

Russia's BRICs Diplomacy: Rising Outsider with Dreams of an Insider

Cynthia Roberts

Hunter College, CUNY

Russia has been the leading proponent of transforming the BRICs from an investment strategy into a recognized coalition of emerging powers bearing significant implications for international relations. Since the end of the Cold War, Moscow has tried to deny the realities of unipolarity while grudgingly adjusting to its constraints. Now that American primacy is waning, Russia, the perennial outsider, aims to become an insider and a rule maker in the international system. Despite questioning the existing order's durability and legitimacy, Russia and the other BRICs seek to be among its managing directors, not to overthrow it. Russia has simultaneously sought to renegotiate the terms of its accommodation to the Euro-Atlantic order, drawing on its preference for cooperation without domestic conditionality requirements. Moscow's BRICs diplomacy has been one of its most successful international initiatives, although the group's future existence will probably be determined by China, the real contender for polar power status. Polity (2010) 42, 38–73. doi:10.1057/pol.2009.18; published online 7 December 2009

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Cynthia Roberts is an associate professor at Hunter College, City University of New York and an adjunct senior associate of the Saltzman Institute of War and Peace Studies at Columbia. Her articles on Russia and international security issues have appeared in such journals as Comparative Politics, Survival, Europe-Asia Studies, The Washington Quarterly, and Technology Review and she is the author of Russia and the European Union: The Sources and Limits of "Special Relationships" (2007).

In June 2007, when Russian President Vladimir Putin criticized Western-dominated economic institutions as "archaic, nondemocratic and unwieldy" and called for the creation of a new global economic order with a larger role for regional economic institutions and the ruble as an alternative to the dollar and euro, his rhetoric was dismissed as mostly posturing. Putin had invited American business executives and the heads of the World Trade Organization (WTO) and European Trade Commission to the St. Petersburg economic forum to win support for Russia's long quest to join the WTO and other Western economic

organizations.¹ Two years later, amid the worst global economic crisis since the 1930s, which Moscow blamed on the U.S.,² Russia hosted the first summit of leaders of the BRICs, Brazil, Russia, India and China. These four diverse countries were first grouped together in 2001 by Goldman Sachs as rising economic giants on the basis of their large size and rapid growth. Being branded by this venerable New York investment bank as a future major force in the world economy was beyond even the imagination of Kremlin propagandists. But in a stroke of diplomatic ju-jitsu aimed at the West, they transformed a successful investment strategy into Russia's own novel international agenda.

In the lead-up to the BRIC summit and accelerating afterwards, Russia's partners took up the call for restructuring global economic relations and diversifying the world's reserve currencies from the dollar to spread risk. At every opportunity and drawing on international expertise, Russian officials pressed their case for systemic change. Foreign Minister Sergei Lavrov in a July 2008 article approvingly cited Henry Kissinger's recent assessment of the IMF as an "anachronism" as presently constituted.³ Before the international business elite at Davos, Putin lambasted American hubris and failures for causing "the perfect [economic] storm" and argued expansively that "a system based on cooperation between several major centers" and "several strong currencies . . ." "must replace the obsolete unipolar world concept."⁴ The BRICs participated as a quasi bloc in the first summit of leaders of the Group of 20 (G20) advanced and emerging economies in November 2008, convened to discuss the escalating economic crisis, and joined the revamped Financial Stability Board, once the exclusive province of the rich countries. By May 2009, as the annual leadership meeting of the Group of 8 (G8) advanced industrialized countries (the G7 plus Russia)⁵ was

1. Anna Smolchenko, "Putin Seeks New Economic Order," *New York Times*, June 13, 2007.

2. For one of many examples, see Putin's speech at the Davos Economic Forum, January 28, 2009 in *The Wall Street Journal*, January 28, 2009, at <http://online.wsj.com/article/SB123317069332125243.html>.

3. Henry A. Kissinger, "Globalization and Its Discontents," *International Herald Tribune*, May 29, 2008; Sergei Lavrov, "Russia and the World in the 21st Century," *Russia in Global Politics* 4 (July-August 2008).

4. *The Wall Street Journal*, January 28, 2009, at <http://online.wsj.com/article/SB123317069332125243.html>.

