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Ties That Do Not Bind Russia and the International Liberal Order

by *Krickovic, Andrej*, Ph.D.,

UNIVERSITY OF CALIFORNIA, BERKELEY (2012), 212 pages

Adviser Steven Weber
School UNIVERSITY OF CALIFORNIA, BERKELEY
Source DAI/A 74-07(E), Apr 2013
Source Type Dissertation
Subjects International relations; Political Science
Publication Number 3555770

Abstract:

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.

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. (Abstract shortened by UMI.)

...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.

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...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.**

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...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**

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.

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