

The Finlandization of Russia? The Kremlin's Geopolitical and Geo-economic Choices

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Since the late 1990s, relations between Russia and the West have gradually but steadily deteriorated. Disagreements over the eastward expansion of the North Atlantic Treaty Organization (NATO), wars in Bosnia and Kosovo, conflicting interests in the post-Soviet space, as well as the recent clashes over the war in Chechnya, have demonstrated that the hopes for harmonious and parallel Russo-Western interests expressed a decade ago have not been realized. Moreover, Moscow increasingly perceives that Russian foreign policy has had to surrender on almost all points of disagreement with the West. The chain of geopolitical defeats in the 1990s, as they are perceived in Moscow, marked the failure of two major foreign policy strategies that Russia desperately attempted to pursue at the end of the 20th century.

After the Soviet collapse, the majority of Russia's political establishment and public opinion favored rapid rapprochement with the West. Incorporation into the "community of civilized nations," as it was called by then foreign minister Andrei Kozyrev, and forming a belt of democratic nations from Vancouver to Vladivostok, became a top national security priority. The strategy postulated fast adherence to major Western institutions, including NATO, the G-7, the Council of Europe, the Organization for Economic Cooperation and Development (OECD), and the World Trade Organization (WTO). It also led to Russia's initially loyal support of Western policy in all directions, as in Yugoslavia and Somalia. In 1992-93, Moscow made unprecedented concessions to the West. President Yeltsin accepted a very tight timetable of Russian troop withdrawal from Germany, Poland and the Baltic States--without asking for any comparable reciprocal concessions from the West. The Kremlin agreed, in fact, to give up strategic nuclear parity with the United States by accepting US demands to rapidly scrap the cornerstone of its strategic triad: ground-based MIRVed intercontinental ballistic missiles. In order to enter the Missile Technology Control Regime (MTCR), profitable sales of missile engines to India were significantly restricted.

By the mid-1990s it became clear that the strategy did not work and brought few dividends for Moscow beyond handshaking. Instead of accommodating Russia, a decision on NATO expansion was made even before completing Russian troop withdrawals from Germany. Western markets remained closed to Russian manufacturing goods; more anti-dumping measures were imposed against Russian exports. Cold War restrictions on technology transfers were removed very slowly, with some of them remaining in force until recently. As a result, Moscow was unable to rely on export to

hard currency markets and import of high technology as a source for modernizing its aging industry. The national economy was becoming more dependent on raw materials and production of energy resources; its structure was degraded into that characteristic of Third World countries. Hopes for a new Marshall Plan proved groundless. Moreover, even the modest—given the size of the Russian economy—assistance pledged by the West did not arrive until after the "honeymoon" in Russo-Western relations ended somewhere in the mid-1990s.

Not surprisingly, by 1995 the Kremlin concluded that its integrationist foreign policy should be changed. However, at that time Russia's basic general pro-Western course was not questioned. Criticism of Kozyrev's foreign policy concentrated on the fact that he was too loyal to the West, too ready to make unilateral concessions, and that he failed to gain fair deals. An important lesson was learned: the West was unwilling to pay once it could reasonably calculate that it might receive what it needed for free.

The advent in early 1996 of Yevgeny Primakov as the new foreign minister demonstrated corresponding changes in Russia's foreign policy priorities, which might be described as "searching for bargaining chips." As an economic and financial dwarf, Moscow could not reach its goals playing by Western rules of the game. At the same time, Russia's still powerful nuclear arsenal and advanced military industry and labor force—along with Moscow's influence in various important regions—provided unique diplomatic assets. Their incorporation into the overall political game would consolidate Russia's position in its dialogue with the West. The mission of integrating into the "community of civilized nations" was changed by a more limited task of cooperating with them through sometimes difficult negotiations.

It should be mentioned that in 1996-98 the new strategy brought certain gains. International assistance—loans from international financial organizations and foreign governments' grants for disarmament—finally began to arrive, though not in the quantity required by the tremendous mission of transforming the Russian economy. Although NATO expanded eastward, it had to provide Moscow with some important albeit non-binding security assurances in exchange. The unfair START II was slightly corrected. The doors of some Western institutions were finally opened. Russia adhered to G-7, the Council of Europe, and the Paris Club.

Nevertheless, this strategy also failed to achieve the country's primary goal: to establish an international environment favorable to national economic modernization. Western markets remained closed and high technology still not easily attainable. Russian industry has faced growing competition from Western companies for their traditional markets in Central and Eastern Europe. A strong ruble, artificially maintained upon the recommendations of foreign creditors, made for cheap imports, which squeezed national producers out from even domestic markets. Attempts to expand arms sales and commercial nuclear exports—the most competitive Russian manufacturing goods and technologies—to the Third World met strong criticism (and sanctions) from the West on the basis of non-proliferation and other reasons.

Finally, the 1998 financial crash challenged Moscow's overall ability to bargain effectively. As a result of the three-fold devaluation of the ruble, Russia appeared as a country with GDP less than \$200 billion (like the Netherlands). Its defense budget dwindled to a level below \$4 bn--two orders of magnitude smaller than that of the United States. The country's annual foreign debt servicing (approximately \$17 bn) consumed three fourths of annual federal income. This made Russia too weak and too dependent on the West as a major creditor to bargain. It is not surprising that Moscow's energetic protests were ignored during Anglo-American air strikes against Iraq in December 1998 and, again, during the war in Yugoslavia in March-June 1999. Most likely, the same will happen in the current dispute around US national missile defense (NMD) deployment, unless the Kremlin prefers to give a green light for ABM Treaty modification.

