very different. Spot markets do exist for Liquefied Natural Gas (LNG) but the liquefaction process is very expensive as gas must first be cooled down to approximately -162 °C in order to attain a compressed liquid form suitable for transportation. As a result, most natural gas is transported to market in its natural gaseous state through fixed pipelines. Pipelines often have to cross vast distances and are expensive to build, requiring massive initial investments. Because of these fixed costs the gas market is dominated by long-term contracts. This opens up space for political conflict as these contracts are often negotiated between states.²¹⁸

The EU employs several strategies in order to pursue its interests as an energy consumer. The first is the liberalization of energy markets inside and outside the EU. Inside the EU this means

²¹⁶ Tatiana Romanova, “Energy Partnership – A Dialog in Different Languages”, *Russia in Global Affairs*, No 1, January - March 2007, pg 12.

²¹⁷ Adam Stulberg, *Well-Oiled Diplomacy : Strategic Manipulation and Russia's Energy Statecraft in Eurasia*, (Albany: State University of New York Press, 2007), pg 73.

²¹⁸ *Ibid.* 94-95.

breaking up vertically integrated national energy companies and unbundling their downstream assets. With unbundling, firms are barred from vertically integrating the various segments of the energy chain (such as production, refining and processing, transportation, and distribution) under their sole ownership. According to this logic, vertical integration harms consumers because it puts up barrier to the entry of new producers and firms and thus limits competition. Unbundling primarily affects incumbent European gas operators that are vertically integrated from production to distribution. But it also restricts companies in producer countries from pursuing strategies to enter downstream sectors.

The liberalization of EU gas markets is driven by the gas directives of 1998 and 2003, and by the Third Energy Package, a set of laws to regulate EU gas and electricity markets which was adopted into law in July 2009. The Third Energy Package makes it illegal for gas producers to also operate gas transit systems (i.e., pipelines). It gives EU member states three options on how to deal with companies that both export gas to the EU and own pipelines. The first option forces a gas producer to transfer the management of their pipelines to an independent entity, but allows them to retain ownership. Under the second option the gas producer can retain ownership but it must allow other companies to use its pipelines. The third, and most drastic option, forces gas producers to sell all of their pipelines stakes. Some EU countries immediately tried to implement this last option. The Lithuanian government ordered the breakup of the national gas utility company Lietuvos Dujos (in which Gazprom owned a 37 percent stake) separating its gas sales and gas transmissions operations.²¹⁹ Putin condemned the move at a meeting with EU business leaders, “Our companies and their German partners in Lithuania legally acquired part of the assets in the pipeline system. Now, citing this third energy package, they’re getting thrown out. What’s that about? What kind of robbery is that?”²²⁰ In what appears to be a retaliatory move, Gazprom has increased prices to Lithuania so that they are now substantially higher than those to other Baltic states. The Lithuanian government, in turn, has filed an antitrust complaint against Gazprom with the European Commission.²²¹

As part of its package of energy liberalization measures the EU has also passed Directive 2009/73, often referred to as the “third country clause” (and in Russia as the “anti-Gazprom clause”). Under its provisions non-EU energy companies that wish to operate in the EU must demonstrate that they do not pose a threat to EU energy security.²²² The EU is also trying to promote liberalization outside the EU, by getting non EU countries to accept the European Energy Charter. Countries that sign the charter agree to open up their energy markets to completion from foreign (i.e., EU) companies and to remove restrictions on foreign ownership in their energy sectors. The charter also establishes the principle of “freedom of transit” thereby guaranteeing access to pipeline networks to all producers. In this way the EU hopes to

²¹⁹ “Russia wants explanation of EU energy blueprint”, *Associated Press*, February 21, 2011.

²²⁰ “Putin Harangues Europe on Businesses”, *Moscow Times*, November 29, 2010.

²²¹ Alan Riley, “Gazprom and the Rule of EU Law: Europe should hold its ground against Russia's ex-imperial arrogance”, *Wall Street Journal Europe*, March 15, 2011.

²²² Thomas Cottier, Sofya Matteotti-Berkutova and Olga Nartova, “Third Country Relations in EU Unbundling of Natural Gas Markets: The ‘Gazprom Clause’ of Directive 2009/73 EC and WTO Law”, *NCCR Trade Regulation Working Paper*, No 2010/06, May 2010, http://www.nccr-trade.org/fileadmin/user_upload/nccr-trade.ch/wp5/Access%20to%20gasgrids.pdf, Accessed March 19, 2011.

establish “supply security” by gaining access for its energy companies to the hydrocarbon resources of producing countries. Despite European pressure, Russia refuses to ratify the Charter, as it is unwilling to give up control over its pipeline infrastructure to foreign companies.²²³

The second strategy the EU follows in order to pursue its interests as an energy consumer is to diversify sources of energy supply in order to develop alternatives to Russian gas and oil. As a part of this strategy the EU is promoting the development of pipelines that bypass Russian-controlled pipeline systems. The first of these is the Tbilisi–Baku–Ceyhan (TBC) pipeline, which brings oil from Azerbaijan and Kazakhstan to European markets without passing through Russia. This pipeline became operational in 2006. A second major project is the Nabucco natural gas pipeline, which would diversify European gas supply by directly connecting European markets to natural gas sources in the Caucasus, Central Asia and Middle East. Nabucco has run into considerable difficulties and it is still uncertain whether the project gets past the initial planning stages. The main problem is that the EU has not been able to gain access to the gas supplies needed to make the pipeline economically feasible, as producer countries have been unwilling to give firm commitments to the project.²²⁴

The EU is also investing in the development of alternative energy technologies that would make it less dependent on Russian gas, such as LNG and shale gas.²²⁵ Advances in the extraction of shale gas, which is extracted from solid rock through horizontal drilling and high-pressure fluid injection known as “fracking”, could radically transform global natural gas markets. The growth of shale has allowed the United States to overtake Russia as the world's leader in gas production, with 745.3 billion cubic meters extracted in 2009 compared with Russia's 582.9 billion cubic meters.²²⁶ Many EU countries also boast large reserves of shale gas. A report by the Baker Institute of Rice University predicts that the exploitation of European shale gas reserves will allow European countries to reduce their current dependence on Russian gas supplies by over 50 percent in the next thirty years.²²⁷

Europe’s energy strategies are at odds with the strategies Russia has adopted to defend its interests as an energy supplier. First, Russian energy companies have looked to expand their ownership of downstream assets. Acquiring assets in transmission and distribution companies opens up the opportunity for energy producers to sell their resources directly to their own subsidiaries without having to face competition on wholesale markets. It also helps to increase profits for producers, as they can now capture profit margins that would normally go to middlemen operating in the downstream segments of the industry.²²⁸ This strategy also converges with Russia’s strategy of promoting integration with the EU through “asset swaps”,

²²³ Sergei Kolchin, “Why Russia Refuses to Ratify Energy Charter”, *RIA Novosti*, July 4, 2006.

²²⁴ Judy Dempsey, “European Pipeline Project Faces Formidable Obstacles”, *New York Times*, March 7, 2011, <http://www.nytimes.com/2011/03/08/business/global/08nabucco.html?src=busln>, Accessed March 20, 2011

²²⁵ “East Europe's shale gas push faces old foe Russia”, *Reuters*, December 7, 2011.

²²⁶ “Alternative gas threatens Gazprom's operations – IEA paper”, *RIA Novosti*, March 10, 2010.

²²⁷ “U.S. Report Sees Big Role for Shale Gas”, *Moscow Times*, July 28, 2011.

²²⁸ Sadek Boussena and Catherine Locatelli, “Gas Market Developments and Their Effect on Relations Between Russia and the EU”.

whereby Russia and Europe would be drawn together by buying into each other's economies. As detailed in the previous chapter Russia's attempts to buy downstream assets in Europe have run up against stiff opposition from European governments.

Second, in the gas sector, the Russians have fought tooth and nail to retain the current system of long-term contracts. Gazprom prefers long-term contracts because they provide certainty over prices and guarantee that funds will be available for investment in production and transit infrastructure. This is especially important as most Russian gas fields date back to the Soviet period and Russian companies will have to make major investments in developing new gas deposits in order to maintain the current level of production.²²⁹ Long-term contracts, however, are under increasing strain. Demand for gas has dropped due to the economic downturn and new breakthroughs in LNG and Shale have substantially increased potential supplies, leading to a glut on the international gas market.²³⁰ European consumers have pressured Gazprom to renegotiate existing long-term contracts to reflect these changes to the market. EU authorities have called for a turn towards short-term and spot pricing, arguing that long-term contracts are a barrier for entry into the market for new firms and thus contradict the EU's policy of promoting competition in energy markets.²³¹

Third, Russia has sought to diversify its consumer base to include Asian markets, and particularly China. China's development bank agreed to lend 25 billion USD to Russia's oil giant Rosneft and pipeline monopoly Transneft. In exchange both companies will send China 15 million tons of oil a year for the next 20 years.²³² China and Russia completed construction of the 3,018 mile East Siberia Pacific Ocean Pipeline (ESPO), which will bring Russian oil directly to Chinese and Asian markets. The pipeline currently pumps around 300,000 barrels per day (bpd) and there are plans to expand the pipeline's capacity to accommodate 1 million bpd by 2016.²³³ The latter figure represents around 25% of Russia's current exports and 20% of China's current oil imports. Russia and China are also in the middle of negotiating a major deal for Russian natural gas, which could break Europe's monopoly as Russia's primary gas consumer. The deal foresees Russia exporting up to 68 billion cubic meters of gas per year to China (compared to expected export volumes to Europe of more than 150 billion cubic meters in 2011).²³⁴ This kind of diversification of its customer base could shift EU-Russian interdependence decisively in Russia's favor. Fortunately for the Europeans, this potentially game-changing natural gas deal

²²⁹ According to official Russian government estimates Russia will need to invest 400-500 billion USD into the energy sector for the period of 2011-2020. See: "Energeticheskaya strategiya Rossii do 2020 goda", (Russia's Energy Strategy to 2020), *Rossiskaya Gazeta*, October 7, 2003, <http://www.rg.ru/2003/10/07/energetika.html>, Accessed March 20, 2011.

²³⁰ "Alternative gas threatens Gazprom's operations – IAEA paper", *RIA Novosti*, March 10, 2011.

²³¹ Boussena and Locatelli (2011).

²³² "China Makes 25mln Loan to Trans/Rosneft", *Moscow Times*, February 17, 2009.

²³³ "China leg of Siberia oil pipeline to cost \$600 mln – Transneft", *Reuters*, October 20, 2008. Russian oil exported around 4 bpd in 2011, a peak production year. See: "Russian oil output, exports up in July 2011", *Reuters*, August 11, 2011. China imports between 4.5 and 5 million bpd. See: "China July crude imports hit 1-year low", *Reuters*, August 10, 2011.

²³⁴ "Russia, China edge closer to strategic gas deal", *Reuters*, June 16, 2011.

still faces one major obstacle, as the Chinese and Russian sides still have not been to come to an agreement over price.²³⁵

Fourth, the Russian government is trying to guarantee that the largest and most lucrative deposits in Russia are developed by Russian companies. In this way profits from hydrocarbon exports will stay in Russia, where they can be reinvested in the overall modernization of the economy. In 2008 the Russian government adopted a law on investment in strategic sectors of the economy that restricts foreign investment in 42 different sectors, including large oil and natural gas deposits.²³⁶ The Russian government also uses less formal methods to ensure that energy profits stay in Russia and under government control. Environmental violations have been used to pressure Western companies such as BP and Shell into selling stakes in major natural gas projects to Gazprom.²³⁷ Russian businessmen who defy the Kremlin may face prosecution for tax invasion, embezzlement, and other crimes. Observers believe that the Russian government's prosecution of Mikhail Khodorkovsky and its takeover of the oil company Yukos were at least partly motivated by their desire to thwart Khodorkovsky's plans to merge Yukos with a major US oil firm.²³⁸

Russia has also looked to move towards market pricing in its energy sales to former-Soviet states. Under Yeltsin energy discounts were given to these states as a way of keeping these countries loyal to Russia.²³⁹ However, with several of these countries moving away from Moscow's orbit, this policy began to exhaust itself in the eyes of Russia's elites.²⁴⁰ Moscow has subsequently moved to end these subsidies and to renegotiate energy contracts on the basis of world market prices. This has led to some bitter disputes over energy pricing with Ukraine and Belarus. These disputes are complicated by the fact that Russian oil and gas exports must cross these countries on their way to European markets. Russia cannot cut supplies to these countries in retaliation for non-payment without also cutting supplies to Western Europe. Russia's decision to cut gas supplies to Ukraine in the winters of 2006 and 2009 left millions of European consumers facing gas shortages and cut several East European states off entirely. And though these disputes were eventually resolved and the flow of natural gas restored, pricing disputes have come to the fore every winter since, threatening Europe with the grim prospects of energy cuts at the worst possible time of year.

Finally, Russia works to maintain control over energy supplies in other post-Soviet states and to make sure that these energy supplies are transported to Europe via Russian-controlled

²³⁵ Ibid.

²³⁶ *Federal'nii zakon: O poryadke osushествleniya inostrannix investicii b xozyaistvennie obshestva, imeioshie strategicheskoe znachenie dlya obespecheniya oboroni strain I bezopasnosti*, (Federal Law: On the procedures regulating foreign investment in enterprises which have strategic importance for the defense of the country and state security), April 29, 2008, http://www.businesspravo.ru/Docum/DocumShow_DocumID_137774.html, Accessed: March 22, 2011.

²³⁷ "Russia to seize Kovytko gas field from BP venture", *The Telegraph*, February 18, 2010, "Kremlin attack dog vows to take on Shell in the battle of Sakhalin", *The Guardian*, October 4, 2006.

²³⁸ Tom Bower, *Oil: Money, Politics, and Power in the 21st Century*, (New York, Grand Central Publishing, 2009)

²³⁹ Bobo Lo, *Russian Foreign Policy in the Post-Soviet Era : Reality, Illusion, and Mythmaking* (New York : Palgrave Macmillan, 2002), pp72-86.

²⁴⁰ Ibid.

pipelines. Russia can take advantage of Soviet legacies to accomplish these goals. Most of the existing oil and gas infrastructure, including pipelines and refineries, was built in Soviet times and thus ignores present day inter-republican borders. In most cases existing gas and oil pipeline systems must cross through Russia on its way world markets. Existing pipeline and refining networks also make many former Soviet states dependent on Russia for their energy needs. For example, much of Kazakh gas must first follow Soviet pipeline system back to Russia before being sent back to Kazakhstan for consumption. Similarly, much of Kazakhstan's own oil must first be sent to Russia for refining before being sent back to Kazakhstan for domestic consumption. Thus despite the fact that Kazakhstan is a major oil and gas producer, the country is still dependent on Russian for much of its energy supplies. This provides Moscow with tremendous leverage over Astana. Russia has used this leverage to secure Russian participation in Kazakh energy projects and to discourage Kazakhstan from participating in pipeline projects sponsored by the West.²⁴¹ Russia has also used its dominance over European markets to discourage Turkmenistan and Uzbekistan from selling their natural gas directly to Europe. Both countries have signed long-term gas supply agreements at reduced prices with Russia.²⁴² Russia has established a monopoly over Central Asian gas volumes to Europe, which frees up gas volumes that would normally go towards domestic consumption to be exported to Europe and also helps Gazprom cover for temporary shortfalls in its supplies to Europe.²⁴³ In this respect, Russia has successfully stayed one step ahead of the Europeans, locking down control over gas supplies throughout the former Soviet states, and thus denying gas to EU pipeline projects such as Nabucco.

In order to avoid conflicts with transit countries such as Ukraine and Belarus, Russia is building new pipeline systems that bypass these countries all together. Russia is building two new pipeline projects to bring natural gas directly to European customers. The Nord Stream pipeline will bypass Central European and former Soviet states, bringing Russian gas directly to Northern Europe via a pipeline under the North Sea from Vyborg in Russia to Greifswald in Germany. The project is being built in partnership with the German company BASF (which has a minority stake in the project) and has strong support from the German government. Nord Stream began deliveries of natural gas in November of 2011 and construction continues with plans to build a second pipeline that will double Nord Stream's current capacity to 56 billion cubic meters of gas per year by 2016.²⁴⁴ The project drew sharp criticism from EU energy commissioner Andris Piebalgs, who said the pipeline set an "unhappy precedent" that undermines EU efforts to work out a common energy plan. Polish Defense Minister Radek Sikorsky called the Russian German

²⁴¹ Stulberg, pg 118-119.

²⁴² Russia was able to undercut Turkmen and Uzbek efforts to sell their gas directly to Europe and Turkey by flooding both markets with Russian gas, which was more attractive to these consumers because it came from established sources and moved through established pipelines. See: Stulberg: pg 99-117.

²⁴³ Martha Brill Olcott, "International Gas Trade in Central Europe: Turkmenistan, Iran, Russia, and Afghanistan", *Program on Energy and Sustainable Development*, Stanford University May 2004, Pg 26, http://www.rice.edu/energy/publications/docs/GAS_InternationalGasTradeinCentralAsia.pdf, Accessed March 26, 2011.

²⁴⁴ "Nord Stream Is Giving Europe Gas", *The Moscow Times*, November 8, 2011.

project “a new Stalin–Ribbentrop Pact” and accused the two great powers of again looking to “carve up” Poland and the rest of Central Europe between them.²⁴⁵

Russia is developing a second pipeline project, South Stream, with a consortium of Italian, French and Turkish companies. South Stream will bring Russian gas to the Southern European market, bypassing overland routes that pass through Ukraine via a pipeline under the Black Sea. Gas will be brought to European consumers via terminals in Hungary, Bulgaria and Turkey. South Stream is scheduled to be online in 2015, though current gluts in the natural gas market could delay completion of this project. Together these two new pipelines would be able to handle about two-thirds of the gas capacity that currently passes through Ukraine and Belarus on its way to Europe.²⁴⁶

Russia has taken steps to secure dominance over pipeline infrastructure in the Black Sea and Caspian regions in order to prevent these regions from becoming geographic corridors for bringing hydrocarbons from Central Asia and the Caucasus directly to Europe. Russia completed construction of the Blue Stream pipeline in 2005. The pipeline brings gas directly from Russia to Turkey via pipelines under the Black Sea, and circumvents energy transit routes to Turkey that previously went through Ukraine, Moldova, Romania, and Bulgaria. Observers believe that the project is intended to forestall EU efforts to establish a Trans-Caspian Pipeline (TCP) that would send gas from Turkmenistan and Azerbaijan directly to Turkey and on to European markets. The TCP would run under the Caspian Sea where it would connect with an existing pipeline in Turkey, which in turn would be connected to the Nabucco pipeline. As much of the gas intended for the TCP now moves through the Blue Stream pipeline, the TCP project has been shelved for the foreseeable future.²⁴⁷ Russia and Iran (which also sees the TCP as a competitor for its own natural gas exports) have both oppose the construction of the TCP pipelines on environmental grounds and claim that construction of any project in the Caspian Sea cannot legally go ahead without the consent of all five Caspian littoral states.²⁴⁸

²⁴⁵ Ian Traynor, “Poland Recalls Hitler–Stalin Pact Amid Fears Over Pipeline”, *The Guardian*, May 1, 2006, <http://www.guardian.co.uk/world/2006/may/01/eu.poland>, March 26, 2006.

²⁴⁶ Boussema and Locatelli (2011).

²⁴⁷ Sergei Blagov, “Russia Tries To Scuttle Proposed Trans-Caspian Pipeline”, *Eurasianet.org*, March 27, 2006, <http://www.eurasianet.org/departments/insight/articles/eav032806.shtml>, Accessed: March, 25, 2011.

²⁴⁸ “Russia says pipelines across Caspian Sea floor unacceptable”, *RIA Novosti*, January 25, 2008, “Iran warns against Trans-Caspian pipeline”, *Asia Times*, February 2, 1999.

Table 3: EU Strategies for Securing Energy Supplies and Keeping Energy Prices Low vs. Russian Strategies for Securing Markets and Maximizing Energy Profits

| EU Strategy | |
|---|---|
| Liberalization of Energy Markets | <ul style="list-style-type: none"> -Legislation to “unbundle” vertically integrated energy companies -Legislation guaranteeing equal access to pipelines and energy infrastructure |
| Diversifying Energy Supply | <ul style="list-style-type: none"> -Establishing pipelines that bypass Russia (e.g. TBC, Nabucco, TCP) -Developing Liquid Natural Gas and Shale Gas technologies |
| Energy Pricing that Benefits Consumers | <ul style="list-style-type: none"> -Advocating short-term contracts and spot pricing for the natural gas market |
| Russian Strategy | |
| Expanding Downstream Assets | <ul style="list-style-type: none"> -Russian Oil Companies buy up refineries and filling stations in Europe -Gazprom buys stakes in European gas and utilities companies |
| Energy Pricing that Benefits Producers | <ul style="list-style-type: none"> -Insisting on long-term contracts rather than spot pricing for the natural gas market |
| Diversification of Markets | <ul style="list-style-type: none"> -Negotiating long-term gas and oil contracts with China and other Asian countries -ESPO pipeline |
| Move Towards market Pricing in the CIS | <ul style="list-style-type: none"> -Renegotiating energy contracts with CIS consumer countries -Aggressively buying up control of CIS energy assets |
| Maintain Control Over Eurasian Energy Transit Routes to Europe | <ul style="list-style-type: none"> -Buying up energy transit infrastructure in the CIS - Pressuring Central Asian energy producers to use Russian pipeline infrastructure -Building pipelines that bypass transit countries, (e.g. North Stream, South Stream and Blue Stream pipelines) |

Table 3 outlines the different Strategies Russia and the EU use in order to achieve their energy goals. Both sides have adopted a range of policies designed to improve their energy security and their position on energy markets. But any gains that either side makes invariably come at the expense of the other side. Liberalization of energy markets alleviates Europe's concern about Russian energy blackmail. But it also awakens Russian concerns about losing control of its natural resource wealth to outsiders. The EU builds pipelines to lessen its dependence on Russian hydrocarbons. But Russia fears that new pipelines will drive down energy prices and hinder its plans to use energy revenue to modernize its economy. Russia builds pipelines to keep disputes with transit states from spilling over into larger supply disruptions. But Europeans fear that new pipelines will make it easier for Russia to use energy blackmail against transit states. What once promised to be an area where both sides could benefit from cooperation increasingly takes on the characteristics of a classic security dilemma, where neither side can improve its security without threatening the security of the other.

On the surface the Russia-EU energy relationship seems to be a good fit for both parties. Yet, rather than bringing the two sides closer together, energy interdependence has actually exacerbated tensions and given rise to new security and relative gains concerns. According to Tatiana Romanova, "The idea of mutual dependence (with Russia being interested in the security of demand and the EU pursuing the security of supply) has failed to play its part."²⁴⁹ Both sides have been unable to use the situation of mutual dependence to develop deeper cooperation. They find it difficult to accept dependence – even when they recognize that dependence is mutual and that cutting off cooperation would incur unacceptable costs for both sides. Each side has taken steps to lessen their dependence on the other. This awakens fears of *asymmetrical interdependence*: i.e., that one side will be less dependent on the relationship than the other and will use this to take advantage of the other side. As a result energy relations are increasingly "securitized". "Securitization means that energy relations are taken out of the context of normal politics, which is not compatible with the construction a larger energy market between Russia and the EU."²⁵⁰

Lessons from the 1990s

Proponents of the ILO, argue that the spread of liberal capitalism has a civilizing influence on international relations because it decreases the role and importance of the state in the economy. Commercial relations between individuals and private enterprises based on market principles replace the power based relations between states.²⁵¹ Some liberal theories popular in the immediate post Cold War period went so far as to predict that the modern nation state, focused on securing control of economic resources over its national territory, would be replaced by "trading states" and "regional associations" focused on increasing the benefits from trade and globalization.²⁵² Russians have grown skeptical about these neoliberal

²⁴⁹ Romanova (2007), pg 14.

²⁵⁰ Ibid.

²⁵¹ Michael Doyle, "Three Pillars of the Liberal Peace", *American Political Science Association Review*, Vol 99, No3, August 2005, pp 463-66.

²⁵² Kenichi Ohmae, *The End of the Nation State and the Rise of Regional Economies* (New York : Free Press, 1995).

economic theories. They believe that, like Marxists' predictions about the "withering away" of the state that preceded them, these predictions underestimated the resilience of states and their continued importance in balancing out the negative effects of economic integration. According to Sergei Karaganov, globalization has made people and corporations much more vulnerable to external influence. "States now do not look like an atavism, as many predicted, but are key instruments and players in global politics and economy. In fact, with the rise of Asia, a re-nationalization of international relations has begun with the nation state again at center stage."²⁵³

Russian skepticism about these liberal theories has its roots in the country's difficult experience with post-communist economic reform in the 1990s. Russia's liberal economic reformers undertook a reform program of creative destruction of the old communist economy. The idea was that the only way to break the stranglehold that the communist state had over the economy was to destroy old economic relationships and replace them with market relations as soon as possible. Less attention was paid towards developing the government institutions (such as functioning law enforcement bodies), regulatory bureaucracy, and a legal system that are necessary to make markets work. Russia's liberal reformers believed that these institutions would naturally develop once true market relations were established.²⁵⁴

Many observers believe that this approach was fundamentally flawed because it failed to recognize the vital role that state institutions play in helping markets properly function. According to Yoshiko Herrera, "By offering a very simple market model, the neoliberal reform program in Russia failed to deliver the expertise and understanding of complexity in market institutional design that is necessary for a functioning market economy."²⁵⁵ Russian critics have been even more damning of Russia's liberal reformers, "The Yeltsin Government implemented an ideology of market fundamentalism, and in the process constructed yet another utopian model with an even more deplorable result than in the earlier socioeconomic experiment carried out under Communist slogans. In other words, we have gone from one extreme to another and have once again —in the spirit of the Bolshevik Internationale – destroyed the old world to its foundations without replacing it with another."²⁵⁶

It is difficult to overstate just how painful the experience of reform was for Russian society. Between 1991 and 1995 the Russian economy declined by over 50% – far greater than the US experience during the great depression. According to World Bank estimates the number of Russians living below the poverty line increased from 2 million before the reforms in 1989 to over 74 million in 1996.²⁵⁷ By 1996, 25 percent of the Russian population – some 37 million

²⁵³ Sergei Karaganov, "Rossii vezet" (Lucky Russia), *Rossiia v globalnoi politike*, March 7, 2011.

²⁵⁴ Peter Reddaway and Dmitri Glinski, *The Tragedy of Russia's Reforms : Market Bolshevism Against Democracy* (Washington, D.C. : United States Institute of Peace Press, 2001).

²⁵⁵ Yoshiko Herrera, "Lessons from Russia's Experience with Market-Oriented Reform", *PONARS Policy Memo* 85, October 1999, Pg 5.

²⁵⁶ Sergei Glazyev and Vladislav Inozemtsev, "The Reform Period Over? An Interview", *Social Sciences*, No3, September 2005, pp 11-12.

²⁵⁷ Georgi Arbatov, "Origins and Consequences of Shock Therapy", in, Lawrence R. Klein and Marshall Pomer eds, *The New Russia: Transition Gone Awry* (Stanford: Stanford University Press, 2001), pg 171.

people – lived in what was described as “desperate poverty”.²⁵⁸ Crime and murder rates doubled, equaling or surpassing the highest levels in the world. By the mid 1990s the murder rate stood at over 30 per 100,000 inhabitants. Only two countries not at war had higher murder rates at that time—South Africa and Colombia. By comparison murder rates in countries known for their high level of violence, such as Brazil and Mexico were 50 per cent lower than Russia’s.²⁵⁹ Life expectancy plummeted by 6.2 years for men and 3.4 years for women. The mortality rate rose from 10 per thousand in 1990 to 16 per thousand in 1994, and stayed at a level of 14 to 16 per thousand for the next decade.²⁶⁰ According to economist Vladimir Popov mortality rates reached their highest point in the entire post-WWII period. By comparison, the last year of Stalin’s regime (1950-1953), which witnessed high death rates in labor camps and as a consequence of wartime malnutrition and wounds “only” recorded a death rate of 9-10 per thousand.²⁶¹ As a result of all these hardships Russia’s population declined by more than 6.8 million people between 1991 and 2000 – the greatest peace time population decline in history.²⁶²

Many well informed Western observers argue that economic reform in Russia failed because liberal economic and political reforms were only implemented as half measures and not allowed to run their natural course.²⁶³ According to these arguments the mistake was not in choosing a course of “shock therapy”, but in not providing enough shock to the economic system to release it from the stranglehold of state bureaucrats and other special interest groups. Half-way reforms opened up new opportunities for these groups to engage in arbitrage and illicit gains. It is not my purpose here to evaluate these claims or to take a position in this ongoing debate on why Russia reform efforts failed. However, I do claim that a general consensus exists in Russia among both elites and the popular public that the neoliberal reforms of the 1990s were a failure and that Russia should have implemented a more gradual approach to economic reform. According to a 2011 poll by VTsIOM (the National Public Opinion Research Center) 38% of Russians polled believe that they are worse off now than before privatization. And while 58 percent are confident that the transition towards a market economy was correct, almost two-thirds object to the way it was carried out.²⁶⁴

Many Russians have come to blame the West for these misfortunes. The behavior of many Westerners gave credence to these beliefs. Many westerners who came to Russia to advise the government reform efforts often dispensed their advice in an arrogant and callous manner,

²⁵⁸ Ibid, 173.

²⁵⁹ Vladimir Popov, “Russia Redux”, *New Left Review*, 44 march/April 2007, pg 46-47.

²⁶⁰ David Stuckler, Lawrence King, and Martin McKee, “Mass Privatisation and the Post-Communist Mortality Crisis: a Cross-National Analysis”, *The Lancet*, Volume 373, Issue 9661, pp 399 - 407, January 2009

²⁶¹ Vladimir Popov, “Resurgent Russian economy? Putin’s policy without Putin?”, *International Journal*, Spring 2008, pg, pg 252.

²⁶² Source: Goskomstat, <http://www.gks.ru/dbscripts/Cbsd/DBInet.cgi#1>. Retrieved May 14, 2011.

²⁶³ For strong arguments in support of the latter position see: M. Steven Fish, “The Hazards of Half-measures: Perestroika and the Failure of Post-Soviet Democratization”, *Demokratizatsiya* 13, 2, Spring 2005, pg 241-53, Joel Hellman, “Winners Take All: The Politics of Partial Reform in Postcommunist Transitions”, *World Politics*, vol. 50, N 2, 1998, pp 203-34.

²⁶⁴ “Russia: What kind of capitalism?”, *RIA Novosti*, June 8, 2011.

oblivious to the social costs it entailed. Others took full advantage of the chaotic and lawless atmosphere to line their own pockets. Even such venerable institutions as Harvard University, which was brought in by the Russian government to advise it on privatization, found itself surrounded by scandal when it was discovered that members of its privatization team were using their inside knowledge to profit on the Russian stock market.²⁶⁵ Whether rightly or wrongly most Russians now believe that the liberal economic reform efforts of the 1990s were, at best naïve and shortsighted, and at worst a conspiracy orchestrated by the West to permanently emasculate Russia and remove it as a threat and geopolitical competitor. According to Georgi Arbatov “Many of my countrymen now understand shock therapy as a conscious design to undermine Russia completely as a great power and transform her into a kind of third world country.”²⁶⁶

The New Statism – Taking Control of the “Commanding Heights” of the Economy

As was the case with the Great Depression in the US, the experience of the 1990s has shaped the thinking of an entire generation of Russians. Many Russian leaders and economists have begun to advocate a more gradual approach to economic reform in which the state plays a more active role in directing economic development and setting up the institutions that can make markets function properly. “Economic growth in transition economies requires governments to engage in a coordinated problem solving process of institutional formation. They must establish the organizational structures necessary for holistic growth and create the conditions necessary for technological modernization and economic efficiency. You must create a favorable environment for the recovery of investment and innovation and to generate genuine entrepreneurial behavior at the micro level.”²⁶⁷ Without some form of state coordination economic reform will be hijacked by private groups looking to gratify their narrow interests. “In my experience we are convinced that without a focused strategy instrumental interests will take precedence over meaningful and strategic economic development, and in practice development will only serve the opportunistic short-term commercial interests of small groups.”²⁶⁸

Russian leaders argue that developing countries must adopt statist policies that contradict liberal economic theories in order to advance the cause of economic development. For example, Russian leaders see a pressing need for a robust state directed industrial policy that can channel investment into needed sectors of the economy and foster their development. They believe that the private sector (and especially the financial sector) is still too underdeveloped to provide this investment, while foreign capital still sees investment in Russia as being too risky. According to Putin, “We have been through de-industrialization and the structure of the economy is greatly deformed. Large private capital is not entering new sectors

²⁶⁵ David McClintick, “How Harvard Lost Russia”, *Institutional Investor*, February 27, 2006.

²⁶⁶ Arbatov (2001), Pg 179.

²⁶⁷ Sergei Glazev, “O vybore strategii budushego razvitiya” (On the choice of future development strategy) , *Svobodnaia Mysl*, Vol XXI, no 2, pg 4-5.

²⁶⁸ Ibid. 5.

voluntarily - it does not want to bear increased risks... Are we ready to take such a heavy risk with Russia's future for the sake of the purity of an economic theory?"²⁶⁹ The move to create large vertically integrated state corporations such as Rostekhnologii (the state corporation designed to promote the development of the high-tech sector), Rosatom (State Corporation for Atomic Energy), the Amalgamated Aircraft Manufacturing Corporation and the Amalgamated Shipbuilding Corporation have been widely criticized in the West as being economically inefficient and for fostering high levels of corruption. However, Russian leaders justify the moves by arguing that in order to guarantee much needed investment in these critical industries the state has little choice but to step in and take ownership where the private sector has failed to act. According to Putin, "The aim was to halt the disintegration of our industry's intellectual sectors and preserve the scientific and production potential.... There was no question of suppressing private initiative - there simply was none in these sectors."²⁷⁰

Putin and other Russian leaders point to the experience of countries that have followed strong state led growth and industrial policy programs to justify these moves. "The experience of the successful modernization of the economy of such countries as South Korea and China shows that the state's stimulus is necessary and that its effect outweighs the risk of error. Without targeted efforts diversification will be difficult to implement."²⁷¹ Moreover they note that many developed Western countries are also ready to adopt statist and protectionist measures to protect strategic sectors of their economies and to make sure that the most profitable high tech aspects of production remain under national control. "We have seen this for ourselves when in conditions of crisis our Russian companies tried to buy a number of assets abroad. As soon as the discussion turned to complete-cycle technological complexes - even in the automobile industry - our Western partners immediately gave us the red light."²⁷²

Remarkably, Putin lays out his vision for a strong state role in the Russia's economy (and especially in the natural resource sector) in his doctoral thesis, which he wrote several years before becoming president while he was still serving as deputy mayor in St Petersburg under the administration of Anatoly Sobchak.²⁷³ In the thesis Putin argues that the key to Russia's future prosperity will be the ability of Russia to exploit the natural resource sector for the development and modernization of the economy as a whole. He argues that this task cannot be trusted to private individuals, who will always look towards their narrow interests. This is the lesson he draws from the experience of the 1990's, when owners of natural resources were more interested in pursuing profits (often by stripping assets of the companies they acquired) than in investing in the development of the industry. As a result oil and gas production plummeted. Select individuals grew fabulously rich while the nation as a whole was

²⁶⁹ Vladimir Putin, "O nashix ekonomicheskix zadachax" (On the economic tasks we face), *Vedomosti* January 30, 2012.

²⁷⁰ Ibid.

²⁷¹ Ibid.

²⁷² Ibid.

²⁷³ Harley Balzer, "Vladimir Putin's Academic Writings and Natural Resource Policy", *Problems of Post-Communism*, January/February 2006, pp. 48-54. The actual thesis is not available to the general public as it has been classified by the Russian government. However, using the accounts of others who have read the thesis, as well as an article that Putin wrote immediately after defending the thesis, Balzer is able to reconstruct some of its main arguments.

impoverished. Putin concludes that it is a mistake to rely on private owners and markets alone. Instead the state must play a leading role in guiding industry to build “national champions” that will make sure that companies use natural resources to further the interests of the state – and by extension – of society as a whole.

This does not necessarily mean state ownership. Putin recognizes the need for private initiative and markets in order to avoid economic stagnation and waste. He also recognizes that Russia needs foreign technology and investment to modernize its economy. But with the right type of guidance and pressure from the state, companies which are predominantly privately owned can also serve larger state and societal interests. “Regardless of who is the legal owner of the country’s natural resources, and in particular the mineral resources, the state has the right to regulate the process of their development and use. The state should act in the interests of society as a whole. When the interests of society and individual property owners come into conflict with one another they need the help of state organs of power to reach compromises.”²⁷⁴

Harvard economist Marshall Goldman sees Putin’s academic writings as constituting a “blueprint” for establishing firm state control over strategic sectors of the economy.²⁷⁵ Putin has had great success in implementing this plan. During the Yeltsin years Russia’s gas monopoly Gazprom became a state within a state run by a venal and self-serving clique of bureaucrats led by former Prime Minister and Gazprom CEO Viktor Chernomyrdin. Putin forced Chernomyrdin’s clique out and replaced them with executives loyal to the Kremlin, turning Gazprom into a powerful instrument in domestic and foreign policy. Putin was also able to reassert control over the oil industry, and as a result of these efforts today almost 40 percent of Russian oil production is directly controlled by state owned companies – up from 24 percent in 2003.²⁷⁶

The most famous victims of Putin’s campaign to reassert state control has been Mikhail Khodorkovsky and his oil company Yukos. Yukos accounted for almost 20 percent of Russian oil production before its assets were frozen and sold off to companies affiliated with the Russian state. The state has also quietly reasserted control of large energy companies such as Sibneft and Rusneft, which have either been taken over by state companies or by Russian oligarchs, such as Oleg Deripaska and Roman Abramovich, who often take their cue directly from the Kremlin. Even foreign energy giants such as BP, Shell, Exxon and France’s Total have come under increasing government pressure. In several instances they have been forced to relinquish control over their Russian operations or to renegotiate the terms of Production Sharing Agreements (PSAs) they have with Russian companies so that they are more favorable to the Russian side.²⁷⁷

²⁷⁴ Balzer, pg 51.

²⁷⁵ Goldman, *Oilopoly* pp 97-99.

²⁷⁶ Philip Hansen, “The Resistible Rise of State Control in the Russian Oil Industry”, *Eurasian Geography and Economics*, Volume: 50, Issue: 1, Winter 2009, Pp 14-27.

²⁷⁷ Goldman, *Oilopoly* pg 128-132.

The state has also increased its control over the banking sector. From 2001 to 2009, the percentage of the country's banking assets under direct or indirect control of the government rose from 36 percent to 56 percent. State controlled banks play an important role in Putin's economic nationalism. They direct investments and loans (at favorable rates) towards priority sectors and provide capital to companies that would have to seek foreign investment, making sure that the "commanding heights of the economy" do not fall under the foreign control.²⁷⁸

The Kremlin employs a range of tactics to maintain influence over Russian companies in strategic industries that are not under direct state ownership. The government uses tax, environmental and other inspections and investigations to put pressure on companies and remind them who is really in charge. According to Goldman, "Like a well-bred and carefully trained horse that still needs the periodic sting of the whip to remind it that it is still a horse and the man in control is the jockey, the Kremlin will almost as a matter of routine periodically send in tax inspectors, not only to carry out inspections and collect taxes but also to harass."²⁷⁹

In the energy sector, state owned companies such as Transneft and Gazprom have almost complete control over the country's pipeline infrastructure. Private energy companies must comply with the wishes of the Kremlin and large state companies if they want to use these pipelines to bring their oil and gas to market. In 2007 Gazprom used this kind of pressure to force the British Russian joint venture TNK-BP to sell it a controlling stake in its Kovytko gas project for \$12.5 billion – far below the estimated market value of \$20.5 billion.²⁸⁰ Even companies which have built up a reputation for independence, such as Lukoil, routinely consult with the Kremlin before making major moves. Lukoil was careful to ask for Putin's approval before moving ahead with a deal to sell a substantial share of its stock to Conoco-Philips. And though it received Putin's blessing for the deal, he only allowed Lukoil to sell 20% of its stock to the American oil giant.²⁸¹

Senior government officials routinely sit on the boards of Russia's major corporations, representing another lever of state control over the economy. Presidential aid and former KGB General Viktor Ivanov is also chairman of Aeroflot and Almaz-Antei (a major defense contractor). First deputy prime minister Sergei Ivanov is head of the United Aircraft Corporation, the state aviation holding company. Before assuming Russia's presidency, Dmitry Medvedev simultaneously served as deputy prime minister and Chairman of Gazprom. According to Goldman, "By staffing these companies with his former comrades from either the KGB or the staff of the late Mayor Anatoly Sobchak of St. Petersburg, under whom he served as first deputy mayor, Putin has restored the role of the state over some of its more important assets while at the same time putting his crowd in control...Putin now has several giant state-owned industrial champions that he can use as instruments of foreign policy."²⁸²

²⁷⁸ Kim Iskyan, "Sorry Medvedev. Putin Won't Sell Off Sberbank", *Moscow Times*, March 28, 2012.

²⁷⁹ Goldman, *Oilopoly*, pg 127-128.

²⁸⁰ *Ibid.* 131.

²⁸¹ *Ibid.* 126.

