

NUPI 50 years – Anniversary Conference

**“A Brave New Order – Multipolar Conflict or Multilateral
Cooperation?”**

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Text of the lecture on “East – West Relations: Cooperation or Competition”

Thank you, it is a great honor to be a speaker at the Anniversary conference of the one of the leading European think tanks, which has made a great contribution to the development of our common thinking about the modern world.

Initially I was amused and even flabbergasted at the proposed topic of my talk “East – West Relations” What is that? China – Russia? Middle East – the Rest? Declining West – Rising East?

Than in a letter Jan Egeland kindly explained that he expected me to give a lecture on relations of Russia with the traditional West under the new international circumstances. It is an interesting subject.

These relations not only qualitatively changed after the collapse of the Communism, but now function under qualitatively different international circumstances. Of course, they are influenced by the remaining Cold War mentality. But that is clearly an atavism of the past.

Now about this changing international circumstances.

World history is entering a new era. Politically, the past 100 years can be divided into three periods. The first period began with World War One, the Russian Revolution and the unfair Treaty of Versailles; then it continued with the first Cold War and ended with Stalinism, Nazism and World War II. The next period began with the construction of a two-bloc confrontation, the classical Cold War and, simultaneously, the creation of the United Nations and the system of governance of the global economy and finance, which was dominated by the U.S. and the West. This system should have been rebuilt after the defeat of Communism and the breakup of the Soviet Union, which marked the beginning of the third period in the history of the last century. However, the international system was never refurbished to meet the new challenges and opportunities. The West and the U.S., ecstatic over their new status as winners, decided to leave everything intact. A confused and weakened Russia had nothing to offer. Developing countries were still on the periphery of the world economy and politics. The

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following decade saw a stillborn attempt of establishment of a unipolar world based on old institutions.

In order to save NATO – which had lost its main goal – the West began to expand the alliance; however, as time went on, NATO became the main source of tensions in Europe, at least in relations with Russia, and predictably began to restore Cold War stereotypes. The UN kept losing its influence and effectiveness. The winners overlooked the beginning of nuclear proliferation to such countries as India and Pakistan, which is now predictably falling apart, and failed to solve a single problem in the Middle East. Having missed the beginning of the Yugoslav war, they launched an attack on Yugoslavia. The U.S. started withdrawing from the arms control system. The system of governance of international relations and security, established over the previous 50 years, was rapidly disintegrating.

The tone in the global economy was still set by the International Monetary Fund, the World Bank and the Washington Consensus, whose authors argued that the whole world could only develop according to the super-liberal Anglo-Saxon model.

The world's increasingly rapid economic growth from the mid-1980s throughout the next 20 years was generally interpreted as the result of applying the Washington Consensus prescriptions, although now it is obvious that this growth was not so much due to them as to the huge expansion of the sphere of world capitalism. The markets of several dozen countries and a new cheap labor force made up of over two billion people in East, Southeast and South Asia, Central and Eastern Europe, and the former Soviet Union joined the world capitalist economy. Another factor that contributed to the growth was a technological revolution – this time with an emphasis on information technologies which among other things ensured an unprecedented mobility of finance.

The new growth of the world economy, albeit uneven, was beneficial to the Old West at the initial stage. The new financial class of the West grew fabulously rich through ever new financial instruments, whose essence many of their creators had already ceased to understand.

The patently unstable political unipolar world could have been rebuilt after the September 11, 2001 terrorist attacks against the U.S. There was a chance to set up a global coalition led – but not dominated – by the United States. But Washington did not want to share its might with others; it instigated a second wave of NATO enlargement and decided to extend its political and economic model to the Middle East using force. It attacked Iraq. Predictably, America overstrained itself. Its reputation as a winner, prestige and influence went downhill.

At the same time, one more powerful process emerged. By the end of the 1990s, the second wave of globalization and the increasing openness of the world economy, which initially gave benefits mainly to the old West, became more advantageous to young capitalist

countries. A new industrial revolution began, based on the cheap and relatively educated labor force in China, India, and Southeast Asian countries. Global industrial production began to grow and to shift to new centers. China became the symbol of this redistribution of forces in the world economy. The old economic winners suddenly began to lose the competition.

The U.S. and the West, carried away by the establishment of the world domination of their political system, overlooked one more revolutionary change – the redistribution, within a surprisingly short period of time, of control over resources, above all oil, from Western companies to national states and their companies.

The increased consumption of raw materials due to the economic growth of young capitalist states triggered a worldwide increase in their prices, particularly oil and gas prices. This factor caused a new large-scale redistribution of finance – trillions of dollars within several years – to extracting countries and their companies. Energy-rich Russia was among the countries that gained from this second wave of resource redistribution.