All that put Russia into a very difficult and dangerous position. A pro-Western economic and political course did not solve the country's basic needs. It also added little to Russia's security and was even perceived as jeopardizing it in some important areas. Russian manufacturing goods still contend with heavily restricted access to Western markets with no realistic prospect of increasing their export there. Some limited successes achieved, for instance, in the area of cooperation between Russian and Western air and space industries remain quite modest and face risks associated with US sanctioning of Russian enterprises for their alleged cooperation with Iran. Even energy export to Europe might be challenged by the US strategy to redirect energy export through other post-Soviet states, circumventing Russian territory and making the US a competitor for supplying attractive European markets.

Russia's economic hardships and recent sliding away from a democratic political system effectively prevent it from entering the "civilized community of nations" in the foreseeable future. Moreover, the community demonstrated its willingness to capitalize on Russia's existing difficulties and, in some cases, created direct challenges to several important national security interests. At the same time, Russia's huge military-oriented industry, which represented a cornerstone of the Soviet economy and a concentrated majority of national high tech and modern know-how, desperately struggles for its very existence. Collapse of the industry might deprive Russia of the most important element that still permits it to claim a role somewhere above that of a Third World nation.

The small size of the Russian economy does not permit it to develop and produce the entire spectrum of new weaponry and military technologies. Together with the requirement for outside investments, this creates a vital interest in military and civilian high-tech cooperation--which has thus far been lacking between Russia and the West. Furthermore, the relatively low quality of Russian manufactures renders them unable to compete with their Western counterparts. To the contrary, emerging and fast growing Asian markets are located to the south of Russia. They will need Russian energy resources, and may accept relatively cheap (if not the highest quality) Russian machinery and military, missile, space and nuclear equipment and technologies. This mutual interest has already been reflected by expanded Russian arms sales to China and India, and even by initial bilateral and trilateral development projects.

Russia and China

It is especially symptomatic that Moscow agreed to far-reaching military cooperation with China, despite the fact that many Russian experts and decision-makers perceive it as a clear challenge to the country's national security. There are concerns that, due to immigration, Chinese would outnumber ethnic Russians in the underpopulated landmass of Eastern Siberia and the Russian Far East. In the medium term, Beijing itself might turn its expansion from the southeast to the north. Some even say that China is the only major power that could make military aggression against Russia in the traditional World War II understanding. Russians and Chinese differ culturally; peoples of both countries have never enjoyed interaction like that achieved between Russians and Europeans. The political systems of both states still differ, and Russian semi-democracy remains suspicious of Chinese neo-communism.

Nevertheless, there has been an example when a Western-type democracy had to cooperate closely with a totalitarian superpower, despite the fact that this superpower represented the strongest perceived threat to the national security of that democracy: it was the relationship Finland and the Soviet Union possessed during the Cold War. Although all analogies are relative, it still may partially describe future relations between an emerging China and a declining Russia in coming decades.

Russia's political alienation and distancing from the West would force Moscow to move closer to Beijing in search of political support. At a certain point, that rapprochement might deprive the Kremlin freedom of choice. There is already some evidence that in its arms sales to China, Russia probably moved further than it would have if it enjoyed a real freedom of action. This type of relationship would be unequal, and Moscow would need to adapt to a secondary role in an alliance, which it has not occupied since the 15th century.

If China really emerges as a second global superpower, Russia would represent a valuable geopolitical asset. Russian territory would permit Beijing to project its power towards Europe, the Caspian sea and Iran, and to establish its control over the strategically vital Eurasian heartland. China shares a long coastal line with Russia, whose naval technologies might provide Beijing with blue water capabilities necessary for challenging US naval deployments in the western Pacific.

Security and geopolitical calculations have historically given way to geoeconomic incentives, and here the potential for Russian-Chinese accommodation is substantial. The Russian and Chinese economies are complementary. Chinese food and cheap consumer goods have their consumers in Russia. At the same time, Russian energy resources, trucks and machinery are capable of penetrating into the tremendous Chinese market. Moscow's defense industry represents the only non-Western source of advanced military technologies—and Beijing has some resources to invest into those industries, as well as growing political interest to do that.

Where could this process lead? Traditional rivalry between Germany and France halted soon after World War II as both states started to integrate their economies. However, in contrast to France and Germany, real integration between Russia and China is much less likely (as was the case in Finnish-Soviet relations as well). China's population is ten times larger than Russia's, and the gap in sizes of both economies will most likely further increase. The structure of the two economies is different, and their obsolescence makes them both interested in avoiding confrontation with the West. Major Russian economic centers are located thousands of kilometers away from the Chinese border, and the most dynamic Chinese centers are located along its east coast and oriented toward non-Russian markets. Both China and Russia are too big to be interested in European-type integration.

In economic terms, Russia certainly cannot expect to achieve any Common Asian Market with its participation. However, the Chinese market and cooperation with Beijing in military, airspace and nuclear industries might provide Moscow with a much needed starting point for economic recovery. Here, too, the Finland analogy is appropriate: its trade with the Soviet Union represented an important source for its economic development.

Very probably, the above mentioned scenario will never be realized. However, it should be taken into account when we are tempted to conclude that there are no alternatives to the West in Russia's future economic and geopolitical course. Recent international realities are much more complicated and multidimensional than we perceive. Meanwhile, in downtown Moscow in a central Novy Arbat street a giant supermarket, which belonged to a British company before August 1998, was bought by the Chinese, and revival of Chinatown in Moscow is also being discussed.