²⁸² Marshall I. Goldman, "Kremlin Capitalism", *Moscow Times*, September 22, 2006.

There has been much recent debate in Russia about the negative effects that state ownership is having on economic competitiveness. Both Putin and Medvedev have pledged to divest the state from its ownership stakes in many segments of the economy. In March of 2011, Medvedev issued a presidential decree ordering all senior government officials to resign from their seats in private boardrooms. Most notably, Medvedev ordered Deputy Prime Minister for Energy Igor Sechin, to resign from his post as chairman of Rosneft. Sechin is Russia's unofficial energy Tsar and a former KGB colonel whom many regard as the unofficial head of the "siloviki" (the clan of former Soviet security and intelligence officers who rose to prominence under Putin). Yet for the most part, these efforts have been largely cosmetic. Privatization of corporations where the state is the major shareholder has moved ahead at a very slow pace. In almost all of these cases the state will retain ownership of the 50 percent + 1 share of stocks necessary to retain formal control of these enterprises. Sechin and other senior officials who have resigned from their posts continue to control the same corporations through proxies they have had elected to corporate boards.²⁸³

While Putin and Medvedev pledge that they will decrease the state's role in the economy, Russia's powerful state companies are actually expanding their grip in key economic sectors. Reform in the electricity industry illustrates this trend. Putin tasked Anatoly Chubais, a leading liberal and one of the major architects of Russian reform in the 1990s, to break up the state's monopoly on electricity production and to privatize the industry. Chubais carried out these duties with much fanfare. But in reality most electricity assets have been bought up by other state owned companies. As a result, over 70 percent of electricity production is controlled by state owned corporations.²⁸⁴ The government may be committed to privatization in principle. But in practice the state's role in the economy continues to grow. The state's share of stock market capitalization stood at nearly 50 percent in 2012— up from 24 percent in 2004.²⁸⁵

There is very little enthusiasm among the general public for another round of privatization that would reduce the state's role in the economy. According to a poll published by the state polling agency VTSIOM, only 27 percent support Medvedev's plans to minimize the state roll in the economy, while over 47 percent said they were opposed to them.²⁸⁶ In interpreting these results, Sociologist Valeriy Fedorov explains that the public only has a positive attitude towards private property that is small or medium-scale. "But big property must be state-owned. These attitudes by Russians have not changed already for a second decade – in the perception of Russians the state is an abstract good."²⁸⁷ According to a June 2011 public opinion poll commissioned by the Russian Academy of Sciences' Institute of Sociology and the German Friedrich Ebert Foundation, 28 percent of Russians favor a state with centralized regulation of

²⁸³ "Despite Resignation, Sechin Will Run Rosneft", *Reuters*, April 18, 2011.

²⁸⁴ Jason Bush, "Electric Shock", *Business Standard*, July 11, 2011, http://www.business-standard.com/india/brv_storypage.php?autono=442268, Accessed, March 8, 2011.

²⁸⁵ "Putin's state firms crackdown: more show than substance", *Reuters*, February 16, 2012.

²⁸⁶ Viktor Khamrayev, "Rossiyanie protiv prvatizacii I chinovnikov: Sociologii ocenili modernizacionniye iniciativyi prezidenta" (Russians Against Privatization and Officials: Sociologists appraise the president's latest modernization initiatives), *Kommersant*, June 30, 2011.

²⁸⁷ *Ibid.*

the economy and price controls, while 41 percent supported a mixed system where private enterprise would coexist with a strong state sector. Only 9 percent said they supported a state with minimal intervention in the economy and maximum free private initiative.²⁸⁸

Even many leading Russian liberals support active state intervention, particularly in foreign economic policy. According to Chubais, “When our company, RAO Unified Energy Systems of Russia (RAO UES), was breaking through into Georgia – competing with the Americans - all our support from the state looked very weak compared to how persistently and aggressively the Americans opposed us, and how their Embassy operated. They consolidated all resources very tenaciously, cooperating closely with the Georgian parliament, private sector, and executive branch. They supported their business project with all the power of the state - and they were absolutely right to do so. We ought to be doing the exact same thing outside Russia.”²⁸⁹

Proponents of the ILO assume that following the fall of communism, private enterprise would dominate the economy to the point where even foreign economic relations and trade would be conducted on an increasingly market oriented basis. With the state largely out of the economic picture, foreign economic relations would be centered around promoting free trade and maximizing profits, rather than on increasing state power. Yet the Russian example shows these predictions to be, at the very least, premature. In fact, many Russians have rejected economic liberalism, which they blame for the tremendous hardship and economic and political decline Russia experienced in the 1990s. Russia’s leaders see control of the economy – and particularly Russia’s natural resource wealth – as an important tool for restoring the country’s international status and its place as a great power in the international system. “Overall, the Putin government relies heavily on economic power to pursue Russian national interests. From oil and gas to arms sales, to debt instruments, to trade pressures and concessions—Moscow is actively engaged in using all available tools of economic power to implement its national ‘modernization project’, to accelerate the catch-up drive, and to serve its great power ambitions.”²⁹⁰

Integration in the World Economy – But Integration through Strength

Russian leaders and experts are wary of neoliberal prescriptions regarding Russia’s economic integration in the world economy. According to Oleg Vyugin, head of the Federal Financial Markets Service, “We are only beginning to understand the depth of the problems associated with economic sovereignty. Of course, isolationism is counterproductive. But if globalization only causes us to fully open our national markets and then adopt rules established by other major economic centers we may actually lose instead of gain from participation in global

²⁸⁸ Anastasiya Bashkatova, "Russians vote for State Capitalism – Aggression and Feeling of Injustice and Shame Increasing in Society", *Nezavisimaya Gazeta*, June 23, 2011.

²⁸⁹ “Rossiskii kapitalizm: Ot pervonachalnogo nakopleniya kapitala k razvitiyu” (Russian Capitalism: From Initial Accumulation to Development – Interview RAO Unified Energy Systems CEO Anatoly Chubais), *Zavtra*, No. 38 September 20, 2006.

²⁹⁰ Alexandre Y. Mansourov, “Mercantilism and Neo-Imperialism in Russian Foreign Policy during President Putin’s 2nd Term”, *The Korean Journal of Defense Analysis*, Vol. XVII, No. 1, Spring 2005, pg 151-169.

processes.”²⁹¹ Russian leaders accept that integration into the World Economy is the best path towards their country’s future prosperity and wellbeing. But they also believe that Russia needs to integrate into the world economy from a position of strength. Russia must have a strong state with all the necessary financial, regulatory and economic institutions in place for it to defend national economic interest. According to economist and Senior Vice President of Rosbank Mikhail Ershov,

No one argues about whether our country should integrate into the global economy. The question is how to enter the global environment and what is ultimately expected. Whether we act as an object or subject of such integration? In other words, will we be an object to be used by other countries or will we seize the opportunity provided by globalization to enhance our domestic economic potential? Will we be able to maintain economic sovereignty and determine the priorities of our development? Or will such decisions will be taken somewhere else, and Russia will become a kind of ‘economic territory’, whose mission is to deliver natural resources to the rest of the world.²⁹²

Putin made similar arguments in a Foreign Policy Manifesto, published on the eve of the 2012 presidential elections:

We hope that our openness will result in a higher standard of living for Russia plus a more diverse culture and a general level of trust, something that is becoming increasingly scarce. However, we intend to be consistent in proceeding from our own interests and goals rather than decisions dictated by someone else. Russia is only respected and considered when it is strong and stands firmly on its own feet.²⁹³

Russian leaders now see the Soviet leadership’s decision to unilaterally dismantle the Soviet empire for what was, at the time, thought to be straightforward integration into the Western-led liberal world order as a mistake. According to Russian political scientist and Kremlin advisor Andranik Migranyan, “Instead of using its military and geopolitical advantages as a bargaining chip in exchange for Western aid, Gorbachev’s government took an unprecedentedly stupid step in world history: It sought to ‘reconstruct’ tough, pragmatic international relations into philanthropy, expecting that geo-political gifts and concessions would automatically be received in good faith and rewarded with economic concessions.”²⁹⁴ Russia should have tried to use its geopolitical advantages to extract concessions and economic aid from the West. This would have allowed Russia to integrate into the West as a full and economically developed partner, instead of as an impoverished supplicant. “For countries that are still considered to be alien for the West, integration into the ‘civilized world’ as an equal partner is only possible if one has huge military, geopolitical and geo-strategic resources that can be exchanged for the

²⁹¹ Quoted in “Ekonomicheskii suverenitet i globalizatsiya – krugloi stol v institute Evropii RAN” (Economic sovereignty and globalization - round table at the Institute of Europe RAN), *Voprosii Ekonomiki*, 2006, No 2, pg 152.

²⁹² Ibid. 149.

²⁹³ Vladimir Putin, “Rossiya i menyayushiisya mir” (Russia and the Changing World), *Moskovskiy Novosti*, February 27, 2012.

²⁹⁴ Andranik Migranyan, Interview, San Francisco, October 17, 2010.

financial resources and technology needed for economic and social modernization. China today is slowly moving down this path, as year by year it increases its capacity and resources to facilitate the process of integration into the civilized world.”²⁹⁵

The New Mercantilism

Some observers are beginning to argue that Russia and other rising powers are following a neomercantilist approach to their foreign economic relations.²⁹⁶ Traditional mercantilists of the 16th through 18th centuries believed that the amount of wealth in the world (which they measured in precious metals or specie) was essentially fixed. The accumulation of wealth was therefore seen as being a zero-sum game. Any state’s gain could only come at the expense of other states. Under these circumstances, the only path to wealth was for states to maintain a favorable balance of trade. States had to be strong enough to protect their domestic markets from foreign competition. They also had to have the ability to project their military and economic power beyond their borders in order to capture new markets and bring new territories under their political and economic control.²⁹⁷

It is commonly believed that early mercantilist statesmen were concerned primarily with the pursuit of state power and gave little importance to the pursuit of wealth or of the economic well being of their populations. In his seminal article, “Power and Plenty”, Jacob Viner takes issue with this belief, and argues that, to the contrary, throughout the 17th and 18th Centuries the foreign economic policies of early modern European states were driven by a combination of political and economic objectives, that is, by the struggle for both ‘power’ and ‘plenty’. Early mercantilists did not see these goals as being contradictory. On the contrary, they firmly believed that the pursuit of power and wealth reinforced one another. The nation’s wealth could be transformed into state power, which could then be used to pursue greater wealth for the nation.

18th and 19th Century liberal economic theorists such as Adam Smith, David Hume, and David Ricardo disproved some of the traditional mercantilist beliefs about the nature of wealth. They showed that wealth is actually created by the economic activity of a state’s citizens and should be measured in the goods and services that people consume produce. Liberal economists also argued that the protectionist strategies advocated by mercantilists were deeply flawed because they denied countries the benefit of comparative advantage: i.e. the belief that a country’s

²⁹⁵ Ibid.

²⁹⁶ Dani Rodrik, “Mercantilism Reconsidered”, *Project Syndicate*, July 14, 2009, Robert J. Samuelson, “The End of Free Trade”, *Washington Post*, December 26, 2007, Charles Ziegler, “Neomercantilism and Energy Interdependence: Russian Strategies in East Asia”, *Asian Security*, 6:1, Winter 2009, pp 74-93, Jonathan Holslag, “China’s New Mercantilism in Central Africa”, *African & Asian Studies*; 2006, Vol. 5 Issue 2, pp133-169, Eric Farsworth, “The New Mercantilism: China’s Emerging Role in the Americas”, *Current History*; Feb2011, Vol. 110 Issue 733, p56-61.

²⁹⁷ Eli Heckscher, *Mercantilism* (London: Allen & Unwin, 1955).

productive capacity is best used producing goods and services it can produce most efficiently and then trading for other goods and services on the open world market.²⁹⁸

Neomercantilists accept liberalism's insights about the nature of wealth. They are not obsessed with hoarding gold and specie, as Spanish conquistadors or English privateers were in the 16th and 17th Centuries. They also accept the logic of comparative advantage and believe in the benefits of trade. However they recognize that, in practice, even states which espouse liberal principles often work to tilt the balance of trade in their nation's favor. In an ideal world everyone may be better off following liberal principles. But we live in a world where states play a huge role in economic affairs. Leaders thus have a responsibility to their nation to use state power for the economic benefit of their own populations.

Neomercantilists recognize that private ownership and markets dramatically increase economic efficiency. However, they are skeptical of liberalism's assumption that the enlightened self-interest of individuals is the best path towards maximizing the nation's wealth. They assume that state guidance is needed to ensure that individual behavior is in line with larger national interests. "The premise of neomercantilism is that state control over the economy is an appropriate, indeed essential, strategy to achieve the supreme end of maximizing a country's power in relation to its competitors and to reducing the vulnerabilities that accompany integration into the global economy."²⁹⁹ Neomercantilists look to strike a balance between the market efficiencies and innovation provided by private enterprise and the leading role of the state in defending national interests. "Increasingly, states prefer more complex arrangements where firms may be partially owned by the state but publicly traded on major exchanges. In this way, states ensure that the business interests of major firms dovetail more closely with official policies, while realizing the higher growth rates and efficiencies enjoyed by publicly traded firms in the global market."³⁰⁰

Russia is often singled out for restricting access to its markets for reverting to neomercantilist practices, particularly in the energy sector. But in reality Russia's neomercantilist policies are common practice in the globalized marketplace. All of the BRICS countries practice neomercantilism aggressively, as do many of the G-7 countries which openly advocate unfettered and open global trade. Modern day neomercantilists have a menu of choices available to them that traditional neomercantilists could not have even dreamed of. Countries looking to pursue mercantilist policies have traditionally used tariffs and quotas to protect their markets. Today, many countries instead use pretexts such as 'health and safety' to prevent goods from crossing their borders. Europe's longstanding restrictions on American genetically modified produce and South Korea's more recent restrictions of American beef imports over

²⁹⁸ David Hume, "Of Commerce", in Eugene Rotwein, ed., *Writings on Economics*, (London: Nelson, 1955) pp.3–18, Adam Smith, *The Wealth of Nations* (New York: Modern Library, 1937), David Ricardo, *On the Principles of Political Economy and Taxation* (London : John Murray, 1817)

²⁹⁹ Ziegler, pg 77-78.

³⁰⁰ Ibid. 78.

concerns about “mad cow” disease are examples of these policies being adopted by economies that are widely regarded to be open and liberal.³⁰¹

Another, less visible, form of protectionism is the manipulation of currency exchange rates on the international market to promote exports and trade surpluses. By keeping its currency undervalued, a country makes its exports cheaper on foreign markets, and thus gives its domestic industries a competitive advantage over foreign firms - even in their own domestic markets.³⁰² China is perhaps the most notorious practitioner of currency manipulation. The Chinese government spends approximately 30 to 40 billion USD a day in currency markets in order to hold down the price of the renminbi. According to some estimates these policies have undervalued the renminbi by as much 40% against the US dollar.³⁰³

Western observers have also accused the Chinese of adopting a sophisticated strategy of “innovation mercantilism” that is designed to give China a leading edge in high-growth technology industries.³⁰⁴ In order for foreign firms to gain access to Chinese markets, the Chinese government and Chinese firms often require them to transfer Intellectual Property (IP) or agree to domestic sourcing of IT production. Chinese government procurement practices gives preferences to products that are invented or whose IP trademarks are registered in China. This boosts domestic innovation and encourages foreign firms to register their IP in China.³⁰⁵ Chinese firms also offer generous incentives (tax breaks, loans, and spaces in newly built research and development parks) in order to woo foreign firms into moving their Research and Development (R&D) operations to China. Ultimately the siren’s call of the Chinese market is so strong that many foreign companies willingly give up their “crown jewels” in exchange for market access. “Foreign companies continue to capitulate because they have no choice; they either give up their technology or they lose out to other competitors in the fast growing Chinese market.”³⁰⁶

These policies have allowed China to gain an edge in many high tech industries. Chinese exports of Information Technology (IT) goods grew by 40 percent between 2000 and 2004.³⁰⁷ Much of the research and development on green tech – a sector which many, including president Obama, see as a future engine of national growth – is moving to China in order to be closer to the green tech manufacturing that is already there. In 2009 Chinese firms controlled over 85 percent of China’s wind turbine market – up from only 25 percent in 2004.³⁰⁸ China also

³⁰¹ “European Union accused of GM protectionism”, *Reuters*, February 13, 2006. “Korean Retailers Halt U.S. Beef Sales After BSE outbreak”, *The Korea Herald*, April 25, 2012.

³⁰² Paul F. Cwik, “The New Neo- Mercantilism: Currency Manipulation as a Form of Protectionism”, *Economic Affairs*, Volume 31, Issue 3, October 2011, pp 7-11.

³⁰³ *Ibid.*

³⁰⁴ Julie A. Hedlund and Robert D. Atkinson, “The Rise of the New Mercantilist: Unfair Trade Practices in the Innovation Economy,” *Information Technology and Innovation Foundation*, June 2007, <http://www.itif.org/files/ITMercantilism.pdf>, Accessed : March 22, 2012.

³⁰⁵ *Ibid.* 11.

³⁰⁶ Stephen Ezell, “Fighting Innovation Mercantilism”, *Issues in Science & Technology*, Winter2011, Vol. 27 Issue 2, pg 86.

³⁰⁷ Hedlund and Atkinson, pg 6.

³⁰⁸ Ezell, pg 86.

has the world's largest solar-panel manufacturing industry, exporting over 95 percent of its production to the US and Europe.³⁰⁹

Like Russia, China supports the development of “national champions” in key strategic industries such as renewable energy, biotech and IT.³¹⁰ The government gives tax breaks and provides favorable loans (through state banks) to companies in these sectors. It controls the domestic price of gasoline and diesel fuel and can provide special discounts to companies that it favors. The government expropriates farm land and sells it to favored companies at discount prices, providing only minimum and inadequate compensation to displaced peasants. It helps “national champions” squeeze the maximum value out of local labor by allowing companies to underpay workers and forbidding workers from organizing into labor unions. Thanks to these policies, “national champions” and other state owned enterprises dominate the Chinese economy. The ten largest Chinese firms (measured by profit and revenue) are all state controlled and the revenues of the top 20 state owned enterprises account for more than half of China's GDP.³¹¹

Under the state's direction, Chinese companies have also moved to secure supplies of raw materials and natural resources for the booming Chinese economy at their source. China has developed a monopoly over the supply of rare earth metals by restricting exports of these metals from China and buying up access to foreign deposits. China now controls the production of over 90% of these valuable metals, which are used in the production of high tech goods such as iPads, smart phones, LCD televisions, and batteries for hybrid and electric cars.³¹² China has aggressively moved to secure access to energy and raw materials in Africa, Central Asia, and Latin America. With the support of favorable loans from Chinese state banks, Chinese companies are able to make above-market offers on oil, gas and mineral deposits and local infrastructure projects. Chinese companies have established long-term guaranteed access to these resources and in some cases even control resource extraction and in-country transportation infrastructure.³¹³ Chinese companies often export finished products made from these very same raw materials back to the countries where the raw materials were acquired. In an article on Chinese economic practices in Latin America and the Caribbean, Eric Farsworth writes, “This is the very definition of mercantilism. China buys raw materials from the region, engages in value added production at home, then re-exports the finished product to Latin America and the Caribbean, thereby undercutting the region's own efforts at value added production.”³¹⁴

³⁰⁹ Carolyn Bartholemew, “The Great Industrial Wall of China”, *Prospect*, December 20, 2009. Bartholemew notes that the Chinese government required that at least 80 percent of the equipment for its first solar plant be made in China and that the bids of all six multinationals for the contracts to build the plant were disqualified on “technical” grounds.

³¹⁰ John Lee, “China's Corporate Leninism”, *The American Interest*, May-June 2012, <http://www.the-american-interest.com/article.cfm?piece=1231>, Accessed: May 6, 2012.

³¹¹ Lee.

³¹² The move prompted the Obama administration to bring a case against China before the WTO. See: Bartholemew, “The Great Industrial Wall of China”.

³¹³ Farsworth, pg 52.

³¹⁴ *Ibid.* 58-59.

India and Brazil are also engaged in mercantilist practices. India aggressively promotes itself as a destination for IT outsourcing. But it also protects its domestic IT industry from foreign competition through tariffs and taxes on foreign firms operating in the Indian market. Though India formally allows foreign firms to buy ownership stakes in domestic firms, in practice Indian regulators often invoke arcane rules and regulations to block foreign firms from acquiring a controlling stakes in Indian IT companies.³¹⁵ Inspired by the Chinese experience, Brazil has begun to use the promise of its huge markets to pressure foreign firms to transfer their technology and IP to Brazilian companies. Brazil recently enacted an innovation law that encourages public-private R&D collaboration, but does not provide for the protection of resulting intellectual property. Foreign firms are encouraged to invest in developing IP which Brazilian companies can then adopt without paying any costs. Brazil has used its diplomatic clout to sponsor several controversial initiatives before the WTO and various UN agencies which challenge and undermine the established global Intellectual Property Rights (IPR) framework. It is pushing for a new paradigm that calls for scientific and technology-based knowledge and information, to become open source, universally accessible, and essentially free of charge to developing countries.³¹⁶ “Like China, Brazil wants the benefit of gaining the technology without paying for it.”³¹⁷

These policies are often criticized in the West for being wasteful and inefficient. But in the eyes of many in the developing world they appear to be yielding fantastic results. After decades of stagnation the BRICs are finally beginning to make huge relative economic gains vis-à-vis the traditional powers of the West. Between 2002 and 2011 real GDP of the BRIC countries grew by over 373 percent – nearly seven times faster than the GDP of the G-7 nations (55.4 percent) and nine times faster than the GDP of the US (41.8 percent). The BRICs have also recovered much more quickly from the World Economic Crisis of 2008-2009. Real GDP in the BRIC countries grew by an average of 7.7 percent in 2010 and 6.4 percent in 2011, compared with growth rates of 3 percent (2010) and 1.5 percent (2011) for the US, and 2.9 percent (2010) and 1.3 percent (2011) for the G-7. See Tables 4 and 5 below:

³¹⁵ Hedlund and Atkinson, pg 9.

³¹⁶ Lawrence A. Kogan , “Rediscovering the Value of Intellectual Property Rights: How Brazil’s Recognition and Protection of Foreign IPRs Can Stimulate Domestic Innovation and Generate Economic Growth”, *International Journal of Economic Development*, Vol. 8, Nos. 1-2 (2006), pp 15-678.

³¹⁷ Hedlund and Atkinson, pg 23.

Table 4: GDP Growth 2002-2011

| | GDP in 2002 | GDP in 2011 | % Growth |
|---------------------|-------------|-------------|----------|
| Brazil | 505.7 | 2,492.9 | 393.0% |
| Russia | 345.1 | 1,850.4 | 436.2% |
| India | 510.3 | 1,676.1 | 228.5% |
| China | 1,453.8 | 7,298.1 | 402.0% |
| BRIC (Total) | 2,814.9 | 13,317.6 | 373.1% |
| | | | |
| USA | 10,642.3 | 15,094.8 | 41.8% |
| G-7 | 21,673.6 | 33,670.2 | 55.4% |

Table 5: GDP Growth Rates Since the Economic Crisis

| | 2010 | 2011 |
|-----------------------|-------|------|
| Brazil | 10.4% | 9.5% |
| Russia | 7.5% | 3.8% |
| India | 4.0% | 4.3% |
| China | 8.8% | 7.8% |
| BRIC (Average) | 7.7% | 6.4% |
| | | |
| USA | 3.0% | 1.5% |
| G-7 | 2.9% | 1.3% |

Figures in the above tables are in Current (2011) US Dollars (Billion).

Source: IMF World Economic Outlook Database, April 2012

<http://www.imf.org/external/pubs/ft/weo/2012/01/weodata/index.aspx>

To attribute the BRICS success to the neomercantilist policies they have adopted would be a gross simplification. A wide range of disparate factors contribute to these GDP growth differentials. We can expect the BRICS to have more rapid growth rates because they are starting from a lower overall level of development. As economies develop the potential for extensive growth (i.e., the gains to be had from moving from subsistence agriculture to industrial production) becomes exhausted and economic growth must come from intensive growth (i.e., innovation and increase in economic efficiency). In fact, many Western economists argue that the BRICs' growth rates would be even more rapid if they opened up and liberalized their economies. Nevertheless, it is not my purpose here to judge the relative merits of neomercantilism. This has been the subject of debate among economists for centuries and will continue to be a contentious issue for decades to come. I merely wish to point out that there is a growing perception in the BRIC countries that they are doing something right and that the old neoliberal orthodoxies no longer enjoy a monopoly in guiding economic policy. According to one enthusiastic Russian proponent of neomercantilism, "The phenomenal success of the BRICS demonstrates that there is a real alternative to the West's neoliberal model of development; one in which the state plays a leading role in directing economic development and defending economic sovereignty."³¹⁸

Proponents of the ILO argue that modern economies are so complex and so intertwined that it makes any discussion of relative gains meaningless. Gains from trade are distributed across different sectors of the economy and wins and losses are allocated in ways that make it difficult to speak of any unified position that a state may take on relative gains questions. "In highly

³¹⁸ Vladimir Davydov, "Probuzhdaiushchiesia giganty BRIK" (The BRIC Giants are Awakening), *Svobodnaia mysl*, No. 5, May 2008, pg 131.

dynamic markets with large numbers of sophisticated, fast-moving, and autonomous corporate actors, it is very difficult to anticipate the distribution of gains and losses.”³¹⁹

The spread of neomercantilist practices challenges these arguments. States have accepted the logic of comparative advantage and they recognize the benefits of free trade. But they are still preoccupied with making sure that the terms of trade favor their national economies. No state wants to become just a source of raw materials or cheap labor for others. States therefore make huge efforts to improve their position relative to one other, so that the choicest and most profitable parts of the global economy fall under their control. In order to stay ahead of other states they want to make sure that they are the ones that capture the relative gains to be had from global trade. Towards this end, they continue to pursue state ownership (or at least state control and influence) over sectors of the national economy that they deem to be of strategic importance to its continued health and development. This is happening even in high tech sectors of the economy, where production and value added chains are especially complex, and where ILO theorists argue that it is especially difficult to see relative gains as being meaningful. In fact, the BRIC countries are all trying to adopt sophisticated IT policies to ensure that they capture the segments of IT production where value added (and profits) are greatest.

Conclusion

According to proponents of the ILO, growing economic integration and interdependence are significant factors that add to the stability of the existing order. Countries that are economically interdependent are less concerned about relative gains and more focused on capturing the absolute gains to be had from mutually beneficial economic cooperation. As their relative gains concerns diminish, states will be less concerned about increasing their power relative to other states. Instead, they will focus on integration into the world economy in order to maximize the benefits from globalization and trade. They will be less inclined to challenge the established order, and more willing to work within it because this will further the goals of economic integration.

These predictions have failed to play themselves out in the Russian case. Rather than diminishing relative gains and security concerns, Russian-EU interdependence in the energy field actually exacerbate them. The Europeans fear that a more powerful and assertive Russia, pumped up by growing energy exports, will take advantage of Europe’s energy dependence to extract political concessions that restore Russia’s former imperial power. The Russians, for their part, fear that their reliance on European energy exports retards the development of more advanced sectors of their economy and keeps them in a perpetual state of economic and technological dependence on the West. Moreover, interdependence does not change the fact that Russia and the EU’s interests – one as the dominant energy produce and the other as the dominant consumer – dramatically converge. More than just the price of oil or gas is at stake. The price of energy is a vital economic issue for both sides and has wider implications for domestic political stability and external security. Maintaining low energy prices is critical to Europe’s continued economic health and global competitiveness. Revenues from energy

³¹⁹ John Ikenberry and Daniel Deudney, “The Nature and Sources of Liberal International Order”.

exports are a key source of funding for Russia's economic modernization. Both sides actively pursue competitive energy policies (such as the regulation of domestic energy markets, the construction of pipelines, and diversification supplies and markets) in order to improve their position on energy markets. Yet any gains that they make through these policies invariably come at the other side's expense and therefore heighten each side's anxieties about dependence and relative gains. As a result energy relations take on the characteristics of a classic security dilemma, where neither side can improve their own security without also threatening the security of the other.

Proponents of the ILO argue that the global expansion of capitalism decreases the role that states play in economic affairs and promotes the rise of relations between nations based on markets and private enterprise. Yet Russia's difficult experience with liberal market reform in the 1990s has made it skeptical about economic liberalism and open to the state playing a leading role in the economy. And when Russia surveys the global stage it sees that even some of the most vocal proponents of neoliberal economic theories, in practice, allow the state to play a huge role in the economy. Under Putin, Russia has adopted a statist model of economic development under which the commanding heights of the economy – specifically Russia's natural resource sector- remain under state stewardship. Economic resources must be used to enhance the states' power and its relative position internationally. They see this as the only way to ensure that Russia's natural resource wealth will be used to benefit its population. According to this view, what is good for the state is also good for the Russian economy and for Russian society as a whole.

Russia's leaders recognize the benefits of economic integration and see it as the only viable path for future economic development. However, they also believe that Russia must not go about the process blindly. If economic integration is to truly benefit Russia's people then Russian state must have the capacity to defend Russian economic interest both domestically and internationally. Economic integration must come from a position of strength – otherwise Russia will be relegated to the role of "natural resource banana republic" for the more modern and developed nations of the world.³²⁰ Many of the other rising powers share these beliefs and are adopting a range of neomercantilist policies designed to ensure that they capture the most favorable positions to be had in the emerging global economy.

Proponents of the ILO may be right in arguing that free trade and economic integration make military and security competition less significant. States that are locked into mutually advantageous economic relations are less likely to see each other as military threats and go to war with each other. Yet economic integration and global free trade also open up new areas of economic competition between states. States struggle to ensure that they take up the most favorable and profitable positions in the globalized economy. They strive to obtain the most favorable terms of trade in order to modernize their economies and move up the global production chain. And they focus on capturing relative gains – thereby increasing their relative power over other states – to achieve these goals.

³²⁰ "Mitvol Says 'Banana Republic' Days Are Over", *Bloomberg*, September 6, 2007.

Chapter 4: The Erosion of State Sovereignty

Many proponents of the ILO argue that larger global processes, such as the spread of capitalism, revolutions in communication technology, and the spread of democratic ideas and human rights norms are eroding state sovereignty and freedom of action. These processes give rise to powerful Transnational Non-state Actors (TNAs), such as international business and Non Governmental Organizations (NGOs), which benefit from the open international liberal order and thus have a vested interest in keeping that order going. Liberal ideas about the universality and inviolability of human rights have spread throughout the world, and are challenging traditional notions of state sovereignty.³²¹ Sovereignty used to be conceived of as a natural right of every state. But it has now become a conditional right that states must earn. “[Sovereignty] is now contingent on the fulfillment by each state of certain fundamental obligations, both to its own citizens and to the international community”.³²² In cases where states do not live up to these obligations, the international community may intervene to uphold human rights and even forcibly remove regimes that grossly violate human rights from power.

According to ILO theories, the erosion of state sovereignty strengthens the liberal international order. TNAs will use their newfound political clout to keep their states anchored in the ILO. The diffusion of human rights norms and values also contributes to the stability of the order. States are now accountable to a set of norms which work to preserve peace and prevent inter-state conflict. This helps to prevent the rise of aggressive illiberal states – which left unchecked – may one day pose a much graver challenge to the established order.

These processes may very well be at work in liberal Western countries, making them much more amenable to the existing international order. Yet they have gained very little ground in Russia or China. In both countries centralized states have reigned in TNAs, limiting their autonomy and freedom of action. China and Russia’s authoritarian leaders have also been able to adapt to new communications technologies, such as the internet and social media. They are proving to be surprisingly adept at striking a balance between maintaining enough openness to benefit from the internet economically and applying enough control to prevent TNAs from using the internet to destabilize their regimes.

While human rights norms have gained acceptance in many liberal and developed states, developing states, such as China and Russia, vehemently oppose the erosion of state sovereignty. In opposition to the dominant Western discourse of *order among and justice within states*, they prescribe to an alternative discourse of *order within and justice among states*, which defends traditional notions of state sovereignty.³²³ They have also begun to push

³²¹ Martha Finnemore and Katherine Sikkink, “International Norm Dynamics and Political Change”, *International Organization* 52, Autumn 1998, pp 887-917.

³²² G. John Ikenberry, “America’s Imperial Ambition”, in Ikenberry ed., *Liberal Order and Imperial Ambition*, pg 221.

³²³ Mohammed Ayooob, “Making Sense of Global Tensions: Dominant and Subaltern Conceptions of Order and Justice in the International System”, *International Studies*, April/July 2010 vol. 47 no. 2-4 pp 129-141.

back by blocking Western efforts at humanitarian intervention and by lending material and diplomatic support to authoritarian governments that face pressure from the West.

Reigning in TNAs: Coercing and Co-opting Private Business

According to ILO theory, globalization gives rise to two groups of TNAs that have a vested interest in the international order. The first group, private businesses and corporations, benefit from international economic openness and international financial and business ties. Like middle classes in traditional modernization theory they use their new economic wealth to challenge the state's dominance over politics.³²⁴ And since they are major beneficiaries of the economic integration provided by the ILO, they will use their newfound domestic political power to promote the transnational interests of the ILO.

The second major group of TNAs is Non Governmental Organizations (NGOs) operating in the fields of human rights, democracy and the environment. These NGOs identify with the liberal norms and values of the ILO. They strengthen the ILO because they push their governments to embrace these norms and values. NGOs are integrated into transnational advocacy networks that increase their ability to put pressure on governments and hold them to account in a wide range of issue areas.³²⁵ Some observers have gone so far as to argue that we are seeing the rise of a "global civil society" – a network of global business, NGOs and individuals that are increasingly challenging the hegemony of the state in world politics.³²⁶ The "color revolutions" of the 2000s and the more recent "Arab Spring" are often put forward as proof that global civil society, united by the internet and social media, can mobilize popular support against even the most deeply entrenched authoritarian regimes.³²⁷

TNAs, however, have not been able to mount a serious challenge to the authority of central states in either Russia or China. Under Putin the Russian state has made a concerted effort to reassert its autonomy and power and to free itself of transnational influences, including those that come from TNAs. Despite Russia's growing integration into the world economy, Russian corporations and big business play a subordinate role to the Russian state. As was noted in the chapter 3, the Kremlin has instituted a range of policies to insure that the "commanding heights" of the Russian economy remain under state control. Big business is expected to adopt

³²⁴ Seymour Martin Lipset "Some Social Requisites of Democracy: Economic Development and Political Legitimacy." *American Political Science Review* 53, no. 1, March 1959, pp. 69–105.

³²⁵ Margaret Keck and Katherine Sikkink, *Activists Beyond Borders: Advocacy Networks in International Politics*, (London: Cornell University Press, 1998).

³²⁶ Alejandro Colas, *International Civil Society: Social Movements in World Politics* (Cambridge, U.K.: Polity, 2002), Ronnie Lipschutz, "Reconstructing World Politics: the Emergence of Global Civil Society", *Millennium: Journal of International Studies*, 21(3) 1992, pp. 389–420.

³²⁷ Mary Kaldor, Sabine Selchow, and Henrietta L. Moore (eds) *Global Civil Society 2012: Ten Years of Critical Reflection* (London: Palgrave Macmillan, 2012).

policies that benefit the Russian state and advance national interests (as they are defined by the state).³²⁸

Under Putin, the Kremlin has not shied away from using the full coercive power of the state against business leaders who refuse to follow these guidelines. Shortly after taking power, Putin reportedly met with a group of Russia's richest and most powerful Oligarchs and told them in no uncertain terms that they would be allowed to keep their wealth only if they promised to stay out of politics.³²⁹ He quickly turned against those oligarchs who refused to abide by this agreement, including Vladimir Gusinsky and Boris Berezovsky, two of the most powerful men in Russia under the Yeltsin presidency. Berezovsky was considered to be the *éminence grise* during the latter stages of Yeltsin's presidency and was one of the main backers of Putin's succession over the ailing president.³³⁰ Both men came into conflict with the Kremlin for allowing the media outlets they owned to criticize the Kremlin's policies – Gusinsky for his coverage of the Second Chechen war and Berezovsky for his critical coverage of the 2000 Kursk disaster. For Putin and his subordinate in the Kremlin, Berezovsky and Gusinsky were not simply upholding freedom of speech and the freedom of the press. They were engaging in a deliberate effort to undermine Putin's authority and increase their own political clout.³³¹ Both men fled the country after they were indicted on charges of fraud and embezzlement. Their considerable media assets – which included the National TV station ORT, the largest independent TV station NTV, and the leading liberal newspaper Kommersant) – were eventually absorbed by oligarchs and companies close to the Kremlin.³³²

The most spectacular case of the Kremlin cracking down on private business is that of Mikhail Khodorkovsky. Khodorkovsky was sentenced to 12 years in prison on trumped up charges of tax evasion and money laundering and forced to cede control of Russia's most profitable oil company, Yukos, to state-owned Rosneft. The exact reasons for Khodorkovsky's downfall are still subject to debate. Some observers believe that it was Khodorkovsky independent negotiations with the Chinese to build an oil pipeline to Asia and his merger negotiations with US oil majors Exxon and Chevron that prompted the crackdown.³³³ Others note that Khodorkovsky had been financing opposition parties and buying influence among Duma deputies – in direct violation of the oligarch's agreement with Putin. Whatever the exact case

³²⁸ "US State Department Cable: Gazprom Official Describes the Company as a Socialist Rent-Seeking Monopoly", Embassy Moscow, Cable leaked to Wikileaks, <http://www.wikileaks.ch/cable/2008/09/08MOSCOW2816.html>, Accessed February 1, 2011, Neil Buckley and Arkady Ostrovsky, "Back in Business - How Putin's Allies Are Turning Russia Into a Corporate State", *Financial Times*, June 19, 2006, Clifford G. Gaddy and Andrew C. Kuchins, "Putin's Plan: The Future of Russia Inc.", *The Washington Quarterly*, 31:2, Spring 2008, pp 117-129, Marshall Goldman, *Petrostate: Putin, Power and the New Russia* (Oxford University Press, April 2008).

³²⁹ Marshall Goldman, *Petrostate*.

³³⁰ David Hoffman, *The Oligarchs: Wealth & Power in the New Russia* (New York: Public Affairs, 2002), Paul Klebnikov, *Godfather of the Kremlin* (London: Houghton Mifflin Harcourt, 2000).

³³¹ Marshall Goldman, "Render Unto Caesar: Putin and the Oligarchs", *Current History*, Vol102: No: 666, October 2003, pp 320-326.

³³² "Berezovsky Sells Remaining Russian Assets", *St. Petersburg Times*, February 26, 2006, "Russian NTV handed to Gazprom", *BBC*, May 4 2001, <http://news.bbc.co.uk/2/hi/europe/1313050.stm>, Accessed: April 29, 2012.

³³³ Tom Bower, *Oil: Money, Politics, and Power in the 21st Century*, (New York, Grand Central Publishing, 2009).

may be, Khodorkovsky now serves as an example to other Russian tycoons of the dangers of trying to stake out an independent course in politics.

Putin and his team were determined to roll back the political influence that big business had developed under Yeltsin. Presidential Chief of Staff and unofficial chief Kremlin ideologists Vladislav Surkov, explained the rationale behind these policies in a series of speeches in 2006-2007. According to Surkov, under Yeltsin Russia's business elites became an "offshore aristocracy" which had closer ties to foreign capital than it did to Russian society. This "offshore aristocracy" represented a serious threat to national sovereignty. Minimizing their political influence and reasserting state control over the economy was a necessary step in the "nationalization of Russia's elites".³³⁴

In China, the ruling Communist party is also aware of the potential political challenges that the rise of an entrepreneurial middle class may bring. According to John Lee, the party believes that economic integration is necessary for China's continued development. But it also sees it as "Trojan Horse" that the liberal West uses to hasten the emergence of an independent middle class that will push for political pluralism and the end of Chinese communist rule. According to Lee, "Preserving and reinforcing the state-dominated political economy remains the CCP's most effective shield against what it considers to be outright subversion."³³⁵

In order to maintain state dominance the government actively recruits business owners into the Communist Party. According to a 2003 study over 34 percent of private entrepreneurs were members of the Communist Party – up from only 13 percent in 1993.³³⁶ A more recent study by the Hong Kong-based consultancy firm Asianomics found that an overwhelming majority of senior executives in China's ten largest firms were party members, with many having held provincial political office.³³⁷ The Chinese government also creates a business environment where private business is dependent for the party's political patronage. Party connections are essential in order to gain access to lucrative government contracts and cheap loans provided by state banks.³³⁸ "The shared interests, personal ties, and common views of the party and the private sector are creating a form of crony communism [in China]....Rather than being potential agents of change, China's entrepreneurs may prove to be a key source of support for the party's agenda."³³⁹

³³⁴ Vladislav Surkov, "Nationalizing the Future: Paragraphs in Support of Sovereign Democracy", *Russian Studies in Philosophy*, Vol 47, No 4 / Spring 2009, pp 8 – 21.

³³⁵ John Lee, "China's Corporate Leninism."

³³⁶ Teresa Wright, *Accepting Authoritarianism: State-Society Relations in China's Reform Era* (Stanford: Stanford University Press, 2010).

³³⁷ *A Report on the Development of China's Enterprises 2007* (Hong Kong: Enterprise Management House, 2007) Cited in Lee.

³³⁸ Kellee Tsai, *Capitalism without Democracy: The Private Sector in Contemporary China*. (Ithaca: Cornell University Press, 2007).