Most important: the new industrial revolution made natural resources dear again. And the territories where they are located or could be found grew in importance. The increase of demand for food of new billions, which joined the capitalist economy is making arable land a valuable resource again. Fresh water shortages contribute to return of the importance of resources and the territory, where they are located. The new importance of natural resources and territories contributed to the unfortunate partial resurrection of the usefulness of military force in international politics. In the years of the post-industrial revolution we started to believe that control over territory was not important any more. That is changing. In a way history is returning to the old patterns here, too.

Russia was among the first to play this postmodernistic game, putting theoretical claim over the possible resources hiding under the icecap of the North Pole. Originally many of us in Russia laughed at this futuristic game, which looked a bit bizarre. Then we gasped, when others including Canada, the U.S. and even EU joined the competition with gusto. Hopefully, this particular case would not provoke a new bitter geopolitical old fashioned rivalry, but rather become a case for a true civilized cooperative endeavor. But the tone of the debate causes concern and we should be concerned about a new resource – territory rivalry.

All the more, that testimony is multiplying that people unable to comprehend the speed of change are returning not only to the Cold War mentality but to spheres of influence, balance of power thinking of the XIX or even XVIII centuries. Unfortunately most major powers not only Russia, return to their historic patterns. In the meantime some small nations seem to try to replay history, where they failed or were victimized by larger scavengers. That is exactly what some of the Baltic states or Poland are trying to do.

The major shifts in the world economy were followed and complicated by redistribution of political power. The United States, weakened politically because of the Iraq war and by the overestimation of its abilities, was the obvious loser in the new political game. Western Europe, intoxicated with victory in the Cold War and wishing to consolidate the results of victory and having lost strategic benchmarks for its development, launched a recklessly rapid expansion of the European Union. This caused Europe to focus still more on itself and further complicated and delayed the possibility of conducting a common foreign policy. Europe continued to lose its foreign-policy influence, although, unlike the United States of George W. Bush, its soft power – the attractiveness of its development model and the appeal of its lifestyle – was not weakened.

At the same time, it turned out that the old West's model of a mature liberal-democratic capitalism, which seemed to have won for good, was no longer the only ideological benchmark for the rest of the world. States of the new capitalism – naturally more authoritarian, in line with their stage of economic and social development – offered a much more attainable political development model for lagging countries.

Russia for one, while still having a very backward social system, offers to its citizens not only benefits of capitalism, but also unprecedented level of personal, though not political freedoms.

THE PLACE OF RUSSIA

In many ways, energy-rich Russia, which had dramatically increased its political clout, became the symbol of all those changes, disadvantageous to the West. In addition, unlike a more cautious India and especially China, it assumed a contemptuous and arrogant attitude toward the Cold War “winners” which had recently humiliated it and which had started to lose.

Russia also became openly revisionist, bent on consistently changing the rules of the game, which were imposed on her in the late 1980s and 1990s, years of chaos and weakness.

Also, and that is very important, after being constructive for more than a decade yielding on serious matters, withdrawing voluntarily from East Central Europe, agreeing to two waves of NATO expansion, to the role of a junior student, it started to understand that constructiveness does not bear fruit or bring any benefits, but only wets appetites.

Later with the start of economic crisis Russians understood that even on matters of economic policy the professors did not know the truth, were largely driven by greed.

Recent history made most of the Russian elite to come to an unfortunate conclusion that only iron fist and readiness to fight if necessary even with arms for its interests could be respected.

That attitude plus arrogance of newly restored power is being displayed in the current crisis with Ukraine. Russia has been subsidizing this country with cheap gas for a decade a half but nevertheless was consistently accused of energy imperialism and of effort to undermine the allegedly democratic Orange revolution. Now Moscow simply wants the full price. Because, I repeat, in Russian case constructiveness did not bring any benefits.

As to the values, Russians after having experience dozens of cases of double standards applied by the old West became very cynical. Now when the Westerners especially Americans preach, even sincerely, Russians laugh. That is a very sad state of affairs specifically for me, as I has been involved in human rights movement and remain a believer.

In the early 1990s Russia was ready to embrace not only capitalism but also the Western political system, but it was rejected, often fooled and humiliated. And it is not interested any more. At least for a while.

It is capitalist country willing to become richer and to modernize. But while only a decade ago it was ready to follow the Western model of political development, now the old West with its failures and double standards has lost a lot of former magnetism.

The former “winners” tried to regroup. As if from a horn of plenty, numerous projects emerged for a “union of democracies” – a tragicomic stillborn association of liberal-democratic “elders” against the authoritarian “younger” ones. There also was a desire to take down a peg the “new” ones which had shot ahead. The U.S. nurtured plans to start a kind of Cold War against China six to seven years ago. But Beijing was cautious and, most importantly, it strengthened too fast.

