

Transformation of Russia's Foreign Policy

Fight for Place in the Sun

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Twenty-two years have passed since 1992 when Russia began to form its foreign policy as the successor to the Soviet Union, and Russia's views of the outside world and its role in it have gone through a deep transformation. These changes were particularly noticeable after the 2012 presidential election which marked a watershed in relations between Russia and the rest of the world.

The purpose of integration into Western structures was replaced with an idea of preserving Russia's independence and turning towards partners in the East and the South. The goal of completely dissolving the national economy into the world market was changed for a goal of ensuring the country's re-industrialization, laying foundations for its economic independence, and establishing an economic association of its own. The strategy of looking for compromises with Western leaders gave way to an idea of restructuring the world system in cooperation with a group of non-Western countries, where Russia would be one of the leaders. In Russia's foreign policy philosophy the values of naive liberalism of the 1990s were replaced with ideas of realism and statism, and the vacuum in Russia's foreign policy ideology was filled with an idea of gathering the Russian World and giving priority to the protection of traditional Christian values.

The reasons for such fundamental changes can be found in the internal sources of Russian foreign policy and in the external environment which shaped and transformed it. Russia could not and did not want to adopt the matrix of Western society and the Western political system, which would

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have been pernicious to the country's political unity and its economic independence. At the same time, the main factor that caused Russia to revise its initially absolutely pro-Western and Eurocentric policy was the reluctance of the U.S. and Europe to integrate Russia into the Western world on terms acceptable to it. Another factor was changes in the distribution of power in the world, due to which active participation in the life of the non-Western world can be viewed as a full-fledged alternative to integration into the Western world.

FAILURE OF INTEGRATION INTO THE WEST

The incompatibility of the Western and Russian views of Russia's integration into the "Big West" was present in the Russian-U.S. and Russian-European relations (above all, those between Russia and the EU) from the beginning, but whereas at first both parties sought not to focus on these differences, over the years they deemed it less and less necessary to keep silent about them. Politically, the West viewed Russia as a country that had lost the Cold War, and denied it the right to security interests or markets, which were consistently taken away from it. Economically, the West pushed Russia to integrate deeply into the world economy on liberal principles, while actively opposing any manifestations of Russian monopoly in foreign trade, protectionism and attempts to conduct a national industrial policy. These efforts, together with Russia's ousting from its traditional markets in Central and Eastern Europe and the Middle East, turned this country into an economic semi-colony that was technologically and financially dependent on the West. The West was strongly opposed to the preservation in Russia of a political regime that could concentrate resources on politically prioritized areas and act on behalf of the Russian economy, making Russian economic players conduct a coordinated economic policy towards foreign counterparts.

The West was ready to integrate Russia and largely succeeded in this economically, but it did not want to integrate Russia as a country having sovereignty, national interests, and the will and ability to promote these interests. It would like to integrate Russia as an aggregate of individual economic and political players who would operate in their rational, selfish interests and who would not be capable of pooling their efforts for their common advantage.

In the 2000s, such a form of integration stopped suiting Russia, and it raised the issue of a "big bargain" – an agreement to include Russia in the

system of Western institutions (NATO, EU), and its elites, in Western elites. Russia proposed combining the economic potentials of itself and Europe in the project of a “United Europe from the Atlantic to the Urals” and jointly restructuring the existing security system in Europe. Also, it insisted on the introduction of a visa-free regime between Russia and the EU. These proposals were not propaganda, as Russia seriously wanted a rapprochement with the West, especially Europe. However, all of its proposals were torpedoed by the United States which feared to lose its influence on European affairs, and by those Europeans who viewed a united and governable Russia only as a threat and a problem.

In this situation, the West opted not to maintain the status quo and carried out several waves of NATO’s and the EU’s enlargement, closely approaching Russia’s borders. It built up its military potential with former allies of the Soviet Union, and its economic potential with what had formerly been COMECON assets. In the mid-2000s, the EU began to limit opportunities for productive investment in Europe by Russian capital and for Russian companies’ earnings, seeking to reduce its expenses and Russian revenues by means of non-market methods.

Contradictions between the West, above all the United States, and Russia came to a head in 2008, after the Georgian-Russian conflict in South Ossetia, which was provoked by Atlantic initiatives to integrate Georgia and Ukraine into NATO and by a deadlock in negotiations for a strategic cooperation agreement between Russia and the EU.

In 2009, after the G20 summit in London, Russia came to the conclusion that the existing financial and monetary system controlled by the West was at variance with its interests. The idea of integration with the West was finally sidelined in 2013-2014 because of an information war launched by the West against the Sochi Olympics, the Syrian crisis and an acute crisis that broke out in Ukraine.