³³⁹ Bruce J. Dickson, *Wealth into Power: The Communist Party's Embrace of China's Private Sector* (Cambridge: Cambridge University Press, 2008), pg 1.

Restricting and Controlling NGOs

The Kremlin was quick to identify NGOs as one of the main protagonists in the “color revolutions” that swept through the post-Soviet region in the first half of the 2000s. In order to counteract the threat the Kremlin has made considerable efforts to restrict the activities of NGO and to bring them to heel. The Kremlin has cracked down heavily on international NGOs such as Amnesty International and Human Rights Watch, harassing them through legal and extra legal means.³⁴⁰ The Russian government has also passed a series of laws that restrict foreign funding to local NGOs. It has introduced changes to the law on NGO registration that makes registration process vague and slow and create opportunities for arbitrary legal intervention against NGOs the Kremlin deems to be disloyal. NGOs are required to fill out 100 pages of documentation on each NGO member (either alive or deceased), submit annual reports on exactly how much financing came from each source and the purposes for which it was used, and to restrict “undesirable” or “extremist” foreigners from founding and leading NGOs.³⁴¹

The Kremlin’s NGO policies are not only restrictive. Russia has substantially increased government funding to existing NGOs and created civil society organizations that are loyal to the government. Putin has reestablished the cozy relationship trade and labor unions enjoyed with the state under communist times. As a result, they have generally been supportive of his economic policies, even when they have restricted workers’ rights.³⁴² Putin can also rely on unions to mobilize public support behind the regime. The Russian Federation of Trade Unions (the nation’s largest trade union) played an instrumental role in helping to organize pro-government rallies to counter anti-Putin demonstrations that swept Moscow in December 2012.³⁴³ The Kremlin and other Russian state agencies have also sponsored the development of women’s groups, indigenous rights groups, environmental groups, and even human rights organizations that promote pro state policies. In 2009, Rushydro (the state run hydroelectric company) contracted a Kremlin friendly think tank to create a bogus indigenous rights group for the Evenkia people of the Krasnoyarsk region in order to overcome local opposition to the construction of a new dam.³⁴⁴

Youth activism played a prominent role in the color revolutions and also more recently in the Arab Spring. The Kremlin is well aware of this fact and stepped in to organize loyalist youth whom could take to the streets to support the government in the event that massive anti-regime protests break out. The Russian state has invested considerable effort in organizing pro-regime youth movements, such as *Nashi* (Ours), *Molodaya Gvardiya* (Young Guard), the

³⁴⁰ Igor Romanov: "Foreign Non-Commercial Organizations Get the Right to Life: Human Rights Activists Will Find Themselves Under the State's Total Control, *Nezavisimaya Gazeta*, November 16, 2006.

³⁴¹ Alison Kamhi, "The Russian NGO Law: Potential Conflicts with International, National, and Foreign Legislation" *The International Journal of Not-for-Profit Law*, Volume 9, Issue 1, December 2006; "Voters Left Beyond the Threshold", *Kommersant*, November 9, 2006; "No More Non-Profit Funding Sources for Parties" *Kommersant*, November 15, 2006.

³⁴² Boris Kagarlitsky, "Rebirth of Unions in Russia", *Moscow Times*, September 22, 2006.

³⁴³ "Russians Rally, Too, but for the Kremlin", *Wall Street Journal*, May 1, 2012.

³⁴⁴ "RusHydro Linked to Dubious Activism", *Moscow Times*, April 8, 2009.

Eurasian Youth Movement, and the *Georgievtsy* Orthodox movement. Groups like Nashi adopt a strong nationalist stance and organize street protests in support of the government and in opposition to Western influence in Russian politics. They often adopt the same tactics and strategies of protest and street theater employed by opposition youth groups and advocated by theorists of non-violent resistance such as Gene Sharp.³⁴⁵ According to Duma deputy and Kremlin political advisor Sergei Markov, "The crucial role that young people played in those revolutions made us realize that something should be done. We launched Nashi in towns close to Moscow so that activists could arrive overnight on Red Square, if needed."³⁴⁶

Much like the communist-era Komsomol, *Nashi* and *Molodaya Gvardiya*, (the largest and most prominent of these organizations) serve as a grooming ground for the future leaders of Russia's political establishment.³⁴⁷ Membership promises to open up opportunities for social and professional advancement to its members. Annual summer holiday youth camps organized by Nashi and other groups closely resemble Komsomol youth camps of the Soviet era, indoctrinating campers with nationalist and anti-Western propaganda. "Nashi's main thesis runs as follows: We are surrounded by enemies, and we need our own separate way, reliant on our own strengths and without recourse to the world around us – the Russian version of North Korea's doctrine of Juche."³⁴⁸

Taking a cue from Russia, China has also introduced changes to its NGO laws which restrict foreign funding and establish stringent registration requirements.³⁴⁹ NGOs that can't meet these requirements are forced to operate as private businesses and to declare donations and grants as taxable profits. The Chinese government recognizes the positive impact that NGOs have, particularly those who provide charity or those who address public health problems such as the spread of HIV. The government looks to maintain its control over NGOs by keeping them in a status of legal limbo where the government can intervene to restrict their activities at any time. According to Beijing University professor Xu Youyu "It's a very smart strategy. If you do what is good for me, I'll let you do what you like, but over your head there will always be a Sword of Damocles. So if I want to get rid of you, I can do that easily."³⁵⁰

The Chinese state has tried use NGOs to improve its capacity for governance and to take advantage of the foreign funding and expertise that NGOs attract. It recognizes its own limitations in dealing with the social welfare problems that have accompanied rapid modernization. It believes that NGOs can help solve these problems because of the advantages they have over government in flexibility and expertise.³⁵¹ Government and Communist Party

³⁴⁵ "Youth Groups Train to Fight Revolution", *Moscow Times*, November 14, 2007.

³⁴⁶ Quoted in Owen Matthews and Anna Nemtsova, "Putin's Powerful Youth Guard", *Newsweek International*, May 28, 2007.

³⁴⁷ Ilya Barabanov, "United Russia Hosts Gathering of Students of Young Leaders School," *Gazeta.ru*, October 6, 2006.

³⁴⁸ Aleksander Arkhangelsky, "Get in Step: Youth Movements in a Time of Social Immobility", *Izvestia*, April 3, 2007.

³⁴⁹ "China snares NGOs with Foreign Funding", *Christian Science Monitor*, August 4, 2009.

³⁵⁰ Quoted in "China's NGOs fear for the worst", *Asia Times*, August 15, 2009.

³⁵¹ Fengshi Wu: "Environmental GONGO Autonomy: Unintended Consequences of State Strategies in China", *The Good Society*, Volume 12, no. 1, 2003, pp 35-45.

departments at various levels have founded and sponsored hundreds of thousands of NGOs. Colloquially known by the oxymoron GONGOs (Government Organized Non Government NGOs) these organizations dominate the NGO space in China and receive the lion's share of foreign funding to the Chinese NGO community.³⁵² According to one study, only 26,000 of China's 244,000 NGOs could be classified as being truly independent of the government in a "Western sense".³⁵³ Many foreign NGOs are uncomfortable with working with GONGOs. However, as is the case with foreign companies forced to give up their patents and technologies in order to gain access to Chinese markets (covered in chapter 3), foreign NGOs are willing to accept government imposed restrictions for the opportunity to work in China's burgeoning non-profit sector.³⁵⁴

The implications of state-led NGOs and youth movements are far-reaching. These organizations can monitor and mobilize large swaths of the population, as these groups look to co-opt potential revolutionary leaders and channel youth activists in ways that are non-threatening to the regime. These tactics also allow governments to crowd genuine opposition forces out of the political picture and give the illusion that genuine civil society activism exists. According to Valentina Melnikova, national director of the Committees of Soldiers' Mothers (an independent NGO which fights for the rights of military conscripts), "The government is trying to create twin organizations of NGOs which will serve as a screen for hiding criticism from other, more vocal NGOs."³⁵⁵ In China the state has succeeded in going a step further. It has actually been able to use government controlled NGOs to improve the government's ability to address pressing social problems created by modernization, thereby contributing to social stability and the legitimacy of the communist regime.

Controlling the Internet: Great Firewalls and Pro-Kremlin Bloggers

NGOs have excelled at using communication technologies such as the internet and social media to challenge authoritarian governments. The internet helps break authoritarian governments' monopoly on information, exercised by state TV, print and radio. It allows blogger, journalists, activists and ordinary citizens to rapidly disseminate news, views and opinions that would have previously been repressed by the state. Social media platforms such as Facebook and Twitter can be used to build networks for activists and mobilize people to come out to the street to protest.

A widespread belief has developed in the US media and policy world that the internet presents an insurmountable threat to authoritarian regimes.³⁵⁶ Recent events such as the 2009 Street Protests in Iran and the 2011 Arab spring only seem to validate these beliefs. Writing in

³⁵² Qiusha Ma, *Non-Governmental Organizations in Contemporary China: Paving the Way to Civil Society?* (New York: Routledge, 2006).

³⁵³ Chen Jie, "The NGO Community in China: Expanding Linkages With Transnational Civil Society and Their Democratic Implications", *China Perspective* 68, November-December 2006, pg 4.

³⁵⁴ *Ibid.*

³⁵⁵ "Kremlin Looking for Loyal NGOs", *Moscow Times*, June 25, 2004.

³⁵⁶ Shanthi Kalathil and Taylor Boas, *Open Networks Closed Regimes* (New York: Carnegie Endowment for International Peace, 2003).

response to the 2009 anti-government protests in Iran the Atlantic's Andrew Sullivan (an early cheerleader for "Twitter revolutions") declared: "You cannot stop people any longer. You cannot control them any longer. They can bypass your established media; they can broadcast to one another; they can organize as never before."³⁵⁷

These views only capture one side of the picture. They fail to consider the ways in which governments are using the internet to counter threats to their authority and promote their own political goals. According to internet expert Evgeny Morozov, "It's wrong to assess the political power of the Internet solely based on its contribution to social mobilization: We should also consider how it empowers the government via surveillance, how it disempowers citizens via entertainment, how it transforms the nature of dissent by shifting it into a more virtual realm, and how it enables governments to produce better and more effective propaganda."³⁵⁸

The Chinese government has gone to great lengths to monitor, police, and control the internet and prevent TNAs from using it to spread political dissent. China's "Great Firewall" reportedly employs an "internet police" force of over 30,000 to monitor and regulate internet content and traffic.³⁵⁹ Chinese laws make users responsible for internet content, punishing users for violations with fines and jail time. In 2003, a group of Chinese activists was arrested and sentenced to 10 years in prison for distributing Chinese internet addresses to human rights groups outside the country³⁶⁰. The Chinese government blocks foreign sites such as Amnesty International, CNN, and You Tube and filters the content of popular internet search engines such as Yahoo. A Google search from a Chinese ISP for the term "Tiananmen Square" will yield tourist information and historical data, but no mention of the 1989 protest and crackdown. Self censorship is widespread, as content providers and Internet Service Providers fear that they will be fined or that their licenses will be pulled by the government if they allow sensitive or banned content.³⁶¹ For example, although the government does not have the physical resources to monitor all internet chat rooms and discussion forums, the threat of being shut down has caused internet content providers to employ internal staff (popularly known as "big mamas") who block comments they deem politically sensitive.³⁶²

Government censorship has adapted to new technologies and kept pace with users' efforts to circumvent government restrictions. Users in China used to be able to readily access restricted sites by using proxy servers and Virtual Private Networks (VPNs), which connect users to computer networks outside China (effectively giving the same access as if the user were outside China). However the Chinese government has developed software that can monitor and block

³⁵⁷ Andrew Sullivan, "The Revolution Will Be Twittered", *The Atlantic*, June 13, 2009.

³⁵⁸ Evgeny Morozov, *The Net Delusion: the Dark Side of Internet Freedom* (New York: PublicAffairs, 2011).

³⁵⁹ "China's secret internet police target critics with web of propaganda", *The Guardian*, June 13 2005.

³⁶⁰ The internet company Yahoo allegedly cooperated with Chinese authorities in providing information on the activists' accounts which directly led to their conviction. "Suit by wife of Chinese activist alleges Yahoo told authorities dissident's identity", *San Francisco Chronicle*, April 19, 2007.

³⁶¹ Lokman Tsui, "The Panopticon as the Antithesis of Freedom: Control and Regulation of the Internet in China", *China Information*, Vol XVII, No2 (2006), pp 65-84.

³⁶² Jack Linchuan Qiu, "Chinese Opinions Collide Online," *Online Journalism Review*, <http://ojr.usc.edu/content/story.cfm?request=561>, Accessed May 26, 2012.

these connections, making it increasingly difficult and costly for users to use VPNs to evade government restrictions.³⁶³ The Chinese government is well aware of the role that social media has played in recent anti-Government protests in the Middle East.³⁶⁴ Social media sites like Facebook and Twitter are banned in China. Instead Chinese users use Chinese versions of these social media platforms, such as the Chinese Facebook-Twitter hybrid Sina Weibo. These sites submit to self-censorship and are much more easily regulated by the state. At times, the Chinese government has cut off social media sites entirely, as was the case during the 2009 riots in Xinjiang, or disables features of these platforms (such as the user comments function in China's Facebook clones) that can be used by activists to criticize the government and mobilize popular opinion.³⁶⁵ The word "Egypt" was censored entirely from Chinese micro-blogging sites in January 2011, at the height of the Egyptian protests. A query with the word automatically returned the response: "According to the laws in force, the results of your search cannot be given."³⁶⁶

Users can still find ways to get at restricted content and there are still many holes in the Great Firewall than the government can't fill. But that does not mean that China's efforts at internet censorship are ultimately an exercise in futility, as many Western observers have concluded.³⁶⁷ According to James Fallows, the genius of China's Internet censorship has been its flexible repression. Loopholes are built into the system for people that are really adamant about evading government filtering or who really need to get at sensitive information for economic or professional reasons. The main goal of government censorship is not to cut the country off from the internet completely, but to make finding unauthorized material just difficult enough so that the vast majority of Chinese users simply do not bother to do so. "By making the search for external information a nuisance, they drive Chinese people back to an environment in which familiar tools of social control come into play."³⁶⁸

Russia's approach to internet censorship is even more subtle. Thus far the Russian government has refrained from direct censorship, and instead employs pro-government hackers to harass independent web outlets and pro-government bloggers to influence internet discourse in a pro-government direction. Russian internet security experts believe that the government employs hackers to launch Denial of Service (DDoS) attacks to shut down and harass web sites it doesn't like. In a DDoS attack, hackers employ botnets, a network of computers that have been secretly infected with malicious software, to attack web sites. These botnets bombard web sites or servers with requests from thousands of computers across the globe, thus making it inaccessible to legitimate web traffic. DDoS attacks are extremely difficult to trace, as a computer owner usually does not even know that his computer is infected and sending requests to a target server. DDoS attacks brought down the Websites of independent NGOs

³⁶³ "China cracks down on VPN use", *The Guardian*, May 3, 2011.

³⁶⁴ James Fallows, "Arab Spring, Chinese Winter", *Atlantic*, September 2011.

³⁶⁵ "China's Sina to step-up censorship of Weibo", *Reuters*, September 19, 2011.

³⁶⁶ "China micro-blogging sites censor 'Egypt'", *AFP*, January 29, 2011.

³⁶⁷ Oliver August, "The Great Firewall: China's Misguided — and Futile — Attempt to Control What Happens Online", *Wired Magazine*, 15:11, October 2007.

³⁶⁸ James Fallows, "The Connection Has Been Reset", *Atlantic Monthly*, March 2008.

such as Human Rights in Russia (www.hro.org – the largest Russian-language Internet resource on human rights in the Russian Federation), sites operated by Russian Islamic militants in the Caucasus, and the sites of independent media that are critical of the Kremlin such as the newspaper Kommersant and the radio station Ekho Moskv. ³⁶⁹ In April 2011, DDoS attacks temporarily brought down Livejournal, Russia's most popular blogging sight and one of its main forums for uncensored political discussion. ³⁷⁰ The Kremlin has also used DDoS attacks to stymie opposition efforts to organize and mobilize support for street protests. In 2007 sustained DDoS attacks brought down the US server which hosted the website of the outlawed National Bolshevik Party. As a result of these attacks visits to the website plummeted, as did attendance of the group's street protests and actions. ³⁷¹

The Kremlin also sponsors pro-government internet activists and bloggers in an effort to shape online discourse. The Kremlin reportedly operates a "Kremlin Blogger School" which teaches pro-government bloggers tactics and strategies for getting their messages across and besting opposition bloggers and activists in online debates. ³⁷² Networks of pro-Kremlin bloggers and hackers deliberately drive up the number of votes in online opinion polls to promote the Kremlin's views on key political issues. ³⁷³ According to Russian internet researchers these tactics shape online discourse in a pro-regime, nationalist and xenophobic direction which is at odds with the urban, educated, liberal and urban profile of most Russian internet users. "What we are witnessing is the appearance on Russian net forums of organized and fairly professional 'brigades', composed of ideologically and methodologically identical personalities, who work to form the public opinion desired by the authorities, in practically every single one of the popular political/social web-forums having even a few hundred viewers a day." ³⁷⁴

Kremlin backed youth groups such as Nashi are skilled at using social media platforms. They use Twitter and Facebook to organize street protest and flash mobs in support of the Kremlin's policies and to harass opposition activists and other public figures who speak out against the regime. Harassment campaigns have been focused against foreign dignitaries such as British ambassador Tony Brenton, who drew the Kremlin's ire for his meeting with opposition activists. ³⁷⁵ Pro Kremlin activists and NGOs also used Facebook to help mobilize support for pro-Putin mass demonstrations in Moscow in early 2012, to counter anti-Putin protests which erupted at the same time. According to emails leaked to the Russian media from Rosmolodezh

³⁶⁹ Paul Goble, "Caucasus Site Hit by Denial of Service Attack Plans a Comeback", *Window on Eurasia*, December 26, 2007, <http://windowoneurasia.blogspot.com/2007/12/window-on-eurasia-caucasus-site-hit-by.html>, Accessed: May 14, 2012, Mansur Mirovalev, "Russia accused of crippling online media", *AP*, July 22, 2007, "Web Sites Under Attack in a Murky War", *Moscow Times*, May 24, 2007.

³⁷⁰ "State Blamed in LiveJournal Attack", *Moscow Times*, April 9, 2011.

³⁷¹ Mirovalev.

³⁷² "Twitter Revolutions Are a Deception: Interview with Aleksey Chadayev, founder of the Kremlin blogger school", *Kommersant*, March 9, 2011.

³⁷³ Irina Borogan and Andrei Soldatov, "The Kremlin Versus the Bloggers: The Battle for Cyberspace", *OpenDemocracy.net*, March 27, 2012. <http://www.opendemocracy.net/od-russia/irina-borogan-andrei-soldatov/kremlin-versus-bloggers-battle-for-cyberspace>, Accessed: May 14, 2012.

³⁷⁴ Anna Polyanskaya, Andrei Krivov and Ivan Lomko, "Kommissari Interneta" (Commissars of the Internet), *Gulag*, September 16, 2006, http://www.gulag.ipvnews.org/article20060916_01.php, Accessed: May 14, 2012.

³⁷⁵ "Russian regime is accused of intimidating British interests", *The Times*, December 9, 2006.

(the official government youth agency), the agency has set up a network of over 200 activists on Twitter to disseminate messages supporting Putin and criticizing opposition leaders such as popular anti-corruption activist Aleksei Navalny.³⁷⁶

Unlike dictators in earlier eras (or today's totalitarian leadership in North Korea), today's autocrats recognize the benefits of new communication technologies. In her interviews with 19 leading Chinese officials responsible for overseeing the internet, Lena Zhang finds that these officials encouraged the growth of the internet and wanted China to take advantage of the economic opportunities it provided.³⁷⁷ Both Putin and Medvedev have also spoke out about the indispensability of the internet for a modern economy and have resisted proposals by more zealous Russian leaders to curb internet freedom.³⁷⁸ At the same time, however, today's autocrats must balance the economic benefits of openness with their concerns about the negative impact that these communications technologies are having on political and social control. They are finding innovative ways to use new technologies to maintain this balance. In many cases they are using the very same technologies that net-activists use in their attempts to evade government control – from finding ways to block and filter internet content to using blogs and social media platforms to mobilize their supporters and disseminate pro-regime propaganda.

Human Rights and the Erosion of State Sovereignty

According to ILO theory, the concept of sovereignty has fundamentally changed in today's world because of the evolution of human rights norms. The traditional Westphalian concept of sovereignty has been the dominant organizing principle of interstate relations for centuries. It gives states the supreme authority within their borders. States have the sole right to pass and enforce laws, levy taxes, determine the type of political regime, and conduct foreign policy and war. No foreign entity can legitimately interfere with these rights.

The concept of sovereignty has always been problematic. Great powers have always transgressed sovereignty, particular against weaker states or states they consider to be within their sphere of influence.³⁷⁹ Yet these transgressions always lacked legitimacy and they never threatened to change the fundamental meaning of the concept. The challenge that comes from human rights norms is different in that it is redefining sovereignty from being a fundamental right of states to a right that is contingent on a state's ability to fulfill their obligation to protect the human rights of their citizens. States that fail in this obligation (particularly if they engage in mass violence and killing of their own people) lose their right to sovereignty and open themselves up to outside intervention. According to Richard N. Haas, "Our notion of sovereignty must therefore be conditional, even contractual, rather than absolute. If a state

³⁷⁶ Borogan and Soldatov.

³⁷⁷ Lena L. Zhang, "Behind the Great Firewall : Decoding China's Internet Media Policies from the Inside", *Convergence*, 12(3):2006, pp 271–291

³⁷⁸ "Putin Defends Internet Freedom", *Interfax*, February 9, 2012.

³⁷⁹ Stephen Krasner, *Sovereignty: Organized Hypocrisy* (Princeton: Princeton University Press, 1999).

fails to live up to its side of the bargain it forfeits the normal benefits of sovereignty and opens itself up to attack, removal or occupation.”³⁸⁰

Universal ideas about human rights have steadily gained ground since WWII, when the sheer horror of the Nazi regime’s crimes called the moral legitimacy of the traditional concept of sovereignty into question. States’ responsibility to protect the rights of their citizens is now codified in international laws and treaties, such as the 1948 UN Convention on Human Rights. No clear mechanism to uphold these obligations exists in international law. Nevertheless, since the end of the Cold War we have seen the rise of a “new interventionism” with the UN and other international organizations intervening to protect human rights in the former Yugoslavia, Bosnia, Kosovo, Somalia, Rwanda, Haiti, Cambodia, Liberia, and Libya. Most of these interventions have come without the consent of the host country and would have been regarded as unwarranted interference in the domestic politics of sovereign states in earlier eras.

According to proponents of the ILO, making sovereignty conditional on state’s ability to live up to their obligations to uphold human rights is good for international peace and security and, by extension, it contributes to the stability of the liberal global order. Massive human rights violations give rise to larger problems, such as civil wars and refugee crises, which can have destabilizing effect on neighboring states. States that engage in massive human rights violations in their domestic politics are also more prone to external aggression. If their massive human rights violations go unpunished these states may be emboldened to one day mount a more serious challenge the liberal order. According to Anne-Marie Slaughter, “Whatever personal or political pathology leads them to think it is fine to commit genocide, crimes against humanity, or ethnic cleansing at home tends to spill over into the international arena. Human rights law came into being not simply because of the moral horror of the Holocaust but also because the world's nations realized that it would have been easier (although never easy) to stop the Nazis after Kristallnacht than waiting until the invasion of Poland”³⁸¹

While this point of view has certainly gained adherents in the liberal democratic West, it is strongly opposed by Russia and China and by many of the countries of the developing world. On numerous occasions, Russian and Chinese leaders have consistently spoken out in defense of sovereignty and the critical role it plays in maintaining justice and peace between states. According to Russian Prime Minister Dmitri Medvedev, “Diminishing the principle of state sovereignty is fraught with the destruction of the world order and a full-scale war, even with the use of nuclear weapons.” In a 2000 speech at the United Nations Millennium Summit, Chinese President Jiang Zemin strongly criticized the notion that human rights rank higher than sovereignty, arguing that only sovereign national governments could truly protect the human rights of their people. “History and reality tell us that sovereignty is the only premise

³⁸⁰ Richard Haas, “Sovereignty and Globalization”, *Project Syndicate*, February 17, 2006.

³⁸¹ Anne Marie Slaughter, “Intervention, Libya, and the Future of Sovereignty”, *The Atlantic Monthly*, September 4, 2011. <http://www.theatlantic.com/international/archive/2011/09/intervention-libya-and-the-future-of-sovereignty/244537/>, Accessed: June 10, 2012.

and guarantee of human rights within each nation...national sovereignty and human rights do not conflict with each other, but rather complement each other."³⁸²

Russian and Chinese leaders claim that they value human rights. But they fear that all too often the cause of human rights is politicized and applied selectively to advance Western interests. Putin made this point in an article in *Moskovskiy Novosti* in which he defended "the time honored" conception of sovereignty:

It is often said that human rights override state sovereignty. However, when state sovereignty is too easily violated in the name of this provision, when human rights are protected from abroad and on a selective basis, and when the same rights of a population are trampled underfoot in the process of such 'protection', including the most basic and sacred right the right to one's life these actions cannot be considered a noble mission, but rather outright demagoguery.³⁸³

China voiced similar objections in its official government White Paper on Human Rights:

China is firmly opposed to any country making use of the issue of human rights to sell its own values, ideology, political standards and mode of development, and to any country interfering in the internal affairs of other countries on the pretext of human rights, the internal affairs of developing countries in particular, and so hurting the sovereignty and dignity of many developing countries.³⁸⁴

Russian and Chinese leaders have spoken out against recent Western humanitarian intervention efforts. In his April 2007 State of the Union address, Putin likened the West's efforts supporting democracy promotion to the "civilizing" mission of colonial powers: "Today, 'civilization' has been replaced by democratization, but the aim is the same: to ensure unilateral gains and one's own advantage, and to pursue one's own interests."³⁸⁵ In an editorial criticizing Western efforts to end human rights abuses in Syria, *Xinhua*, the official Chinese news agency wrote: "In the face of frequent bomb attacks in Iraq and the bloody civil war in Libya, most of the Arab countries have begun to realize that the United States and Europe are hiding a dagger behind a smile – in other words, while they appear to be acting out of humanitarian concern, they are actually harboring hegemonistic ambitions."³⁸⁶

China and Russia have collaborated to block Western efforts at intervention. At the UN, Russian and Chinese leaders have used or threatened to use their veto powers in the Security Council in

³⁸² Quoted in: Chu Shulong, "China, Asia and Issues of Sovereignty and Intervention", *Pugwash Occasional Papers*, Vol2:No1, January 2001, http://www.pugwash.org/reports/rc/como_china.htm, Accessed: May 30, 2012.

³⁸³ Vladimir Putin, *Rossiya i myenaiushisya mir* (Russia and the Changing World), *Moskovskiy Novosti*, February 19, 2012.

³⁸⁴ Government of China, *White Paper on Human Rights in China, 1991*, <http://www.china.org.cn/e-white/7/7-L.htm>, Accessed: June 10, 2012.

³⁸⁵ Vladimir Putin, *Annual Speech to the State Duma 2007*,

http://www.kremlin.ru/eng/text/speeches/2007/04/26/1209_type70029, Accessed: June 1, 2012.

³⁸⁶ Zhu Junqing, "Friends conference rejects foreign intervention in Syria", *Xinhua*, February 25, 2012.

order to defend the principles of sovereignty and non-intervention in domestic affairs in the cases of the former Yugoslavia, Sudan, Iraq, Kosovo, Burma, Zimbabwe and Syria. They have also provided material and diplomatic support to authoritarian regimes which face outside criticism for their human rights records. Russia supports authoritarian regimes in Central Asia, defending them against Western criticism and sharing with them its techniques for preventing “color revolutions”.³⁸⁷ When Uzbek-US relations soured in 2005 following the Andijan massacre, Russia stepped in to support the Uzbek regime and to validate its claim that Islamic militants fomented the violence. China has increased its presence in Africa, signing trade and development deals with African dictatorships that are free of the political conditionality that is often a requirement of Western aid. The Chinese government has been a longstanding backer of Zimbabwe president Robert Mugabe's authoritarian regime, supplying it with military and financial support. The Chinese have also sold the regime phone-tapping, radio-jamming and internet-monitoring equipment.³⁸⁸

These Russian and Chinese moves are primarily motivated by political and economic expediency rather than any sense of ideological solidarity with fellow authoritarians. Nevertheless, upholding the principle of sovereignty has been an important consideration for Russian and Chinese leaders. While it has not been the main motivation behind most of their efforts to support regimes that face intervention, there are cases where neither China nor Russia had significant material or economic interests and upholding the principle of sovereignty was the only discernible interest at stake. This was true of China's vocal opposition to the 1999 US bombing campaign in Kosovo in 1999 and its vehement refusal to recognize Kosovo's independence from Serbia, as well as Russia's decision to join China in vetoing a UN resolution to punish human rights violations in Burma.³⁸⁹

Why have Russian and China bucked the liberal trend when it comes to human rights and sovereignty? Observers point at that both countries oppose intervention because they themselves violate human rights and don't want to see humanitarian intervention turned against them.³⁹⁰ Historical memories of victimhood at the hands of foreign powers also shape their attitudes towards intervention. In Russia these primarily focus on the negative experience of post-Soviet reform, when the West “took advantage” and “exploited” Russia's weakness.³⁹¹ In China, the “Century of Humiliation” between 1839–1949, during which China was forced to make humiliating concessions to European colonial powers and later Japan, figures prominently

³⁸⁷ Evgeny Finkel and Yitzak Brudny, “No more Colour! Authoritarian Regimes and Colour Revolutions in Eurasia”, *Democratization*, Volume 19, Issue 1, 2012, pp 1-14.

³⁸⁸ “Chinese Help Mugabe to Bug Media in Zimbabwe”, *The Scotsman*, May 8, 2005.

³⁸⁹ Christopher Marshand and Nikolas K. Gvosdev, “China's Yugoslav Nightmare”, *National Interest*, Issue 84, Summer 2006, p102-108, N. Listopadov, “Rosiiya-Burma; Ustoychivii interes drug k drugu” (Burma and Russia: Stable Relations) *Aziia i Afrika segodnia*, No. 11, November 2008, pp 47-50.

³⁹⁰ Robert Kagan, “League of Dictators?”, *Washington Post*, April 30, 2006.

³⁹¹ Vladimir Shlapentokh, “Perceptions of Foreign Threats to the Regime: From Lenin to Putin”, *Communist and Post-Communist Studies*, Volume 42, Issue 3, September 2009, pp 305–324.

in the national consciousness.³⁹² The fact that the power and capability to intervene is still concentrated in the hands of the former colonial powers also calls into question the legitimacy of human rights interventions in the eyes of many non-Western observers. “For most Westerners, NATO is an alliance of democracies and as such a standing validation of the democratic peace thesis. For most Asian ex-colonies, however, the most notable feature of NATO is that it is a military alliance of former colonial powers: every former European colonial power is a member of NATO.”³⁹³

While regime type and historical memory certainly shape attitudes towards sovereignty, larger historical and structural factors are also at work. According to Mohammed Ayoob, because of their different historical experience with state and nation building, developed and developing countries have fundamentally different views about the relationship between order and justice in world politics.³⁹⁴ While developed countries stress *order between* and *justice within* states, the developing world espouses *order within* and *justice between* states. The developed states take the issue of domestic order for granted because they do not face significant internal threats to their security and legitimacy. Their main threats to their security are external, hence the emphasis on order in relations between states. For developing states the main security threats are internal; they face considerable challenges to the legitimacy of their borders and the authority of their regimes. They are still in the process of state and nation building, something that the developed states completed centuries ago. These processes are naturally violent and human rights are likely to suffer, as the experience in the developed nations also shows. Developing states reserve the right to use violence and even repress human rights to maintain the domestic stability needed to keep the process of state and nation building on track. “To [developing states], calls for justice within states, whether between ethnic or religious groups or between different social strata, by the hegemonic states often appears as providing encouragement to domestic disorder and secessionist tendencies.”³⁹⁵

As weaker states and former victims of colonialism and imperialism, developing states place a great emphasis on justice in relations *between* states. They are deeply suspicious of developed states calls for intervention, which, in their eyes, appear to be selective and to serve more narrow economic and political interests. The developed world criticizes Russia’s war in Chechnya and China’s crackdown in Tibet, but is silent on Israel’s treatment of Palestinians in Gaza. It threatens Iran with sanctions and intervention because of its nuclear program, but never mentions Israel’s formidable nuclear arsenal. When the strong and rich states are the ones that decide when and where intervention will happen, it comes to be seen as just another facet of the depredation by the strong against the weak.³⁹⁶ According to Ayoob, “When

³⁹² Peter Hays Gries, “Narratives to Live By: The ‘Century of Humiliation’ and Chinese National Identity Today,” in Lionel M. Jensen and Timothy B. Weston, eds., *China’s Transformations: The Stories Beyond the Headlines* (Lanham, MD: Rowman and Littlefield, 2006), pp. 112–128.

³⁹³ Ramesh Thakur, “Global norms and international humanitarian law: an Asian perspective”, *International Review of the Red Cross*, No. 841, 2001, pp 19-43.

³⁹⁴ Ayoob (2010)

³⁹⁵ Ibid. 131.

³⁹⁶ Ibid. 135.

standards are applied selectively to suit the interests of the major powers, they leave the impression that, as in the nineteenth century, hidden agendas are at work.”³⁹⁷

As long as domestic stability remains a paramount concern it is unlikely that rising developing states, such as Russia and China, will accept ILO ideas about humanitarian interventions and conditional sovereignty. Instead it is more likely that they will use their increased power and diplomatic clout to protect traditional concept of sovereignty. In fact we are seeing increased cooperation among the major developing states on this issue. Even the democratic BRICS (Brazil, India and South Africa) object to Western notions of conditional sovereignty. These countries value and uphold human rights and the struggle for human rights is an integral part of their national narratives. However they are uncomfortable that there is no clear cut international institutional mechanism for deciding when intervention will take place. They are also alarmed that Western countries have pursued unilateral approaches to intervention that run roughshod over international opinion and international institutions like the UN Security council.³⁹⁸

The BRICS are a disparate group and they remain divided on many major issues. But they are increasingly showing a unified front on the sovereignty issue. According to Lukyanov, “BRICS countries not only have similar views on the need for a new, multipolar world order, but, most important, share one and the same basic value – national sovereignty as a fundamental structural element of the world system. This concept is an alternative to the Western approach that is based on the premise that today sovereignty is no longer as sacred and immutable as it was in the past.”³⁹⁹ Recent BRICS summits have gone beyond the previous focus on economic issues to address issues related to sovereignty and international intervention. The 2011 BRIC summit in Sanya (China) issued a communiqué criticizing NAO bombing campaign in Libya.⁴⁰⁰ The 2012 BRICS Summit in New Delhi condemned the use of threats of violence against Syria and Iran, which it said violated both countries’ fundamental rights to sovereignty.⁴⁰¹

Though not as active as Russia and China, some of the other rising powers have also made moves to shield individual authoritarian regimes from outside pressure. Brazil and Turkey undercut US sanctions efforts against Iran by negotiating a deal to swap nuclear fuel with Iran. South Africa has actively blocked UN discussions about human rights abuses in Zimbabwe, Belarus, Burma, Cuba, North Korea and Uzbekistan. In 2008, South African President Thabo Mbeki sent an angry letter to US president George Bush in protest over US criticism of human rights abuses in Zimbabwe, saying that the US needed to “butt out” of African affairs.⁴⁰² These

³⁹⁷ Ibid. 135.

³⁹⁸ Oliver Stuenkel and Jabin T. Jacob, “Rising Powers and the Future of Democracy Promotion: the Case of Brazil and India”, *Portuguese Journal of International Affairs*, No 4 Autumn/Winter 2011, pp 23-34 , Eduard Jordaan, “Fall from Grace: South Africa and the Changing International Order”, *Politics*, Vol 30 December 2010 , pp 82-90.

³⁹⁹ Fyodor Lukyanov, “Uncertain World: Sovereignty as the Foundation of BRICS Unity”, *RIA Novosti*, March 29, 2012.

⁴⁰⁰ “BRICS leaders call for diplomatic solution to Libya crisis”, *RIA Novosti*, April 14, 2011.

⁴⁰¹ “Fourth BRICS Summit - Delhi Declaration”, *Indian Ministry of External Affairs*,

<http://mea.gov.in/mystart.php?id=190019162>, Accessed: June 11, 2012.

⁴⁰² Jordaan.

moves caught many in Washington, who assumed that as a democracy South Africa would be more supportive of the human rights agenda, by surprise and prompted a Washington Post editorial to label South Africa as a “rogue democracy”.⁴⁰³

Conclusion

The erosion of state sovereignty as a result of the rise of TNAs and the growing influence of human rights norms is put forward as major factors that strengthen the liberal order. Yet there is little evidence that these processes are at work in the two most important rising powers, Russia and China. In both countries the state has been able to restrict the political autonomy of TNAs such as big business and NGO’s. Modern communication technologies such as the internet and social media have empowered NGOs in their struggle against autocratic states. However, Russia and China have employed the very same technologies to respond to these challenges and to increase their own power and capabilities.

Developing states have also rejected Western ideas about human rights intervention and conditional sovereignty. The belief that these ideas will eventually be universally accepted by all states fails to appreciate developing states’ sensitivities and concerns. Developing states face a wide range of challenges to the legitimacy and survival of their regimes and to the territorial integrity of their states. For them the need for domestic order and stability takes precedence over human rights concerns. They are also sensitive about the way powerful states misuse humanitarian intervention as a pretext to advance their own hegemonic goals.

Though divided on many issues, rising powers are united in their opposition to liberal challenges to traditional norms of sovereignty and non-interference. They are beginning to use their growing power to push back through a variety of means – from blocking UN resolutions to lending support to states that are being threatened with intervention. Proponents of the ILO believe that erosion of sovereignty works to dissuade rising states from challenging the liberal order. But the opposite may be true. It may actually spur rising states to push even harder for a new multipolar order that will reestablish traditional principles of sovereignty and non-interference.

⁴⁰³ Michael Gerson, “The Despot’s Democracy”, *Washington Post*, May 28, 2008.

Chapter 5: Challenging the ILO and It's Institutions

Historically, dramatic shifts in power in the international system have either led to intense geopolitical (and often military) competition as rising powers have chafed under the institutions of the old order and sought to displace them with institutions that better serve their interests and needs. Despite major shifts in the balance of power today, we are not seeing this kind of assertive behavior by rising states. ILO theorists believe that this constitutes proof that states will prefer to join the established institutional order rather than seek to overthrow it or to build new institutions. Path dependency – the “sunken costs” and “increasing returns” of established institutions – will make existing institutions very “sticky”. States will not seek to replace them with new institutions even when these new institutions promise to work better and more accurately reflect the actual power between states. The institutions created and bargains struck in the aftermath of WWII have become rooted in the wider structures of politics and society of the countries that participate in the order. The cost of replacing existing institutions with new ones has increased to a point where it is just not worth the effort – even if these institutions may promise to be more effective or to distribute gains in a way that is more in tune with the actual distribution of power between the players. “A wider array of individuals and groups, in more countries and more realms of activity, have a stake – or a vested interest – in the continuation of the system...this means that ‘competing orders’ or ‘alternative institutions’ are at a disadvantage.”⁴⁰⁴

Ikenberry and other proponents of the ILO conclude that the existing order is “easy to join, but hard to overthrow” and will thus survive major shifts in the distribution of power in the system.⁴⁰⁵ Yet, there are two major flaws to this logic. First, it underestimates the degree to which rising powers are dissatisfied with the current order and motivated to change it. Second, it limits the choices open to rising powers to two options: they can “beat ‘em or join ‘em”. Rising states can either acquiesce to the existing order or wage a full-out frontal assault to overthrow and replace it. In reality the choice is not as stark as this. Rising powers have a wider menu of effective strategies and tactics available to them – from simply ignoring the parts of the ILO that they do not like, to forming new relationships and institutions that achieve specific aims. These strategies allow rising powers to resist the current order and work towards its gradual transformation without having to challenge it openly and directly. The ILO may neither be as “easy to join” nor as “hard to overthrow” as liberal theorist believe.

Why Do Emerging Powers Choose to Challenge the Existing Order?

What drives rising powers to challenge the established institutional order? According to Robert Gilpin, rising powers will challenge the established order when it does not confer upon them the status or prestige they feel they are entitled to based on their own power or wealth. Consideration of status and prestige are important to states for a variety of reasons. Status and prestige are integral to state’s sense of identity and the pursuit of status plays an important

⁴⁰⁴ Ikenberry, *After Victory*, pg 253.