5. Russia is a member of the G8 but not G7 although it has participated in select G7 meetings of finance ministers and central bankers whose members have been reluctant to include Moscow in their core economic deliberations while economic powerhouses like China were still excluded. The Clinton administration pushed to include Russia in part of the program of the summits as a side-payment for accepting NATO enlargement and a stimulus for liberal reform. However, when it became clear that Russia would become a regular participant, Treasury Secretary Robert Rubin made it clear that the G7 would have to reconstitute itself to do its important financial business outside of the new G8 process. Cynthia A. Roberts, *Russia and the European Union: The Sources and Limits of "Special Relationships"* (Carlisle, PA: Strategic Studies Institute, 2007), 86, note 4. See also, Vladimir A. Orlov and Miriam Fugufugosh, "The G8 Strelna Summit and Russia's National Power," *The Washington Quarterly* 29 (Summer 2006): 35-48. Russia is also a full member of the OSCE and the Council of Europe, although its status in the latter was put in jeopardy in the 1990s as a result of the first Chechen war.

concluding in Italy with few achievements, the centrist Italian paper, *La Stampa*, summarized the prescient verdict of many commentators. The summit, they wrote, "offered at least one certainty: the G8 is dead and with it the world that it represented."⁶ The September meeting of the G20, newly anointed as the principal global economic body, then began what promises to be a wrenching process of adjusting the IMF, World Bank, and other global governance institutions to better reflect the emerging international balance of power. Pressured by the BRICs, the G20 chose to redistribute some decisionmaking power in the IMF to under-represented, non-Western emerging countries and to strengthen international oversight of sovereign economic policy (including America's).

In the middle of this watershed year, Russian president Dmitry Medvedev described the June 2009 inaugural BRIC summit as "an outstanding or even historic event" marking the emergence of a new format for addressing global problems, including the global financial crisis, whose resolution "very much depends on the decisions made by these four countries."⁷ Two days earlier, the Shanghai Cooperation Organization (SCO), a regional group dominated by Russia and China, underscored in its communiqué the growing significance of regions for resolving global issues, claiming that "[t]he trend towards true multipolarity is irreversible."⁸ Medvedev then extravagantly proclaimed Ekaterinburg, site of the back-to-back BRIC and SCO summits, as "the epicenter of world politics."⁹ Subsequently, the BRICs went on boldly to coordinate positions among their finance ministers, central bankers, and foreign ministers, and even granted a meeting prior to the G20 summit with the U.S. treasury secretary about Washington's request that BRIC governments provide new funds to the IMF.¹⁰

As they challenged the legitimacy of existing governance structures and issued their demands for adjustment, questions emerged about both the future role of the BRIC group and whether U.S. preponderance and the unipolar system could be sustained in the face of America's economic decline and crippling financial

6. Cesare Martinetti, "C'era Una Volta Il G8," *La Stampa*, July 10, 2009, 1.

7. The texts for the Ekaterinburg summit are available on the Russian presidential website <http://kremlin.ru/text/docs>. Not all documents are available on the English language versions of Russia's official government websites. Translations here are the author's unless otherwise noted.

8. Ekaterinburg Declaration of the Heads of the Member States of the Shanghai Cooperation Organization, June 16, 2009, at <http://kremlin.ru/text/docs/2009/06/217868.shtml>.

9. President Dmitri Medvedev, "Opening Address at a Restricted Meeting of Heads of Government of the BRIC Group," June 16, 2009, Ekaterinburg, at <http://news.kremlin.ru/transcripts/4474>. After noting that the four BRICs have a significant weight in the global economy, Medvedev explained that the group's "success in implementing new economic programs and reforming international financial relations will depend on the extent to which we understand each other's positions and perhaps develop joint proposals. I hope that our meeting today will be a starting point for future negotiations and the intensive development of this new format, the BRIC format."

10. "Geithner to attend BRIC fin min meeting-Russia," *Reuters*, September 3, 2009 <http://in.reuters.com/article/idINLAG00372320090903>.

and economic crises. Does the rise of non-Western powers with growing regional orbits and the unexpected emergence of BRIC diplomacy presage a new post-American era in international relations whose arrival is being hastened by Washington's reckless economic stewardship? Are the BRICs sufficiently strong and united to challenge U.S. hegemony and do they aim to overturn the Western order? Or as the BRIC group's originator, outlier, and most dissatisfied trouble-maker, is Russia out of step with other emerging powers whose large stakes in engagement with the United States encourage evolutionary change and behavior more fitting of "responsible stakeholders?"¹¹

