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**Military Basis of Geoeconomics**

It is a great pleasure to write an article for a festschrift in honour of Sanjaya Baru. A commentator, a thinker, an adviser to the prime minister, an outstanding scholar, and a person deeply engaged in the business world of India and Asia, Sanjaya has excelled in all of these fields. He is the epitome of the best an international relations expert and a public intellectual can be. A well-cultured cosmopolitan who is open to the world, Sanjaya Baru is a devoted patriot of his country.

I smile as I recall his comments where he criticized my articles for having failed to mention India or not having spoken of it complimentarily enough.

His views and statements raise not only interest but also inspire trust. Sanjaya is one of the most authoritative Indian spokesmen for the outside world.

He writes profusely, interestingly and broadly. But his main specialty is political economy, or, in modern terms, geoeconomics. He pays special attention to India amidst a rapidly changing balance of power in the world.

In my essay I will dwell on how geoeconomics is linked to geopolitics and even directly to the balance of military power.

Factors of Power

There are plenty of works studying the correlation between factors of power in world politics.[[1]](#footnote-2) Most pundits emphasize the competitive advantages of their countries or social groups. In the 1920-1930s, ideologists in the Soviet Union, economically broke and militarily incapable at that time, advanced the ideological slogans of communism as the future of mankind. And Soviet Union had an international influence well beyond its economic or military means.

The school of realists, which was based mainly in the United States and touted the key role of military power in world politics in the 1950s-1960s, put emphasis on the U.S. military might which was still prevailing at that time.

The “soft power” theory was born out of the euphoria from the victory of liberal democracy.[[2]](#footnote-3) But it is no longer talked about just as enthusiastically. This is due to series of consequences attributed to liberal democracy, prominent amongst which are, Iraq war, Arab Spring and election of President Trump. Europeans, too, spoke quite often about liberal democracy as an attractive concept until they got the so-called populists in Poland and Hungary, etc. Their enthusiasm started wear to off when it became clear that China was winning on the economic front. Europe became vulnerable due to its security weakness while Russia once placed at the bottom of the top ten world economies had outpaced all countries except China and the U.S. mainly on the back of strong foreign policy and military capabilities.

Being a Russian, I am quite inclined to stress upon the importance of hard power, resolve, and competent diplomacy which gave my country a competitive advantage over many others.

I think the cumulative influence of states are determined by complex and dynamic interaction amongst military, economic, political, ideological, and psychological factors of power and the ability of states to manage them well. Let me give an example of this complex but not always obvious interaction.

The Soviet Union lost not only because the socialist economy was inefficient but also because its soft power had ebbed away. It failed because people both inside and outside of the country no longer believed in the communist idea.

Liberal democracy has triumphed in the West not because it was attractive but because the countries making up the West had amassed enormous wealth. I also dare say that their wealth was very likely not the product of democracy but it was attained at a time when they were much less liberal and democratic. Further, growing well-being of a society does not necessarily generate more democracy – a fact amply clear from the lamentations in the latest U.S. National Security Strategy.[[3]](#footnote-4)

In fact, throughout history democracies have always lost stiff competition. Hellenic republics turned into tyrannies, the Roman Republic gave in to an empire, the Russian Novgorod Republic succumbed to the Tsardom of Moscow, the Republic of Venice surrendered to Napoleon, and the whole of Europe, except for Great Britain, which Germany did not attack with full force, threw itself at Hitler’s feet.

Today, Europe’s economic strength coupled with better living standards and a high quality of life do not produce matching political and even economic power, and its ideological and cultural influence is decreasing. One of the reasons is the growing political and military-political competition in which Europe cannot be a player any more or at least for the time being.

I can keep mentioning what looks like paradoxes, many of which may be challenged, but I can again emphasize with certainty that the art of statecraft in the international arena is an art that combines the dynamic disciplines across military, political, economic, ideological, psychological, and cultural factors.

The genius of a leader lies in the ability to combine these factors for developing a successful strategy and maximizing the competitive advantages of one’s own country.

In this article I will touch upon only one aspect of this most sophisticated equation, which played a key role in the current geopolitical revolution.

Military Capability and Economic Power

To cut a long story short, the current most radical and fastest ever shift in the global balance of power is first and foremost, and deep within, the result of a dramatic change in the balance of military power in the world, which has been underway for more than sixty years but has come to the light only in the last decades. It has become increasingly difficult and prohibitively costly to use armed forces. Their large-scale use threatens to wipe out mankind.

This is also the main reason why economic instruments are employed more often for foreign-policy purposes in order to make up for the impossibility to use the naked military force.

The globalization crisis and the rise of protectionism were also caused largely by the redistribution of military power. Globalization was based on the rules dictated by the United States in the non-socialist world at first and then globally after the collapse of the Soviet Union. As the United States and the old West lose the ability to dictate their terms, it turned out that globalization no longer benefits them but brings more gains to other, so-called new nations such as China and India.