RUSSIA’S OWN GEO-ECONOMIC PROJECT

Until the second half of the 2000s, Russia’s strategic goal was integration with Europe on acceptable terms, namely, the preservation of Russia’s political sovereignty and its own economic and government systems. Russia agreed to a prospective evolution of its law and government systems towards European standards, but it insisted on harmonization of European and Russian approaches and opposed one-sided “normative” aggression of

Europe. In this connection, there were wide discussions in Russia of an idea of United States of Europe. Moscow emphasized the European nature of the Russian state and Russian civilization and proposed a concept of synergy of European capital and technologies with Russia's natural and human resources, as well as Russia's "hard power," which would have made Europe competitive in the global economy and would have formed the third center of power in the world, along with the U.S. and China. Therefore, Russia sought equal integration, above all in the economic sphere, rather than a unilateral surrender of its positions.

Individual European countries showed interest in this position of Moscow, but the EU as a whole, newly adopted EU members, and the U.S. which was behind them successfully prevented the discussion from developing in this vein. The EU demanded that Russia adopt the European norms and principles, which would have removed the last obstacles to Russia losing what was left of its competitiveness. The Russian state, playing the role of regulator in relations between the global and national economies, would have been deprived of its controlling role. National budget-forming industries would have been demonopolized, would have lost their advantages over Western companies and would have had to compete in the global economy only in the price and financial areas where Western players had advantages in access to capital and institutions. Russia's military-industrial complex would have been weakened and eventually destroyed, and agriculture would have failed to meet competition with subsidized European products. In the future, the country's territorial integrity would have been called into question. The relative weakness of economic ties between various regions of the Russian Federation would not have ensured reallocation of resources in the national interest, and the atomization of the Russian politics and the federal system would have led to a reorientation of individual regions towards the interests of foreign partners instead of the interests of the nation.

On the other hand, it became evident to Russia that its further integration into the world economy within the framework of the Western model of globalization would lead to the conservation of the country's technological and economic dependence. Russia continued to view itself as one of the leading industrial and technological powers, experiencing temporary difficulties, and still hoped for the revival of its industry and the creation of a developed services sector. However, the open economy,

built by Russia in the 1990s-2000s, locked the country in the niche of a raw materials appendage of the developed world and did not give international and national capital sufficient incentives for investment in production and R&D in Russia.

Another obstacle to investment in Russia was a disadvantageous investment climate in the country. However, even its relative improvement in the late 2000s did not change the situation radically. The developed world has enough production capacities to serve all Russian needs, and their transfer to Russia would lead to losses of the West in jobs, budget revenues and general wealth. From the standpoint of international capital, the most cost-effective policy was the import by Russia of goods and services from the developed world in exchange for Russian raw materials. This is the nature of an open economy: it allows a country to maximize the efficiency of its economy within the framework of the concept of relative costs, but it does not give incentives to make qualitative changes in this economy and bring it to a new, higher level.

Russia decided not to increase its attractiveness to international capital through cutting costs, primarily social ones. Instead, Moscow stepped up efforts to create a geo-economic project of its own, which would have a strong market element and a large consumer market and would thus strengthen Russia's position in negotiations with international capital and international trade and financial institutions.

In the global competition for capital, technologies and profits Russia had to choose between joining giant economies of the 21st century, the EU, China and U.S. projects – as a subordinate source of raw materials and consumer of imported products – and the creation of its own regional economic association that would cause international capital to enter the Russian market on Russian terms and help it carry out a new industrial policy.

No doubt, the creation of the Customs Union and the Eurasian Economic Union jointly with Kazakhstan and Belarus also had other economic goals (the development of domestic trade and economies of scale, partial restoration of industrial cooperation, and, possibly, the creation of a regional currency) and political goals (the creation of a new center of power). However, its main objective is not the restoration of the Soviet Union as a political entity but the construction of a more harmonious and modern economy and the strengthening of Russian positions in negotiations on terms for the country's integration into the global economy. It should be

noted that the success of this project is important for any geo-economic orientation of Russia, Western or Eastern. It should also be pointed out that Russia took the Ukrainian operation of the U.S. and the EU not only as a threat to its national security but also as an attack on this plan intended to strengthen Russia's positions in the global economy.

RENATIONALIZATION

In recent years, in view of a growing awareness of the impossibility to reach the declared goals of national economic development (re-industrialization, modernization, import substitution in key areas, and the placement of industries that are key to national security in the zone of national political sovereignty) in conditions of an open economy, the Russian leadership has set a goal of renationalization of political and economic elites. In the context of building a policy to strengthen the political sovereignty and economic independence of Russia, the situation where Russian officials and politicians owned Western assets, which made them vulnerable to political pressure, became intolerable. Moscow also came to understand that in conditions of an open economy, free investment and a free flow of capital, it cannot guarantee foreign and domestic investment in priority industries.