Many observers trace the economic crisis, challenges to the domination of the dollar as the international reserve, and calls to redistribute power in global economic institutions to the waning of American primacy.¹² This article examines why Russia has been the leading proponent of transforming the BRICs from just another investment strategy into a recognized international coalition bearing significant implications for international relations. It argues that Russia's political move is not intended as a vehicle to balance American power. Nor is Moscow's BRICs agenda a revolutionary gamble to overthrow the Western order, notwithstanding the Kremlin's frequent bellicose rhetoric, a teapot war against Georgia, and concerted if unsuccessful efforts to build an autonomous regional sphere of influence. As theorists of unipolarity would predict, Russia has adjusted, however fitfully, to the constraints of America's overwhelming power for almost twenty years. Indeed, Russia has been preoccupied during this period with integrating itself into the Western order, but on its own terms. As unipolarity also predicts, the American hegemon, as the gatekeeper, was the rule-maker of the international order, while Russia was relegated to the position of rule-taker. Further, the United States promoted self-interested double-standards which were condemned by Russia without effect until recently.

Like those of the other BRICs, Russian leaders retain a healthy respect for American power but they also see unipolarity as doomed by the rise of other power centers and the relative decline of the United States and its Western allies. Systemic changes have been amplified, in the Russian perspective, by America's economic incompetence, aggressive ideological agenda to transform other states and the international system, and temptation to resort to preventive war, behavior also consistent with realist expectations for a unipole.¹³ The waning of unipolarity

11. Robert B. Zoellick, Statement on Conclusion of the Second U.S.-China Senior Dialogue. U.S. Department of State Press Release, December 8, 2005.

12. See, for example, Christopher Layne, "The Waning of U.S. Hegemony: Myth or Reality?" *International Security* 34 (Summer 2009): 147-72; and Jonathan Kirshner, "Dollar Primacy and American Power: What's at Stake?" *Review of International Political Economy* 15 (August 2008): 418-38.

13. Robert Jervis, "Unipolarity: A Structural Perspective," *World Politics* 61 (January 2009): 188-213, at 198; Robert Jervis, *American Foreign Policy in a New Era* (New York: Routledge, 2005); and Stephen M. Walt, *Taming American Power: The Global Response to U.S. Primacy* (New York: W.W. Norton, 2006).

has enabled the BRICs to challenge the legitimacy of the existing power system and press not for revolution but for greater decisionmaking power in global institutions. Drawing on its strong economic recovery over the last decade, Russia has sought to renegotiate the terms of its accommodation to the Western order. The U.S. and Europe offered limited partnerships and status enhancements, not integration and full membership, at least not in the top Euro-Atlantic clubs. With the backing of the BRICs as a power multiplier, Russia, the perennial outsider, is now poised to become an insider with standing, but still not in the Euro-Atlantic institutions. Yet as Russia rides the wave of emerging powers back onto the world's center stage, the advent of a multipolar world brings with it new and enormous challenges, especially in its relations with fellow BRICs partner China, fast becoming a rival pole to the U.S. After examining the case for Russia's economic power foundations as a BRIC, this article considers each of these issues in turn.

The Promise of the BRICs for Russia: "It's the Economy, Stupid!"

Russia's ambitious "multi-vector" international agenda requires real economic power. But in the conventional wisdom, Russia is the outlier in the BRICs story, a BRIC made with straw, too weak to count as an emerging power or would-be balancer.¹⁴ Another view, broadly shared by Goldman Sachs and many professional Russian economists, depicts Russia as a normal, middle-income power, meaning a very flawed market democracy, frequently set back by dysfunctional policies and corrupt politics, but still able to grow economically and improve its position like other "normal" (middle-income) countries, such as Brazil and Mexico.¹⁵

14. For an early example, see Sherman W. Garnett, "Russia's Illusory Ambitions," *Foreign Affairs* 76 (Mar/Apr 1997). See also S. Neil MacFarlane, "The 'R' in BRICs: Is Russia an Emerging Power?" *International Affairs* 82 (January 2006): 41–57 and Ian Bremmer, "Taking a Brick out of BRIC," *Fortune*, February 20, 2006. Some Russian economists are skeptical but not entirely dismissive of Russia's prospects, as for example, Ksenia Yudaeva, "Lidery budushchego: Obol'shchenie 2050 godom," *Vedomosti*, June 29, 2005. See also accounts of Russian views analyzed in an economic and political context in Julian Cooper, "Russia as a BRIC: Only a Dream?" European Research Working Paper Series Number 13 (Birmingham: European Research Institute, July 2006). A defense of Russia's BRICs status is found in Courtney Weaver "Russia Still Has a Place In BRIC," *The St. Petersburg Times*, June 16, 2009. See also Andrew S. Weiss, "BRIC-à-Brac," foreignpolicy.com, June 2009.