Therefore, the United States, acting quite openly through trade wars, and other Western countries, acting more covertly and hesitantly through hundreds of sanctions, have begun to undermine the old globalization strategy and raise the banner of protectionism by making the most of their previous dominance. Information warfare is underway against Russia, China and some other so called new countries. India is criticized more and more often, too. The West is doing this by taking advantage of the still preeminence in global mass media which it seized during the era of military-political and ideological domination.

Now let’s talk about the balance of military power and geoeconomics more specifically.

Some five centuries ago Europe started to gain military superiority over other countries and civilizations. Before that, a predominant share of the gross world product used to be generated outside the European subcontinent. China, Central Asia, the Arab world, and the territory now occupied by modern India were the main source of what we now would call innovations and technological progress.

Sectarian wars on the crowded European subcontinent forged the best military technologies and the best military organization. Starting from the 16th century, European ships armed with cannons became the main instrument for seizing colonies and semi-colonies, including India. Military superiority made it possible to push for the redistribution of the gross world product in favor of Europe, impose advantageous political rules and offer cultural stereotypes. Russia too used European methods and instruments to move towards the Pacific Ocean. The incredible rapid expansion from the Urals to the Pacific happened not only due to courage of Russian Cossacks and their readiness to endure hardships in search of silver or soft gold, furs, but because of the superiority of their guns and military organization over local rules.

The Russian Empire was formed in its own style, different from that of European ones. It was a continental empire and put greater emphasis on the integration of elites in the conquered territories than on direct suppression or the imposition of its own religion and culture.

It probably followed the historical style of the Chingisids, with which ancient Rus had to subdue and integrate and upon which it was partly dependent for two and a half centuries.

The situation where Europe or the West held virtually undivided economic, political and cultural dominance based on military superiority started to change after the revolution of 1917 in Russia.

The West’s territorial control shrank even more after World War II, but the loss was made up for by the United States, which had reaped economic gains from the war and created the now crumbling Bretton Woods system.

At the end of the 1940s, the Soviet Union and then China obtained nuclear weapons. This was perhaps the main factor which changed world politics and the global economy. Massive use of armed forces for protecting and advancing one’s own interests became extremely dangerous. An evidence of this fact is that the United States did not use nuclear weapons in the Korean and Vietnam wars. It failed to win the former and lost the latter.

The emergence of a balancer in the international system gave many countries more room to maneuver, giving rise to the non-aligned movement and India. Accordingly, India and many other former colonies got a chance to choose the course of their own foreign and internal policy.

Reagan’s counter revolution came as a response to the fiasco in Vietnam, exacerbated by the oil embargo imposed in the 1970s by the emboldened Arabs. Its main purpose was to try to regain military supremacy for maintaining positions in other spheres.

The arms race could hardly be won, but for a while it seemed possible. The Soviet Union had ceased to exist due to the inefficient socialist economic system and the exorbitant burden of its global imperial obligations. In fact, nearly half of its GDP was spent on subsidizing Soviet republics, socialist and socialist-leaning countries in the Third World, and keeping up with the military based economy.

When the revolution of 1991 broke out, Russia was weak, at least politically and could no longer deter and counterbalance the strength of Western military. For fifteen years it looked like “the end of history,” with the West’s economic, political and cultural system having seemingly won the ultimate victory.

Intoxicated by its success and eager to show and consolidate its new strength, the West launched a series of interventions and aggressive attacks in Yugoslavia, Iraq, Afghanistan and Libya, and lost most of them. (Except in Yugoslavia in 1999 when Russia was at the lowest point of its crisis and, deplorably, could not ward off the aggression and punish the aggressors).

But even before that, in the early 1990s, the United States and Europe had made probably the biggest mistake in modern history. Tired of socialist misery, a considerable part of the Russian elite and society wished to join the West and its institutions. But the West refused to integrate Russia. In its euphoria from the cold war victory the West started to expand its unions and areas of influence and control into territories which Moscow considered critically important for its security. The United States also seceded from the Anti-Ballistic Missile (**ABM)** Treaty, which smacked as an attempt to regain its military superiority.

It appears that the West’s rejection of Russia was due to the deteriorated intellectual quality of the Western elites and greediness. The “unipolar world” lasted for less than fifteen years. By the middle of the 2000s, the West had suffered defeats in Afghanistan and Iraq. Internal contradictions started to pile up in Europe and America.

A global financial and economic crisis broke out in 2008 due to imbalances caused largely by the West’s euphoria. Unlike the previous one, that crisis hit the West hardest. China and the so called new Asia remained almost unaffected.

Having learned the lessons, the Russian leadership launched and carried out successful military reforms in the 2000s. The result was a new armed forces, much smaller than that in the Soviet Union but much more efficient.