⁴⁰⁵ G. John Ikenberry and Thomas Wight, “Rising Powers and Global Institutions”.

role in maintain internal cohesion and domestic legitimacy for ruling elites.⁴⁰⁶ Moreover, Status and prestige are also important to states because they are sources of power. Status and prestige play a similar role in international politics to authority in domestic politics. They allow states to get what they want without having to use their power. Gilpin notes that there is relatively little overt use of force or threats in the conduct of diplomacy. “Rather, the bargaining among states and the outcome of negotiations are determined principally by the relative prestige of the parties involved.”⁴⁰⁷ By enhancing their status states also strengthen the credibility of both threats and commitments, increasing the likelihood that they will attain their goals in international politics. Volgy argues that status and prestige considerations may play an even more important role in a world where state power and autonomy is under assault from new actors, increased interdependence, and complexities of global politics. “To the extent that other states look at great powers for leadership and guidance in the face of crises and collective action problems, high status may reduce some of the material costs of efforts to structure order and/or institutional development necessary for global governance. Consequently, major powers may engage in the quest for additional status if they feel that the status attributed to them fails to match the status they deserve, or create maintenance strategies if they are in jeopardy of losing the status they have had.”⁴⁰⁸

Status and prestige are goals that states value and will fight for. Gilpin argues that situations where the hierarchy of prestige does not reflect the underlying distribution of power in the system are volatile and prone to conflict. Rising states will push for changes to the order that better reflect the real distribution of power in the system that favors them. “The fact that the existing distribution of power and the hierarchy of prestige can sometimes be in conflict with one another is an important factor in political change.”⁴⁰⁹

Russia is clearly dissatisfied with the position accorded to it by the ILO and sees it as not being commensurate with Russia’s status as a historical great power. After the fall of communism in the early 1990s Russia was eager to join the Western order. However it soon grew disappointed with the order because the Western powers would not accord Russia the place in the order that it felt it deserved. “Moscow refuses to accept the role of junior partner and believes that it will have to follow a more independent and assertive foreign policy if it is to regain its rightful place in world affairs, alongside the US and China as one of the great powers.”⁴¹⁰ Russia’s leadership felt that Russia was never given the proper credit it deserved for ending the Cold War and that its voluntary retreat from its previous imperial and revolutionary foreign policy warranted a proper seat at the table among the world powers. Instead, from Moscow’s perspective these

⁴⁰⁶ William Bloom, *Personal Identity, National Identity and International Relations* (Cambridge: Cambridge University Press, 1990), Jonathan Mercer, “Anarchy and Identity”, *International Organization*, Vol49, No 2, 1995, pp 229–252.

⁴⁰⁷ Robert Gilpin, *War and Change in World Politics*, pg 30.

⁴⁰⁸ Thomas J. Volgy, “Major Power Status in International Politics”, in Thomas J. Volgy ed. *Major Powers and the Quest for Status in International Politics : Global and Regional Perspectives* (New York : Palgrave Macmillan, 2011) pg 17.

⁴⁰⁹ Gilpin, pg 30.

⁴¹⁰ Dmitri Trenin, Interview with Author, Moscow, May 17, 2007.

unprecedented historical concessions were only paid back by the West taking advantage of its weakness.

These perceived status inconsistencies have been a major force behind Russia's resistance to the existing order, and are reflected in some of the strong positions Russia has taken against NATO enlargement, Western intervention in Kosovo, Iraq, Libya, and Syria, and the growing Western presence in the former Soviet states. Moscow has resisted the West not only because these policies are viewed as a threat to Russia's security or because of fears that democracy promotion and humanitarian intervention may one day be turned against Russia's own authoritarian regime. In all these instances Russia's status and prestige as a major global power are also at stake. In all of these cases the West demonstrated that it was ready to go forward with these policies without consideration of Russia's interest or, in some cases, without even consulting Russia. From Moscow's point of view this is completely unacceptable.

Rising powers may also challenge the existing institutional order because they do not subscribe to the norms and values which the existing order looks to promote. All international orders reflect the norms and values of the leading states, which to varying degrees seek to promote these values beyond their domestic borders.⁴¹¹ The *Pax Romana* promoted Roman law and culture throughout the Mediterranean world. The *Pax Britannica* helped to spread the ideas of parliamentary democracy, free trade, and Christianity to the larger non-European world.⁴¹² The ILO promotes a comprehensive set of norms and values, including representative democracy, human rights, and liberal free-market capitalism and looks to promote these in an aggressive way. The promotion of these norms and values has become a central focus of American foreign policy and the foreign policies of its closest liberal allies.

Russia and China have abandoned their communist ideologies, which openly sought to overthrow the liberal order. They have enthusiastically embraced capitalism and free markets. But theirs is a form of capitalism that diverges from many of the tenets of liberal capitalism practiced in the West. To quote Timothy Garton Ash, countries beyond the historic West have adopted hybrid political and economic systems undreamed of during the period of liberal triumphalism in the early 1990s. "They combine the dynamism of market economies with rule by one party or one family, state or hybrid ownership of companies, massive corruption and contempt for the rule of law."⁴¹³

Both emerging powers are ambivalent about Western notions of universal human rights and democracy. The Chinese leadership questions whether Western ideas about human rights, which are rooted in the historical experience of the West, are appropriate for their own cultural traditions.⁴¹⁴ The Russians leadership sees their country as an integral part of Western and European civilization. However, they claim that that they are pursuing their unique historical

⁴¹¹ Gilpin, 30.

⁴¹² Gilpin, 37.

⁴¹³ Timothy Garton Ash, "The optimists of Davos past now face a world whose script has gone awry", *The Guardian*, January 26, 2011.

⁴¹⁴ Daniel Bell, *Beyond Liberal Democracy: Political Thinking for an East Asian Context*, (Princeton; Princeton University Press, 2006).

paths towards democracy that require them to limit democracy and human rights in the short to medium terms. Like many conservatives and nationalists in the West, they are uncomfortable with the post-modern discourse on human rights, which they see as placing individual and majority rights ahead of the well being of the collective and nation.⁴¹⁵

Embracing capitalism has played a key role in China's incredible economic rise and (to a somewhat lesser extent) Russia's reemergence as a key energy producer. At the same time, however, both countries practice an "illiberal capitalism" which diverges from neoliberal economic orthodoxies. Statist ideas continue to play a large role in both countries' strategies of economic development. The Russia leadership is committed to maintaining state control of the energy sector, which it sees as the commanding heights of the economy.⁴¹⁶ The Chinese government also retains formal and informal controls over businesses in strategic sectors.⁴¹⁷ While both countries formally embrace free trade, it is unclear whether they have also developed a genuine normative commitment to free trade or whether they have embraced free trade out of temporary expediency. As was discussed in Chapter 3, both countries continue to pursue policies that are inconsistent with commitments to free trade. China manipulates its currency in order to increase the competitiveness of its exports. Russia has been accused of following neomercantilist policies as it looks to maintain tight control over energy export routes in the former Soviet region.⁴¹⁸

Rather than accepting the liberal universalism espoused by the ILO, Russian and Chinese leaders argue that emerging powers have their own norms and values and will naturally look to promote them as best they can.⁴¹⁹ In recent year both states have used their growing power and status to uphold the principles of sovereignty and non-interference and to openly question the dominance of universal models of pushed forward by the ILO. And while they have not aggressively put forward coherent alternative models to liberal democracy and capitalism (as yet), they do defend each states right to pursue paths to economic and political development that diverge from the tenets of liberalism.

Finally, rising powers may decide to challenge the existing order because they have lost faith in existing institutions or because they no longer trust the competency of the leadership of the dominant states. At the time of Russia's transition from communism in the early 1990s Russia was enthusiastic about joining the institutions that comprised the liberal West. Russia's admission to the G-7 was considered to be one of Yeltsin's greatest foreign policy achievements, and a symbol that Russia was accepted into the "elite club of states" as one of the most influential countries in the world.⁴²⁰ Over time, however, Russian observers have

⁴¹⁵ Natalya Narochnitskaya, "Staraya Evropa" (Old Europe), *Pravoslavie*, Vol15: No:3, March 3, 2003.

⁴¹⁶ Marshall Goldman, *Oilopoly*.

⁴¹⁷ "Privatisation with Chinese Characteristics", *The Economist*, Vol. 400 Issue 8749, September 3, 2011.

⁴¹⁸ Adam Stulberger, *Well Oiled Diplomacy*.

⁴¹⁹ Xuetong Yan, "International Leadership and Norm Evolution", *Chinese Journal of International Politics*, Vol4: No 3, Autumn 2010, pp 233-264.

⁴²⁰ Boris Yeltsin, *Midnight Diaries*, (New York: Public Affairs, 2000) pg 137. Even at this time, however, many observers criticized Yeltsin for failing to get full membership for Russia in the G-8's economic bodies and for

grown disillusioned with the institutions of the ILO and skeptical about their ability to confront the major problems the world is facing. Many Russian analysts are worried by the growing instability of the international order. They are alarmed by what they see as the deterioration of international law, which to them is evident in the US' disregard of the UN in Kosovo, Iraq and Libya and the growing frequency of the use of force. They also have grave doubts about the current order's inability to deal with the most critical security problems, such as failed states, regional strategic rivalries (India – Pakistan, the Middle East), terrorism, and the spread of WMDs. From their point of view the declining Western powers have exacerbated these problems by looking to preempt their own decline through adventurous behavior (i.e., the US invasion of Iraq, NATO expansion) and by their efforts to keep the rising powers down instead of cooperating with them to address the critical problems the world faces. According to Karaganov, "This crisis threatens to inflict inevitable hardships on billions of people, including Russians. Coupled with the aforementioned rapid geopolitical changes, with the collapse of the former system of international law and security systems, and with attempts by the weakening 'elders' to stop the redistribution of forces not in their favor, this period may bring a dramatic destabilization of the international situation and an increased risk of conflicts. I would have dared to describe it as a pre-war situation and compare it with August 1914, but for one factor: huge arsenals of nuclear weapons remain, along with their deterrent factor, which makes politicians more civilized."⁴²¹

Even Russian liberals, who would prefer to see a continuation of the current global order, paint a gloomy picture of the future of the ILO. The egotistical and shortsighted way in which Western elites have responded to the debt crises in the US and EU in 2011 shows a complete disregard for the interests for the rest of the world calls the West's global leadership into question. According to Fyodor Lukyanov, "Putin's Russia now is disappointed in the West and not so much because the West does not respect Russia and is not ready to treat it as an equal partner. This has been said many times. Worse yet, Western policy is ineffective and shortsighted and fails to produce the desired effect. Nothing is going as expected, neither the Arab Spring, nor the European debt crisis, nor events in Iran and North Korea."⁴²² Even if the rest of the world would want to preserve the current system of global governance, it is questionable whether the Western liberal elites are competent enough to lead any longer. "The great paradox is that politicians in America and Western Europe, on whom the future of the world depends, have become the main obstacle to preserving the status quo and a smooth recovery from the crisis....The US and Europe risk causing more damage to their reputation and standing than ever before because the recklessness of the Western elites and the discrepancy between their stated ambitions and actions have become more glaring than ever."⁴²³

acquiescing to NATO enlargement in order to assure membership in the G-8. See: "Leftists Flay Yeltsin for 'rubbish' Deal", *Reuters*, May 29, 1997, "Kapitulatsia pod fanfary", (Capitulation with fanfare), *Pravda*, May 30, 1997.

⁴²¹ Sergey Karaganov, "Mirovoi krizis: vreme sozidat" (The World Crisis: A Time for Creation), *Rossiskaya gazeta*, October 20, 2008.

⁴²² Fyodor Lukyanov, "Putin gets back to business after election", *Russia Today*, March 10, 2012, <http://rt.com/politics/columns/unpredictable-world-foreign-lukyanov/putin-election-west-lukyanov/>, Accessed: March 12, 2012.

⁴²³ Fyodor Lukyanov, "The Reckless West", *RIA Novosti*, July 21, 2011.

Moscow has come to see the core institutions of the ILO, such as NATO and the EU as losing their relevance and their ability to deal with the emerging problems. According to Lukyanov, "Russia, I think, views NATO as an organization in the midst of a profound crisis. Keeping in mind that NATO cannot formulate a new strategic conception and can't in general understand why it should exist in the 21st Century; the sense of joining is completely unclear. In other words, NATO is viewed as an organization that is growing weaker rather than stronger."⁴²⁴ As it looks for a new role in the post-Cold War era, NATO has embraced policies that antagonize Russia, such as expansion and missile defense. Russian observers believe NATO's policies that antagonize Russia, such as enlargement and ABM, are driven by NATO's bureaucracy, which is looking to keep the organization relevant in a post cold world. "NATO is a big bureaucracy, an enormous military alliance, and inasmuch as it was deprived of its traditional enemy, which was the Soviet Union and Warsaw Pact, it decided to expand eastward. Some say this happened according to Parkinson's Law. When some large organization is deprived of its original meaning for existence, it begins to expand."⁴²⁵ The destabilizing effects of NATO expansion were most evident during the Georgia crisis in 2008. The truth behinds the events may never be known. But most Russian observers believe that NATO and the US must shoulder a good deal of blame. According to this version of events, NATO and US support for Georgia emboldened the country's reckless leaders to attack South Ossetia and provoke military confrontation with Russia. This set off a chain of events that came perilously close to ending in direct military confrontation between Russia and NATO.⁴²⁶

Russian observers believe that NATO has become an anachronism in a world where unconventional security concerns like terrorism and nuclear proliferation increasingly eclipse traditional security concerns. NATO has tried to stay relevant by embracing more of a global role and by expanding its purview beyond traditional security concerns. But Russian observers are skeptical about the alliance's ability to transform itself. According to Russian Foreign Ministry spokesman Andrey Nesterenko: "We are convinced that the nature of the risks and threats to security in our times has fundamentally changed and requires other schemes for international cooperation than the delayed-action expansion of military-political alliances formed during an era of bloc confrontation."⁴²⁷ Russian leaders believe that NATO is not the proper forum to deal with unconventional security concerns because it shuts out non members, many of which must be included if true solutions to these problems are to be found.⁴²⁸ According to Putin, "Some say NATO should fight modern threats. But what are these threats?"

⁴²⁴ Quoted in Robert Coalson, "Could NATO Membership For Russia Break Impasse In European Security Debate?", *Radio Free Europe/Radio Liberty*, February 5, 2010, http://www.rferl.org/content/Could_NATO_Membership_For_Russia_Break_Impasse_In_European_Security_Debate/1949690.html, Accessed: February 24, 2011.

⁴²⁵ Alexei Arbatov, Interview, *Nezavisimoye Voyennoye Obozreniye*, September 30, 2008.

⁴²⁶ According to former state department official Ron Asmus, the White House seriously considered proposals to use airstrikes against Russian forces advancing into Georgia. Apparently this option was favored by Vice President Dick Cheney, but resisted by others in the cabinet. See: Ron D. Asmus, *A Little War that Shook the World: Georgia, Russia, and the Future of the West* (Palgrave, London, 2009), pg 186.

⁴²⁷ "Russia Says NATO Enlargement Will Not Counter New Global Threats", *Interfax*, April 2 2009.

⁴²⁸ Sergei Karaganov, "Novaya epoxa protivosoyaniya" (A New Epoch of Confrontation), *Rossiya v globalnoi politike* No4, July-August 2007, http://www.globalaffairs.ru/number/n_9235, Accessed February 25, 2010.

The spread of nuclear weapons, terrorism, epidemics, international crime, drugs. Is it possible to tackle these threats as a closed military alliance? No. These problems can be solved only on the basis of wider cooperation."⁴²⁹ Addressing these problems will require the creation of new institutions that will go beyond the Cold War era "bloc thinking" which Russian commentators believe is endemic to NATO. One Russian commentator notes dryly, "[NATO general secretary] Mr. Rasmussen has expanded NATO's mandate to include the proliferation of weapons of mass destruction, piracy, and even climate change and has also made sure that the latest tanks, guns, missiles, aircraft, missile defense and huge military budgets are available for the alliance to deal with these threats."⁴³⁰

Russian observers also have doubts about the future of the EU. In their eyes the financial crisis in the Eurozone and the rejection of the EU constitution in some of the major European states indicate that the process of EU integration has reached its limits. The continued relevance of national identity and continued salience of narrow state interests in Europe vindicate Russia's state centric view of international affairs. The EU's failure to adopt a common foreign and defense policy call into question its ability to act as a major player in world politics – on par with the US, China and Russia. "From Moscow's point of view, the EU is in a state of a very difficult transformation, and there is no guarantee that it is developing toward deeper integration... it is quite possible that in the future the role of large European powers will grow again, while the significance of supranational bodies will not."⁴³¹

At the same time a wide values gap has also opened up between Russia and the countries of Western Europe. It is not so much that Russians do not see themselves as being a part of European civilization. In fact most Russians see their identity and values as being fundamentally European. However, like many "red state" American conservatives, Russians do not accept the post modern values that Europeans increasingly espouse, and instead see themselves as defending Europe's traditional values and culture. Most Russian elites are weary of postmodern Europe's increasing emphasis on individual and minority rights (including the rights of women, immigrants and sexual minorities) and the assault on traditional state structures and social hierarchies these seem to entail. "Russia should realize that its integration into the European world will require that it radically restructure its system of values, a thing that it is unable to do right now."⁴³² Russian conservatives in particular criticize Europe for abandoning its own cultural legacy and its Christian roots. According to historian and director of the Democracy and Cooperation Institute in Paris, Natalya Narochnitskaya, "Even the most uneducated person instinctively feels that he does not want to be part of the present degenerate Europe . . . If you look at their European Constitution, it is a most dull specimen of a

⁴²⁹ "Putin: NATO Enlargement Creates Impression Of Attempts To Replace UN", *Interfax*, March 8, 2008

⁴³⁰ Armen Hovhannisyan, "NATO: Propoite nam alleluia!" (NATO: Sing us Halleluia!), *Mezhdunarodnaia zhizn*, No. 3, March 2010, pp 88-89.

⁴³¹ Fyodor Lukyanov, "Russia–EU: The Partnership That Went Astray", *Europe Asia Studies*, Vol 60 No6, August 2008, pg 1117.

⁴³² Boris Mezhuev, *Vostochny Ekspres iz moderna v postmoderna I obratno* (The Eastern Express: from modernity to postmodernity and back), *Politicheskii' klass*, No. 12, December 2007, pp 79-80.

liberal Gosplan [the Soviet State Planning Committee]. There is not a single value in it, for which great Europeans of the past mounted the scaffold.”⁴³³

Broad philosophical differences about the role of the state in society and in international relations divide Russians and Europeans. According to Ivan Krastev, at the heart of the current crisis in Russian-EU relations is a struggle between the post-modern state embodied by the European Union and the traditional modern state embodied by Russia. While Europeans see the state as an ever present threat to the individual and his rights which must be curbed, Russians tend to see the state as essential to the individual’s fulfillment and physical and economic security. “The European Union, with its emphases on human rights and openness, threatens the Kremlin’s "sovereign democracy" project. Russia’s insistence on balance of power and mercantilist geopolitical hardball threatens Europe because it stimulates the re-nationalization of the foreign policy of EU member states.”⁴³⁴

This does not mean that Russia has completely forsaken Europe. Russian elites continue to see the identity of their country as fundamentally European. They also believe that cooperation with the countries of Europe, which still hold an economic and technological edge over Russia, is critical for the country’s economic modernization.⁴³⁵ However, Russians believe that Russia deserves its own special place in Europe. They reject the idea that Russia must join Europe as a junior partner – as a “greater Poland” that will have to accept wholesale Western tutelage and give up its sovereignty and freedom of action. Russia wants to integrate with Europe on its own terms so that it is not just an object of integration but also shapes the process itself. “Convergence and integration with the Greater Europe does not mean complete fusion with her. Russia must be preserved as a unique branch of European civilization.”⁴³⁶

Russian elites have seriously begun to doubt the efficacy of these institutions and whether or not they have a real future in a changing world where Western power is waning. These institutions’ failure to adequately respond to the challenges of an increasingly complex and unstable world now demands that Russia and other global players begin to seek solutions on their own. “This is an overall crisis of the entire system of global governance; a crisis of ideas on which global development was based; and a crisis of international institutions. Overcoming this overall crisis will require a new round of reforms, the construction of international institutions and systems for governing the world economy and finance, and a new philosophy for global development.”⁴³⁷

Three Strategies for Challenging the ILO

Proponents of the ILO believe that rising states have essentially two choices: they can either accept the international order and become fully integrated into it. Or they can mount a full out

⁴³³ Quoted in Lukyanov, “Russia–EU: The Partnership That Went Astray”, pg 1111.

⁴³⁴ Ivan Krastev, The Crisis of the Post-Cold War European Order, *Eurozine*, September 10, 2008.

⁴³⁵ Sergei Karaganov, “Novaya epoxa protivosoyaniya”.

⁴³⁶ Segei Kortunov, “Ediniye pravila dlya Evro-Atlantiki” (One Set of Rules for the Euro-Atlantic), *Mezhdunarodnaia zhizn*, No. 11, November 2009, pg 23.

⁴³⁷ Sergey Karaganov, “Mirovoi krizis: vreme sozidat”.

assault to the order, risking great power conflict and major war. I find that rising states that want to escape the constraints of the ILO have a much wider menu of options open to them. 1) States can adopt a strategy of selective compliance - they can pick and choose which rules to follow and which institutions to join according to more narrow calculations of their own interests. States can also develop clever ways to cheat that circumvent the literal rules of institutions. For example, states can use currency manipulation, arbitrary environmental or health regulations, and other non-tariff barriers to shape trade relations in ways that are preferable to them. While these tactics are clearly against the spirit of free trade, they often do not formally break rules of trade agreements. They are also notoriously difficult to legislate as they open up much room for interpretation by both side involved in disputes.⁴³⁸ 2) States can look to transform institution so that they better serve their goals and interests. They can do this openly by pushing for reform. Or they can work behind the scenes to undermine them, decreasing their relevancy so that they no longer threaten their interests. 3) Rising powers can build new institutions that route around or circumvent the existing institutional order, establishing relationships outside of the Western orbit. These institutions do not have to challenge the ILO directly. But they can replicate some of their functions and in this way allow rising powers to work around the ILO, minimizing their dependence on the ILO and its institutions. Table 6 lays out the three strategies and some examples from the Russian case:

Table 6: Strategies Rising Powers Can Use to Challenge ILO and Examples from the Russian Case

| Strategy | Example |
|--|---|
| Selective Compliance | Non-tariff trade barriers Selective application of human rights and self determination norms |
| Undermining and Reforming ILO institutions | Promoting bilateral relations with individual EU countries Undermining OSCE 's ability to promote democracy and human rights |
| Institution Building | CIS, CSTO, EurAsEc, SCO, BRICS |

⁴³⁸ Joseph Grieco, *Cooperation among Nations: Europe, America, and Non-Tariff Barriers* (Ithaca: Cornell University Press, 1990).

Selective Compliance

Perhaps the most obvious strategy is to pick and choose between the rules and institutions of the ILO that it will comply with and those it will violate or ignore altogether. In using this kind of strategy of *selective compliance*, Russia can simulate compliance with the ILO and avoid the negative repercussions of challenging the order openly and directly. Another advantage of selective compliance is that it allows Russia to “free ride” on the compliance of others. Russia benefits from the ILO institutions while passing along the costs of compliance and institutional maintenance to other actors.

Free trade is one of the pillars of the ILO and Russia’s leadership often speaks about its commitment to free trade and liberal economic practices. Russia has made substantial efforts to join the WTO. Russian leaders have also spoken out against protectionism and Russia was a strong supporter of the G-20 declaration that pledged to forego protectionist practices and keep markets open during the ongoing world economic crisis. But while Russian leaders espouse free trade rhetoric, they have also been ready to use protectionist policies to defend domestic industries.⁴³⁹ For example, in 2008, Russia imposed tariffs to limit the import of used foreign cars in an attempt to protect the country’s struggling auto industry.⁴⁴⁰ As was detailed in the previous section, Russia has also imposed export tariffs on timber to promote the domestic timber processing industry. Russia has also used non-tariff barriers to shield and promote domestic industries. A recent study on trade protectionism in the wake of the World Financial Crisis found that Russia was among the worst offenders, ranking at the top of the list in the number of discriminatory measures imposed on foreign goods.⁴⁴¹ Russia’s restriction of US poultry imports based on health and sanitary grounds has been a constant headache in US-Russian relations, but has been a boon for Russia’s poultry industry.⁴⁴² The Russian government also recently imposed restrictions on Lithuanian milk, citing health violations. Observers explained the move as an effort to aid Russia’s dairy industry.⁴⁴³ Russian authorities have also selectively applied environmental regulations to stall energy projects and put pressure on foreign firms to renegotiate energy contracts they signed with the government in the 1990s when the price of hydrocarbons was low and the Russian government still weak.⁴⁴⁴

Russia has frequently used protectionism as a tool of foreign policy. Citing health violations Russia banned Georgian and Moldovan wine from its markets in 2006. Most experts agreed the move was designed to put economic pressure on the two republics which were moving away

⁴³⁹ I am not trying to single out Russia in this respect. Many countries (including the leading liberal states) pursue inconsistent policies vis-à-vis free trade and this thus represents a major challenge to ILO theory. See: John Miller, “Nations Rush to Establish New Barriers to Trade”, *Wall Street Journal*, February 6, 2009.

⁴⁴⁰ This move led to a wave of popular protests in the Russian Far East that shook the Kremlin. Nevertheless the government stood by its decisions and used car imports subsequently fell by 95percent in the first quarter of 2009 as a result of the new tariffs. “Tariff Protests in Eastern Port Rattle Kremlin”, *New York Times*, Feb 16, 2009, “Challenge to New Car Tariffs Rejected”, *Moscow Times*, May 22, 2009.

⁴⁴¹ Simon J. Evenett, “The Emerging Contours of Crisis-Era Protectionism”, in Simon Evenett ed., *Broken Promises: A G-20 Summit Report by Global Trade Alert* (Centre for Economic Policy Research: London, 2009), pg 21.

⁴⁴² “Restrictions on Imports to Aid Poultry Plants”, *Moscow Times*, March 23, 2009.

⁴⁴³ “Injection of Protectionism”, *Vremya Novostei*, Aug. 14, 2009.

⁴⁴⁴ Andrew Kramer, “A Mix of Oil and Environmentalism”, *New York Times*, October 6, 2006.

from Russia and towards closer relationships with the West.⁴⁴⁵ In 2006, the Russian pipeline monopoly Transneft halted supplies to Lithuania, citing environmental and safety concerns due to a pipeline leak that had sprung up in a neighboring the Russian region. Observers suspected the move was designed to show Moscow's displeasure with Vilnius' decision to sell a controlling interest in a large Lithuanian refinery to a Polish company instead of to the Russian oil giant Lukoil.⁴⁴⁶ In 2007, Russian supermarket chains boycotted Estonian goods as part of a civil protest against the removal of a Soviet-era WWII memorial in Tallinn. Most experts believe the boycott was coordinated by the Kremlin.⁴⁴⁷ Citing health and sanitary concerns the Russian health inspectors also ordered a ban on the import of milk and meat products from Belarus in 2009. Known locally as the "Milk War", observers suspect Moscow's true motive was to put pressure on the regime of Belarus strongman Aleksander Lukashenko – either as punishment for Lukashenko's refusal to recognize the independence of Abkhazia and South Ossetia or in order to get Minsk to sell Russia a controlling interest in its national oil and gas pipelines.⁴⁴⁸

Russia has also been selective in its adherence to the principles of human rights and democracy, espoused by such European institutions such as the European Court of Human Rights (ECHR) in Strasbourg. The Russian Federation recognizes the jurisdiction of the ECHR and agrees to enforce its sentences concerning persons whose rights have been violated in the opinion of the Court. Moreover, a resolution of the Russian Constitutional Court in 2010, acknowledged that the Convention for the Protection of Human Rights and Fundamental Freedoms as well as the decisions of the European Court of Human Rights, which interpret the rights and freedoms established by the Convention, are part of the Russian legal system. Nevertheless, Russia has the worst human rights record of all 47 countries that are parties to the ECHR. The Strasbourg court has accepted petitions from thousands of Russian citizens. In 2009, Russia accounted for almost a quarter of all new petitions to the court.⁴⁴⁹ The ECHR has ruled that Russia is guilty of violating all but two articles of the Convention for the Protection of Human Rights. The court has ruled against Moscow for human rights violations in Chechnya, for its denial of official registration to opposition political parties and independent NGOs, and for violations of freedom of religion and free speech (most notably the government's refusal to allow lesbian and gay rights advocates to hold an annual parade in Moscow). While Russia reliably complies in paying out European Court ordered restitution, it has failed to address many of the systemic human rights issues at the heart of the cases.⁴⁵⁰ This is particularly true in areas Moscow deems to be an encroachment on its sovereignty, such as human rights in Chechnya or the registration of opposition political parties. Recently Russian lawmakers submitted a bill to the Duma that would allow Russia to ignore the verdicts passed in Strasbourg as long as the Russian

⁴⁴⁵ "Wine is used to punish Moldova and Georgia", *Nezavisimaya gazeta*, March 29, 2006.

⁴⁴⁶ "Mazeiku Nafta utekaet v trubu" (Mazeku Oil is going down the tubes), *Kommersant* August 14, 2006.

⁴⁴⁷ "Supermarkets, lawmakers in Russia boycott Estonian goods", *RIA Novosti*, April 28, 2007, "Bush backs Estonia in Russian dispute", *Financial Times*, May 4, 2007.

⁴⁴⁸ "Milk War Strains Russia-Belarus Ties", *New York Times*, June 14, 2009, "Milk war smells of gas", *Russia Today*, June 15, 2009.

⁴⁴⁹ Eric Silva, "Challenging Europe's Authority – Draft Legislation Reflects a Widening Gulf between Russian Authorities and the European Court of Human Rights", *Russia Profile*, July 7, 2011.

⁴⁵⁰ In most cases the restitution awarded by the Strasbourg court amounts to no more than a few hundred dollars. See: Eric Silva, Challenging Europe's Authority.

Constitutional Court confirms that the verdicts do not conform to the Russian Constitution. Russian observers believe that the bill has the full support of the Kremlin and is designed as a warning to the court.⁴⁵¹ According to the bill's author, Duma deputy Alexander Torshin, "The constitutional court [of the Russian Federation] is at the head of our court system. The European Court of Human Rights is not the sole guardian of truth. When Jesus Christ becomes head of the court, I will call back my bill."⁴⁵²

At times Russia has used ILO arguments it normally rejects in order to advance its interests. Russia has generally been a strong supporter of the principle of sovereignty in international affairs, speaking out against Western interference in other countries affairs on human rights grounds and defending the territorial integrity of states against self determination movements. But it has not always been consistent in this position. Russia was a firm opponent of Kosovo independence, and rejected the argument, made by supporters of independence, that Serbia had lost its right to sovereignty over Kosovo because of massive human rights violations perpetrated by Serbian troops in the province. Yet Russia used the same argument to justify its recognition of Abkhazia and South Ossetia's independence.⁴⁵³ Moscow has supported universal principles of human rights and self-determination when doing so has furthered its foreign policy interests. Russia has openly criticized the Baltic States for violating the human and political rights of ethnic Russian citizens, and has used the issue both to pressure these states and to deflect criticism for human rights violations in Russia.⁴⁵⁴ Russia also supports the right to self-determination of secessionist governments in several post-Soviet republics; Abkhazia and South Ossetia in Georgia, the Trans-Dneister republic in Moldova, and Nagorno Karabakh in Azerbaijan. Russian support thwarts efforts by central governments to reaffirm their sovereignty and control over these territories. These "frozen" conflicts provide an opportunity for Moscow to intervene in the domestic policies of these states and thereby maintain its influence in the region as a whole.⁴⁵⁵ For Moscow these conflicts are also useful in that they are an obstacle to these states joining NATO or the EU (as both organizations are reluctant to accept members who have ongoing territorial or internal conflicts).

Russia has employed a selective approach to compliance with the ILO and its institutions. Like many other states it has employed creative tactics (often applying non tariff barriers such as health and environmental laws) to shape the terms of trade in its favor and also to achieve some of Moscow's geopolitical and geoeconomic objectives. It has also been selective in its compliance with ILO norms of democracy, human rights and self determination. It has ignored

⁴⁵¹ "Forget Strasbourg", *Vedomosti*, June 24, 2011.

⁴⁵² "Russian courts will submit to Christ alone", *Moscow News*, June 22, 2011.

⁴⁵³ Dmitry Medvedev, "Why I had to Recognize Georgia's Breakaway Regions", *Financial Times*, August 26, 2008.

⁴⁵⁴ Piret Ehin and Eiki Berg, "Baltic-Russian relations and the EU as an arena for identity conflict", in Ehin and Berg eds, *Identity and Foreign policy : Baltic-Russian Relations and European Integration* (Burlington, VT : Ashgate, 2009), pg 1-15. While this criticism does reflect genuine concern for their co-ethnics, it has also been used instrumentally to advance Russia's geopolitical goals. Russia has been much less vocal in criticizing Central Asian states (which have much better relations with Russia) for their discriminatory practices against Russian minorities, even though ethnic Russians in these states arguably face a worse situation.

⁴⁵⁵ Jeffrey Mankoff, *Russian Foreign Policy: The Return of Great Power Politics*, (Rowmann & Littlefield: Plymouth UK, 2009), pp 258-261.

these norms when they impinge on Moscow's core interests (as was the case with human rights in Chechnya or loosening its grip over domestic politics). But Russia has also promoted these same norms when they have been useful in furthering Russia's foreign policy objectives. This selective strategy has helped Russia evade compliance with ILO norms and rules when this is not seen as being in Moscow's interests. Moreover, Russia can still derive all the benefits from the ILO's institutions without incurring the costs of full compliance. And Russia has been able to do all of this without having to challenge the existing order directly.

Undermining and Reforming ILO Institutions

Russia has employed strategies that look to transform ILO institutions so that they better reflect Moscow's interests and goals. These transformative efforts have taken two forms. Russia has tried to undermine ILO institutions to make them less effective. Or, more positively, Russia has attempted to reform them to better reflect its interests and world views.

As part of the former strategy, Russia has often looked to undermine the cohesiveness of the EU and NATO by dealing directly with European states on a bilateral basis. Moscow's preference for bilateral relations over dealing with multilateral institutions like the EU stems at least partly from the state centric world view of many of Russia's leaders. The EU looks to develop relationships based on common values and norms and to bind states in institutions that reflect these. But Moscow has a difficult time in understanding relationships that are not grounded in concrete national interests. "The Russian policy in the depths of the soul does not believe in the success of the European project, preferring to interact with the most influential EU member states on a bilateral basis, in the hope that the European greats pull the rest in the right direction."⁴⁵⁶

But Russia's preference for bilateral relations also reflects a more rational strategic calculus. Russia prefers to deal with states on an individual basis rather than Europe or NATO as a whole because it reduces the tremendous asymmetry of power that exists between Russia and these organizations. By bypassing these larger organizations Russia also lessens the influence of former Warsaw pact countries, which are seen by Russian policy makers as being almost congenitally disposed towards anti-Russian policies. "Behind the preference for bilateral diplomacy is the pragmatic calculus that cultivating special relationships with pro-Russian governments in the EU is simply far more advantageous and renders dormant the EU as a strong foreign policy actor."⁴⁵⁷

This policy has historical precedents. Though it was never the central focus of Moscow's European policy during the Soviet period, the USSR did make substantial efforts to drive wedges between the members of the NATO alliance, most notably by encouraging Charles De Gaulle's attempts to develop an independent foreign policy and by floating several proposals which

⁴⁵⁶ Timofei Bordachev, "Terra Incognita: Evropeiskaya politika Rossii 1991-2000" (Terra Incognita: Russia's European Policy 1991-2000), *Pro et Contra*, Vol6: No1-2, 2001.

⁴⁵⁷ Jacob Kulhanek, "The Fundamentals of Russia's EU Policy", *Problems of Post Communism*, Volume 57, Number 5, September-October 2010, pg 59, 61.

offered Germany its unification in exchange for its withdrawal from NATO.⁴⁵⁸ Post communist Russia has pursued similar policies, and has looked to develop bilateral relations with Europe's great powers as a way of undermining NATO solidarity. The most prominent example of this kind of behavior occurred during the lead up to the 2003 Iraq war, when Russia worked behind the scenes with France and Germany to block American attempts to achieve a UN mandate for the invasion. Many observers saw this as an attempt by Russia to weaken Atlantic solidarity and drive a wedge between the European powers and Washington.⁴⁵⁹ In an interview on French TV in 2003, Putin called these Franco-Russo-German diplomatic efforts "the first attempt since the time of World War II to find a solution to a serious international crisis outside the framework of politico-military blocs" and that it represented "the first contribution to the building of a multipolar world".⁴⁶⁰ This Moscow-Paris-Berlin "axis of the unwilling" proved to be short lived and both Western countries returned to their previous close cooperation with the US.⁴⁶¹ Nevertheless, Moscow is ready to take advantage of other opportunities to profit from divisions within the West. Both Germany and France worked behind the scenes to prevent Georgia and Ukraine from receiving a NATO Membership Action Plan during the 2008 alliance summit in Bucharest. Most recently, Medvedev also met with French president Sarkozy and German Chancellor Merkel in Deauville in October 2010. The three promised to establish an ongoing security dialogue and to establish a permanent EU-Russia consulting group to deal with European security issues, like the frozen conflict in Transdniestria – thereby bypassing NATO and the US.⁴⁶²

Bilateral Relations with Germany

Moscow has also pursued a similar strategy towards the EU, using bilateral relations to undermine EU unity. Russia's relationship with Germany is the cornerstone of its European strategy. "Moscow sees its relationship with Berlin as its most important asset for playing a greater role in European affairs and has cultivated a special relationship with Germany as a way of preventing a more unified European position on Russia from emerging."⁴⁶³ Moscow has used its energy wealth to develop a special relationship with Berlin that bypasses European institutions and heads off the development of European solidarity. The German-Russian relationship is firmly grounded in economics. Germany has been Russia's largest trading partner throughout most of the Post-Soviet period. Bilateral trade between the two countries reached 52.8 billion Euros in 2007, and Germany accounted for around 32 percent of accumulated foreign investment in Russia.⁴⁶⁴ Germany gets 35 percent of its oil and 42 percent of its natural

⁴⁵⁸ George Ginsburgs and Alvin Z. Rubinstein eds, *Soviet Foreign Policy Toward Western Europe* (New York: Praeger, 1978), pp 86-133.

⁴⁵⁹ Janusz Bugajski, *Dismantling the West: Russia's Atlantic Agenda* (Washington D.C.: Potomac Books, 2009), pg 102.

⁴⁶⁰ "Missionary of Multipolarity: Russian President Becomes French TV Star", *Vremya novostei*, Feb. 13, 2003.

⁴⁶¹ Angela Stent, "Washington, Berlin, and Moscow: A New Alignment After Iraq?", *National Interest*, Vol2:No 29, July 2003.

⁴⁶² John Vinocur, "Will the U.S. Lose Europe to Russia?", *New York Times*, October 25, 2010.

⁴⁶³ Interview, Sergei Kortunov, Moscow, July 12, 2007.

⁴⁶⁴ Bugajski, pg 110. China overtook Germany as Russia's largest trading partner in 2009, See: China becomes Russia's leading trade partner, Interfax, June 17, 2010.

gas from Russia.⁴⁶⁵ Russian energy companies like Gazprom have signed sweetheart deals with German companies like energy giant E.ON and chemical giant BASF. Big energy companies like E.ON and Wintershall, and chemical giant Basf play a decisive role in the formulation of German energy policy. Both have publically adopted Gazprom's position in opposing EU efforts to liberalize the European gas market. "By making lucrative deals with companies in Germany and elsewhere, Gazprom essentially turns [German companies] into Kremlin lobbyists in their own countries, whose susceptibility to Russian influence grows."⁴⁶⁶

Russia's energy partnership with Germany has significantly undermined EU efforts to promote energy security.⁴⁶⁷ Germany is Russia's key partner in the Nord Stream pipeline project, which will bring Russian gas directly to German markets, bypassing the former Soviet energy-transit countries. E.ON and BASF are both partners in the project and the German government itself helped to kick-start the project by guaranteeing 1 billion Euros in loans taken out by the project's parent companies.⁴⁶⁸ The project has been the subject of intense criticism by the US and other East European EU members, who see it as undermining the Union's efforts towards diversifying transit routes away from Russian control.⁴⁶⁹ Polish Defense Minister Radek Sikorski – whose country feared the end of transit fees and access to Russian gas – has compared the German-Russian Nord Stream deal to the Molotov-Ribbentrop pact.⁴⁷⁰ Former Czech President Vaclav Havel has called the pipeline project a "provocation" that could only be supported "by people who don't know anything about modern history, or what's going on today."⁴⁷¹

Russia has also successfully enlisted individual politicians and German business leaders to its cause. Former Chancellor Gerhard Schroeder famously called Putin an "impeccable democrat" and categorically refused to comment on Russian domestic policies while he was in office.⁴⁷² Upon leaving office Schroeder became the chairman of the board of Nord Stream. He has continued to take public positions that are favorable to Russia out of office. He defended the Kremlin in its heated dispute with Estonia over the decision to remove a WWII war memorial in 2007. He also slammed US plans to base elements of the anti-ballistic missile defense close to Russia's borders as an "attempt to establish an absurd encirclement policy, a policy which is everything but in the interest of Europe."⁴⁷³

⁴⁶⁵ Mark Lenard and Nicu Popescu, *A Power Audit of EU-Russia Relations*, pg 32.

⁴⁶⁶ Gregory Feifer, "Too Special A Friendship: Is Germany Questioning Russia's Embrace?", *Radio Free Europe/Radio Liberty*, July 11, 2011, http://www.rferl.org/content/germany_and_russia_too_special_a_relationship/24262486.html, Accessed: July 12, 2011.

⁴⁶⁷ Kristen Westphal, "Germany and the EU-Russia Energy Dialogue," in Pami Aalto ed. *The EU-Russian Energy Dialogue: Europe's Future Energy Security*, (Burlington, VT: Ashgate, 2008), pp. 93–118.