Starting in 2007, the West stepped up its efforts to curb the rapidly growing influence of an ever mightier and more independent Russia.

Georgia went into South Ossetia in August 2008, after which an attempt was made to organize a new farcical Cold War against Russia. The attack on South Ossetia, Russia’s harsh reaction, and the attempt to start a confrontation after that, mainly using NATO, have shown the dangerous non-reconstruction of the European security system, which failed to prevent the conflict. Moreover, the de facto division of Europe into two security zones and the rivalry between them in many ways generated this conflict.

Russia not only retaliated, stopping the killing of its citizens and peacekeepers, but also said “no” to NATO’s further expansion and to the inertia that suited the Old West. Now, even those who did not want to listen can see that the present Cold War-style system of European security, which has been artificially maintained for over a decade and a half, only leads to the escalation of conflicts and ultimately to war.

At the beginning of the autumn 2008 it seemed that the political semi-farcical Cold War – unleashed by the United States and its allies and clients in Eastern Europe and in Britain and which many Old Europeans met with caution but also with sympathy – would be the main political trend for the next years.

The Cold War was really a laughable affair totally irrelevant in this new emerging world. This world looked at this clash with disdain.

Both Russia and the old West were saved from a continuation of this humiliating clash by the unleashing of the global financial and economic crisis. I think the United States and the Old West will now have other things on their minds rather than conducting a Cold War. Though attempts at least on the rhetorical level are still being made.

CONCLUSIONS FOR ALL

It is clear that the global crisis is only beginning and will affect everyone.

But we could already sum up the preliminary results of the recent developments.

The second part of 2008 will likely go down in history as the start of the fourth stage in the world's development over the past century, which began – really, not according to the calendar, but in August 1914, closing the door on the splendid 19th century and ushering in the savage and revolutionary 20th century. Actually, the 21st century is beginning right now. (This idea is not mine, but that of Thierry de Montbrial).

This crisis and this new period in world history threaten to inflict inevitable hardships on billions of people, including Russians. Coupled with the aforementioned unpeacedentally 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, with the rise of the masses especially in Muslim world, this period may bring by other 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. Actually it is worse. But for one factor: huge arsenals of nuclear weapons remain, along with their civilizing deterrent factor. Yet one must keep in mind the objective growth of military danger anyway.

The world economic crisis will fix the new redistribution of forces. But it can also change its speed. The super-fat years will come to an end for oil producing countries including Russia, which has proved reluctant or unable to switch to a new economy and renovate its infrastructure.

WHAT IS TO BE DONE?

Clearly we are living in the time of the comprehensive crisis of the previous world order, its political, financial architecture, it is a crisis of a model of development. Nobody could pretend now that she or he knows what a right model is. Communism has failed, liberal capitalism in its previous anglo-saxon version, possibly, too. There is an intellectual vacuum as to the problem of international governance. The world is stopping to rotate around the old West. But where does it go?

At this juncture we are still drifting towards the Scenario 1 of our conference – multipolar conflict, or/and growing chaos.

There are though some positive signs.

The “G-20” is starting to work albeit with very modest results. The last “G-20” declaration called for minor repairwork of the world financial architecture, not its overhaul.

The EU is weakened by desperately unwise quick expansion, but holds together and acts better than expected in the recent crises: during Georgian attack, financial meltdown, most recent gas conflict.

The new US president is a ray of hope, though he has a heap of problems nobody could solve quickly.

The new giants, BRICs are a bit more active, filling some vacuums and gaps.

But it is clear that the era of unpredictability, chaos and a rivalry will be a prolonged one.

That is bad news for Russia. It will find itself in a position of strategic loneliness and will have to maneuver constantly trying to create new balances, to fill the gaps, to play the old geopolitical game.

Russia also under the best of circumstances could only retain its modest 2, 5% of the world GNP. The geopolitical games will inexorably divert attention of the elite from the task of modernization of the country. The modernization will continue only on the enclave based basis.

Europe with current and predictable patterns of development will also continue to lose in the brave new world of the future.

Its share of the world GNP will diminish by 1-2 % each five years. Unless a miracle happens, it will continue to lose in the rough power competition of the future.

It is very likely that Europe of the EC will continue to move along the path of Venice, of beautiful decay towards less relevance and increasing necessity to rely on the will – good or bad – of others.

By most predictions neither Russia nor Europe of the EU would be able to compete in 10-15 years with the superpowers of tomorrow: China and the U.S. They whether in cooperation or in rivalry will inevitably drawn together forming the main, Pacific axis of the future world.