Moscow stopped the expansion of Western alliances, especially NATO, in Georgia in 2008 and especially in Crimea by reincorporating it in 2014. Russia’s actions in Syria showed its new capabilities and put an end to the practice of color revolutions which had been forced upon nations and plunged many of them into chaos.

The seemingly omnipotent West received one more blow when Russia had stealthily upgraded its strategic forces with weapons like long-range hypersonic missiles and sliders, a new generation of cruise missiles, including nuclear-powered ones, super heavy missile capable of attacking an aggressor from any direction, including the South Pole, and some other potent weapons.[[4]](#footnote-5)

By doing so Russia ruined the U.S.’s hopes to regain superiority and essentially won the arms race without even getting drawn into it. It has also partly debased previous U.S. military investments and made American aircraft carriers more vulnerable.

What made things even worse for the West is that in its euphoria from the ostensible victory in the 1990s it missed China’s rise. What is done cannot be undone. The US and some countries in the Europe are now trying to start a new Cold War against Russia and China.

The purpose is to reverse the balance of power, which has changed so dramatically in the last ten to twelve years, putting the West at a disadvantage, and stop the collapse of the world order where Western interests, institutions and regimes occupied dominant positions.

The purpose is also to stop the shift in the balance of power in favor of Asia which has the potential to become the main economic, and eventually political and cultural center of the world in the near future. Our grandchildren will have to study a different but real history of the world in which there were not only European kings or thinkers but also plenty of Chinese, Indian, and Japanese dynasties and rulers, and schools around the world will teach the languages and cultures of the countries that were pushed to the sidelines of history for the past five hundred years.[[5]](#footnote-6)

Having realized its defeat, the West is trying to take revenge. Its unilateral Cold War against Russia and China is unfolding in front of our eyes in almost exactly the same way the previous one under Reagan did. But it will not produce the same results even though Trump will most likely make the United States economically stronger.

There will be no victory for a number of reasons,[[6]](#footnote-7) chief among them is the semi-allied relations between Russia and China – the two countries whose combined power is greater than those who are trying to antagonize them.

The fact is that the West has to finally part with its 500-year-long military superiority and its economic, political and cultural dominance based on it.

Also having partially redirected it’s the foreign economic relations from Europe to Asia and by advancing the concept of Greater Eurasia, and having restored its military strength, my country, Russia, has also changed the balance of power in the world.[[7]](#footnote-8)

Only some ten to twelve years ago, a major part of the Russian elite regarded their country as European periphery. Now, the ruling elite consider themselves increasingly Northern and Central Eurasian and are building Greater Eurasia partnership jointly with China and other Asian partners, and, of course, with India.

Europe will partake too sometime in the future, but certainly as a secondary participant.[[8]](#footnote-9)

By ensuring their own security and international strategic stability, the Soviet Union and Russia, without even realizing it, “midwifed” the rise of “the new” by creating conditions for their development and the use of their competitive advantages.

The world has become freer, that is, more liberal, but not in the Western sense. People in different countries now have more freedom to choose their political and cultural paths, economic models and partners, and ways to ensure their sovereignty.

But this makes it even more difficult than ever to choose an adequate strategy, increases ambivalence and highlights the importance of understanding the complexity of the world. Today we need thinkers like Sanjaya Baru more than ever and I am happy to have a friend like him.

1. See for example, S.A. Karaganov, P.V. Andreyev, T.V. Bordachev (Ed.). “The Faces of Power. The Russian and Global Intellectual Elite on the Main Issue of World Politics.” Mezhdunarodnye Otnosheniya, M. 2013. [↑](#footnote-ref-2)
2. Nye, Joseph. Soft Power. Foreign Policy. No. 80, Twentieth Anniversary (Autumn, 1990), pp. 153-171. [↑](#footnote-ref-3)
3. См. <https://www.whitehouse.gov/wp-content/uploads/2017/12/NSS-Final-12-18-2017-0905.pdf> [↑](#footnote-ref-4)
4. См. Послание Президента Федеральному Собранию // Официальный сайт Президента России, 1 марта, 2018. URL: <http://kremlin.ru/events/president/news/56957>  [↑](#footnote-ref-5)
5. See: Macaes, Bruno. The Down of Eurasia: On the Trail of the New World Order. Yale University Press. 2018. [↑](#footnote-ref-6)
6. I described some of them in my recent article published in Russia in Global Affairs. (S. Karaganov ‘How to Win a Cold War’, 2018. URL: http://eng.globalaffairs.ru/pubcol/How-to-Win-a-Cold-War--19732) [↑](#footnote-ref-7)
7. G. Diesen (2017) «Russia's Geoeconomic Strategy for a Greater Eurasia» [↑](#footnote-ref-8)
8. S.Karaganov, T. Bordachev (2017). TOWARD THE GREAT OCEAN  5: FROM THE TURN TO THE EAST TO GREATER EURASIA.

URL: http://valdaiclub.com/files/15300/ [↑](#footnote-ref-9)