⁴⁶⁸ "EU to probe German gas pipeline guarantee". *Financial Times*, May 8, 2006.

⁴⁶⁹ Fidelius Schmid and Wolfgang Proissl, "US criticizes Russia-Germany Gas Deal", *Financial Times*, October 29, 2006.

⁴⁷⁰ "Polish Defense Minister's Pipeline Remark Angers Germany", *Voice of America*, May 3, 2006.

⁴⁷¹ Feifer (2011).

⁴⁷² "Germany's Schroeder slams U.S. missile shield plans", *Reuters*, March 11, 2007.

⁴⁷³ Ibid.

Critics allege that Russia is also using former East European cadres and former members of the Stasi (the German version of the KGB) to further its interests in Germany. Hans-Joachim Gornig, the former deputy chief of East Germany's oil and gas industry who oversaw the construction of the GDR's pipeline network was the first head of Gazprom's German subsidiary, Gazprom-Germania. The company's director of personnel and its director of finance are also both former Stasi agents whose past activities have come under investigation by the German government. The director of the Nord Stream consortium, Matthias Warnig, is a decorated former Stasi officer. Warnig also reportedly worked with Putin when he was a KGB agent stationed in East Germany in the 1980s, helping him recruit West German citizens to spy for the KGB.⁴⁷⁴

Before coming to office, Chancellor Angela Merkel frequently attacked Schroeder for ignoring human rights and democracy. Merkel criticized human rights violations in Russia and during her first visit to Moscow as head of state in January 2006, Merkel made a point of meeting human rights activists to signal a departure from Schroeder's policies. But her government has subsequently toned down its criticisms of Russia. As was the case with her predecessor's administration, these have taken a back seat to economic interests.⁴⁷⁵ Merkel has continued to support the Nord Stream pipeline project. Her government has also promoted attempts by Russian companies (many of them state owned) to acquire assets in Germany as a way of attracting much needed investment during a time of financial crisis.⁴⁷⁶ In 2008 when the Bush administration campaigned to put Ukraine and Georgia on a path to NATO membership, Merkel led the opposition within NATO to scuttle the plans, arguing that it would antagonize Russia.⁴⁷⁷

Bilateral Relations with France

While Russia's relationship with Germany is grounded in the German-Russian energy relationship, Russia's bilateral relationship with France has often been advanced by shared geopolitical views and goals. Both are historic "great powers" who have traditionally struggled to be recognized as such by their peers, and whose fortunes have waned in recent decades. The two have thus often found it easy to see eye to eye on larger political questions. Both countries have traditionally been skeptical about US hegemony and both are proponents of a transition to a multipolar world order, in which no single state could dominate international relations. For both countries multipolarity is a kind of "shortcut to greatness". Under the current unipolar system neither country is powerful enough to stand up to the US or significantly influence its policies. Under multipolarity even the most powerful states must seek out the help of others to achieve their goals. This gives lesser powers such as Russia and France greater leverage and increased influence and status in world politics. By supporting a transition to multipolarity both

⁴⁷⁴ Roman Kupchinsky, "Nord Stream, Matthias Warnig (codename "Arthur") and the Gazprom Lobby", *Jamestown Eurasia Daily Monitor*, Vol:6 Issue: 114, June 15, 2009, [http://www.jamestown.org/single/?no_cache=1&tx_ttnews\[tt_news\]=35128](http://www.jamestown.org/single/?no_cache=1&tx_ttnews[tt_news]=35128), Accessed: July 15, 2011.

⁴⁷⁵ Throughout her tenure as Chancellor the foreign ministry was still controlled by members of Schroeder's Social Democratic party, including Foreign Minister Frank-Walter Steinmeier, and has largely continued Schroeder's pro Russian policy line.

⁴⁷⁶ Judy Dempsey, "With Jobs a Concern, Germany Warms Up To Deals With Russia", *New York Times*, August 18, 2009.

⁴⁷⁷ "NATO divided on Ukraine and Georgia entry bids", *Reuters*, March 8, 2008.

countries are trying to reverse the decline in their geopolitical fortunes without having to significantly increase in their own capabilities.⁴⁷⁸

For Moscow and Paris the transition to multipolarity is not just a natural process, it is also a desirable goal that must be advanced through policy. Former French president Jacques Chirac often tried to use Russia to balance against what he saw as US abuses of power. Chirac was instrumental in putting together the Berlin-Paris-Moscow diplomatic troika against the Iraq invasion. He also took a negative view towards US missile defense plans, warning that they could reanimate Cold War era tensions. During his tenure Chirac also refrained from criticizing Russia on human rights and democracy. The close bilateral relationship has also continued under the more US and NATO friendly Sarkozy. Many Central and Eastern European observers argue that Sarkozy let himself be swayed by Russian arguments in brokering an end to the Georgia war.⁴⁷⁹ Russia is also on the verge of signing a major arms deal with France to buy two state of the art amphibious assault ships. The acquisition would significantly increase Russian military capabilities in the Black Sea region and has been criticized by Georgia as well as some circles in Washington, including former US Defense Secretary Gates.⁴⁸⁰

Bilateral Relations with Lesser European States

In addition to forging strong relations with the European heavyweights France and Germany, Russia has also tried to use energy as a tool to enlist the support of Europe's lesser powers. Putin has cultivated a close personal relationship with former Italian President Silvio Berlusconi, who has been one of Putin's staunchest allies in Europe, often defending him against criticism by other European and Western leaders. According to US diplomatic cables released by Wikileaks, US diplomats suspect that Berlusconi could be "profiting personally and handsomely" from secret deals with the Russian prime minister. "The close personal relationship between Berlusconi and Putin have distorted [Berlusconi's] view to the point that he believes much of the friction between the West and Russia has been caused by the US and NATO." The cables also accuse Berlusconi of trying to "derail US-led efforts to contain Moscow's worst instincts".⁴⁸¹ Italy and Bulgaria are key members of the South Stream consortium. Italy and Hungary are involved in the Blue Stream II gas project, which brings Russian gas to Europe through Turkey. Austria and Hungary hope to become a regional hub for European gas.⁴⁸² Austria's state owned oil and gas company OMV has developed a close partnership with Gazprom and Austria's Raiffeisenbank controls 50 percent of RosUkrEnergo, a Gazprom subsidiary selling gas to Ukraine.⁴⁸³ European energy companies that have close

⁴⁷⁸ Julie M. Newton, "Shortcut to Great Power: France and Russia in Pursuit of Multipolarity", in Jackie Gowers and Graham Timins eds, *Russia and Europe in the Twenty-First Century*, (Anthem Press: London, 2007), pp 185-207.

⁴⁷⁹ Bugajski, p114.

⁴⁸⁰ A Russian admiral reportedly boasted the Mistral would have cut the 2008 war in Georgia "to 45 minutes." See: "Critics say proposed sale of French Mistral ship to Russia will harm region", *Washington Post*, February 3, 2010.

⁴⁸¹ "WikiLeaks cables: Berlusconi 'profited from secret deals' with Putin", *The Guardian*, December 2, 2010.

⁴⁸² "Two Natural Gas Deals Tie Hungary Closer to Russia", *New York Times*, March 18, 2009.

⁴⁸³ Diplomatic cables released by Wikileaks reveal that US diplomats suspected that Raiffeisen served as a front to provide legitimacy for a company that was actually controlled by Russian organized crime. See: "U.S. Official: Austrian bank's ties to RosUkrEnergo suspicious", *Kyiv Post*, December 3, 2010.

business ties with Gazprom, including Ruhrgas and Wintershall of Germany, Gaz de France, Gasunie of the Netherlands, and Eni of Italy, have lobbied against EU legislation that would force energy companies operating in the EU to separate their production and distribution units. This has led European bodies to adopt amendments to the legislation that are favorable to Gazprom.⁴⁸⁴

Some European observers are alarmed by the extent of Russia's influence in Europe, and the extent to which bilateral state, business, and personal relationships are undermining the EU's ability to project a unified front vis-à-vis Russia. In its "Power Audit of EU-Russia Relations", the European Council on Foreign Relations argues that "Russia has emerged as the most divisive issue in the European Union since Donald Rumsfeld and the Iraq War."⁴⁸⁵ Russia has succeeded in splitting EU member states into 'Trojan Horses' who defend Russian interests in the EU system, and are willing to veto common EU positions; 'Strategic Partners' who enjoy a 'special relationship' with Russia which occasionally undermines common EU policies; 'Friendly and Frosty Pragmatists', who tend to put their business interests above political goals; and "New Cold Warriors" who have an overtly hostile relationship with Russia. It has also provoked a clash between European business elites, who are optimistic about Russian business opportunities, and political and security elites who are wary of falling into a dependent relationship and of Russia's true intentions. According to the Council's report, "Russia has not only succeeded in preventing the Union from pursuing a coordinated Russia policy, it has also built a relationship of asymmetric interdependence with the Union where Russia actually holds the commanding position over a fractious and divided EU."⁴⁸⁶

Transforming the OSCE

Russia has also tried to undermine or transform ILO institutions from within. In this way Russia hopes to prevent them from pursuing "anti-Russian" policies and to transform them so that they better serve Russia's interests. Russia has been unhappy with the human rights and democracy promotion functions of the OSCE. The Russian leadership resents the OSCE's criticism of democracy and human rights violations in Russia. It sees the organization's criticisms of elections in post-Soviet states ruled by governments that are close to Moscow as a power play by Western states to curtail Russian influence in the region. According to Sergei Kortunov:

The OSCE, despite its mandate becomes, essentially, an anti-Russian organization. The U.S. and other Western countries have reduced the OSCE into a one-sided tool to promote their own foreign policy goals. They use it to shape processes in the CIS, to convert countries that are on 'the European periphery' to their own standards – even if

⁴⁸⁴ Judy Dempsey, "Russian Gas Giant Warns Europe to Stop Trying to Break Up Energy Monopolies," *New York Times*, May 21, 2008.

⁴⁸⁵ Lenard and Popescu, pg 26.

⁴⁸⁶ Ibid.

this has to involve regime change, and – above all– to put pressure on Russia so that she cannot influence events occurring in her own neighborhood.⁴⁸⁷

Putin attacked the OSCE and its democracy and human rights promotion activities in his 2007 Munich Speech:

People are trying to transform the OSCE into a vulgar instrument designed to promote the foreign policy interests of one or a group of countries. And this task is also being accomplished by the OSCE's bureaucratic apparatus which is absolutely not connected with the state founders in any way. Decision-making procedures and the involvement of so-called non-governmental organizations are tailored for this task. These organizations are formally independent but they are purposefully financed and therefore under control.⁴⁸⁸

Russia has pushed for reforms in the Office for Democratic Institutions and Human Rights (ODIHR – the OSCE's election monitoring apparatus) that would curtail its abilities to effectively monitor elections. Moscow has insisted that OSCE/ODIHR observer missions be limited to 50 observers with no more than 5 percent coming from any given member country, that the OSCE delay announcing assessment of elections only after results have officially been declared by governments, that content and publication of election assessment be subject to authorization by the OSCE Permanent Council (where Russia wields veto power), that more senior staff and monitors from Russia and the CIS be appointed to the ODIHR and to OSCE/ODIHR election observation missions, and finally, that elections be monitored not only in post-Soviet countries but also in Western ones (a tactic designed to disperse OSCE's limited budgetary resources).⁴⁸⁹

Russia has floated numerous proposals to strengthen the political and military activities of the OSCE. This would downgrade the OSCE's democracy and human rights activities and detract funding from them. Moscow has also pushed to turn the OSCE into a full-fledged international organization, a status the OSCE does not currently possess. Moscow would like to build up the OSCE into an all-European security body that could eventually become an alternative to NATO. According to long time OSCE observer Vladimir Socor these efforts "continue Moscow's long-standing attempts to endow the OSCE with functions that could duplicate or interfere with those of NATO and maintain a Russian-influenced grey area in Europe's East."⁴⁹⁰

⁴⁸⁷ Sergei Kortunov, Interview with Author, Moscow, July 12, 2007. See also: S. Kortunov, "Edinaye pravila dlya Evro-Atlantik".

⁴⁸⁸ Vladimir Putin, "Speech at the Munich Conference on Security Policy", February 10, 2007, http://archive.kremlin.ru/eng/speeches/2007/02/10/0138_type82912type82914type82917type84779_118123.shtml, Accessed: July 15, 2011.

⁴⁸⁹ Vladimir Socor, "Russia Forcing OSCE Out of Election Observation Role", *Jamestown Eurasia Daily Monitor* Volume: 4 Issue: 202, October 31, 2007, [http://www.jamestown.org/single/?no_cache=1&tx_ttnews\[tt_news\]=33124](http://www.jamestown.org/single/?no_cache=1&tx_ttnews[tt_news]=33124), Accessed: July 16, 2011.

⁴⁹⁰ Vladimir Socor, "Russia Led Bloc Emerges in OSCE", *Jamestown Eurasia Daily Monitor* Volume: 4 Issue: 214 November 16, 2007, [http://www.jamestown.org/single/?no_cache=1&tx_ttnews\[tt_news\]=33173](http://www.jamestown.org/single/?no_cache=1&tx_ttnews[tt_news]=33173), Accessed: July 16, 2011.

Reforming European Security Institutions

Most of these efforts to transform the OSCE have occurred behind the scenes. But, over time, as Russia has gained strength and confidence, its efforts to change European security institutions have grown more open and public. In the wake of the 2008 Georgia war, Russia began a diplomatic offensive to push for a new pan-European security treaty to replace current security arrangements, which are centered on NATO. As laid out in an October 2008 speech by President Medvedev in Evian, France, Moscow's proposal for a new pan-European security treaty would guarantee the security of all European states based on the principles of sovereignty and the inviolability of territorial borders. It would once and for all end Europe's division into Cold War era blocs. All states and existing alliances would pledge not to pursue their security at the expense of other states (a veiled reference to NATO expansion and ABM).⁴⁹¹ Medvedev framed his proposal as a return to the 1975 Helsinki Final Act, which helped to stabilize relations between the Cold War rivals. The provisions on sovereignty, non intervention in internal affairs, and the inviolability of borders found in Medvedev's proposal echo similar provisions of the Helsinki treaty. Moscow feels that these parts of the Helsinki act have been ignored, while provisions of Helsinki dealing with human rights and self determination of peoples have gone too far. For Moscow, it is now time to reaffirm these neglected parts of the Helsinki process. According to Fyodor Lukyanov:

The institutions, organizations and legal norms of the Cold War still exist but have been deformed. Fundamental principles such as sovereignty and territorial integrity have been eroded. Meanwhile, new concepts have emerged such as humanitarian intervention which have no basis in classical international law. In the context of this growing gap between legal norms and real politics, it makes sense to revisit the principles of the Helsinki Final Act.⁴⁹²

These arguments are very much in line with Russia's reform efforts in the OSCE, which also seek to refocus the organization away from its current emphasis on democracy and human rights issue and towards traditional security concerns.

Russian leaders argue that a new pan-European security treaty of this kind would finally end Cold War divisions and establish the conditions for a lasting peace. But, thus far, these proposals have been received with cool skepticism by NATO states. NATO member states are happy with the current security arrangements and weary of doing anything that could weaken it. NATO Secretary General Rasmussen has said that the existing architecture is working just fine. "I don't see the need for new treaties or legally binding documents, because we do have a framework [for cooperation] already."⁴⁹³ Some Western experts argue that Russia's proposals are in essence an elaborate "trap" that would effectively give Russia a veto over decisions made by NATO, and are reminiscent of Cold War era efforts by the Soviet Union to weaken the

⁴⁹¹ Dmitry Medvedev, "Speech at World Policy Conference, Evian, France", October 8, 2008, <http://natomission.ru/en/society/article/society/artnews/21/>, Accessed: July 16, 2011.

⁴⁹² Fyodor Lukyanov, "Rethinking Security in Greater Europe", in Ivan Krastev, Mark Leonard and Andrew Wilson eds., *What does Russia Think?* (London: European Council on Foreign Relations, 2009), pg 58.

⁴⁹³ "NATO Chief Opposes Russia's Security Pact Proposal", Reuters, December 17, 2009.

alliance.⁴⁹⁴ US Diplomats see the Russian proposals for a new security pact in Europe as redundant and as an attempt to weaken NATO. According to US Deputy Assistant Secretary of State Matthew Bryza, "There is no need for any new architecture, it is fairly transparent. I think that we are talking about finding alternatives for the organization of NATO, which worked so well. NATO creates discomfort for Russia."⁴⁹⁵

Russia has made considerable efforts to transform ILO institutions, either by trying to undermine them or to alter them so that they better reflect Russia's interests. Russia has tried to use bilateral relations with the big European powers to undermine NATO and the EU. These policies have had some success in keeping the EU from adopting a tough unified stance against Russia, particularly in the field of Energy security. Moscow's efforts to undermine NATO and to transform European Security institutions, however, have been much less successful. Russia's efforts to drive wedges in NATO have also seen limited success, though one could argue that they have played a significant role in getting the alliance to put off membership for Ukraine and Georgia indefinitely. Russia has been able to significantly impede the work of the OSCE's democracy promotion and human rights bodies, yet its efforts to transform the organization into an alternative to NATO have stalled. Medvedev's proposal to transform the European Security Architecture has also been largely ignored by the Western states. According to Fyodor Lukyanov, the Russian government has tabled it for the moment and shifted its attention to the problem of missile defense.⁴⁹⁶

However this may change. At the time of writing NATO's campaigns in Libya and Afghanistan have exposed major weaknesses in the alliance. Washington is increasingly unhappy with its European allies' readiness to commit troops and resources in both conflicts. In what many observers saw as his farewell speech, US Defense Secretary Robert Gates warned that the future of the alliance may be in doubt if its European members do not pull their weight and taken on a greater share of the alliance's burdens.⁴⁹⁷ Yet most European countries plan to cut military spending even further as they grapple with the ongoing financial crisis. If these trends continue, Russia's efforts to split the alliance or to reform the European security architecture along the lines of Medvedev's Pan-European Security treaty may yield more tangible results for Moscow.

Resisting the ILO by Building New Institutions

The ILO hypothesis predicts that state will prefer to work within existing institutions rather than build new ones. Yet Russia has been very active at institution building throughout the post-Soviet period. Russia has pushed for security and economic integration with the former Soviet states through the Commonwealth of Independent States (CIS), the Collective Security Treaty Organization (CSTO) and the Eurasian Economic Union (EurAsEc). It has also been a key player in creating new global multilateral organizations that exclude the West, such as the Shanghai

⁴⁹⁴ Fred Weir, "Move over NATO: Russia Pushes New Security Treaty for Europe", *Christian Science Monitor*, December 21, 2009.

⁴⁹⁵ "U.S. Calls Russia's Pact Anti-NATO", *Reuters*, December 5, 2008.

⁴⁹⁶ Fyodor Lukyanov, "Time for reflection", *RIA Novosti*, June 2, 2011.

⁴⁹⁷ "Gates Questions NATO's Future", *Wall Street Journal*, June 11, 2011.

Cooperation Organization (SCO) and the BRICS. While many of these institutions do not pose a direct challenge to the ILO (at least at the moment) they do replicate many of the ILO's functions, making Russia less dependent on the ILO and allowing Russia to circumvent and bypass ILO institutions.

The CIS- An Initial (Failed) Attempt at Institution Building

The Commonwealth of Independent States (CIS) is perhaps the best known Russian effort towards international institution building. The CIS was established shortly after the dissolution of the USSR in order to manage the "divorce" between Russia and the other former Soviet republics and address the problems that arose as a result of the disintegration of what was once a unified economic and political space. At the time many had high hopes that the project would also help integrate the former Soviet space, becoming a kind of "EU of the East". The top down political centralization imposed by the Soviet state could be replaced by voluntary integration based on economic complementarities, shared historical and cultural experience and continued personal and professional ties. These hopes have only met with disappointment. Despite almost 20 years of existence and countless declarations and meetings of government representatives at all levels, the CIS has made almost no progress in integrating the post-Soviet space or in coordinating policies between its member countries. According to one study, less than 10 percent of the thousands of documents and resolutions adopted by CIS bodies from 1991 to 2007 have actually been signed by all of its member countries.⁴⁹⁸

Nevertheless, the CIS failures should not be construed as an indictment of Russian institution building efforts. The CIS has exhibited some successes in its role as "divorce manager". The CIS played a key role in managing the transition of control over the USSR's nuclear weapons to Russia. It also successfully coordinated the work of national governments in fields like migration, healthcare, social security, and transportation.⁴⁹⁹ The CIS failed in other areas because there was little interest in integration on the part of its members. The smaller successor states concentrated on building the independence of their own states and were wary of ceding any sovereignty to supranational bodies that would replicate the Soviet experience and put them under Russian dominance. Some, like Georgia, Azerbaijan, Moldova, and Ukraine (under the pro-Western Yushchenko government) have tried to curtail Russian influence by actively pursuing integration with the West. Despite the enthusiastic rhetoric of Russian leaders, there was also reluctance on the part of Russia to make the kind of sacrifices that integration would entail. This was manifest early on when Russia withdrew its support for maintaining the CIS as a ruble zone in 1992. Like the smaller post-Soviet states Russia was also in the process of nation building, and was wary of giving up sovereignty to multi-national bodies. "Russia's understanding of the same Soviet experience, however, equally reminds it of the costs that Russia might incur by ceding its own sovereignty to a supranational body. Fear that the other members of such a body could take more from Russia than they would

⁴⁹⁸ Lev Moskvin, *SNG: Raspad ili vozrozhdenie? Vzglyad 15 let spustya* (The CIS: Failure or Rebirth? The View 15 Years Later), (Moscow: M, 2007).

⁴⁹⁹ Richard Sakwa and Mark Weber, "The Commonwealth of Independent States, 1991-1998: Stagnation and Survival, *Europe-Asia Studies*", Vol 51, no 3, 1999, pg 381.

contribute has made Russia try to prevent the CIS from developing into an organization in which sovereignty is yielded equally.”⁵⁰⁰

Stagnation with the CIS project has led to a new “realism” in Russia’s policy towards the former Soviet states. Under Yeltsin Russia granted CIS countries economic preferences in exchange for political loyalty, though this policy (like many other policies under Yeltsin) was pursued in a sporadic and haphazard fashion.⁵⁰¹ This policy was most significant in the energy sphere, where CIS countries were sold gas and oil well below world market prices. In the eyes of Russian elites, however, this policy of carrots exhausted itself, especially as it increasingly failed to secure the loyalty of states like Georgia and Ukraine, which began to gravitate towards the West after their “color revolutions” in 2003 and 2004. Russia’s new policy tries to structure trade relations on a more rational and commercial basis, eliminating subsidies to partner economies and accepting that this may lead to strained relations in the short term. This adjustment was one of the big factors behind energy disputes between Russia and Ukraine in 2005-2006 and Russia and Belarus in 2007. Russia is still ready to negotiate preferential economic deals with CIS countries, but these must yield immediate and tangible concessions on the part of partner states – either in terms of security (Russia’s 2010 deal with Ukraine on which extended Russian basing rights for the Black Sea Fleet till 2040 in exchange for lower gas prices) or economic gains (increasing Russia’s ownership stakes in their domestic energy and pipeline infrastructure).

Despite this new realism, Russia has not given up on integration, but its approach has become more pragmatic and flexible. Moscow has abandoned the CIS as the main mechanism for regional integration. According to President Putin “The CIS was created for the purpose of a civilized divorce...And if anyone expected some particular achievements from the CIS, there weren’t any because there could not be.”⁵⁰² Instead Russia has pursued a multi-layered and multi-level integration agenda that includes bilateral relations with post-Soviet states as well as smaller multilateral groupings like the CSTO, EurAsEc and the SCO. These relationships exclude states like Georgia and Moldova that are more interested in integration with the West. Russia is looking to build relations with states like Belarus, Kazakhstan and the Central Asian states, which have been more enthusiastic about integration with Russia. Moscow also concentrates less on institution building and more on preparing the legal basis and framework for trade liberalization and economic expansion.⁵⁰³

These bilateral and multilateral relationships eschew the pooled sovereignty model embraced by the CIS (which member states often ignored or refused to ratify) in favor of less institutionalized and looser relationships and collective decision making. The CIS has not been

⁵⁰⁰ Martha Brill Olcott, Anders Aslund and Sherman Garnett, *Getting It Wrong: Regional Cooperation and the Commonwealth of Independent States* (Washington, DC: Carnegie Endowment for International Peace, 1999), pg 28.

⁵⁰¹ Bobo Lo, *Russian Foreign Policy in the Post-Soviet Era: Reality, Illusion and Mythmaking* (London: Palgrave Macmillan, 2002) pp72-86.

⁵⁰² Natalya Melikova, “CIS Funeral in Yerevan”, *Novaya Gazeta*, March 28, 2005.

⁵⁰³ Evgeny Vinokurov, *Russian approaches to integration in the Post-Soviet space in the 2000s* (draft manuscript), <http://www.vinokurov.info/assets/files/russianapproachestointegration.pdf>, Accessed: May 9, 2011.

disbanded and it still holds regular meetings and summits that bring together the top leaders. But it has become a “talk shop” and forum where bilateral deals are brokered. Kazakh President Nursultan Nazarbayev quipped that the CIS these days is little more than “a place where presidents meet”.⁵⁰⁴

The CSTO

As part of this new multilayered integration strategy, Russia has pushed for the CSTO to become the premiere security organization in the post-Soviet space. The CSTO grew out of the framework of the CIS Collective Treaty Organization, which brought together all the states of the former USSR (except for the Baltic Republics) to work out military issues related to the country’s disintegration. This agreement lapsed as several states in the region pursued independent security arrangements or looked to join NATO. Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia and Tajikistan agreed to develop security relations and signed the treaty establishing the CSTO in Tashkent in 2002. The CSTO charter affirms the desire of all participating states to abstain from the use or threat of force, prohibits members from joining military alliances or other groups of states, and commits members to perceive aggression against one signatory as aggression against all – though it does not legally bind them to come to each other’s aid as Article 5 of NATO’s charter does. The CSTO has conducted regular large scale military exercises since 2006, including a 4,000 man exercise in Armenia in 2008, and a 1,700 man exercise in Southern Russia in 2010. The largest was a 6,000 man exercise in Kazakhstan in 2009 that included the debut of a CSTO rapid reaction force.⁵⁰⁵ These exercises have simulated responses to conventional external threats as well as incursions by “terrorists” and “militants”. The latter are perceived to be the biggest threat by many of the organizations members. “At least some of the member governments might want CSTO soldiers to protect them from domestic challengers, whom they would presumably label as foreign-backed terrorists to legitimize an intervention by the CSTO, whose current mandate addresses defense against external threats.”⁵⁰⁶

Toward these goals the CSTO countries have approved plans to set up a 20,000 man rapid reaction force, including a smaller unit that would be under joint command and operate from a joint base. This force would be specially designed to intervene against unconventional security threats and challenges such as terrorism, peacekeeping, and disaster relief. According to Russian President Medvedev the force will be “adequate in size, effective, armed with the most modern weapons, and on a par with NATO forces.”⁵⁰⁷

⁵⁰⁴ Ibid.

⁵⁰⁵ “Kazakhstan hosts ‘Interaction-2009’ exercises”, *RIA Novosti*, August 20, 2009.

⁵⁰⁶ Richard Weitz, “Is the Collective Security Treaty Organization the Real Anti-NATO?”, *World Politics Review*, January 23, 2008, <http://www.worldpoliticsreview.com/articles/1531/is-the-collective-security-treaty-organization-the-real-anti-nato>, Accessed April, 20 2011.

⁵⁰⁷ Pavel Felgenhauer, “A CSTO Rapid-Reaction Force Created as a NATO Counterweight”, *Jamestown Eurasia Daily Monitor* Volume: 6 Issue: 24, February 5, 2009, [http://www.jamestown.org/single/?no_cache=1&tx_ttnews\[tt_news\]=34459](http://www.jamestown.org/single/?no_cache=1&tx_ttnews[tt_news]=34459), Accessed: April 20, 2011.

These plans, however, received a blow in 2010 when Russia and the CSTO refused a call from Kirgizstan to send troops to intervene in ongoing ethnic conflicts that had flared up in the south of the country. CSTO leaders argued that intervention would be outside the organization's purview as the crisis was an internal matter of Kirgizstan and did not involve outside forces. Many observers saw this as an indication of the weakness of the organization.⁵⁰⁸ Russia was reluctant to get involved in a messy ethnic conflict in which it had little at stake and it still lacks effective peacekeeping resources. The other CSTO members were also reluctant to support a Russian led peacekeeping mission fearing that this could become a precedent for Russian intervention in their own countries.⁵⁰⁹ However, the CSTO did send material help, including helicopters and other military vehicles to the Kirgiz security forces that were deployed to quell the violence. The organization met in December 2010 to discuss ways in which it could improve its ability to respond to such crisis. The CSTO amended its charter in December to include intervention in internal conflicts of member states.⁵¹⁰ CSTO leaders again met in August of 2011 to discuss internal security threats in the wake of the Arab Spring. The discussion focused on the ongoing upheavals in the Middle East and on how to prevent these popular uprisings from spreading to the territories of the former Soviet states.⁵¹¹ Member states agreed to bolster the CSTO rapid reaction force. They also discussed the issue of control over cyberspace, agreeing that social media platforms like Twitter and Facebook should be exclude disseminators of "extremist ideas" and "riot organizers", such as those who "masterminded" recent unrest in North Africa. According to an anonymous source from within the CSTO cited by the Russian daily Kommersant, the threat from the Arab Spring has given a new impetus to strengthen the organization. "In the past, some countries perceived membership in the organization almost as a burden, but then the events in Africa have sobered them and made it clear that we are united by a desire to resist such destructive tendencies."⁵¹²

Moscow would like to increase cooperation between the CSTO and NATO and to bring the CSTO into the discussion as one of the partner organizations for Medvedev's new security treaty for Europe. This would increase the organizations international legitimacy, and further Russia's ideal objective of gaining Western recognition of its sphere of "special interest" in the former Soviet countries. The CSTO adopted a plan for cooperation with NATO over the problem of Afghanistan in 2004 and Moscow has floated several proposals for the CSTO to cooperate with NATO in Afghanistan.⁵¹³ The key areas of possible collaboration are combating transnational network-based terrorism (including collaboration at the level of special services) and combating

⁵⁰⁸ Brian Whitmore, "Sphere of Reluctance: Russia Hesitant About Kyrgyz Intervention", *Radio Free Europe-Radio Liberty*, June 15, 2010, http://www.rferl.org/content/Sphere_Reluctance_Russia_Hesitant_Kyrgyz_Intervention/2072776.html, Accessed: April 21, 2011.

⁵⁰⁹ Fyodor Lukyanov, "Russia's Zone of Responsibility", *RIA Novosti*, July 10, 2010.

⁵¹⁰ Bruce Pannier, "Russia's Star On Rise Again In Kyrgyzstan", *Radio Free Europe-Radio Liberty*, April 08, 2011, http://www.rferl.org/content/kyrgyzstan_back_in_russian_embrace/3551508.html, Accessed April 21, 2011.

⁵¹¹ "I ODKB vyshla blokom" (And the CSTO becomes a bloc), *Kommersant*, August 13, 2011.

⁵¹² Ibid.

⁵¹³ Aleksey Fenenko, "Same Old Afghan Mistakes for Moscow. Russia Could Get Drawn Into A New War", *Nezavisimaya Gazeta*, April 27, 2011.

drugs trafficking.⁵¹⁴ The alliance has not responded to these proposals, and it continues to prefer to arrange relations with Russia and with the Central Asian countries separately. The idea of establishing an official CSTO-NATO relationship has been advocated by major figures in the West, including former national Security Advisor Zbigniew Brzezinski and NATO general secretary Dennis Fogh Rasmussen.⁵¹⁵ Thus far, however, NATO and the CSTO have not officially recognized each other at the official level. NATO governments do not want to lend legitimacy to what they see as a Moscow-dominated institution. Instead, they continue to focus on engagement opportunities directly with the organization's individual members states. A recent US diplomatic cable released by Wikileaks reveals that the US government actively intervened to thwart Rasmussen's initiative towards cooperation between the two security bodies. According to the cable it would be "counterproductive for NATO to engage with the CSTO, an organization initiated by Moscow to counter potential NATO and U.S. influence in the former Soviet space. NATO engagement with the CSTO could enhance the legitimacy of what may be a waning organization, contributing to a bloc-on-bloc dynamic reminiscent of the Cold War."⁵¹⁶ There has also been high level discussion about linking the CSTO with the SCO. The two have agreed to cooperate in areas like drug trafficking and counter-terrorism.

As was explained in detail in chapter 2, the CSTO plays a useful geopolitical role for Moscow as a counterweight to NATO expansion in the post-Soviet region. States that join the organization are not allowed to join other military alliances or blocs. This provision of the security treaty is of particular significance for Russia. Russia's efforts to revive and transform the CIS' collective security framework in 2002 can be seen as a direct response to the increased US presence in Afghanistan and other areas of Central Asia following 9-11 and to NATO expansion in the former Soviet States, which began with the ascension of the three Baltic republics in 2003 and seemed poised to continue as both the Georgian and Ukrainian government declared their intentions to join the alliance. At the time there was a growing concern among Russia's political and military elite that the US and NATO could displace Russia's security dominance in the region. Efforts to strengthen the CSTO are a response to these concerns.⁵¹⁷ The CSTO also helps forward Russia's goal of maintaining military primacy in the region. Through the CSTO Russia is developing the region's capabilities to respond to unconventional security threats like terrorism and drug trafficking so that the states of the region will be less dependent on the US and NATO, and will instead look to Russia to fulfill these functions. In addition the CSTO is also willing to help the region's regimes suppress internal unrest and to support these regime's authoritarian policies – something NATO is loathed to do.

⁵¹⁴ Ibid.

⁵¹⁵ Zbigniew Brzezinski, "Agenda for NATO- Toward a Global Security", *Foreign Affairs*, Vol 88, No 55, 2009, pp 2-20.

⁵¹⁶ "U.S. Blocking NATO-CSTO Cooperation", *Eurasianet*, February 12, 2011, <http://www.eurasianet.org/node/62882>, Accessed: June 11, 2011.

⁵¹⁷ Stina Torjesen notes that somewhat ironically, the threat of terrorism from groups like the Islamic Movement of Uzbekistan that had a base of operations in Afghanistan – one of the major threats that the CSTO is mandated to deal with - has actually decreased as a result of the US presence in Afghanistan. See Stina Torjesen, "Russia as a Military Great Power: The Uses of the CSTO and SCO in Central Asia", in E.W. Rowe and S. Torjesen Eds, *The Multilateral Dimension in Russian Foreign Policy*, (Routledge, London, 2009), pg 182.

EurAsEc

Russia is also the driving force behind the Eurasian Economic Community (EurAsEC), which brings together Russia, Belarus, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan. Like the CSTO, EurAsEC grew out of a previous CIS initiative to create a common economic space which had stalled and floundered. EurAsEC was established to promote the creation of a customs union and single economic space between its members, and to coordinate their approaches to integration into the world economy. Though EurAsEC is organized according to the principle of collective decision making, the internal voting structure is weighted to insure Russia's preeminence. The five member's financial contributions and the number of votes each has in decision-making bodies are proportioned according to each country's economic potential: Russia, 40 percent; Belarus and Kazakhstan, 20 percent each; and Kyrgyzstan and Tajikistan, 10 percent each. EurAsEC's most successful initiative to date has been the Customs Union between Belarus, Kazakhstan and Russia, which actually came into operation in July of 2011.⁵¹⁸ The Customs Union has succeeded in establishing a common tariff policy towards third parties and eliminated most tariff restrictions, including many non-tariff barriers between the three states. The Customs Union "troika" is supposed to serve as an engine for further integration between the other members of EurAsEC. Kirgizstan and Tajikistan have already shown interest in joining the Customs Union.⁵¹⁹ The organization has announced that it expects to achieve customs union of all its member countries by 2012.⁵²⁰ In addition to these free trade initiatives EurAsEc also established a 10 Billion dollar crisis fund in 2009 to help its members with the world financial crisis. EurAsEc has already committed 3 billion USD from the fund to help Belarus met its international debt obligations. Putin has promised to make Eurasian economic integration a priority for his future presidency. In an article penned by Putin for the Russian daily *Izvestia*, he wrote that EurAsEc will be "a powerful supranational structure capable of becoming one of the poles in a future multipolar world and a bridge between Europe and the dynamic Asian-Pacific region."⁵²¹ Many experts see the reanimation of economic integration initiatives around the Customs Union as a response to the EU's Eastern Partnership Program (EPP), which also promises eventual free trade and freedom of movement to former Soviet countries that participate in the program.⁵²² As was discussed in chapter 2, Moscow sees Europe's attempts to extend its integrative processes to the former Soviet countries as a direct threat to its sphere of "privileged interest". Just as the CSTO acts as a counterweight to NATO, EurAsEc and the Customs Union are designed to balance the EU's influence in the Post-Soviet states.

Economists are divided about the prospects of Russian-led efforts to integrate the post-Soviet space. Detractors point out that interregional trade as a percentage of total trade of the CIS

⁵¹⁸ "Customs Capitulation", *Nezavisimaya gazeta*, July 7, 2010.

⁵¹⁹ "Kirgiziya i Tadjikistan mogut prisoedinitsya k Tamozhenomy soyuzu" (Kirgizstan and Tadjikistan can join the Customs Union), *RBK Daily*, July 5, 2010.

⁵²⁰ Tamozhennii soyuz: Bez potryasnei na potreb rynke ne oboitis, (The Customs Union: Will not go forward without shocks to consumers), *RBK Daily*, July 6, 2010.

⁵²¹ Vladimir Putin, "Novyi integratsionii proekt dlya Evrazii – budushee kotoroe razvivaetsya segodnya" (The new integration project for Eurasia – the future which is happening now), *Izvestia*, October 3, 2011.

⁵²² Sergei Zhilitsov, "CIS Under Onslaught from the Eastern partnership", *Nezavisimaya gazeta*, April 30, 2009.

region has fallen from 29.8% in 1994 to 19.3% in 2008.⁵²³ A World Bank study relying on economic equilibrium models predicts that the establishment of a common economic space between Russia, Kazakhstan and Belarus would actually reduce the GDP of all three countries, as negative trade-diversion effects of the union would actually surpass positive trade-creating effects.⁵²⁴ Nevertheless supporters of the project see integration of the post-Soviet space as essential to the region's economic and political development. While interregional trade for the CIS as a whole has fallen in the period, integration in factors of production such as labor and capital has increased at a rapid pace. Legal migrant workers make up around 5 percent of the total labor force in the EurAsEc countries.⁵²⁵ Russian capital is also expanding its presence in many of the CIS countries. A comprehensive study by Russian economists Liebman and Heifetz estimates that Russian companies control over 75% of the CIS mobile communications market.⁵²⁶ CIS markets are of particular importance to the non-energy and raw materials sectors of the Russian economy. The share of CIS countries in exports of Russian manufacturing output rose from 30% in 2000 to 55% in 2009. All told Russia surplus in merchandise and services trade with the CIS totaled 137 billion USD between 2000 and 2009.⁵²⁷

Several prominent Russian economists see the economic integration of EurAsEc markets as critically important to the modernization of the Russian economy and its diversification away from its current dependency on energy and natural resource production.⁵²⁸ Integration with the developed markets of the West may be the most rational choice in the short term. But this kind of trade will mostly involve Russian energy and raw materials, perpetuating dangerous imbalances in the country's economy. According to this line of argument Russia must balance trade with the West with integration in the CIS, where Russian manufacturing and service industries are still competitive. "In expanding relations with developing countries, Russia gets a chance to avoid the trap of foreign trade and more fully exploit the potential of external factors to accelerate the modernization of the economy, both internally and in the CIS region. In other words, the paradigm of development in Russia, the CIS region, and the developing world

⁵²³ I. Gurova and M. Efremova, "Potentsial regionalnoi trgovli SNG", (The Potential for Regional Trade in the CIS), *Voprosy ekonomiki*, No. 7, July 2010, pg 110.

⁵²⁴ Lúcio Vinhas de Souza, "An Initial Estimation of the Economic Effects of the Creation of the EurAsEC Customs Union on Its Members", *The World Bank: Poverty Reduction and Economic Management* (PREM) No 47, January 2011.

⁵²⁵ This does not include illegal immigrants, whose number is estimated to be as high as twice that of legal ones. Source: S. Ryazantsev, "Trudivaya migratsiia v Rossii v usloviakh integratsii v EvrAzES" (Labor Migration to Russia In The Context of EurAsEC Integration), *Voprosy ekonomiki*, No. 6, June 2008, pp 71-83.

⁵²⁶ A. Liebman M., Kheifets, *Ekspansiia Rossiskogo kapitala v strany SNG* (Expansion of Russian capital in the CIS Countries) (Moscow: ZAO Publishing, 2006).

⁵²⁷ S. Chebanov, "Stratezhicheski interesy Rossii na possovetskom prostranstve" (Russia's Strategic Interest's in the Post-Soviet Space), *Mirovaia ekonomika i mezhdunarodnye otnosheniia*, No. 8, August 2010, pp 35, 40.