15. Andrei Shleifer, *A Normal Country: Russia After Communism* (Cambridge: Harvard University Press, 2005); Andrei Shleifer and Daniel Treisman, "A Normal Country: Russia after Communism," *Journal of Economic Perspectives* 19 (2005): 151–74; and Andrei Shleifer and Daniel Treisman, "A Normal Country," *Foreign Affairs* 83 (March/April 2004): 20–29. For an important rebuttal, see Stephen Rosefield, "Russia: an Abnormal Country," *The European Journal of Comparative Economics* 2 (2005): 3–16.

The idea of Russia as “normal,” while common in European elite circles, runs counter to mainstream American perspectives, colored in part by Russia’s failed democratic transformation after the Cold War.¹⁶ Following the 1998–1999 financial crisis, American congressmen described Russia as “a looted and bankrupt zone of nuclearized anarchy” and “the world’s most virulent kleptocracy.”¹⁷ While less colorful, Vice President Joe Biden similarly characterized Russia’s economy as “withering,” and the government as caught “clinging to something in the past that is not sustainable.” By comparison, President Barack Obama tempered his assessment, conceding that Prime Minister Putin has only one foot still stuck “in the old ways of doing business.”¹⁸

What such assessments fail to capture is that for the first time in modern Russian and Soviet history, Russians are more obsessed about economic growth than rising military power. Moscow’s focus on economic modernization and globalization to overcome economic backwardness predates the BRICs and helps explain why a Goldman Sachs marketing strategy captured the imagination of the Kremlin and developed into BRICs mania. Although Russia’s successes have less shine relative to the Chinese giant and other fast growers such as India and other former Soviet republics,¹⁹ the cumulative results are still significant.

After Russia’s recovery began in 1999, economic growth soared, increasing by an annual average rate of 7.0 percent in real terms between 1999 and 2008. Taking into account the sharp real appreciation of the ruble, Russian GDP expanded before the economic crisis by an astonishing average of 27 percent per year, from \$196 billion in 1999 to an estimated \$1.8 trillion in 2008. The International Monetary Fund (IMF) forecast for 2008 ranked Russia as the eighth largest economy in the world, measured by GDP in current dollars, just before Spain and after Italy. Measured in purchasing power parities (PPP), in 2008 Russia was already the sixth largest economy in the world, after Germany but ahead of the U.K. and France.²⁰

16. Some notable scholarship embraces the need for comparative analysis but disagrees on how to code Russia. For example, M. Steven Fish, *Democracy Derailed in Russia* (New York: Cambridge University Press, 2005); and Michael McFaul, *Russia’s Unfinished Revolution* (Ithaca, NY: Cornell University Press, 2002).

17. Schleifer and Treisman, “A Normal Country,” *Foreign Affairs*.

18. Peter Spiegel, “Biden Says Weakened Russia Will Bend to U.S.,” *The Wall Street Journal*, July 25, 2009, A1. “Obama: Putin is Keeping ‘One Foot in the Old Ways,’” *AP guardian.co.uk*, July 2, 2009.

19. Michael McFaul and Kathryn Stoner-Weiss, “The Myth of the Authoritarian Model,” *Foreign Affairs* 87 (January/February 2008): 68–84.

20. International Monetary Fund (IMF), *IMF World Economic Outlook (WEO) Database* (Washington, DC, International Monetary Fund, April 2008); Directorate-General for Economic and Financial Affairs, European Commission, “The Impact of the Global Crisis on Neighbouring Countries of the EU,” Occasional Papers no. 40 (Brussels, European Commission, June 2009), 122–24.