The principle of a free rational economic choice, which implies full freedom to use legal revenues, was politically limited. Government officials, leading politicians and the management of state corporations became the first targets of the new policy. They were urged not to place their personal assets abroad. One of the factors that played a major role in this campaign was sanctions announced by Western countries in connection with the Ukrainian crisis against some Russian businessmen that are close to the Russian president and their businesses. Government officials and state-run businesses realized that their assets placed in the West were no longer protected and could be frozen and even confiscated for political reasons.

The next step in the renationalization efforts was the “deoffshorization” of the Russian economy to return offshore assets under the national jurisdiction of Russia.

The third part of this campaign was proposals and moves to de-dollarize the national economy, finance and foreign trade and to significantly broaden the use of the ruble in foreign trade.

The above measures were followed up with efforts to stimulate the ruble crediting of the national economy and stop the illegal export of capital (the

Central Bank's policy). In the same context one should also consider the decision to establish a national payment system for internal and potentially international payments for private purchases in the conditions of politically motivated resistance from international payment systems. Simultaneously, the government is addressing the problem of transferring profits from payment transactions from foreign economies into the national one.

State-controlled companies may be asked to reorient their investment and purchasing policies towards domestic needs. One can also expect growing protectionism in areas that will be given priority for development.

The most important thing in the above measures is to find a good compromise between economic efficiency, to be ensured by an open economy, and national security interests, to be served by protectionist measures.

A WORLD WITHOUT THE WEST

AS AN ALTERNATIVE TO THE WESTERN WORLD

The 21st century is a time of a global redistribution of power in the world (in the economic, military and ideological areas), a return of states into world politics, and major changes in globalization processes. The non-Western world has already surpassed the Western world not only in population, territory and resources but also economically. The European project has lost its momentum and, it seems, is unable to exist without spreading to ever new territories. One should soon expect changes in the world political system, the international financial management system, and the system of distributing incomes from the world economy, when the non-Western world will either demand its share of power in the world system, or will create a system of its own as an alternative to the Western system.

Russia views the upcoming changes as a chance to break out of the subordinate development paradigm, in which it has been since the Soviet Union's break-up, and to return to the world stage as a co-manager of the new world order.

Russia has long been growing increasingly dissatisfied with the existing state of affairs – when its interests were ignored, whereas the West, on the contrary, did not set any restrictions for itself and aggressively promoted its geopolitical and economic interests. The main factors that were behind the rejection by Russia of the paradigm imposed on it included: the consistent NATO and EU enlargement to the East, the deployment of the

European missile defense subsystem, the aggression against Yugoslavia, the interventions in Iraq and Libya, the Syrian crisis, and the attempt to establish a Western protectorate over Ukraine. The growing differences affect not only national security interests but also issues of global economic management, the distribution of incomes from the world economy, as well as issues of ideology and values.

These differences became obvious in the late 2000s-early 2010s, which was manifested in the clash between Russia and the West in South Ossetia and Syria, in different approaches to ways to overcome the global economic crisis, in the information war against Russia on the eve of the Olympic Games in Sochi and, in a particularly acute form, in the Ukrainian crisis.

The prospect of a full-scale confrontation with the West, the introduction of sanctions against Russia, and the division of the UN General Assembly over Ukraine caused Russia to step up contacts with the “non-West,” which it had already begun to build within the framework of the BRICS association and the Shanghai Cooperation Organization, and bilateral ties with its partners in the Middle East and Latin America.

Partly under the influence of circumstances and partly of its own free will, Russia has become the first major country of the “non-West” to challenge the West. Specifically, it is counteracting Western policies on international matters of importance to Moscow, stimulating the creation of political institutions as alternatives to the West, and working to establish alternative payment, currency and investment institutions.

Russia is now much more proactive in its foreign policy than it is dictated by its economic status. At the same time, in the context of the general redistribution of power in the world, Russia is now preparing for itself the status of one of the leaders of the future non-Western world, thus seeking to compensate the relative weakness of its economy with determination and the demonstration of an ability for leadership.

The non-Western world is still very amorphous, and its future contours are blurred. It is united by a growing rejection of the world's status quo and the way power and wealth are distributed in it. If Russia succeeds in its efforts, the contours of the non-Western world will become clearer, although there is little hope that it will be free of minor or major problems. Yet its construction gives Russia a chance, whereas in the present world, the way it has been developing in the last 25 years, its chances are becoming more and more illusory.