⁵²⁸ Gurova and Efremova (2010), Chebanov (2010), L. Zevin, "Vektory vneshneekonomicheskoi politiki Rossii" (Vectors of Russia's Foreign), *Voprosy ekonomiki*, No. 10, October 2009, pp 136-143, Sergei Glazev, "Tamozheennyi soyuz v ramkakh EvrAzES I Ukraina" (The Customs Union from the Perspective of EurAsEC and Ukraine), *Mezhdunarodnaia zhizn*, No. 10, October 2010, pp 168-175.

complement each other, which will allow us to give new impetus to internal development and strengthen our position in world markets.”⁵²⁹

Official estimates are wildly optimistic about the potential benefits of economic integration. Kazakh President Nazarbayev proclaimed that the Customs Union would increase the cumulative GDP of the countries by 15 percent in the next five years, a net increase of 400 billion USD for Russia alone.⁵³⁰ According to Sergei Glazev the full scale economic integration of Russia, Belarus, Kazakhstan and Ukraine would yield cumulative GDP growth of 80 billion USD in the first five years and more than 770 billion USD in the next ten years.⁵³¹

Many Russian observers believe that in today’s world the successful players in the global markets for goods, services and technologies are countries with large markets of 250 - 300 million or more consumers. Large domestic markets and large-scale export capacity of these countries makes it easier for them to organize new production, smooth out market failures, attract investments, and conduct research and developments.⁵³² To become an economic player on the world stage Russia must restore regional markets and inter-regional production networks that were destroyed by the collapse of the USSR. Regional integration will be the key to successful economic modernization for Russia and the region. “Today as Russia and the other CIS states struggle to embark on an innovative path of development that will allow them to break out of their current position of economic dependency on natural resources and take their place amongst developed countries with high-tech production and diversified economy, the restoration of a single economic space and the removal of border barriers to the development of cooperation and specialization of production becomes an objective necessity.”⁵³³

Thus, many Russian economists look at integration from a strategic perspective that focuses more on Russia’s relative position to other countries (and particularly the West) than on the absolute gains to be had from trade (which would, at least initially, favor trade with the more developed West). Economic integration in the CIS is attractive because it will help improve Russia’s relative position in the world economy. It will help the economy develop away from its dependence on the volatile natural resource markets.⁵³⁴ It will also strengthen Russia’s financial sector, leading to greater use of local currencies, including the ruble instead of the dollar or euro, and thus limiting the influence of foreign capital. This will help reduce Russia’s vulnerability to financial shocks coming from the international economic system by making it less dependent on the West for markets and finance. “If successful, such a policy [of economic integration in the CIS] would lead to stabilization of the country's economic growth,

⁵²⁹ Zevin, pg 142.

⁵³⁰ M. V. Bratersky, “Regionalnye ekonomicheskie obedineniya skvoz prizmu mirovno politicheskoi ekonomii” (Regional Economic Integration through the Prism of World Political Economy), *SShA - Kanada. E'konomika, politika, kul'tura*, No. 8, August 2010, pp 19-33.

⁵³¹ Glazev, pg 173.

⁵³² Ibid. 137.

⁵³³ Glazev, pg 173.

⁵³⁴ The ideas that dependence on national resources is a dire threat to the country's national security figures prominently in the Russia’s official National Security Strategy. See: *National Security Strategy of the Russian Federation*, <http://www.scrf.gov.ru/documents/99.html>, Accessed April 29, 2011.

strengthening its position in the global monetary and financial system and reinforce its political sovereignty, while at the same time increasing economic independence.”⁵³⁵

These goals are particularly important to Russia in the aftermath of the current financial crisis. Russia has been one of the biggest proponents of reform in the world financial system to lessen the dominance of the dollar. Like many other developing countries, Russia is concerned that loose American monetary policy (quantitative easing) is adversely affecting their own economies, increasing inflationary pressures and jeopardizing growth.⁵³⁶ Efforts to promote financial reforms that would lessen the dollar’s role, however, have not yielded any tangible results. As a result Russia has looked to regional integration to strengthen its position should future shocks arise. “Unable to influence the changing global rules of the game, Russia concentrated its efforts on settling the post-Soviet space. Such a policy should be considered in the context of efforts by Russia not only to exit the current crisis but also to protect its economic and political sovereignty from future shocks.”⁵³⁷

The SCO

Perhaps the international organization that has garnered the most attention as a potential geopolitical alternative to ILO institutions has been the Shanghai Cooperation Organization. US Senator Sam Brownback called the SCO “The most dangerous international organization that the American people have never heard of.” The SCO brings together China, Russia and the five former Central Asian republics.⁵³⁸ The SCO began its life in the early 1990s as the Shanghai Five (in the beginning it excluded Uzbekistan), and was primarily concerned with negotiating border agreements and confidence building measures between these states in the wake of the collapse of the Soviet Union. At the time the major concern was to finally defuse the tense military situation on the border between ex-Soviet states and China, which had produced direct military skirmishes between China and the Soviet Union in 1969, and to remove it as an obstacle to further cooperation between the region’s countries. The Shanghai Five was able to accomplish these tasks. China signed comprehensive border agreements with all of the region’s countries – the crowning achievement is the comprehensive Russian-Chinese border agreement that addresses almost all of the border disputes between the two countries. In order to build on these successes the organization decided to expand its activities and became the SCO in 2000. From the beginning a big impetus to this was the civil war in Afghanistan and the emergence of the Taliban, which threatened to spread Islamic fundamentalism throughout the region.⁵³⁹ Over

⁵³⁵ Bratersky, pg 32.

⁵³⁶ “China Russia Attack Fed Move on QE2”, *Reuters*, November 8, 2010, Raghuram Rajan, “Currencies Aren't the Problem”, *Foreign Affairs*; Mar/Apr 2011, Vol. 90 Issue 2, pp 104-116.

⁵³⁷ Bratersky, pg 20.

⁵³⁸ “Hearing :: The Shanghai Cooperation Organization: Is it Undermining U.S. Interests in Central Asia?”, *US Commission on Security and Cooperation in Europe*, September 26, 2006, http://www.csce.gov/index.cfm?Fuseaction=ContentRecords.ViewTranscript&ContentRecord_id=381&ContentType=H,B&ContentRecordType=H&CFID=23356507&CFTOKEN=36916429, Accessed: August 4, 2011.

⁵³⁹ R. Andreeshev, “ShOS Segodnia I Zavtra” (The SCO: Today and Tomorrow), *Azija i Afrika segodnia*, No. 1, January 2008, pp. 10-14.

the last few years the scope of the SCO has significantly expanded, and it now includes security, economic cooperation, and cultural and humanitarian relations between its member states.

Unconventional security threats, which the SCO defines as the “three evils” of terrorism, separatism and extremism, have become the most important area of cooperation for the organization.⁵⁴⁰ These are of particular importance to China and Russia, which face active terrorist and separatist movements in their own countries. Moscow alone has suffered nine major terrorist attacks since 2002, in which over 300 people have been killed. Despite the pacification of Chechnya and Russian successes in eliminating the leadership of domestic terrorist organizations, separatists and Islamist insurgents continue to be active in the North Caucasus, where bombings and attacks on government leaders and security forces have become routine.⁵⁴¹ Separatism and Islamism also represent significant threat to China’s security. In addition to the much more publicized cases of Taiwan and Tibet, China also faces an active separatist movement in its northern province of Xinjiang, the traditional homeland of China’s Muslim and Turkic speaking Uyghur minority. Ethnic riots in Xinjiang province in July of 2009 left 197 people dead and over 1700 injured.⁵⁴² China sees the SCO as an important bulwark in its struggle against Uyghur separatism. Beijing has received assurances from the Central Asian states that they will not allow Uyghur or other Muslim separatist groups to operate within their territories. All member states have outlawed the activity of Uyghur separatist organizations and have classified them as terrorists. SCO member states like Kazakhstan have extradited Uyghur refugees and activists back to China on several occasions, a move that has earned widespread condemnation from human rights groups.⁵⁴³ China and other SCO nations recently conducted a joint military exercise, Tienshan-II, in May of 2011, which was directed against Uyghur separatists and terrorists.⁵⁴⁴ The “three evils” also represent a direct existential threat to ruling regimes in the smaller SCO members. These are all new and weak states that are just beginning to undergo the process of nation and state building. Like many developing countries, their primary security concerns are internal rather than external and primary directed at regime survival – which is equated with the very survival of the state in the eyes of their ruling elites.⁵⁴⁵

In order to improve its capabilities to deal with these kind of unconventional security threats, the SCO established a Regional Anti Terrorist Structure (RATS) in 2003 with a headquarters in

⁵⁴⁰ Stephen Aris, “The Shanghai Cooperation Organisation: ‘Tackling the Three Evils’. A Regional Response to Non-traditional Security Challenges or an Anti-Western Bloc?”, *Europe Asia Studies*, Volume 61, Issue 3, April 2009, pp 457-482.

⁵⁴¹ In the first quarter of 2011 Islamic insurgents and terrorists conducted 161 attacks in the North Caucasus, killing 93 state agents and wounding 163. Source: Gordon Hahn, “CE Releases Composite Data on Attacks and Casualties In the First Quarter of 2011”, *Islam, Islamism and Politics in Eurasia Report* No. 39, 30 April 2011, pg 2.

⁵⁴² “Xinjiang riot hits regional anti-terror nerve”, *Xinhua News Agency*, July 18, 2009.

⁵⁴³ “Uyghur Refugee in Kazakhstan Faces Extradition To China”, *Radio Free Europe/Radio Liberty*, April 20, 2011, http://www.rferl.org/content/uyghur_refugee_kazakhstan_faces_extradition_to_china/9499649.html, Accessed May 16, 2011.

⁵⁴⁴ Joshua Kucera, “Kyrgyzstan, Tajikistan Take Part in Anti-Uyghur ‘Terror’ Exercise in China”, *Eurasianet*, May 9, 2011, <http://www.eurasianet.org/node/63444>, Accessed: May 16, 2011.

⁵⁴⁵ Mohammed Ayoob, *The Third World Security Predicament: State Making, Regional Conflict, and the International System* (London & Boulder: Lynne Rienner, 1995).

Tashkent. RATS does not have any executive authority itself, but rather helps to facilitate the exchange of intelligence and information between the region's domestic security and law enforcement agencies. RATS primarily functions as an informational and intelligence clearinghouse on actors identified as a threat to the region's security. It also facilitates low level collaboration between the SCO member states; including harmonization of laws regarding security issues, liaison between national and local police forces, and monthly expert meetings to assess RATS' strategy.⁵⁴⁶ These efforts have yielded some tangible results. Through RATS the countries of the region have been able to harmonize their approach to terrorism, agreeing on a unified list of suspected terrorists and terrorist organizations. There are now over 400 wanted terrorists on the agency's list today.⁵⁴⁷ Vyacheslav Kasymov, the former Executive Committee Director of RATS, claimed that these efforts successfully thwarted over 250 terror attacks in 2005 alone.⁵⁴⁸

According to human rights groups the SCO has contributed to the deterioration of human rights in the region.⁵⁴⁹ They have criticized the authoritarian governments of the SCO for using the three evils and terrorism as a pretext to crack down on all forms of political dissent. The SCO's definition of terrorism differs from the one accepted by the UN. It defines terrorism more broadly, allowing a "terrorist" to be defined merely by ideology, rather than action. The organization also places a greater emphasis on defining terrorism as actions taken against the state, rather than against the public. The "color revolutions" which swept through the post-Soviet states in the first decade of the 2000's (Georgia 2003, Ukraine 2004, Kyrgyzstan 2005) were a major cause of anxiety for the region's authoritarian governments. Rightly or wrongly, many of them embraced the view that these "revolutions" were organized and directed at the connivance of the US and West. The regimes have used the SCO to counter this "Western pressure". On several occasions the SCO has spoken out against the "color revolutions" and against Western democracy promotion efforts, which they have characterized as "meddling" in the sovereign affairs of the region's states. The SCO also gave diplomatic cover to Uzbekistan in 2005 after the massacre in Andijan, where the government crack down on protesters left hundreds dead. An SCO communiqué labeled the demonstrators as Islamic terrorists and suggested that the demonstrations were somehow organized from abroad. This interpretation has been disputed by independent experts and human rights groups. The SCO passed resolutions in July 2005 calling for member nations to deny asylum to Uzbek refugees fleeing Andijan.⁵⁵⁰ The SCO has also organized its own election monitoring efforts, to give a veneer of legitimacy to the regions' highly manipulated elections. The OSCE has set the "gold standard" for election monitoring in the region. It has often uncovered gross violations and these have, in

⁵⁴⁶ Aris (2009), pg 171.

⁵⁴⁷ Farkhod Tolipov, "Multilateralism, Bilateralism and Unilateralism in Fighting Terrorism in the SCO Area", *China and Eurasia Forum Quarterly*, Volume 4, No. 2, 2006, pg 168.

⁵⁴⁸ "Over 250 Terror Attacks Pre-empted in SCO Countries in 2005," *CACI-Analyst Website*, March 30 2006, www.cacianalyst.org/view_article.php?articleid=4157, Accessed May 10, 2011.

⁵⁴⁹ Joshua Kucera, Central Asia: Shanghai Cooperation Organization's Rise in Popularity Worries Rights Groups, *Eurasianet*, March 30, 2011, <http://www.eurasianet.org/node/63187>, Accessed: May 15, 2011.

⁵⁵⁰ Eurasia: Uphold Human Rights in Combating Terrorism", *Human Rights Watch*, 14 June 2006, <http://www.hrw.org/en/news/2006/06/13/eurasia-uphold-human-rights-combating-terrorism>, Accessed: May 15, 2011.

turn been used by opposition activists to organize street protests that have been the impetus for regime change. The findings of the SCO missions are often in conflict with those of the OSCE and are used by governments to dispute the findings of the OSCE election observation missions.⁵⁵¹

The SCO has also tried to play a wider role in bringing stability to Afghanistan. As was noted above, instability in Afghanistan was a major impetus behind the development of the organization in the late 1990s and early 2000s. After 9-11 the countries of the region were resigned to let the US play the leading role in pacifying the country, even as this came at the cost of increased US presence in the region.⁵⁵² But in recent years Russia and the other SCO members have looked to play a more active role in Afghanistan. Partly these moves are to hedge against US failure in Afghanistan and to prepare for America's withdrawal from the region. But it also reflects dissatisfaction with US efforts in areas like combating drug trafficking and promoting economic development – issues which are of direct concerns to the region's countries and which they see as key to promoting political stability in the country.⁵⁵³ Russia organized an international conference on Afghanistan in Moscow in 2009 that was also attended by the representatives of NATO, the EU, and the UN as well as neighboring states like Pakistan, India and Iran. The conference concentrated on increasing joint efforts of the international community in combating terrorism, drug trafficking and transnational organized crime emanating from Afghan territory. Formally, as this was an SCO conference, the internal problems of Afghanistan were not discussed because they are not within the purview of the SCO. The conference adopted three documents: a general declaration of all participants, as well as a statement and action plan for the SCO and Afghanistan to combat terrorism, drug trafficking and organized crime in Afghanistan.⁵⁵⁴ Afghan President Mohamed Karzai has become a regular at SCO conferences. Russia has also offered to support Afghanistan's bid for membership in the organization as an observer.⁵⁵⁵ Nevertheless, it is also important to note that neither Russia nor any other SCO members are prepared to replace the US or NATO. Russia is wary about sending its troops back to the country where it suffered such an ignoble defeat and recognizes that its military capabilities are currently limited. Though the SCO countries have looked to play a bigger role they have been careful to include the US and NATO in their deliberations. They are more interested in developing a partnership where their

⁵⁵¹ A recent example is the 2011 Kazakh presidential elections, in which the incumbent President Nursultan Nazarbayev, received over 95% of the vote. Joshua Kucera, "SCO Endorses Kazakhstan Elections; Praises Lack of Intrigue", Eurasianet.org, April 5, 2011, <http://www.eurasianet.org/node/63231>, Accessed: May 16, 2011.

⁵⁵² The biggest move here was Putin's decision to allow the US to establish temporary air bases in Kirgizstan and Uzbekistan. However over time both China and Russia have grown frustrated with the continued US presence and have maneuvered to get the US evicted from these bases. See: Bobo Lo, *Vladimir Putin and the Evolution of Russian Foreign Policy* (London: Wiley-Blackwell, 2003).

⁵⁵³ "Analysis: Russia Vies for Key Role in International Effort in Afghanistan", *Director of National Intelligence Open Source Center*, March 25, 2009.

⁵⁵⁴ Alexander Lukin, "ShOS: Itogi Rossiskiskogo Prdesedaelstva" (THE SCO: Events Under Russia's Presidency), *Mezhdunarodnaia zhizn'* No. 9, September 2009, pp 23-37.

⁵⁵⁵ "Russia Offers Afghanistan Observer Status in the SCO", *Fergahna News Service*, March 14, 2011, <http://enews.fergananews.com/news.php?id=2051>, Accessed August 6, 2011.

concerns will be heard and are not keen on investing their own blood and treasure in what increasingly looks like a hopeless venture.

According to Gennady Chufirin the SCO's growing ability to deal with these non-traditional security threats allows member countries to rely less on the US for regional security. They are now more comfortable calling for the US to scale down its role in the region – something they want because US aid often comes with democratic or human rights conditions attached to it. “The SCO has managed to create powerful and efficient anti-terrorism capabilities, allowing to organization itself - as opposed to the initial phase of its existence - to ensure the task of maintaining stability and security in its area of responsibility. This, in turn, has allowed members of the SCO in 2005 at a regular meeting of heads of state in Astana to raise the issue of deadlines for the withdrawal of US and NATO military bases from Central Asia.”⁵⁵⁶

To date the SCO's major successes have come in the realm of security. The organization has played a much smaller role in promoting economic cooperation between its members. China has been the main protagonist behind efforts to integrate the region's economies and has proposed that the member countries establish a free trade area. With growing instability in the Middle East China is interested in securing Central Asia's vast energy resources. China is also interested in expanding its presence in the region's markets. Total Chinese trade turnover with Central Asian states remains modest, at 9.5 billion USD in 2006. But it is growing rapidly, and has increased by a factor of 18 in the period of 1992 to 2006.⁵⁵⁷ Chinese experts also argue that it is impossible to deal with the threats posed by the “three evils” without first addressing the social and economic issues which drive these forward. Towards this end China is particularly interested in how economic integration within the SCO could boost economic development in the Xinjiang autonomous region, where trade with SCO states accounts for two-thirds of all foreign trade.⁵⁵⁸ However, Russia has balked at China's efforts to promote regional economic integration within the SCO format. Moscow is concerned that growing Chinese economic dominance will diminish its influence and role in the region. Russia prefers to pursue regional economic integration efforts like EurAsEC and the Customs Union that place Russia at the center and keep China at arm's length.⁵⁵⁹ The other Central Asian states have been slow to embrace China's economic proposals. They fear that cheap Chinese imports will undermine their economic development efforts.⁵⁶⁰ Other economic proposals announced by the SCO include establishing an energy club to coordinate the relationship between energy producers and consumers, infrastructure to improve transport links in the region, and the establishment

⁵⁵⁶ Gennady Chufirin, “Meniaiauscheisyia prioriteti ShOS” (THE SCO's Changing Priorities), *Mezhdunarodnaia zhizn*, No. 12, December 2006, pg 24.

⁵⁵⁷ Zao Huasheng, *Tsentrlnaya Aziya v Kitaskoi diplomatii* (Central Asia in China's diplomacy), (Moscow: M, 2008), pp 169 – 170.

⁵⁵⁸ Oksana Antonenko, “The EU should not ignore the Shanghai Co-operation Organization”, *Center for European Reform Policy Brief*, May 2007, pg 5.

⁵⁵⁹ Alexei Mochulski, *Ob osobennostiakh politiki Kitaia v voprosakh ShOS*, (China's Approach to the SCO), *Mirovaia ekonomika i mezhdunarodnye otnosheniia*, No. 10, October 2010, pp 84-89.

⁵⁶⁰ “Kitaiskaya ekspansiya v Srednuyu Aziyu: igra na operezhdenie ili nastuplenie? Mneniia Ekspertov” (China's expansion in Central Asia: Ahead of the Curve or All Out Invasion? Expert's Opinion), *Regnum News Agency*, August 5, 2007, <http://www.regnum.ru/news/866290.html>, Accessed May 12, 2011.

of a development fund (for which China has promised to allocate 10 billion USD). However, as of this writing, none of these projects has shown any tangible benefits as SCO member states still prefer to pursue relations in these areas through bilateral ties.

Because of these difficulties many Western experts are skeptical about the viability and long-term prospects of the SCO. They point out that China and Russia are direct competitors for power and influence in Central Asia. In addition, all of the member countries of the organization are still dependent on their economic ties to the West and have been careful that the organization's activities do not antagonize the US and other Western powers.⁵⁶¹ They also point out that the SCO's institutions have failed to develop co-binding mechanisms that would shape and constrain the behavior of members. From this liberal perspective states simply have too much leeway to pursue their own interests at the expense of the collective good. They believe that the SCO will be limited to serving as a "talking shop" where lofty ideas and plans that will never be materialized will be discussed, or as a forums that will facilitate ad hoc bilateral cooperation by states, but will fall short of any true or lasting cooperation. Its main significance will thus be symbolic – to act as a "virtual" alternative to Western structures. But it will always lack real substance and will never become a real alternative to the institutions of the ILO. SCO member states will have to turn to ILO when they really want to get anything accomplished. "The SCO is unable to function as an organization that will provide a comprehensive response to well-known security risks...it's difficult to imagine that the SCO will ever develop into an organization similar to NATO".⁵⁶²

Yet, these negative evaluations of the SCO's efforts at cooperation are misleading because they tend to judge SCO by the same criteria used to evaluate ILO institutions. SCO member states have very different ideas about institution building. They categorically reject limits on their sovereignty and freedom of action and are not interested in pooling their sovereignty or entering into restrictive co-binding relationships. They also reject the idea that cooperation can only occur if all states accept the same democratic norms and values. They recognize each other's right to choose their own path of political, economic, social, and cultural development in the light of historical experience and national features of each state, thereby respecting the "cultural and civilizational diversity of the modern world".⁵⁶³ "The representatives of member states of the SCO regularly expressed the need to respect multiculturalism, to respect and preserve the diversity of civilizations in the world, as well as the need to recognize multiple routes for the development of various countries and this distinguishes this association from

⁵⁶¹ Roy Allison, "Virtual regionalism, regional structures and regime security in Central Asia", *Central Asian Survey* Vol. 27: No. 2, June 2008, 185–202, Stephen Blank, "The Shanghai Cooperative Organization: Post-Mortem or Prophecy", *China and Eurasia Forum Quarterly*, Summer 2005, pp 13-19, Martha Brill Olcott, *Central Asia's Second Chance* (Washington, D.C. : Carnegie Endowment for International Peace, 2005).

⁵⁶² Martha Brill Olcott, "The Shanghai Cooperation Organization: Changing the Playing Field in Central Asia", Testimony before the Helsinki Commission, September 26, 2006, <http://www.carnegieendowment.org/files/MBO0906.pdf>, Accessed August 6, 2011.

⁵⁶³ Vladimir Lavrov, "ShOS – Pravo I bezopasnost XXI veka" (The SCO –Law and security in the XXI century), *Mezhdunarodnaia zhizn*, No. 1, February 2008, pg 174.

Western and especially American integration projects”.⁵⁶⁴ Cooperation, when it does occur, is firmly grounded in the concrete political and economic interests of each country, not in abstract principles or ideologies. Members of the SCO call this the “Shanghai Spirit”. According to Putin:

The ‘Shanghai Spirit’ is characterized by mutual trust, mutual benefit, equality, mutual consultations, respect for cultural diversity, the desire for common development. The ‘Shanghai Spirit’, being the basic notion of a holistic and fundamental principle of the Shanghai Cooperation Organization, has enriched the theory and practice of contemporary international relations, putting into practice the universal aspiration of the international community to the democratization of international relations. All this is extremely important for international community's pursuit of a new, non-confrontational model of international relations, which would exclude the thinking of the Cold War and would stand above ideological differences.⁵⁶⁵

Stephen Arris argues that, rather than comparing the SCO to Western efforts at regionalism like the EU, it is more instructive to compare the SCO to ASEAN.⁵⁶⁶ The SCO states are very different from the developed liberal democratic states that formed the EU, and thus, in building regional institutions, have very different interest and goals. They find themselves in very much in the same position as the countries of ASEAN at the founding of that organization. Members are all developing states, which to varying degrees, are still involved in the process of state and nation building.⁵⁶⁷ When compared to the developed Western liberal states they are relatively insecure and still face internal and external challenges to their legitimacy and (in some cases) their very survival as states. These threats have been compounded by the process of globalization, which places many processes (financial, economic) outside of state control and exposes them to transnational ideological movements and trends (Islamic Fundamentalism, the transnational democracy and human rights movements) that can threaten the survival of the regimes, and by extension (in the eyes of domestic elites) the very survival of these states.⁵⁶⁸ From their perspective, multilateral institutions should assist in the state-building process by enhancing the sovereignty of their members and their ability to address the various challenges to their regime stability and legitimacy.⁵⁶⁹

⁵⁶⁴ R. Andreeshev, “ShOS segodia i zavtra” (The SCO Today and Tomorrow), *Aziia i Afrika segodnia*, No. 1, January 2008, pg 13.

⁵⁶⁵ Vladimir Putin, “SCO—a New Model of Successful International Cooperation”, June 16, 2006, http://www.kremlin.ru/eng/speeches/2006/06/14/0014_type104017_107007.shtml, Accessed: July 25, 2011.

⁵⁶⁶ Stephen Arris, “A New Model of Asian Regionalism: Does the Shanghai Cooperation Organisation Have More Potential Than ASEAN?”, *Cambridge Review of International Affairs*, Volume 22, Number 3, September 2009, pp 451-467.

⁵⁶⁷ This is also true of Russia and China as well as to the weaker Central Asia states, though to a lesser degree. Both face active insurgent and separatist movements, and the legitimacy of their current regimes is often questioned by foreign observers and (at times) governments. In addition Russia's ruling elites also face an active (though marginalized) domestic opposition movement that is pushing for fundamental regime change.

⁵⁶⁸ Ayoob (1995).

⁵⁶⁹ Arris, pg 459.

This is almost the exact opposite of most Western theories of regionalism, which argue that successful cooperation must involve states giving up large amounts of their sovereignty to regional or multilateral organizations. Writing about ASEAN, Amitav Acharya observes that “while Europe’s commitment to multilateralism and rule of law in international affairs is born out of a determination to transcend the sovereignty-bound nation-state system, Asia’s interest in multilateralism is born primarily out of a desire to preserve the existing rules of international relations, especially those related to sovereignty.”⁵⁷⁰ While Western developed states increasingly live in a post-sovereign world, believing it to be more efficient and morally desirable; the developing states of the SCO and ASEAN remain firmly beholden to sovereignty, taking it as the fundamental basis of their stability and identity. Instead of pooling the sovereignty of member states (as is the case with the EU), regional organizations like the SCO and ASEAN are geared towards “sovereignty enhancement”, i.e., they are designed to enhance member states’ regimes’ ability to deal with internal and external threats to their legitimacy and survival. Their efficacy can be judged by their ability to fulfill this role. Judged by these criteria, the SCO has been extremely successful.

Internal security and the unconventional security threats epitomized by the “three evils” may be the primary glue that holds the organization together. But one should also recognize the important geopolitical role that the SCO plays for its member countries as a useful counter weight to growing US influence in the region. Russia regards the post-Soviet region as a zone of its privileged interests and sees growing Western influence in the region as a threat to its most vital interests. China is also troubled by the presence of US military bases in Central Asia. From a strategic point of view China now finds itself surrounded by US military bases both in the Pacific and in its strategic rear. The SCO play an important role in helping China avoid strategic encirclement at the hands of the US.⁵⁷¹

While the great powers use the SCO to balance against US influence in the region, the smaller member states try to play the great powers off against each other in order to maintain their independence and freedom of action.⁵⁷² These countries are weak states that have only recently become independent and are still in the process of building their statehood and national identity. They thus welcome a US and Western presence in the region as a balance against the region’s two dominant powers, Russia and China. As poor and undeveloped countries in desperate need of foreign investment and aid, they also have an interest in attracting as many potential buyers of geopolitical loyalty to the region in order to boost the price of their support. At the same time, however they must also be careful that none of the great powers in the region becomes too dominant. With the possible exception of Kyrgyzstan, which is more of a failed state, these countries are all led by authoritarian regimes with spotty human right records. They feel threatened by Washington’s democracy and human rights

⁵⁷⁰ Amitav Acharya, “Europe and Asia: Reflections on a Tale of Two Regionalisms”, in Bertrand Fort and Douglas Webber (eds) *Regional integration in East Asia and Europe: Convergence or Divergence?* (London: Routledge, 2006), pg 318.

⁵⁷¹ Pan Guang, “A Chinese Perspective on the Shanghai Cooperation Organization”, in Alyson Bailes ed. *The Shanghai Cooperation Organization* (Stockholm: SIPRI, 2007).

⁵⁷² Kleveman Lutz, *The New Great Game: Blood and Oil in Central Asia* (New York: Atlantic Monthly Press, 2003).

agenda and use the SCO to push back against Washington's influence when it oversteps its bounds.⁵⁷³

China and Russia also use the SCO to speak out against what they see as the worst manifestations of US hegemony. Russia and China have used the SCO as a forum to speak out against the US human rights and democracy promotion agenda. They have also used the SCO as a platform for staging joint Russian-Chinese military exercises. During the SCO summit in June 2011, China and Russia pressed the SCO countries to issue a joint communiqué which declared that "the unilateral and unlimited buildup of missile defense by a single state or by a narrow group of states could damage strategic stability and international security." In this way the SCO threw its support behind Russia in its ongoing rift with the US and NATO over missile defense.⁵⁷⁴ According to Dmitri Trenin, "Activation of the Sino-Russian cooperation [through the SCO] means that the infamous strategic triangle, created by Kissinger and Nixon, has been turned inside out. Today, relations between Beijing and Moscow are closer than either of the two country's relations with Washington. As a result, America has lost the initiative which it held in the 1990s in the triangle of US-China-Russia relations."⁵⁷⁵

For Russia the SCO increasingly represents a "new model" of international cooperation and multilateralism that is an alternative to previous models promoted by the US and Europe. This is a model of "great power" multilateralism, where cooperation is grounded in concrete notions of national interests and respect of sovereignty and is devoid of the principles of democracy, liberalism and human rights. The SCO also provides Russia with an alternative to cooperation with the West and shows that estrangement from the West and its institutions does not automatically mean international isolation. At the very least, the SCO helps to show that there are other options open to Moscow, and this can be helpful in negotiating better terms in its efforts to cooperate with the West. "Moscow can now relate more confidently and, if necessary, distance itself from Western institutions, which generally tend to cater to Western values and interests. With a thriving SCO, Russia does not need to fear the prospect of 'going it alone' should it decide to abandon other global multilateral structures because they are considered either too demanding or too compromising of its national interests."⁵⁷⁶

The BRICS

The BRICS' transformation from a clever investment vehicle dreamed up by Goldman Sachs economist Jim O'Neil into a full-fledged international organization is truly a remarkable phenomenon. What was little more than a marketing tool in 2001 has grown into a major international forum where the major rising powers discuss the most important geo-political and geo-economic issues and (increasingly) coordinate their foreign policies. Russia has been the

⁵⁷³ Ruslan Maksutov, *The Shanghai Cooperation Organization: A Central Asian Perspective*, SIPRI Project Paper, in Alyson Bailes ed. *The Shanghai Cooperation Organization* (Stockholm: SIPRI, 2007).

⁵⁷⁴ "China, Allies Back Russia on U.S. Missile Shield", *Reuters*, June 16, 2011.

⁵⁷⁵ Dmitri Trenin, "SCO and the Fight for Peace", *Carnegie Moscow Center Daily Journal*, August 29, 2007.

⁵⁷⁶ Torjensen, 191

leading force behind efforts to institutionalize relations between the BRICS group of nations.⁵⁷⁷ Russia and its BRICS partners believe that this new format for cooperation will give them the say that they deserve in international relations and will help address some of the pressing problems that the existing global institutions have ignored. "There is a widespread feeling that the global institutional architecture does not meet the real processes taking place in the 21st Century and that the reform of institutions does not go beyond words... A multipolar world order requires different formats than those that served the bipolar world in the Cold War years and has not changed much since that time."⁵⁷⁸

Taken together, the BRICS hold 30 percent of the world's land surface, 40 percent of its population, and account for 20 percent of global GDP. Their combined foreign exchange reserves are valued at 1.3 Trillion USD – exceeding those of the G-7 states. In recent years, more than half of the world's economic growth has come from growth in the BRICS economies.⁵⁷⁹ The BRICS format seeks to capitalize on these massive economic gains and to turn them into political power. According to Brazil's foreign minister Celso Amorim, "We are the fastest growing economy in the world, we have many common interests and the common position on how to build a more democratic, just and sustainable world. We want to change the way people organize the world order."⁵⁸⁰ Since 2009, The BRICS have held annual summit meetings at all levels of government, including meetings between the countries' heads of state. They have addressed a wide array of issues from the perspective of developing countries. They have pushed for reform in the UN to increase the clout of developing countries, throwing their support behind Brazil, India, and South Africa's bid for permanent membership in the Security Council. The BRICS have also taken up the cause of reform in the world financial system and have voiced support for a transition away from the US dollar as the world currency and for greater use of Special Drawing Rights (SDR). They have banded together to criticize developed countries for their loose monetary policies in the wake of the world financial crisis, arguing that these expose developed economies to risks from massive capital inflows.⁵⁸¹ BRIC country agricultural ministers met to discuss global food security during the BRIC summit in Yekaterinburg in 2009.⁵⁸² A joint communiqué issued by the ministers put forward the developing countries' perspective on the mounting global food crisis, cautioning against ascribing the problem to the rise of demand in developing countries and instead drawing attention to agricultural tariffs and subsidies in the developed countries, which, they argue, distort competition and impede the development of agriculture in the developing countries.⁵⁸³

⁵⁷⁷ With the addition of South Africa at its April 2011 summit in China, BRIC (Brazil, Russia, India, China) became BRICS (Brazil, Russia, India, China, South Africa).

⁵⁷⁸ Fyodor Lukyanov, "BRICS: rapidly emerging reality", *Russia Today*, April 14, 2011.

⁵⁷⁹ Sergei Filatov, "Setevaia diplomatiia BRIKS" (The BRICS' network diplomacy), *Mezhdunarodnaia zhizn*, No. 5, May 2011, pg 107.

⁵⁸⁰ Roy Dipandzhan, "BRIK v novom miroporiadke" (BRIC in the new world order), *Mezhdunarodnaia zhizn*, No. 11, November 2008, pg 84.

⁵⁸¹ "Brics Group Warns on Capital Flows", *Wall Street Journal*, April 14, 2011.

⁵⁸² The 2009 meeting occurred before South Africa joined the group and it was still known as BRIC.

⁵⁸³ "Joint Statement of the BRIC countries on global food security", June 15, 2009, <http://archive.kremlin.ru/eng/text/docs/2009/06/217964.shtml>, Accessed: July 20, 2011.

The BRICS have not limited their activities to declaratory statements. The BRICS agreed to use national currencies, instead of the US dollar, in inter-country lending by their development banks. Many observers saw this move as a concrete step to reducing the importance of the US dollar, and it will immediately affect the nearly 38 billion USD in development loans that China has extended to other BRICS countries.⁵⁸⁴ Member countries have coordinated their positions in order to extract meaningful changes to the world's financial institutions. Ahead of the 2009 G-20 summit in Pittsburgh, BRIC country representatives met to coordinate their positions on reform within the IMF voting structure, pledging not to increase their contributions to the fund unless they were given a larger say in the fund.⁵⁸⁵ As a result of these efforts the Pittsburgh summit pledged to increase developing countries' representation in world economic bodies. Their voting share in the IMF was officially increased at the G-20's October 2010 summit in South Korea.⁵⁸⁶

In the wake of the of IMF director Dominique Straus-Khan's resignation, the BRICS countries issued an extraordinary official joint statement in which they weighed in on the succession process. They criticized the "obsolete unwritten convention that requires that the head of the IMF be necessarily from Europe" and reminded the Europeans that a promise was made at the time of Straus-Khan's appointment in 2007 that he would be the last European to occupy the post.⁵⁸⁷ Though they did not come up with their own candidate and eventually ended up throwing their support behind the candidacy of France's Christine Lagarde, the move still yielded some benefits for the BRICS. A new deputy managing director position to be held by a representative from the developing world was created by the fund (Chinese economist Zhu Min was appointed to the new post).⁵⁸⁸ Lagarde also promised to make one of her highest priorities the reform of the IMF to better reflect the shift in power in the world economy towards the BRICS and other developing countries.⁵⁸⁹

Recent BRICS summits have addressed prominent global security issues. During their 2011 summit in Hainan, China, the BRICs also spoke out against NATO's military operations in Libya and called for a peaceful resolution to the crisis to be mediated by the African Union. A joint communiqué issued by the countries maintained "the use of force should be avoided" and that the "the independence, sovereignty, unity and territorial integrity of each nation should be respected."⁵⁹⁰ The 2012 BRICS summit in New Delhi condemned Western efforts to put military

⁵⁸⁴ "Medvedev obmeyaet dolari na yuan" (Medvedev to switch from Dollars to Yuan), *Svobodnaya Pressa*, April 15, 2011.

⁵⁸⁵ "BRIC nations say no IMF cash without representation", *Reuters*, March 19, 2009.

⁵⁸⁶ Boris Kheifets, "BRIK: Mif ili realost?" (BRIC: Myth of Reality?), *Mirovaia e'konomika i mezhdunarodnye otnosheniia*, No. 9, September 2010, pp 72-80.

⁵⁸⁷ "BRIC Nations Tackle European Dominance of IMF Top Job", *The Guardian*, May 25, 2011.

⁵⁸⁸ "Salute to Beijing as Zhu Given High-Level IMF Post", *The Standard*, July 14, 2011.

⁵⁸⁹ *Ibid.*

⁵⁹⁰ "The BRICS group leaders release Sanya Declaration [Full Text]", *International Business Times*, April 15, 2011, <http://hken.ibtimes.com/articles/134536/20110414/sanya-declaration-the-brics-group-brazil-russia-india-china-and-south-africa.htm>, Accessed: July 20, 2011.

and economic pressure on Syria and Iran.⁵⁹¹ According to one enthusiastic Russian commentator, “For the first time, the BRICS have coordinated their foreign policies on such controversial issues. This sends a signal to the Arab states and the rest of the world that there are now other patrons besides America and its European allies.”⁵⁹²

Skeptics argue that the BRICS countries’ interests are too diverse to find much common ground. They are just as likely to compete with each other as they are to compete with the West. Two of the three (Brazil and Russia) are energy and natural resource exporters, while the others are dependent on natural resource imports. India and China see each other as natural competitors, and the rest of the BRICS are wary of rising Chinese power, particularly of China’s dominance in the production of industrial goods and rising trade deficits. Moreover, unlike the liberal West there is not much in the way of ideology or cultural identity holding the three together. Russia and China are autocracies while Brazil, India, and South Africa are vibrant democracies. The five are spread across four different continents and have very different civilizational and cultural traditions.⁵⁹³ Former Secretary of state Condoleezza Rice has argued that the BRICS format is ultimately “untenable” because “these are very different countries facing very different problems.”⁵⁹⁴ The Economist echoes these sentiments: “They lack coherence. They compete as much among themselves as they do with America or Europe— and hence the BRICs as a club seem unlikely to match the force of their individual ambitions.”⁵⁹⁵

Some also question whether Russia, which is much more economically developed than the other BRICs and whose economic growth rates have not kept pace with the others, should really be included in the group. According to economist Nouriel Roubini, “The economic crisis revealed that one of the four participants was an impostor. If we compare the key statistical indicators of the economies of the BRICs, it becomes too obvious that Russia falls out”.⁵⁹⁶ Others, including BRICS founder Jim O’Neil, have defended Russia’s position in the BRICs.⁵⁹⁷ The economic indicators may not be as dire as some believe. Russia’s growth rates are comparable to Brazil’s, which, like Russia is also a middle income country. Neither can approach the 10 percent growth rates regularly logged by China or the 6-7 percent growth rates logged by India. But this understandable as it is much harder to grow quickly when you are mid level developed country (like Russia, Brazil) than when you are a mid-level developing country (China) or a poor developing country (India).⁵⁹⁸ In looking at the Growth Environment Scores

⁵⁹¹ “BRICS summit: Emerging Economies Condemn Military Threats Against Iran, Syria”, *Washington Post*, March 29, 2012.

⁵⁹² Filatov, pg 110.

⁵⁹³ Daniel Drezner, “Loose BRICs”, *National Interest*, June 17, 2009.

⁵⁹⁴ “Condoleezza Rice Sees No Point in BRIC Format”, *Interfax*, March 25, 2011.

⁵⁹⁵ “The Trillion-Dollar Club”, *Economist*, April 17, 2010.

⁵⁹⁶ Nouriel Roubini, “BRIC: Chetirie minus odin”, (BRIC: Four minus one), *Vedemosti*, October 23, 2009, See also: Anders Aslund, “Take the R Out of BRIC”, *Foreign Policy*, December 2, 2009.

⁵⁹⁷ Jim O’Neill, “Why the ‘R’ Belongs in BRIC”, *Moscow Times*, June 20, 2011.