And here I am stepping on the dangerous ground. Russians are not only notoriously good warriors not losing a single war in the last half a millennium unlike all other European nations. (With the exception of Britain, perhaps).

Russians probably because of the difficult conditions of their life are dreamers.

And, I want to share a dream.

Acting in isolation from each other or, even more so, in rivalry with each other, Russia and Europe will most likely not be able to claim the role of first-class centers of power in the future world order, and will become objects of the policies of external forces. It is only an alliance between Russia and the EU that can become such a pole, as the economic, political-diplomatic, military-political and geopolitical potentials of the two parties are mutually complementary.

We are united by a common culture, history and religious roots. For Russia, the EU is not just its largest economic partner. Europe is one of the main sources of Russian civilization and identity and of Russian social and cultural modernization. For the current EU, Russia is the largest and the only additional external resource of geopolitical influence and economic and political subjectness in the future world.

Rationally wise Russia and Europe of the EU should aim not at a vague partnership but at a strategic alliance.

The creation of a strategic alliance between Russia and the EU must rest on a stage-by-stage formation of an Energy Union – a common energy complex of Europe, based on cross-owned businesses and on the joint management of the extraction, transportation and distribution of natural gas and other energy resources.

Then the main mostly disguised cause of speculations about “energy security” and “energy imperialism” – that is, energy prices – will cease to be a stumbling block. It is the obvious – albeit not discussed – desire to get more cheap gas and oil that is behind the pressure exerted on Russia over energy. If a common energy complex is created, both producers, controlling resources, and consumers, controlling distribution, will be equally interested in fair energy prices, and their safe and diverse transportation while energy will be used more economically. An Energy Union between Russia and the EU would give more energy independence to Europe, which would greatly strengthen its international positions.

Another basis of the proposed union must be close interaction between Russia and the EU and the coordination of their policies on key strategic issues, the most of which their interests coincide. These issues include: preventing a new militarization of European politics, climate change; preventing large-scale wars amidst the on-going rapid repartition of the world and the proliferation of weapons of mass destruction; protecting the universal value of international law and institutions; commitment to a peaceful settlement of interstate and internal conflicts; and maintaining stability in the “Broader Middle East”.

A common Russian-EU economic space could be – in a decade – a third basis of the union.

A union between Russia and the EU, a Union of Europe, should not interfere with other elements of a future European architecture, but complement them; for example, the humanitarian Council of Europe. I do not think that the Europeans in the EU or in Norway will give up their military-political alliance with the United States within NATO any time soon. Russia will step up interaction with Asian countries within the framework of the Shanghai Cooperation Organization and the Collective Security Treaty Organization.

A Union of Europe could solve the problem of an artificial “choice” between Russia and Europe for countries that are between them: Ukraine, the South Caucasian states, countries in the former Soviet Central Asia and, finally, Turkey.

A Union of Europe, NATO and the Council of Europe could be placed under the aegis of a new pan-European treaty (“Helsinki-II”), advocated by Russia.

I am aware that I – as a person, who in these difficult times propose establishing a Union of Europe – would be accused of starry-eyed idealism. But the new world requires big ideas and a breakthrough into the future. Otherwise, we risk getting stuck in the past or getting lost in this world of the future.

And now to the larger world scene.

I repeat: the matter at hand is not just a deep financial and economic crisis. 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.

The time will come for creation.

I would propose a few principles in which the new international system could be based.

– Not boundless liberalism, but support for free trade and a liberal economic order coupled with drastically stricter international regulation.

– Joint elaboration and coordination of policies by the most powerful and responsible countries, rather than attempts to establish hegemony by one country, or a struggle of all against all. A new Concert of Nations of “G 12 or 14”.

– Collective efforts to fill the security vacuums, rather than creation of new dividing lines and sources of conflict.

– Joint solution of energy and resources problems, rather than artificial politicization of the energy and resources security problem.

– Renunciation of the recognition of a nation’s right to self-determination up to secession if this is done by force. (The wave of fragmentation of countries, which began in the 1950s and which received a fresh impetus with the recognition of the independence of Kosovo, South Ossetia and Abkhazia, must be stopped). May be we should return to the principle of inviolability of borders at least in Europe?

– Russia and the European Union must strive not for a vague strategic partnership in their relations, but for a strategic alliance.

– The goal of development must be progress, not democracy. Democracy is a consequence and an instrument of progress.

– And, of course, we should forget about thinking and talking in the terms of East – West relations. Otherwise we’ll soon become irrelevant.

Surely, many of the proposed principles will be objected to and rejected. But the habitual politically correct clichés will not help to improve the situation and build a new world. Meanwhile, the time has come for creation.

And if we stick to the old status-quo however comfortable it was, we are doomed to return of the worst in history. But I am hopeful!