⁵⁹⁸ The most important reasons are: (1) The potential to achieve rapid growth by transferring your population from rural agriculture to urban industry and services becomes exhausted; (2) the services sector, where productivity can’t be improved as quickly as in industry, assumes a larger share of GDP; (3) more developed countries are far

(GES) of the BRIC countries - an index of 13 different variables designed by Goldman Sachs to measure sustainable growth and productivity, O'Neil finds that it is India, and not Russia that has the lowest GES score.⁵⁹⁹

More importantly, the narrow focus on economics often highlighted by skeptics ignores the political aspects of BRICS. "There would be grounds to question Russia's inclusion in BRICS if the group really were all about economic growth, as Goldman Sachs would have it. But BRICS is primarily a political group that emerged in response to the obvious need for a more diverse and less Western-oriented global political structure."⁶⁰⁰ The BRICS format allows the rising powers to coordinate their actions so that they can leverage their growing power into an increased say in global politics. According to Lukyanov "All the four countries feel the limitations of their efforts to increase their own weight and influence in international affairs, while acting solely within the framework of existing institutions. ...one can say that Brazil, Russia, India, China, and South Africa are looking for ways to consolidate their negotiating positions in building the future world order."⁶⁰¹

The BRICS are also united by more than just their status as outsiders in the Western dominated liberal institutional system. They also share common positions on major philosophical issues that will determine the future of the international system. As a group they are skeptical about the homogenizing Western democracy and human rights agenda, instead supporting each state's right to pursue their own path to political and economic development. Even Brazil and India, which are both established democracies, have shied away from actively promoting democracy and human rights abroad and have both been firm supporters of non interference and state sovereignty.⁶⁰² The BRICS are also skeptical about neoliberal models of economic development that downplay the importance of the state. As poor and developing countries they see the state as playing a crucial role in economic development.⁶⁰³ "One thing that the BRICs have in common is that they all have strong statist traditions, and this makes them particularly suited to an age where neoliberal economics, exemplified by the Washington consensus, is being increasingly questioned."⁶⁰⁴ They also share a tendency to see international

closer to the technological frontier or "best practice", and hence must increasingly innovate their way to growth instead of adopting and copying from elsewhere.

⁵⁹⁹ O'Neil.

⁶⁰⁰ Fyodor Lukyanov, "BRICS goes from fantasy to reality"

⁶⁰¹ Ibid.

⁶⁰² Oliver Stuenkel and Jabin T. Jacob, "Rising Powers and the Future of Democracy Promotion: the Case of Brazil and India", *Portuguese Journal of International Affairs*, No 4 Autumn/Winter 2011, pp 23-34

⁶⁰³ For discussions of the continued importance of the state in development thinking and practice in the individual BRIC countries see: Renato Boschi and Flavio Gaitán, "Politics and Development: Lessons from Latin America", *Brazilian Political Science Review* 3:2, 2009, pp 11-29, Marshall Goldman, *Petrostate: Putin, Power and the New Russia* (Oxford University Press, 2008), Atul Kohli, "Politics of Growth in India 1980-2005, part I (The 1980s) and part II (The 1990s and Beyond)", *Economic and Political Weekly*, April 1 2006, pp 1251-1259 and April 8, 2006 pg 1361-1370, Yasheng Huang, *Capitalism with Chinese Characteristics: Entrepreneurship and the State* (Cambridge: Cambridge University Press, 2008), Hein Maras, *South Africa Pushed To The Limit: The Political Economy of Change* (New York: Zed Books 2011).

⁶⁰⁴ Boris Martynov, "BRIC i degradiruiushchii miroporiadok" (The BRICs in a crumbling world order), *Latinskaia Amerika*, No. 5, May 2008, pg 10.

relations through a realist lens and to be skeptical about the benevolent nature of the ILO's hegemony. They actively advocate a transition away from the American dominance that has characterized the international system since the end of the Cold War and towards a multipolar international order where no one state would dominate international affairs and major decisions would be made by consensus among the great powers. According to these views such an order would be more representative in that it would give the non-Western world a greater say in decision-making. It would also be more stable. No one state would be able to ride roughshod over the entire system and the worst tendencies of the strongest actor (the US) would be restrained the power of other states.⁶⁰⁵

Western observers argue that the ad-hoc nature of the BRICS' cooperative ventures and the organizations lack of clear rules and binding institutions will keep BRICS from developing into a lasting and significant international organization. But Russian experts have been enthusiastic about the potential of the BRICS format. They believe that what Western observers see as shortcomings are actually the organization's strengths. They see BRICS as a "new form of multilateralism" that is more suited to the changing world order, where the balance is shifting away from the West and to new centers of power. The loose nature of BRICS also gives its members the flexibility to address emerging global problems in new and flexible ways. This allows it to escape the "rigid bloc discipline" of organizations like NATO and the EU, whose ossified structures and antiquated approaches fail to address the most pressing global problems. "BRICS is a good reflection of the new techniques of multilateral diplomacy, which correspond to the changing quality of international relations at the current stage transformation of the world order. It is a reflection of the network multi-vector diplomacy, in which the state actors interact not with or against anyone, but for the sake of something, to realize their common interests and their combined efforts to promote the implementation of a positive agenda of international relations."⁶⁰⁶ A world where the emerging poles also represent different cultures and civilizations also demands a more flexible multilateral framework like BRICS. More rigidly organized multilateral organizations would be unable to manage this kind of diversity. "The BRIC format implies a kind of "free float" – each of the countries has the opportunity to pursue their own policy, choose their own partners, and cooperate with each other only in the case of uncontested and mutual benefit. For such a free-form organization civilization differences are not a hindrance."⁶⁰⁷

Contrary to the ILO's expectations Russia has pursued an active policy of institution building in order to bypass and route around the institutions of the ILO. Moscow has invested considerable effort and resources towards developing institutions that exclude the major Western powers and which replicate many of the functions played by ILO institutions. Russia has promoted the development of regional organizations such as the CSTO, EurAsEc and the SCO to counter NATO and the EU's influence in the region. It has sought to decrease the region's dependence on Western institutions by beefing up these institutions capabilities, particularly their ability to

⁶⁰⁵ Vladimir Davydov, "Probuzhdaiushchiesia giganty BRIK".

⁶⁰⁶ L. Kadyshchev quoted in : "Brik kak novaia forma mnogostoronnei diplomatii", (BRIC as a new form of multilateral diplomacy) *Mezhdunarodnaia zhizn*, No. 1, January 2010, pp 49-50.

⁶⁰⁷ A. Okunev quoted in *Ibid.* 63.

respond to unconventional and internal security threats. Russia has also looked to develop new multilateral forums that exclude Western actors and build opportunities for the major rising powers to cooperate and coordinate their actions. This is the major function of BRICS, but the SCO also plays this role in serving as a format for Sino-Russian cooperation. Both forums also function as geopolitical counterweights to the US and are considered by their members as major factors in helping to build a multipolar world where US and Western power will be balanced and restrained by the new players.

Western observers believe these institutions are weak and ineffective because they have failed to develop co-binding mechanisms that constrain their members. Yet these criticisms may be off the mark. From Russia's perspective the fact that these institutions allow members to preserve (and in some cases even enhance) their sovereignty and freedom of action is their most important strength. Russian observers argue that cooperation through these institutions will be more beneficial to all of its members because it will be based on concrete national interests, rather than being imposed on them by more powerful states or by rigid ideological models. Russian observers believe that the institutions they are building are "of a new type" and are more suited to a world where power is more diffusely distributed and where civilizational and cultural difference between the major players demand that they respect each other's freedom to choose their own path of political and economic development.

Conclusion

ILO theory predicts that rising powers will choose to work within the existing order rather than to challenge it—even when the ILO's institutions may not fully serve their interests. This view underestimates the extent to which rising powers are dissatisfied with the existing order and motivated to change it. It also limits rising powers to two choices: They can either become integrated into the existing order or openly challenge it. Yet Russia's behavior shows that rising powers have a much wider range of choices available to them. They can selectively pick and choose between the rules and norms they follow. They can work to undermine ILO institutions or work to reform them to better reflect their interests. Finally, they can build new institutions and relationships that circumvent or bypass the ILO and exclude the core Western countries. These do not have to directly challenge the ILO's institutions. Instead they can replicate some of their functions so that rising states decrease their dependence on ILO institutions. As is evident from the SCO's efforts to tackle unconventional security threats and the BRICS' calls for international financial reform they can also begin to address problems that ILO institutions have failed to solve and give voice to solutions that come from the developing world's point of view.

Traditional IR theories see the kinds of shift in power we are witnessing today as a precursor to instability and conflict. Declining hegemony find it increasingly difficult to enforce compliance, provide global public goods, and maintain international institutions. Rising states will seize on this weakness to challenge the existing order, opening up the possibility of major hegemonic war. Yet, Russia's behavior suggests that the transition to new forms of order may occur much more gradually and in a much less violent fashion. States have a range of options open to them

to resist the order without challenging it head-on in a violent fashion. Moreover, hegemonic decline does not necessarily have to lead to anarchy and disorder. States may be able to gradually establish new institutions and relationships that fulfill the functions of the declining institutions of the old order in more effective ways. Over time these institutions and relationships may even begin to develop into an alternative order which will supplant the ILO.

Chapter 6: Conclusion: Towards a New International Order?

Dramatic shifts in the distribution of power in the international system are moving discussions about the future of the international order to the forefront of IR debate. Theorists working in the liberal institutionalist tradition believe that the current liberal international order will be able to adjust to these changes and accommodate rising powers. It is rooted in a dense web of reciprocal and consensual institutions that give rising powers a stake in the system. It is also bolstered by larger historical processes (globalization, economic integration, the erosion of state sovereignty) that are transforming international relations and making states both less capable and less willing to challenge the existing order. ILO theorists have developed several hypotheses to support these claims. Table 7 summarizes these predictions and the hypotheses that lie behind them.

Table 7: ILO predictions and the hypotheses that support them

| Prediction | Hypotheses |
|---|--|
| ILO institutions will accommodate rising powers. | <ul style="list-style-type: none"> - States Prefer to use co-binding (rather than balancing or power maximizing) to meet their security needs. - Relative gains concerns are diminished due to economic integration and will not be an obstacle to cooperation. |
| Economic integration makes states more amenable to ILO. | <ul style="list-style-type: none"> -Economic Interdependence mitigates concerns about relative gains - Because they value absolute over relative gains the rationale of states changes – from exerting/accruing raw power to economic integration |
| The erosion of state sovereignty limits states' ability to challenge the established order. | <ul style="list-style-type: none"> -Globalization gives rise to new Transnational Actors (private business, NGOs) which have vested interest in the ILO -The evolution of human rights norms makes state sovereignty conditional, restricting state's freedom of action, and preventing illiberal challengers from rising. |
| Rising powers find that the ILO is easy to join but hard to overthrow. | <ul style="list-style-type: none"> -Rising states find that the ILO adequately accommodates their interests and concerns. - Rising states find that challenging the existing order is too costly. |

Evaluating the ILO's Predictions and Hypotheses

The previous chapters have evaluated these claims with reference to Russia and other rising powers. The next section will briefly review the ILO's predictions and the hypotheses that lay behind them and summarize the empirical evidence. I find that the ILO's hypotheses fail to accurately describe the behavior of both rising powers and core ILO states. This calls the ILO's

predictions about the inherent stability and robustness of the current order into question. It also suggests that we may see significant changes to the international order in the future.

Prediction 1: ILO Institutions will accommodate rising powers

Proponents of the ILO argue that the main feature that distinguishes the contemporary order from previous orders is the strength of its institutions. The ILO is a rule based order that constrains the power of the hegemon and other powerful states and provides opportunities for less powerful states to have their voices heard and their interest represented. This belief in the ability of ILO institutions to accommodate the interest of rising states is based on two hypotheses. 1) States will prefer to use institutional co-binding rather than power balancing to meet their security needs. Co-binding allows states to break out of the dangerous spiral where one state's security gains always comes at others' expense, and thereby avoid the intense military competition or arms races that have made major power transitions so dangerous and unstable in the past. 2) The absolute gains to be had from integration into the ILO are so great that they will diminish the importance of states' relative gains concerns. In fact, states will have an incentive to enter into institutional relationships that abrogate anarchy in order to minimize relative gains concerns and take full advantage of the absolute gains to be had from cooperation.

An examination of the Russian bargaining on key security and economic questions with NATO and the EU in Chapter 2 finds that both hypotheses have not played themselves out as predicted by the ILO. While Russia has shown some (albeit limited) interest in co-binding, Russia's interest has not been reciprocated by the hegemonic states of the West. Instead, Western states have preferred to maximize their power advantaged over Russia. At the same time Moscow is also unwilling to accept the kind of limits on its own freedom of action and sovereignty that co-binding requires. Rather than tying itself down it prefers to preserve its sovereignty and freedom of action. In many cases, cautious balancing has been Russia's preferred strategy for improving its bargaining position vis-à-vis the US and the West. Russia is developing its own capabilities to deal with security threats and expand its economic influence in the post-Soviet region, and is also partnering with China and other states not satisfied with Western hegemony, to curb Western influence globally.

Relative gains concerns have played an important part in both parties decisions to pursue power maximization and balancing over co-binding. The Western powers are still distrustful of Russia's true intentions and wary of adding to Russia's growing power by giving it a significant say over NATO and Missile Defense or by entering into economic interdependence with Russia through asset swaps. Relative gains concerns also continue to be a strong factor in Russia's calculations, particularly in Russia's attitudes towards NATO and EU expansion and have dissuaded Russia from accepting integration into NATO and the EU on Western terms.

While there were at least some attempts at institutional co-binding in the West's relationship with Russia, co-binding has been conspicuously absent in the West's security relations with China. Since the 1970s, America's strategy towards China has primarily focused on economic

engagement with the goal of making China a “stakeholder” in the established order.⁶⁰⁸ But as Chinese power has grown, the US has begun to hedge its bets by increasingly looking to balance Chinese power in Asia. The US has strengthened security ties with traditional allies (Japan, South Korea, and the Philippines), which were beginning to lose some of their significance after the end of the Cold War.⁶⁰⁹ The US has signed an agreement on military cooperation with Vietnam, the first since the end of the Vietnam War.⁶¹⁰ It has also signed a landmark defense deal with Australia, establishing the presence of 2,500 US marines in the country.⁶¹¹ The most significant move, however, may be America’s efforts to establish a strategic partnership with India, which has its own security concerns about rising Chinese power. In 2007 the US signed a landmark deal on nuclear cooperation with India, thereby recognizing of the legitimacy of India’s nuclear arsenal. The US has sold more than 8.2 billion USD in arms to India since 2008 and the two countries held over 56 joint military exercises in 2011 alone – more than India has conducted with any other country.⁶¹² These moves have been greeted with much apprehension in China. Chinese leaders and official media have accused the US of trying to establish an “Asian NATO” to contain China’s rise.⁶¹³

Relative gains concerns play a decisive role in the US-China relationship. Despite mutually beneficial trade and financial ties there are growing worries from the American side that China is benefiting disproportionately from the relationship.⁶¹⁴ The situation was acceptable in the 1980s and 1990s when China was still weak. However, China’s dramatic economic rise raises concerns that one day China will use its growing economic wealth to challenge US hegemony.⁶¹⁵ Some Chinese scholars believe that American concerns about China’s growing power are beginning to hamper what could be mutual beneficial relations on a wide range of issues. Export restrictions on high-end dual use technologies cost US exporters billions in missed sales opportunities every year and contribute to the burgeoning US trade deficit.⁶¹⁶ Relative gains concerns have also led the US to reject Russian-Chinese proposals that would limit the weaponization of outer space. Some Chinese observers believe that American relative gains concerns are making it more difficult for China and the US to find cooperative solutions to security problems such as the status of Taiwan.⁶¹⁷ According to these views, Washington is

⁶⁰⁸ Aaron Friedberg, “The Future of US-China Relations: Is Conflict Inevitable?”, *International Security*, 30.2 (2005), pp 7-45.

⁶⁰⁹ “Obama's Asia Pivot Advances, But Obstacles Await”, *Reuters*, June 15, 2012.

⁶¹⁰ Mohan Balaji, “US Cosies up to Vietnam”, *The Diplomat*, September 2, 2010.

⁶¹¹ “Obama's Asia Pivot Advances, But Obstacles Await”, *Reuters*, June 15, 2012.

⁶¹² U.S. Department of Defense, *Report to Congress on US-India Security Cooperation*, November 2011, http://www.defense.gov/pubs/pdfs/20111101_NDAA_Report_on_US_India_Security_Cooperation.pdf, Accessed: June 20, 2012.

⁶¹³ Francine Frankel, “The Breakout of China-India Strategic Rivalry in Asia and the Indian Ocean”, *Journal of International Affairs*, Spring/Summer 2011, Vol. 64, No. 2, pp 1-17, Li Hongmei, “Is US Building a NATO in Asia Version?”, *China People's Daily*, August 12, 2010.

⁶¹⁴ Minxin Pei, “Why US, China Destined to Clash”, *The Diplomat*, February 28, 2012.

⁶¹⁵ Friedberg, “Hegemony with Chinese Characteristics”

⁶¹⁶ “America’s Tech Trade: Boxed In”, *CQ Weekly*, May 19, 2012,

<http://public.cq.com/docs/weeklyreport/weeklyreport-000004090647.html>, Accessed June 17, 2012.

⁶¹⁷ Sun Xuefeng, “The Efficiency of China’s Policy Towards the United States”, *Chinese Journal of International Politics*, Vol. 1, 2006, pp 57–81.

more interested in containing growing Chinese power than in finding mutually beneficial solutions to these security problems. As a result Beijing will have to adopt more assertive strategies, including the threat of the use of force, in order to deter the US from adopting more aggressive moves to contain US power.⁶¹⁸

Prediction 2: Global economic integration and the spread of capitalism and markets bolster the ILO

According to proponents of the ILO, global economic integration and the spread of capitalism and free markets bolster the ILO in two important ways: 1) Global economic integration fosters economic interdependence between states which, in turn, minimizes relative gains and security concerns between states. 2) The expansion of capitalism and free markets alter the preferences and character of states in a liberal and democratic direction. The role of the state in the economy is substantially diminished, giving way to private property and private enterprise. Commercial relations between individuals and private enterprises based on market principles have greater significance than power based relations between states.

As a result of the above factors, states no longer need to exert raw power in order to advance their economic interests. Rather than trying to maximize their own state power and influence relative to other states, states now see free trade and integration into the World Economy as the most effective path to prosperity and wealth. Rising powers have little to gain economically by looking to overthrow the existing order. Instead they have more of an incentive to support the ILO because it provides the global common goods that make an open world economy possible.

Evidence from Russia and the other BRICs does not support these conclusions. The EU-Russia energy relationship illustrates that interdependence can actually serve to heighten and exacerbate security and relative gains concerns. Both sides recognize that dependence is mutual, i.e., that neither can end cooperation without incurring considerable costs. But both sides also fear that over time the relationship will develop into asymmetrical interdependence so that one side will decrease their dependence and use this to bully or blackmail the other. Instead of strengthening interdependence by developing co-binding institutions, both sides work to decrease their dependence on the other side. However one side's decreased dependence always has to come at the other side's expense. This creates mutual fears and suspicions and leads to the securitization of what, at first glance, should be a mutually beneficial relationship.

Russia and the other BRICs have embraced capitalism and free markets. But they also continue to pursue statist and neomercantilist economic policies. For Russia, the main lesson of the economic pain and social dislocation of the 1990s was that a strong state was necessary to guide economic development and to safeguard Russian national economic interests. Russians continue to recognize the economic benefits that come from integration. But they also believe that integration must come from a position of strength. No one wants their state to be a source

⁶¹⁸ Ibid.

of cheap labor or raw materials for richer and more technologically advanced states. In theory all states may be better off if everyone practiced free trade. But in practice states exert their power to improve the balance of trade in their favor. Russia and other states (including the states of the West that espouse liberal economics and free trade) have adopted a range of mercantilist practices to capture relative gains in trade relations so that they can take up the choicest and most profitable positions in the global economy. States recognize that the pursuit of relative power over other states serves their economic interests. Rising states will thus continue to pursue relative power gains – even if this comes at the expense of the stability of the existing international order.

Prediction3: The erosion of state sovereignty limits states' ability to challenge the established order

The erosion of state sovereignty limits states' ability to challenge the established order in two important ways. 1) Globalization gives rise to Trans National Actors (TNAs), such as private business and NGOs, that have a vested interest in the existing liberal global order and will work to keep their home states anchored in that order. 2) The spread of human rights norms and values makes sovereignty conditional. States that violate human rights lose their right to sovereignty and are subject to intervention by the international community. This is not only good in and of itself. It also contributes to the stability of the order as well. States that violate human rights domestically are also prone to aggressive behavior internationally. The enforcement of human rights norms thus prevents the rise of aggressive illiberal states that seek to violently overthrow the ILO.

The Russian and Chinese states have been able to check the rising power of TNAs and to minimize their influence over policymaking. In both countries the state plays a leading role in the economy. Private business plays a subordinate role and prominent businessmen are co-opted into partnership with the state. The fate of private businessmen such as Mikhail Khodorkovsky illustrates the danger of trying to stake out an independent political position. China and Russia have used a variety of tactics – from new legislation that restricts NGOs' activities to creating NGOs that are loyal to the state – to keep NGOs under government control. In China, the state has even been able to co-opt NGOs and use them to improve state capacity and bolster regime legitimacy. New communications technologies, such as the internet and social media, are supposed to empower TNAs at the expense of authoritarian state. But authoritarian states have been able to adapt to these technologies. They have found innovative ways to control the internet and social media in order to limit their negative impact on state power. In some cases they have even been able to use these technologies to help them strengthen their grip on domestic politics.

Rising powers are united in their opposition to liberal challenges to traditional norms of sovereignty and non-interference. This is even true of rising powers such as Brazil, India and South Africa, which are stable democracies that see the struggle for human rights as a core aspect of their national identity. Developing states face a wide range of challenges to the legitimacy and survival of their regimes and to the territorial integrity of their states. For them the need for domestic order and stability takes precedence over human rights concerns. They

are also sensitive about the way powerful states misuse humanitarian intervention as a pretext to advance their own hegemonic goals. They are beginning to use their growing power to push back against the erosion of state sovereignty. They have used their diplomatic clout to block Western efforts to organize humanitarian intervention. They have lent material and diplomatic support to authoritarian states that face pressures over human rights issues. They have also used new international institutions such as the SCO and BRICS to speak out in defense of sovereignty and non-interference. Proponents of the ILO believe that erosion of sovereignty will dissuade rising states from challenging the liberal order. But the opposite may be true. It may actually spur rising states to push even harder for a new multipolar order that will reestablish traditional principles of sovereignty and non-interference.

Prediction 4: Rising powers will find that the ILO is easy to join but hard to overthrow

This prediction rests on two hypotheses. 1) Rising powers will find that the existing international order adequately accommodates their interests and concerns and that they thus have no compelling reason to challenge the order. 2) Path dependency – the “sunken costs” and “increasing returns” of established institutions – will make existing institutions very “sticky”. States will not seek to replace them with new institutions even when these new institutions promise to work better and more accurately reflect the actual power between states. The fact that the threat of hegemonic war (the traditional method of transforming the international order) is so remote and that rising powers have thus far refrained from building institutions that openly challenge existing ones is seen as evidence in support of the two above propositions.

However, as was discussed in Chapter 5, this view underestimates the extent to which rising powers are motivated to change the existing order. Russia and other rising powers are not satisfied with the status that the existing order accords to them. They are also unhappy with the norms and values that the order promotes, particularly its promotion of human rights and democracy over state sovereignty and its promotion of neoliberal models of economic development. Finally, rising powers are increasingly unhappy with the leadership of the core ILO countries and with ILO institutions’ ability to address pressing global problems, such as growing public and private debt in the developed countries, the increased frequency of ethnic and religious conflict in developing countries, and traditional problems such as poverty and the environment.

The ILO predicts that rising powers will find the costs and risks of overthrowing the established order to be prohibitive and will choose to join the order instead. However this prediction is flawed in that it limits rising powers that confront the international order to two choices. They can either accept the existing order or wage a full-out frontal assault to overthrow it (i.e., behave as Germany and Japan did in the lead up to WWI/WWII or the Soviet Union did after WWII). In reality, rising powers have a wider menu of effective strategies and tactics available to them. 1) They can adopt a strategy of *selective compliance*, picking and choosing the rules and institutions of the ILO that it will comply with and those it will violate or ignore altogether based on their own calculations of interest. 2) They can look to *transform existing ILO institutions*, looking to either undermine or reform these institutions so that they better serve

their own interests and visions of order. 3) They can *form new institutions* that bypass and route around the established order. These three strategies allow rising powers to resist the current order and work towards its gradual transformation without having to challenge it openly and directly.

Russia has employed a mixture of all three strategies to challenge the ILO. It has adopted a selective compliance approach to free trade and human rights. Russia ignores these rules and norms or feigns compliance in instances where they do not serve its interests (e.g. Chechnya). It then turns around and argues for these norms to be upheld in other cases (e.g. the treatment of ethnic Russians in the Baltic republics). Russia has also looked to transform existing ILO institutions, such as NATO, the EU, and OSCE from within (though these efforts have not met with very much success). Finally, Russia has tried to develop alternative institutions both at the regional level (CSTO, Eurasian Union) and in concert with other rising powers (SCO, BRICS). These institutions deliberately exclude Western powers and help to improve Russia's ability to deal with emerging security and economic challenges without having to rely on the West and its institutions.

Though Russia has been the most active in its efforts to transform the global order, the other rising powers have also made use of these three transformative strategies. As was discussed in chapter 3, almost all the rising powers have adopted mercantilist strategies designed to gain them relative advantage in trade and improve their economic position in world value chains. The most controversial example is China's manipulation of its currency and its aggressive approach to intellectual property rights. Like Russia, other rising powers have looked to transform existing international institutions. All of the BRICS support reforms in the IMF and World Bank which would give emerging economies a greater say. They also support reform of the international monetary system that would lessen its dependence on the US dollar. Brazil and India are pushing for permanent seats in the UN Security Council and also want to see the council expand its non-permanent membership to include more developing countries. To varying degrees, all of the BRICS have engaged in institution building. They are enthusiastic proponents of the BRICS format and have used it as a platform to call for major changes in global governance. Some of the BRICs have also made major investments in regional institution building. China is expanding its cooperative ties with ASEAN and has, along with Russia, taken the lead in expanding the security and economic dimensions of the SCO. Brazil is playing a leading role in South American integration through Mercosur, the South American Union (UNASUR), and the South American Defense Council.

Where did ILO theory go wrong?

All eight ILO hypotheses fail when tested against the behavior of Russia and other major rising powers, forcing us to conclude that the existing liberal institutional order will not be able to shape and constrain rising states. How could the theory be so wrong? The theory was primarily derived by looking at relations between the core countries of the liberal democratic West: the US, Canada, Western Europe, Japan and South Korea. Only in subsequent writings have they begun to explore how the ILO will fare at incorporating non-Western rising powers such as

China.⁶¹⁹ Ikenberry and other ILO theorists framed their arguments in response to realist theories, which predicted that the countries of the Western world would return to great power competition at the end of the Cold War.⁶²⁰ Proponents of the ILO saw the lack of balancing behavior on the part of the major Western powers (Japan, Europe) as well as the continued salience of Western institutions such as NATO and the US-Japan Security partnership as proof that the institutional order established by the West at the end of the Cold War was resilient enough to survive major power transition in the international system.

Yet to ascribe the emergence of the ILO among the core Western states and its continued post-Cold War resiliency primarily to the strength of its institutions is to ignore the unusual confluence of factors that favored this outcome. The rise of an international liberal order among the liberal, democratic and developed states of the West was over-determined; structural, cultural/ideational, and economic factors all favored this outcome. This makes it very difficult to weight the exact significance that each factor had in contributing to the outcome. However it does raise doubts about the future of the ILO as we move to a multipolar system where the most powerful states are diverse in terms of their cultural traditions and level of economic development.

Structural Factors: Bipolarity and Unipolarity

The distribution of power in the international system strongly favored the emergence of the ILO in the post-WWII period as well as its continuation after the Cold War. After WWII Western states all rallied behind the US in response to the threat from the Soviet Union and the world communist movement. The Soviet threat played the instrumental role in the establishment of NATO. But it was also a critical factor in pushing European integration forward. According to Sebastian Rosato, in the aftermath of WWII European states realized that that the Soviet threat was so great that it could not be countered by traditional balancing alliance, but would require European states to integrate their militaries and economies to an unprecedented scale . Moreover they were afraid that the US would be tempted to leave the continent to face the Soviet threat alone (as had happened after WWI). “The sheer magnitude of the Soviet threat convinced the West Europeans that they must surrender their sovereignty and construct a military-economic coalition governed by a central authority.”⁶²¹

The overwhelming preponderance of American power in the immediate post-Cold War period favored the continuation and expansion of the ILO. The Cold War experience left European states completely dependent on the US for their security. For the most part this was a situation that both sides were willing to tolerate. For the US it guaranteed American military primacy and

⁶¹⁹ G. John Ikenberry and Thomas Wight, *Rising Powers and Global Institutions* (New York, Century Foundation, 2007), G. John Ikenberry, *Liberal Leviathan: The Origins, Crisis, and Transformation of the American World Order* (Princeton: Princeton University Press, 2011).

⁶²⁰ Kenneth N. Waltz, “The Emerging Structure of International Politics,” *International Security*, Vol. 18, No. 2 (Fall 1993), pp. 75–76. John Mearsheimer, “Back to the Future: Instability in Europe after the Cold War”, *International Security*, 15:4, 1990, pp 5–56.

⁶²¹ Sebastian Rosato, *Europe United: Power Politics and the Making of the European Community* (Ithaca: Cornell University Press, 2010).

for the Europeans it freed them from military spending and the obligation to deploy troops to warzones in the developing world. However it severely restricted European states' ability to become true centers of power and influence in the international system on par with the great powers of the past.⁶²² America used its power to transform Cold War era institutions such as NATO, which had lost their primary purpose with the end of the Cold War. These were given new tasks that were seen as being in America's interest, such as expanding the zone of democracy to include the states of Central and Eastern Europe and intervening to end humanitarian conflict and state building and terrorism.⁶²³ Other states were unwilling to openly balance against the US or to challenge the existing institutional order because they recognized America's overwhelming preponderance of power in the international system. Over time, as their power and their dissatisfaction with America's policies grew (particularly under the Bush presidency) they have begun to engage in "soft balancing" in order to undermine, frustrate, and increase the cost of the US's unilateral actions.⁶²⁴

Democratic Political Culture and Western Identity

A shared democratic political culture and Western identity also favored the emergence and maintenance of the ILO among the core liberal states. The ILO benefits from the fact that its core states are all liberal democracies. Because they share common norms and values and common democratic institutions liberal democracies have a natural affinity towards one another.⁶²⁵ They do not view each other as security threats and thus relative gains concerns are not as important to them in their relations with one another. As a result it is much easier for them to enter into institutional relationships with one another, where they can concentrate on capturing the absolute gains from cooperation. Democracies are also natural institutions builders. They externalize domestic political norms of tolerance, compromise and reciprocity into their foreign relations.⁶²⁶ They will try to adapt the same institutions and practices that foster compromise and cooperation in their domestic politics to international relations.⁶²⁷

A common sense of identity and community is important to any political order. The core ILO states are united by common sense of Western identity and community that has its roots in common cultural traditions and historical experiences.⁶²⁸ Since WWII, political identities in the

⁶²² Robert Kagan, *Of Paradise and Power: America and Europe in the New World Order* (London: Knopf, 2003), David Calleo, *Rethinking Europe's Future* (New York: Century Foundation, (2001).

⁶²³ Waltz, "Structural Realism Since the End of the Cold War".

⁶²⁴ T.V. Paul, "Soft Balancing in the Age of U.S. Primacy," *International Security*, Vol30, No1, Summer 2005, pp. 46-71.

⁶²⁵ Michael Doyle, "Liberalism and World Politics." *American Political Science Review* 80, 1986, pp 1151-61.

⁶²⁶ Ibid.

⁶²⁷ Daniel Deudney, "The Philadelphian System".

⁶²⁸ The possible exceptions are Japan and South Korea. However, both states experienced intense indoctrination in Western norms and values as a result of American military occupation (Japan) or their Cold War alliance against communism (South Korea). It is also important to note that over 28% percent of South Koreans identify themselves as Christian, making Christianity the largest religion in the country. See: John W. Dower, *Embracing Defeat: Japan in the Wake of World War II* (New York: W.W. Norton, 1999), Gregg Brazinsky, *Nation Building in South Korea: Koreans, Americans, and the Making of Democracy* (Chappell Hill: University of North Carolina Press, 2007).

West have moved beyond more narrow national and ethnic identities and towards a common civic identity based on the adherence to democratic and liberal values and norms. This process has also been accompanied by the rise of a global capitalist and consumer culture. "Through the advanced industrial world, mass produced and market commodities have produced a universal vernacular culture that reaches into every aspect of daily existence. The symbolic content of day-to-day life throughout the West is centered not upon religious or national iconography, but upon the images of commercial advertising."⁶²⁹ Western states have retained their allegiance to their ethnic or national identities, but the political salience of these identities has been much reduced and they are now largely of a "private" rather than "public" character. Narrow national and ethnic identities no longer divide Western countries the way they have in past centuries because Westerners are united in their allegiance to "Western" values such as democracy, human rights, respect for diversity, and private enterprise. This has given rise to a common "Western identity" that helped the West maintain a sense of community and cohesiveness during the Cold War and which continues to be important in relations between Western states.

Level of Economic and Socio-Political Development

The core liberal states are all advanced industrial economies that have already undergone the process of development and modernization. They are some of the wealthiest countries in the world and they enjoy the highest standard of living. They already occupy some of the most profitable sectors of the world economy, where value added is greatest. As such, they are status quo power: they are more concerned with maintaining international stability through existing structures and institutions, than they are with radically improving their relative economic position compared to other states. These states completed the process of nation and state building decades (and in most cases even centuries) ago. Unlike most developing countries they do not face major challenges to the domestic security and political legitimacy of their regimes.⁶³⁰ They are thus more comfortable with accepting limits to their sovereignty and freedom of action if it can contribute to the stability of the international system or if it advances their shared normative goals, such as the promotion of human rights and democracy.

The Geopolitical Balance Shifts in Favor of Non-Western Developing Countries

We are entering a period of history where the factors that favored the emergence of the ILO will begin to change dramatically. With the decline in US hegemony and the rise of the BRICS we are witnessing the transition towards a multipolar order where the US will no longer be in a position to completely dominate the system and shape its institutions. The US will increasingly find that it has to share power with rising states that are very different (in terms of their domestic political regimes, cultural identity, and level of social-economic development) from the states of the liberal core. The two most significant challengers (China and Russia) are led by authoritarian regimes that are very suspicious of the West's democracy promotion agenda and see it as a serious threat to the security and legitimacy. None of the rising powers has a

⁶²⁹ Ikenberry and Deudney, "The Nature and Sources of Liberal International Order".

⁶³⁰ Mohammed Ayoob, *The Third World Security Predicament*.

Western cultural identity. They do not share in the sense of community or common history that characterizes relations between the core liberal states. National and ethnic identities have strong political significance in these countries. Nationalism – and the need to right historic wrongs – also remains a significant factor in their foreign policies.⁶³¹

All of the rising powers are developing states and are focused on improving their relative position in the global economy. They are willing to adopt statist and mercantilist policies to achieve this goal. With the possible exception of Brazil, all of them face significant internal challenges to regime security and legitimacy and defend their right to use violent means to quell internal dissent.⁶³² As former victims of Western imperialism and colonization they are also uncomfortable with most forms of domestic interference in the politics of developing states. They oppose the erosion of state sovereignty and are intent on taking active measures to reverse the process.

The core concerns of rising states diverge from the ILO's agenda in many important areas. Rising states will use their newfound power to challenge the ILO and work for its transformation, instead of seeking deeper integration within it, as the major Western states did in the post- WWII and post-Cold War periods. It is unlikely that the ILO will survive the transition to a multipolar order where the core ILO states have to share power with non-Western and developing states.

Towards a Post-ILO Order?

What then will a non-ILO order look like? The discussion in the preceding chapters may offer us some important clues: States prefer to respond to security threats by enhancing their own capabilities, rather than by joining co-binding institutions. Growing interdependence is unable to mitigate the effects of relative gains concerns, and in some cases it may actually exacerbate them. The most significant and powerful states have not experienced an erosion of their sovereignty to the degree predicted by the theory. In fact many of them have become more proactive about defending traditional principles of sovereignty and non-interference. If the following propositions are true (and the preceding chapters provide evidence that they are) then the future international order may take the form of a traditional multipolar system where order is the product of power balancing between system's most powerful states.

⁶³¹ Maria Hsia Chang, *Return of the Dragon: China's Wounded Nationalism* (Boulder: Westview Press, 2001), Andrei Tsygankov, *Russia's Foreign Policy : Change and Continuity in National Identity* (Lanham, Md. : Rowman & Littlefield Publishers, 2010).

⁶³² While Russia and China's repression of separatist movements in the North Caucasus, Tibet and Xinjiang , has received the greatest attention, security forces in India and Brazil have also faced heavy criticism of human rights violations. India faces a separatist insurgency in Kashmir and an active Maoist insurgency in other parts of the country. Indian security forces have been accused of using torture and mass killing by human rights groups. See: "India Fails to Check Human Rights Violations: Human Rights Watch", *Times of India*, January 29, 2012. Though Brazil faces no separatist movements or political insurgencies, police violence and human rights abuses are rampant in Brazil's favelas, where conflict between police and drug gangs often takes on a military character. In 2003, the police killed 1,195 people in the State of Rio de Janeiro alone. See: "They Come in Shooting: Policing Socially Excluded Communities", *Amnesty International Reports*, February 2005, <http://web.amnesty.org/library/Index/ENGAMR190252005>, Accessed: June 25, 2012.

This does not mean that we will see a complete return to intense military competition between great powers, as some realists have claimed.⁶³³ Though liberal theorists tend to overstate their transformative effects, new technologies and other processes related to globalization have had a profound effect on international relations. Nuclear weapons and growing economic interdependence will moderate conflict between states and make the prospects of great power war – and even the type of hard balancing we witnessed in earlier historical periods – remote. Competition between states will be intense, though it will manifest itself primarily in the economic and ideological (soft power) realms. Nontraditional security threats will also continue to be a primary concern in the years to come. However, states will be more likely to address these threats through ad-hoc and bilateral cooperation, rather than through institutions.

Table 8 contrasts the ILO with what I predict to be an emerging *Limited Great Power Order* along four important dimensions: security, economics, ideology and institutions.

Table 8: Characteristic of ILO vs. Limited Great Power Competition

| | ILO | Limited Great Power Competition |
|-----------------------------|---|--|
| Security | Co-binding Institutionalized cooperation against non-traditional security threats (terrorism, environment) | Soft balancing Ad-hoc cooperation against non-traditional security threats |
| Economics | Free trade to capture absolute gains Global integration | Neomercantilism to capture relative gains Regional integration |
| Norms and Values / Ideology | Convergence around liberalism, democracy and human rights Conditional Sovereignty | Increased ideological pluralism and new models of economic and political governance Traditional Sovereignty |
| Institutions | Expansion of existing institutions to include non-Western powers | Proliferation of new institutions that exclude Western powers |

⁶³³ John Mearsheimer, *The Tragedy of Great Power Politics* (New York: Norton, 2001), Robert Kagan, *The Return of History and the End of Dreams* (London: Knopf, 2008).

Security: Soft Balancing Instead of Co-binding

As was discussed in Chapter 2, states may not have a natural preference for co-binding. In many cases States prefer to respond to security threats by enhancing their own capabilities and balancing the power of strong states. While the shift away from US hegemony and towards multipolarity will encourage states to balance, it is unlikely that we will see traditional hard balancing behavior (i.e., military competition in the form of formal military alliances and conventional arms races). In the past, weaker states aligned themselves against stronger states out of concern that stronger states would inevitably threaten their sovereign territorial existence. Because of their terrible destructive power, nuclear weapons make wars between nuclear powers unacceptably costly. States with large nuclear arsenals do not have to form alliances with other states to safeguard against. The threat of using nuclear weapons is enough to deter potential aggressors. There is thus no pressing existential need for nuclear powers to engage in traditional balancing behavior. In fact, nuclear states have a strong incentive to avoid direct military confrontation, lest it escalate into a larger conflict that may bring nuclear weapons into play. Maintaining their nuclear deterrent will be of critical importance to great powers in the future. Any moves that compromise deterrence will be seen as a grave threat to national security and international peace. Russia-NATO conflict over missile defense may be a precursor of conflicts with other rising powers. China has criticized US plans to extend the global Missile Defense Shield system to Asia (to counter a North Korean nuclear threat).⁶³⁴

While nuclear weapons may safeguard states against direct attack or invasion, they do not make states invulnerable. There are other means short of the direct use of military force to put pressure on an adversary. Chinese and Russian leaders are deeply concerned that the West will use the appeal of democratic ideology to foster regime change in their countries. States will compete to improve their capabilities to respond to these non-conventional security threats. Russia and China responded to the color revolutions (which they both assumed were inspired and directed at the US in order to put pressure on their regimes) by increasing their domestic ability to crack down on political dissent and by cooperating through the SCO.

Increased economic integration between states works to make major great power war less likely because it dramatically increases the costs of military conflict between states. States will also be less likely to engage in traditional balancing behavior for fear that threatening behavior could jeopardize mutually beneficial economic relationships. In the short term, continued US military dominance also makes it less likely that states will engage in traditional balancing. Rising powers won't be able to challenge American military dominance in the foreseeable future – even as they overtake the United States in gross economic terms.⁶³⁵ Economic wealth cannot automatically be transformed into military capabilities as most modern weapons systems take decades to develop and deploy. American military dominance makes hard balancing strategies ineffective and risky, as they may antagonize the US and prompt it to defensive action.

⁶³⁴ "China Warns Against Missile Defense Systems", *AFP*, Aug 12, 2009.

⁶³⁵ Paul, "Soft Balancing".

While great powers may no longer represent a direct existential threat to one another, their interest will continue to diverge on many issues and they will continue to compete for power and influence. Rather than needlessly antagonizing other states through hard balancing states will use soft balancing strategies to frustrate and undermine other state's policies that they consider to be a threat to their interests. Some recent examples of soft balancing include: diplomatic cooperation to deny international legitimacy to US led military operation in Kosovo and Iraq, Russia's arms sales to China, India and countries that have strained relations with the US such as Iran and Venezuela, and calls by China and Russia to close US bases in Central Asia . Unlike hard balancing, these strategies are not designed to deter rival states by presenting it with a unified show of force. Instead, states use soft balancing to raise the costs that rivals incur by pursuing policies that threaten their interests. In this way they hope to dissuade their rivals from pursuing these policies in the future. Up till now soft balancing has primarily been directed at the US. But as their power grows soft balancing strategies may also be employed in competition between rising states as well.

States will also continue to face a range of trans-national security threats, such as terrorism, crime, and climate change. Some proponents of the ILO believed that the proliferation of these kinds of threats creates a situation of security interdependence between states, where no state can improve its security against these threats without the cooperation of other states. They believe that growing interdependence will be a major factor that will push states towards cooperation through multilateral institutions and envision the formation of robust international regimes to counter nontraditional security threats.⁶³⁶ Yet this may not be the most likely outcome. Realists have long noted that cooperation in security matters is especially complicated because this is the area where states' relative gains concerns are the most pronounced.⁶³⁷ As was illustrated in previous chapters relative gains concerns have hampered security cooperation in other areas where states were thought to have achieved interdependence, such as Russian-EU energy cooperation and Russian-NATO cooperation on Missile Defense. Cooperation on non-traditional security threats faces similar obstacles. For example, any effort by the United States to implement a global counter-terrorism or organized crime regime may be viewed with suspicion by other states as a self-serving effort to define which groups are to be designated as "terrorists" or "criminals" and which states are considered to be "state-sponsors" of terrorism and crime.

It will be easier for states to address these threats through ad-hoc and bilateral cooperation rather than through international regimes. As discussed in Chapter 5, China, Russia and the Central Asian states have collaborated to increase their capabilities in the Shanghai Cooperation Organization. The SCO's Regional Anti-Terrorist Structure (RATS) acts primarily as a clearinghouse where the region's intelligence and law enforcement agencies can exchange intelligence and information on a voluntary basis. More sensitive areas of cooperation where relative gains concerns could potentially come into play, such as joint operations or strategic planning, have consciously been kept off of RATS's agenda. RATS may eventually become a

⁶³⁶ Mark Boyle; ""The War on Terror in American Grand Strategy""; *International Affairs*; 84(2), pp 191-209.

⁶³⁷ Robert Jervis, "Security Regimes", in Stephen Krasner ed, *International Regimes* (Ithaca: Cornell University Press, 1983), pp 173-194.

model for cooperation between states which face significant transnational threats, but are also wary of relative gains or see each other as potential security threats.

Economics: Neomercantilism and Regional Integration

Economic integration may discourage states from openly competing with one another militarily. However, as was discussed in Chapter 3, it also intensifies economic competition between states as they jockey to capture the relative gains from trade and to take up the best positions in the global economy. We may see an intensification of conflicts over trade and an erosion of the global free trade regime as states increasingly try to use neomercantilist policies to gain an economic advantage. We may also see greater efforts at regional economic integration at the expense of global economic integration and free trade. Rising states may use their power to form regional trading blocs that give them preferential access to regional markets and discriminate against outside powers. While global free trade talks flounder (in part, due to developing countries' continued resistance to opening up their agricultural markets to competition), rising powers have intensified their efforts at regional economic integration.⁶³⁸ Russia pushes for a Eurasian Economic Union, China has negotiated a free trade agreement with ASEAN, and Brazil sponsors Mercosur, while looking to keep the US out of regional free trade agreements.

Ideology: Increased Diversity and Hard Sovereignty

Liberal theorists are hopeful that the experience of participation in the liberal international order, global economic integration, and the spread of liberal norms and values will eventually lead to global ideological convergence around liberal democracy. There seem to be no major competitors that can challenge liberal democracy as the dominant ideology of social and political organization. Contemporary challengers - religious movements such as Fundamentalist Islam or ethnic nationalist movements such as those found in Eastern Europe - articulate only partial or incomplete ideologies that do not constitute a coherent and universal alternative to liberal democracy. States that have yet to embrace liberal democracy are deemed to still be "stuck in history", the implicit assumption being that they will eventually come around once they have undergone the process of social and economic modernization and completed their own ideological evolutions.⁶³⁹

While a universal ideological challenger to liberalism has yet to emerge, a more even distribution of power in the world system may foster greater ideological diversity and may even lead to ideological competition between states. Hegemonic states have historically used their power to promote their own ideologies and models of political and economic governance.⁶⁴⁰ The US is no different from other hegemons in this respect. It has made the spread of liberal

⁶³⁸ Jagdish Bhagwati, "The Broken Legs of Global Trade", *American Interest*, June 1, 2012.

⁶³⁹ Francis Fukuyama, "The End of History," *The National Interest*, Vol16, No 4, Summer 1989.

⁶⁴⁰ Kevin Narizny, "Anglo-American Primacy and the Global Spread of Democracy: An International Genealogy", *World Politics*, 64, no. 2, April 2012, 341-73, John Owen, *The Clash of Ideas in World Politics: Transnational Networks, States, and Regime Change, 1510-2010* (Princeton, N.J. : Princeton University Press, 2010).

democracy an integral component of its grand strategy.⁶⁴¹ Many observers and leaders in China and Russia see ideological competition as just another facet of competition between great powers. According to Wang Jisi, China's leadership believes that democracy and human rights promotion are in reality policy tools that US leaders use to achieve goals of power politics, one of the foremost of which is to weaken China through regime change.⁶⁴² As has been discussed in previous chapters, these views are also popular in the Kremlin. In Russia, nationalist intellectuals lament that Russia has not developed an attractive ideological model for other states (and particularly the states of the former Soviet space) to follow and see it as one of the most glaring manifestations of the country's current weakness that will need to be corrected if Russia is to reassert its status as a great power in the coming decades.⁶⁴³

For the first time since the end of the Cold War the possibility that ideological conflict between great powers may again become an integral part of world politics is becoming a topic of serious discussion among scholars.⁶⁴⁴ Russia and China have both developed stable authoritarian regimes which have had considerable success at managing economic growth through the adoption of markets and integration into the world economy. In Russia a form of "managed democracy" restricts political competition and civic freedoms while outwardly appearing to have elections and other forms of democratic representation and personal liberties. Russian leaders are split on whether Russia is following its own path towards Western democracy or whether it is developing an alternative model of governance tailored to its own historical and cultural circumstances. In China one party Leninist rule continues in an atmosphere of economic liberalization and growing civil liberties. Unlike Russia, China does not make any claims that it is moving down the path of democracy. Many Chinese leaders and political thinkers believe that China is moving down a Confucian path of development which will eventually produce a political system that looks very different from liberal democracy.⁶⁴⁵

China and Russia have yet to articulate a coherent and comprehensive ideological challenge to liberalism that others may readily emulate. But this may change as both countries continue to accumulate power and prestige. Both have already begun to promote aspects of their political and developmental models abroad. Under Russia's guidance, several post-Soviet states have adopted aspects of managed democracy into their own political systems.⁶⁴⁶ As has historically been the case with other rising powers, China's phenomenal success has given rise to the belief inside the country that China has developed a model of economic and political governance that

⁶⁴¹ G. John Ikenberry, "America's Liberal Grand Strategy: Democracy and National Security in the Post-War Era", in Michael Cox, G. John Ikenberry, and Takashi Inoguchi eds, *American Democracy Promotion: Impulses, Strategies, and Impacts* (New York: Oxford University Press, 2000).

⁶⁴² Wang Jisi, "Understanding Strategic Distrust: The Chinese Side", in Kenneth Lieberthal and Wang Jisi, *Addressing U.S.-China Strategic Distrust* (Washington D.C.: Brookings, 2012).

⁶⁴³ Aleksandr Dugin, *Osnovi Geopolitiki: Geopoliticheskoye Budushiyey Rossiye* (The Foundations of Geopolitics: The Geopolitical Future of Russia) (Moscow: Arctogaia, 2000).

⁶⁴⁴ Azar Gat, "The Return of Authoritarian Great Powers", *Foreign Affairs*, July-August 2007.

⁶⁴⁵ Daniel Bell, *China's New Confucianism* (Princeton: Princeton University Press, 2008).

⁶⁴⁶ Nicole J. Jackson, "The Role of External Factors in Advancing Non-Liberal Democratic Forms of Political Rule: A Case Study of Russia's Influence on Central Asian Regimes", *Contemporary Politics*, Vol. 16, No. 1, March 2010, 101-118.

others should emulate. China's political elites have come to believe that China's development model provides a superior alternative to Western liberal democracy, which has only led to disorder and chaos in many developing countries which have adopted Western values and political systems.⁶⁴⁷

ILO theory envisions state sovereignty becoming increasingly conditional as states become obligated to fulfill liberal norms of human rights and democracy. As was discussed in Chapter 4, rising states categorically reject this view, and are intent on using their growing power to preserve traditional norms of sovereignty and non-interference. As developing countries they want to preserve their freedom of action in responding to internal security threats. As former victims of colonialism and imperialism they are skeptical of any form of outside intervention by great powers in the internal affairs of developing, non-Western states. Growing ideological pluralism will also work towards the preservation of traditional sovereignty norms. In the absence of a universally agreed upon political and economic models states will jealously guard their right to pursue their own path to political and economic development.

The Proliferation of Non-Western Institutions

Proponents of the ILO envision that rising powers will be absorbed into existing international institutions as they become full stakeholders in the existing order. According to this logic rising states will prefer to work within the established institutional order because the costs of disrupting it and building new institution far outweigh any benefit they could derive from them. However, as was discussed in chapter 5, this view underestimates the degree to which rising powers are dissatisfied with Western leadership within existing institutions. It also ignores the considerable efforts that rising powers have made in building their own institutions. The future may witness a proliferation of international institutions that exclude the core ILO states, on the model of the SCO, the BRICS forum and Mercosur. These institutions give rising powers the opportunity to cooperate and coordinate their actions without Western interference. They also help increase their self-reliance and decrease their dependence on the West, enabling them to address pressing problems such as transnational security threats, international finance, and poverty alleviation without having to seek the help of institutions that are dominated by Western powers.

Observers from the BRICs believe that non-Western institutions such as the SCO and BRICS forums represent a new model of institutional cooperation.⁶⁴⁸ These institutions look to preserve and enhance their member states' sovereignty and freedom of action and reject the political and ideological conditionality that is often implicit in Western led institutions. Cooperation between states is always firmly rooted in member states' clear calculation of interest. It is not imposed on them by any one state or by any set of ideological beliefs. According to these views, looser institutional forms will be better at managing the growing diversity in cultural traditions and world views that the rise of non-Western great powers entails.

⁶⁴⁷ Wang Jisi.

⁶⁴⁸ A. Okunev, "Brik kak novaia forma mnogostoronnei diplomatii", (BRIC as a new form of multilateral diplomacy), *Mezhdunarodnaia zhizn* ', No. 1, January 2010, pg 63.

Variation in Rising Powers' Response to the ILO

There is a good deal of variation in how rising states respond to the ILO. The following section will look at three dimensions on which they differ in their response to the ILO. 1) Their degree of dissatisfaction with the current order. 2) The tactics and strategies they use to challenge the order. 3) Their vision of what a future world order should look like. This last question is the trickiest to answer as in many cases a clear consensus has yet to emerge on what kind of future world order elites in these countries would like to see. Table 9 summarizes these findings:

Table 9: Rising States and their Response to the ILO

| | Level of Dissatisfaction With the ILO | Major Strategies Used To Challenge the ILO | Preferred Future Order |
|---------------|--|--|--|
| Brazil | Low | Selective Compliance, Reform, Institution Building | ILO / Great Power Concert |
| Russia | High | Soft Balancing, Selective Compliance, Reform, Undermining ILO institutions, Institution Building | Great Power Concert |
| India | Low | Selective Compliance, Reform | ILO / Great Power Concert |
| China | Medium | Soft Balancing, Selective Compliance, Institution Building | Great Power Concert / Chinese Hegemony |

Russia

Of all the rising powers Russia is most dissatisfied with the current order. Russian elites are united in the opinion that the existing order is in crisis and that it is increasingly unable to hand major global problems. Russia has been most vocal in its criticism of the order and most open in its calls for a transition to a multipolar order. Russia has also worked hardest to engineer change in the order and has employed the full range of tactics specified in Chapter 5 to work towards the order transformation. Russia has been the most active soft-balancer against US hegemony, forging soft-balancing partnership with China, Iran, Syria and Venezuela. It has been one of the most active practitioners of selective compliance. It has also sponsored major proposals to change the world financial architecture and to establish a new security treaty in Europe (though these have been politely ignored by the leading Western states). Behind the scenes it has actively looked to undermine existing ILO institutions such as NATO, the EU and OSCE. Russia has also been the driving force behind the two main rising powers institutions,

the SCO and BRICS forum. In the early 1990s Russian leaders saw the future of their country as one of the main pillars of the ILO. But it has grown increasingly frustrated by the West's unwillingness to give Russia the proper place at the table it felt it deserved. Russia has begun to call for a transition to a multipolar global order where world politics would be governed by great power concert. The world's largest and most powerful countries should decide the major questions, accommodating each other's interests in a friendly, but competitive manner. Great powers would refrain from intervening in each other's domestic politics and respect each state's right to their own path of economic and political development.

China

China has benefited tremendously from its participation in the open world economy. As a result, China has focused on internal economic growth and development and has been cautious about antagonizing the US and other regional countries and provoking a backlash against rising Chinese power. Deng Xiaoping famously advised his comrades to "hide the light and bide the time"; i.e., to hide China's true capabilities from the outside world while building national power patiently.⁶⁴⁹ China has been careful to portray its rise as peaceful and non-threatening to other states. Chinese officials have stopped using the term "peaceful rise" to describe China's foreign policy and instead use the term "peaceful development" because the Chinese leadership has deemed the term "rise" to be too provocative. Though it has been content to benefit from the current order, this does not mean that China is on the path to becoming a "responsible stakeholder" in the order. Chinese leaders have rejected the concept of G-2—a group of two advocated by US strategic thinkers like Zbigniew Brzezinski that would elevate China to the status of co-managing partner with the US on major global economic and security issues.⁶⁵⁰ Chinese elites believe that decades are needed before China can attain the level of development and capabilities to be a true great power. As such they are willing to play along with the current order and bide their time until China is powerful enough to transform the system to its advantage.

Nevertheless, China's dissatisfaction with the ILO is growing. Chinese leaders believe that the 2008 financial crisis exposed the weaknesses of American economic leadership and the continued reliance on the US as the engine for world economic growth. China continues to be suspicious of Western democracy and human rights promotion efforts and alarmed by the wave of revolutionary regime change that is currently spreading through the Middle East. In the military sphere China is also troubled by American efforts to balance Chinese power in Asia and suspects that America's true intention is to contain its rise.⁶⁵¹

Compared to Russia, China has been much more passive in the tactics and strategies it has used to challenge the ILO. It often teams up with Russia to criticize US policies or block efforts

⁶⁴⁹ Ye Zicheng, *Inside China's Grand Strategy: The Perspective from the People's Republic* (Lexington: University of Kentucky Press, 2011).

⁶⁵⁰ Elizabeth Economy and Adam Segal, "The G-2 Mirage: Why the United States and China Are Not Ready to Upgrade Ties," *Foreign Affairs*, Vol. 88, No. 3, May/June 2009, pp. 14–23.

⁶⁵¹ Yuankang Wang, "China's Response to the Unipolar World: The Strategic Logic of Peaceful Development", *Journal of Asian & African Studies*, October 2010, Vol. 45 Issue 5, pp 554-56.

to impose liberal hegemony at the UN. But it lets Russia take the lead and do most of the heavy lifting and is content to stay in the background.⁶⁵² It has also engaged in institution building, most notably as a member of the BRICS, SCO and the ASEAN plus one Free Trade Agreement. Unsurprisingly considering its predilection towards shirking international responsibilities and obligations, China has been an active practitioner of selective compliance. China's manipulation of its currency and its neomercantilist industrial and high tech policies have garnered much criticism in the West.

Though they are content to work within the current order for the time being, Chinese elites support the eventual transition to a multipolar world and the establishment of a great power concert along the lines proposed by Russia.⁶⁵³ It sees this kind of system as the best option for safeguarding its sovereignty and freedom of action in domestic affairs, so that China can respond to the challenges that continued modernization will pose without having to worry about outside interference. But there are also indications that as China's power grows, it is becoming less inward looking and more ambitious about its potential to shape world politics. According to Allen Carlson, a well informed observer of China's foreign policy discourse, Chinese experts are beginning to explore the possibility of a future Chinese-led order in Asia based on traditional Chinese principles of hegemony. "Within such a system it is clear that it is China that is to occupy the paramount position, while those along its margins are expected to accept such dominance and show fealty to the center."⁶⁵⁴

India

Of all the rising powers India has been the most sympathetic to the existing international order. Like China it has benefited tremendously from the economic openness that the order provides. It sees the ILO, at least for the time being, as providing the best environment for its continued economic development. India has serious concerns about regional security (Pakistan, Afghanistan) and is troubled by growing Chinese power. As a result it welcomes the American presence in Asia and has looked to establish closer security ties with the US.

Nevertheless, India is dissatisfied with certain aspects of the ILO. It has joined the other BRICS in criticizing the erosion of sovereignty and non-intervention. With the 2008 financial crisis India has also lost confidence in US economic leadership and supports Russian and Chinese calls for reform to the world financial system. Despite its preference for a security partnership with the US, it has grown increasingly dissatisfied with the way that the US has prosecuted the war in Afghanistan and believes that the US has also mismanaged its relationship with Pakistan. Like China and the other BRICS, India has pursued a policy of selective compliance in trade and economic policy. India has been at its most assertive vis-à-vis the ILO in pushing for reforms to ILO institutions. It has been a leading voice for UN reform and for reforming world financial institutions to make them more representative of developing countries. Of all the BRICS India

⁶⁵² Minxin Pei, "Why Beijing Votes With Moscow", *New York Times*, February 7, 2012.

⁶⁵³ Vyacheslav Nikonov, "Nazad k koncertu" (Back to the concert), *Rossiya v globalnoi politike*, No 1, Nov-Dec 2002

⁶⁵⁴ Allen Carlson, "Moving Beyond Sovereignty? A Brief Consideration of Recent Changes in China's Approach to International Order and the Emergence of the Tianxia Concept", *Journal of Contemporary China*, Vol20:68, January 2011, pg 102.

has been least active as far as institution building. It is an active participant in multilateral forums such as BRICS and IBSA (India, Brazil and South Africa). However, unlike Brazil, Russia, and China it has not made a concerted effort to advance the process of regional integration in its home region.

India has not put forth a coherent vision of what a future post-ILO order would look like. Many Indian scholars advocate India's integration into the ILO as a full-fledged member of the "West".⁶⁵⁵ However this is far from a dominant view. Proponents of the traditional Indian foreign policy of nonalignment continue to have a strong influence in India's foreign policy establishment. They tend to support the establishment of multipolarity and great power concert as the preferred method of managing global politics.⁶⁵⁶

Brazil

Like India, Brazil is generally supportive of the current order, though it does share some of the other BRIC's grievances about US economic leadership and the erosion of norms of sovereignty and non-interference. Brazil has also joined India in calling for reform of ILO institutions. The two support each other's candidacy for permanent UN Security Council membership and have also collaborated in calling for developing countries to have greater representation in world financial institutions. Brazil has also made substantial efforts toward regional integration through Mercosur, Unasur (Union of South American Nations) and the South American Defense pact. Brazil has tried to exclude the US from the process of South American integration as it views the US as its major competitor for power and influence in the continent. Brazil opposes the US project of establishing a Free Trade Area of the Americas that would include both North and South America.⁶⁵⁷

Like India, Brazil is also ambivalent about what kind of world order it wants. Brazil has historically pursued close partnership with the US and integration into the West. Some Brazilian observers believe that Brazil should work to become a stakeholder in the existing international order and use its influence to reform the order from within.⁶⁵⁸ Others, however believe that Brazil's regional ambitions will eventually lead to competition with the US and that a balance of power system will begin to emerge as the distribution of power in the international system begins to shift in favor of Brazil and other rising states.⁶⁵⁹

⁶⁵⁵ C. Raja Mohan, "India and the Balance of Power", *Foreign Affairs*, July/August 2006.

⁶⁵⁶ Sunil Khilnani, Rajiv Kumar, and Pratap Bhanu Mehta, *Nonalignment 2.0: A Foreign and Strategic Policy for India in the 21st Century* (New Delhi: Center for Policy Research, 2012).

⁶⁵⁷ Carlos Gustavo Poggio Teixeira, "Brazil and the Institutionalization of South America: From Hemispheric Estrangement to Cooperative Hegemony", *Revista Brasileira de Política Internacional*, 54 (2) 2011, pp 189-211.

⁶⁵⁸ Olivier Stuenkel, "Leading the Disenfranchised or Joining the Establishment? India, Brazil, and the UN Security Council", *Carta Internacional*, Vol. 5, No.1, March 2010, pp 4-140.

⁶⁵⁹ Teixeira, "Brazil and the Institutionalization of South America".

Explaining Variation in Rising Powers' Approach to the ILO

How can we explain this variation between the BRICs in their approach to the ILO? In the following section we will look at three sets of explanations: 1) structural explanations (the distribution of power between states in the international system), 2) constructivist explanations (historical identities and world views), and 3) economic explanations (the state's level of economic development and their place in the world economy). I do not present this as a comprehensive analysis of these three sets of explanations. Rather this can be considered as a first cut at the problem with the goal of identifying promising areas of future research.

Structural (i.e., Power) Explanations

Power differentials between the BRICs and the US, as well as their power trajectories, go a long way towards explaining their response to the ILO. Table 10 provides compares the BRICs and the US along eight common measures of national power:

Table 10: Comparison of Rising Powers and US for Eight Indicators of National Power

| Country | GDP (Nominal) USD 2012 Billions USD | GDP Per Capita (PPP) 2012 USD | GDP (Nominal) Forecast 2030 Billions USD | Percentage Population living under \$2 USD (PPP) a day | Population 2011 | Population Forecast 2030 | Military Spending | Number of Deployed Nuclear Warheads |
|---------|-------------------------------------|-------------------------------|--|--|-----------------|--------------------------|-------------------|-------------------------------------|
| Brazil | 2,518 | 11,769 | 3,720 | 10% | 192 | 220 | 35.4 | N/A |
| Russia | 1,791 | 16,736 | 4,265 | .1% | 143 | 136 | 71.9 | 1,800 |
| India | 1,843 | 3,694 | 6,885 | 54% | 1,210 | 1,523 | 46.8 | 80-100 |
| China | 6,989 | 8,382 | 25,610 | 29% | 1,347 | 1,393 | 143.0 | 240 |
| | | | | | | | | |
| USA | 15,094 | 48,387 | 22,817 | N/A | 314 | 364 | 711 | 1,950 |

Notes:

GDP measured in billions US dollars Per Capita GDP measured in USD dollars. Source: International Monetary Fund, *World Economic Outlook Database*, April 2012, <http://www.imf.org/external/pubs/ft/weo/2012/01/weodata/weorept> Accessed: July 6, 2012.

2030 GDP Forecast Source: Goldman Sachs, *BRICS and Beyond: A study of BRIC and N11 nations*, November 23, 2007, <http://www2.goldmansachs.com/ideas/brics/book/BRIC-Full.pdf>, Accessed: June 8, 2011.

Poverty Rate Source: World Bank, *Poverty headcount ratio at \$2 a day*, <http://data.worldbank.org/indicator/SI.POV.2DAY>, Accessed, July 6, 2012.

Population Figures in hundreds of millions. Source: United Nations, *World Population 2300 Forecast*, <http://www.un.org/esa/population/publications/longrange2/WorldPop2300final.pdf>, Accessed: June 30, 2012

Military Spending figures for 2011, Measured in Billions Nominal USD. Source: SIPRI, *The 15 major spender countries in 2011*, http://www.sipri.org/research/armaments/milex/resultoutput/milex_15, Accessed: July 6, 2012.

Number of Deployed Nuclear Weapons for year 2012. Source: Federation of American Scientists, *Status of World Nuclear Forces*, <http://www.fas.org/programs/ssp/nukes/nuclearweapons/nukestatus.html>, Accessed July 6, 2012.

While long term indicators predict US decline relative to the BRICs, at present the US still holds overwhelming advantages in power over its potential peer competitors. Its GDP is still larger than the combined GDP of all four BRIC and twice as large of that of the nearest competitor (China). America's military superiority is even more overwhelming. America's military budget is nearly five times larger than China's and is more than the next twenty largest military spenders combined. The United States and its close allies are responsible for two-thirds of the world's total military spending. These continued power disparities explain why (thus far) rising powers have hesitated to directly challenge American hegemony or ILO institutions. America still has the ability to punish rising powers that challenge the order or to provide them with incentives for participating in the order. This will change as power begins to shift more decisively in favor of rising powers.

China's power has benefited tremendously from the ILO and its rise seems to be on a steady upward trajectory. According to some estimates China will overtake the US as the largest economy in the world by 2030 and China's GDP will be nearly twice that of the US by 2050.⁶⁶⁰ China can achieve this kind of growth largely through its own internal efforts at economic development and technological modernization. This makes China conservative in the near and medium term. It is less likely to rock the boat and jeopardize its continued success. Nevertheless, over time, it may begin to chaff against the restrictions imposed by the current order. This should be true as it begins to approach the limits of its internal balancing strategy and begins to seek hegemony in Asia more actively, or as other states begin to take steps to balance against rising Chinese power. Moreover, its incredible power potential may give rise to larger hegemonic ambitions further down the line.

Up until only relatively recently Russia's power was in dramatic decline. Though Russia has been able to reverse this decline and experience robust economic growth, it is doubtful that Russian will ever again attain even a fraction of the power it held only 20 years ago. The rate of growth of its natural resource based economy lags behind the other BRICS. It still faces a serious demographic crisis and the prospects of dramatic population decline. Russian leaders and experts continue to be relatively sanguine about Russia's ability to overcome these pressing problems and pessimistic about Russia's ability to reverse these negative trends. They believe it has to challenge and restructure the order now, while it still has the capability to do so, and before it fall even farther behind China and the US.⁶⁶¹

Brazil and India are still much weaker in terms of their overall power than the other two rising powers. India lags behind the other BRICs in terms of its economic development and faces major economic challenges. While Brazil is a growing economic powerhouse, it has very limited capability to project its power militarily or diplomatically. Like China both countries feel that the present order allows them the opportunity to concentrate on internal development. They are thus more content to free-ride on the current order rather than challenge it and jeopardize the gains that can be attained from participating in it. In India's case, it also faces major regional

⁶⁶⁰ Goldman Sachs, *BRICS and Beyond: A study of BRIC and N11 nations*, November 23, 2007, <http://www2.goldmansachs.com/ideas/brics/book/BRIC-Full.pdf>, Accessed: June 8, 2011.

⁶⁶¹ Sergei Karaganov, "Novaya epoxa protivostoyaniya".

security threats from an unstable and hostile Pakistan and a rising China. These threats drive it towards security partnership with the US. Brazil enjoys a relatively benign security environment in South America, where it has no major regional rival besides the US. Nevertheless, its ambitions towards regional hegemony in South America are beginning to cause strains in its relations with the US, which has traditionally regarded the Western Hemisphere as its sphere of influence.⁶⁶² Though India and Brazil may be content with the ILO now, their huge power potential (India) or regional rivalry with the US (Brazil) may eventually lead them to challenge the order in the future.

Cultural Factors and Historical Legacies of Great Power Politics

Cultural factors and historical legacies of great power politics can also help to explain variation in rising powers' response to the ILO. Of all the rising powers Russia has the longest tradition of great power politics. It was one of two super power only decades ago and Russia has historically been an integral part of the European state system. Russians are used to thinking of their country as a great power. Maintaining Russian prestige and influence is integral to the identity of Russian elites and to the legitimacy of the regime.⁶⁶³ From this perspective it is not surprising that Russia is extremely dissatisfied with its diminished status in today's international order and that, of all the rising powers, it has made the greatest efforts to change the existing order.

China also has a strong tradition of great power politics. But unlike Russia, this experience has primarily come as the regional hegemon in Asia. For centuries China was at the center of a closed imperial state system. Surrounding countries such as Japan, Korea, and Vietnam were regarded as vassals of China that were required to offer tribute to the Emperor of China. Areas outside China's political influence were regarded to be uncivilized or barbarian lands. China stood at the center of this system, ruled by the dynasty that had gained the Mandate of Heaven. Distinguished by its Confucian codes of morality and propriety, China regarded itself as the only true civilization in the world and its Emperor stood above all other sovereign leaders. This sinocentric world view persisted until the 19th Century, when China's defeat at the hands of European powers in the Opium wars began what in China has been termed as the "Century of Humiliation". China never aspired to be a member of the traditional European state system nor was it accepted as an equal by European states. Rather it became a victim of European imperialism. This narrative of victimhood continues to play a strong role in foreign policy thinking and makes China particularly sensitive to issues that threaten its sovereignty. Many scholars believe that this tradition of sinocentric thinking has a profound influence on Chinese foreign policy thinking.⁶⁶⁴ It may help explain why China has focused on its internal

⁶⁶² Cristina Soreanu Pecequilo, "A New Strategic Dialogue: Brazil-US Relations in Lula's Presidency (2003-2010)", *Revista Brasileira de Política Internacional*, Vol. 53, July 2010, pp 132-151.

⁶⁶³ Anne Clunan, *The Social Construction of Russia's Resurgence : Aspirations, Identity, and Security Interests* (Baltimore : Johns Hopkins University Press, 2009).

⁶⁶⁴ Samuel Kim, "Chinese foreign policy in theory and practice", in Samuel Kim ed., *China and the World: Chinese Foreign Policy Faces the New Millennium* (Boulder, CO: Westview Press, 1998), pp. 3-33. Feng Zhang, "The Rise of Chinese Exceptionalism in International Relations", *European Journal of International Relations* 18:2, June 2012, pp 1-24, Barry Buzan, "China in International Society: Is 'Peaceful Rise' Possible?", *Chinese Journal of International Politics* 3(1): 5-36.

development and on establishing hegemony in Asia. However, this kind of outcome is also consistent with realist predictions that rising powers will first seek to establish hegemony in their home regions.⁶⁶⁵

Neither India nor Brazil has a similar tradition of great power politics. India has historically seen itself as a poor and developing country and victim of colonialism and imperialism. Throughout most of its post-colonial history India has rejected great power politics and has instead focused on securing foreign economic aid and on building solidarity with other poor and developing states. Brazil's huge economic potential, its commanding position in South America, and its strong sense of national exceptionalism have inspired a belief on the part of Brazilian elites that the country belongs among the world's great powers. Until recently, however, Brazil has not had the ability to realize its lofty ambitions. Political and economic instability have absorbed the attention of the country's elites and sapped the country's strategic potential. Brazil's rivalry with Argentina and its condescending attitude toward the rest of Latin America has also hampered Brazil's effort to establish itself as the leading state on the continent. As a result the default position has been to grudgingly accept American hegemony in the hemisphere, while concentrating on its own internal problems.⁶⁶⁶ Indian and Brazilian elites have primarily been preoccupied with internal challenges as poor and developing states. Unlike Russian and Chinese elites they do have extensive experience in thinking of their country in great power terms. As a result both countries have struggled to articulate a vision for what a post-US hegemonic order may look like. Nor have they come up with a grand strategy to help Brazil adjust to the changes currently under way in global politics.

The fact that India and Brazil are democracies may also explain why they have been more sympathetic to the ILO than China or Russia. As democracies they may be more willing to accept the hegemony of other democratic states (the US and core Western countries) because they have a natural sympathy and affinity towards them and are thus less likely to see them as threats. They may also be more willing to become integrated in a rule based institutional order such as the ILO because of the experience they have with their own domestic political institutions. As autocracies China and Russia do not have similar affinities or preferences for building institutions, and they are also suspicious about the democratic hegemon's pursuit of democracy and human rights promotion.

Economic Factors

Economic factors can also be used to explain variation in the BRICs attitudes towards the ILO. Though it has experienced steady growth since the 2000s Russian elites are deeply dissatisfied with the country's position in the world economy as a source of natural resources for the more advanced economies of the West, and they see this dependency as a major threat to national security. Russian leaders are trying to diversify the Russian economy away from this natural resource dependency and to capture more lucrative sectors of the world economy, such as high tech research and development and high end manufacturing. They are willing to use statist and

⁶⁶⁵ Mearsheimer, *The Tragedy of Great Power Politics*.

⁶⁶⁶ Hal Brands, *Dilemmas of Brazilian Grand Strategy* (Carlisle: Strategic Studies Institute, 2010).

neomercantilist means to achieve this goal and this could cause them to come into conflict with the ILO and its institutions.

The Chinese economy has benefited tremendously from participation in the global economic system. This has been a major reason why China has abstained from disrupting the current order. However, it is rapidly reaching the point where its current model of economic growth, based on export and external consumption, is exhausting itself. Chinese leaders are troubled by their country's over-reliance on Western markets, particularly as the West enters a period of economic decline.⁶⁶⁷ China wants to renegotiate the terms of the World Financial system away from the US dollar and to pursue new market opportunities in Asia and Africa. China will thus have to focus more on increasing its external capabilities in order to pursue these changes and possibilities. The end of the dollar's hegemony may force it to pursue regional integration. The pursuit of new markets in Asia may also require China to increase its military power so that it can protect its interest and prevent actions by the US to disrupt its economic growth (i.e., by disrupting maritime traffic in the South China Sea).

Both Brazil and India's more passive attitude towards the ILO may be explained by their economic vulnerabilities. India is the poorest and least developed of all the rising powers. Its per capita GDP (even when measured for Purchasing Power Parity) is only half of China's, one-third of Brazil's, and one-fifth of Russia's.⁶⁶⁸ 54 percent of Indians live below the international poverty line (set at \$2 USD measured in PPP) – more than twice the rate than in China (29 percent).⁶⁶⁹ It has therefore concentrated its efforts on using the ILO to promote much-needed economic growth and development, while at the same time shirking responsibilities to contribute to the maintenance of that order. Like China in the 1990s and early 2000s, it follows a policy of biding its time. However, as its economy develops and the model of growth based on export led growth to Western markets begins to exhaust itself, it will be forced to look for new opportunities to continue its economic development. It will also be tempted to use its newfound power to renegotiate the terms of existing trade and financial arrangements and to expand into new external markets.

Throughout most of its modern history the US has been Brazil's most important trading partner. According to Teixeira, Brazil's economic dependence on the US was a major factor behind Brazil's willingness to accept American global leadership and its support for the American led international order.⁶⁷⁰ However, this is beginning to change as Brazil diversifies its trade partnerships in Europe, South America and Asia. The US' share of Brazil's exports fell from 25 percent in 2001 to 15 percent in 2008. Over the same period of time China displaced the US as

⁶⁶⁷ Thomas Palley, "External Contradictions of the Chinese Development Model: Export Led Growth and the Dangers of Global Economic Contraction", *Journal of Contemporary China*; Feb2006, Vol. 15 Issue 46, p69-88,

⁶⁶⁸ "World Economic Outlook Database – April 2012", *International Monetary Fund*, <http://www.imf.org/external/pubs/ft/weo/2012/01/weodata/weorept.aspx>, Accessed: June 22, 2012.

⁶⁶⁹ "Poverty headcount ratio at \$2 a day (PPP)", *World Bank*, <http://data.worldbank.org/indicator/SI.POV.2DAY>, Accessed: June 22, 2012.

⁶⁷⁰ Carlos Gustavo Poggio Teixeira, "Brazil and the United States: Fading Interdependence", *Orbis*, Vol:55 No:1, 2011.

Brazil's largest trading partner, with China-Brazil trade growing 12-fold since 2001.⁶⁷¹ Brazil has been able to diversify its trade relations and break out of the relationship of asymmetrical interdependence with the US. According to Teixeira, Brazil's decreased economic dependence on the US will have larger geo-political repercussions as it allows Brazil to take a more assertive approach towards the US-led order. As evidence, he points out that Brazil's efforts at regional integration at South America have markedly intensified since 2008.⁶⁷²

How do these different sets of explanations stack up against one another? Ideological explanations that focus on identity and great power traditions (or the lack thereof) give us some insights into world views of elites in the rising powers. They provide a convincing argument for why some rising powers have appeared to be more inward looking and passive in their approach to the ILO. But, they have trouble explaining some of the changes we are seeing, as rising powers begin to embrace more assertive behavior that challenges the ILO. If this trend continues and rising powers expand their foreign policy behavior beyond traditional parameters then cultural explanations will lose some of their explanatory power. It may also prompt researchers to pay closer attention to the ways in which geopolitical world-views are shaped by material factors. Future research may examine the ways in which states' growing capabilities and new opportunities to exercise power change elite thinking about international order and grand strategy.

Economic explanations also offer important insights. However, as was discussed in Chapter 3, it is difficult to separate economic considerations from considerations of power. All too often the pursuit of power and wealth is viewed as a tradeoff. But the relationship is much more complicated. Power is a means to economic wealth and economic wealth is a means to power. In choosing to pursue a policy of internal economic development and modernization through participation in the ILO, China is pursuing both wealth and power objectives. Any future shift toward a more assertive foreign policy that pursues hegemony in Asia will not only increase China's political influence, it will also open up new opportunities for economic expansion and stimulate the development of sectors of the Chinese economy, such as banking and finance, that still lag behind the developed countries of the West.

In the end, power considerations seem to offer the most convincing and nuanced explanations for the observed variation in rising states' approach to the ILO. Russia feels pressure to challenge the order right away because it feels that the present trajectory does not favor it in the long-term. China feels it can bide its time and build its power more slowly, while looking to assert itself further on down the line. Brazil and India are still too weak to challenge the order in the foreseeable future. India also faces immediate problems, such as poverty and regional security threats, that it first needs to address before it can assert its great power status more forcefully. Power considerations also explain some of the changing behavior we are witnessing. Rising powers that have been more reluctant to challenge the established order in the past are gaining confidence and adopting more assertive policies as their power and capabilities grow and new opportunities present themselves.

⁶⁷¹ "China overtakes the US as Brazil's Largest Trading Partner", *Telegraph*, May 18, 2009.

⁶⁷² Teixeira, "Brazil and the United States: Fading Interdependence".

Studying the variations in rising powers' response to the current order is a promising area of future research. It poses some questions that are of particular interest to IR scholars: Will rising powers adopt more aggressive policies as their power and influence grows (as many believe to be the case with China's growing assertiveness in the South China Sea)? How successful will rising powers' efforts at regional integration be and what effect will they have on the overall world economy? Will rising powers begin to articulate "great power" world views and alternative ideologies as their power grows? Will new non-Western institutions play a more prominent role in the future? Will they be able to take over some of the functions currently fulfilled by the ILO? The above discussion provides a rough first-cut at addressing these questions. It is difficult to provide definitive answers at the present time because many of these processes have just begun and need time to develop. Scholars should keep a close eye on these developments as they will provide useful opportunities to test the major IR perspectives against an important set of comparative cases.

Conclusion

This study challenges the ILO's universalistic argument that all emerging states will find common cause within the existing framework of international institutions and regimes. Rising states are ready to utilize a wide range of tools to realize their ambitions. While they may be content to work within the ILO for the time being, they see the ILO as only one among many means to pursue their interests. Eventually, concerns about relative gains and their reluctance to enter into relationships of dependence will make them question the wisdom of working through existing institutions. Rising states will see the pursuit of their own power and capabilities – rather than strengthening existing institutions– as the most reliable strategy for promoting their interests. They will also look to use their newfound power to transform international institutions so that they serve their interests more effectively.

From the point of view of the core ILO countries these developments may be troubling. Major power transitions have often led to increased inter-state conflict and even war between great powers. Fortunately, nuclear weapons and growing economic integration make the danger of a great power war breaking out remote. Today's rising powers will not repeat the mistakes of rising powers in past eras and mount a military challenge to the established order. They have a menu of strategies available to them to affect change in the international order in a more peaceful way.

Change can be gradual and can come through the decay and reform of old international institutions or the creation of new ones. This last point gives us some comfort and hope for the future as we enter an era of uncertainty and unpredictability in international politics. It suggests that Western leaders need not be afraid of change. Rather than insisting that rising powers accept the existing order, it may be in the West's own long-term interests to begin looking for ways to work with rising powers to transform the international order so that it better serves the interests of all of states.

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