Unquestionably, energy prices are a significant factor in Russia's economic performance, contributing about 25–30 percent of GDP and three-fifths of aggregate export earnings in 2007, making Russian GDP sensitive to the international price of oil. The soaring price of oil before the recession correlated with a rising current account surplus and a massive consumption boom, with disposable incomes and retail trade growing twice as fast as GDP. Russia shifted from a large debtor country that initially collected less than 9 percent of the revenues of its depressed output to amassing almost \$540 billion in May 2008, making Russia the world's third largest holder of hard currency reserves. Russia's foreign trade also increased more than five-fold and stock market capitalization saw a 22-fold increase compared to 1999, rising to \$1.330 trillion by the end of 2007.²¹ Russia differs from the typical petrostate in that the oil and gas sector employs less than 2 percent of the workforce and remains autonomous from much economic activity.²² But dependence on energy revenues encourages both authoritarian rule and rent seeking, although the Kremlin fears more the prospect that Russia will lag behind the leading economies as a raw material appendage to the world.²³

Among the BRICs, Russia has by far the highest GDP per capita both in dollar terms and in PPP terms. In 2008, its GDP per capita in current U.S. dollars was \$12,000 and measured some \$16,000 in PPP, one-third that of the fifteen old members of the European Union. Russia's GDP per capita in current U.S. dollars is still four times larger than China's. Goldman Sachs forecasts that Russia will be the only BRIC country to approach the per capita income levels of developed European countries by 2050.²⁴ However, the high GDP per capita numbers are partly explained by the fact that Russia is the only one of the BRIC countries experiencing population decline—by about 1 million per year—owing to emigration, low fertility rates, and a high male mortality rate. Underscoring President Medvedev's observation that the demographic situation is “drastic,” the United Nations predicts that by 2050 Russia's population will shrink to 116 million.²⁵

21. For a useful analysis of Russia's economic achievements and urgent need for further structural reforms, see Anders Aslund, *Russia's Capitalist Revolution* (Washington, DC: Petersen Institute for International Economics, 2007).

22. Philip Hanson, “How Sustainable is Russia's Energy Power?” *Russian Analytical Digest* 38 (2008): 8. See also Jonathan P. Stern, *The Future of Russian Gas and Gazprom* (New York: Oxford University Press, 2005).

23. Fish, *Democracy Derailed*; V. Putin, Speech to an Expanded Meeting of the State Council on Russia's Development Strategy through 2020. Moscow, February 8, 2008. http://www.kremlin.ru/eng/text/speeches/2008/02/08/1137_type82912type82913_159643.shtm.

24. Dominic Wilson and Roopa Purushothaman, “Dreaming with the BRICs: The Path to 2050,” *Global Economic Papers*, no. 99, October 2003.

25. World Development Indicators; ITAR-TASS, 8 April 2007; *Moskovskii Komsomolets* Online, May 20, 2009. See also Special Report: *Diverging Demographic Prospects for BRIC Consumer Market*,

Partly as a result of the demographic crisis, Goldman Sachs also predicts that Russia's growth rate will taper off. In a presentation to the 2008 Petersburg Economic Forum that dismayed his hosts, Jim O'Neill, the Goldman Sachs economist who coined the BRIC acronym in 2001, conservatively predicted Russia would grow an overall average of 3.3 percent from 2010 to 2015 and 2.9 percent per year to 2020. Even before the recession, Goldman's numbers were half the level then used in Russian government forecasts. Partly because of their contrasting demographic profiles, Goldman forecasts that India's economy will surpass Russia's by 2020, while China will become the world's second-biggest economy.²⁶

Even by Goldman's conservative estimate, Russia's nominal GDP would still double to \$3 trillion by 2020, making it the world's eighth largest. The Russian government's pre-crisis official plan, "Russia 2020," aims to propel the country to fifth place in the world economic rankings, after the U.S., China, India, and Japan, with GDP increasing on average 6.5 percent per year to 2020. As the economy focused on innovation and high technology, Russia would boast a middle class that expanded from 22 percent of the population in 2007 to 60 percent.²⁷

Sustainable economic growth, however, requires increased innovation in the energy sector, diversification of the economy, and structural reforms to develop an accountable and effective state.²⁸ Emulation is also an important missing factor in Moscow's development priorities,²⁹ perhaps blocked by pride, resistance to foreign penetration, and excessive state intervention in "strategic industries." Russia gets poor marks for competitiveness and the ease of doing business in global studies, ranking 120th in the World Bank's annual "Ease of Doing Business" report. As the only BRIC to decline in performance in the World Economic Forum "Global Competitiveness Report," Russia fell to 63rd out of 124 countries. Its major weaknesses, according to the report, are "a perceived lack of government efficiency . . . , little judicial independence in meting out justice . . . , [and] a lack of property rights" (see Table 1).

Euromonitor International, July 29, 2009. http://www.euromonitor.com/Special_Report_Diverging_demographic_prospects_for_BRIC_consumer_markets.

26. Jim O'Neill, "Russia and the World in 2020," Goldman Sachs, June 2008, mimeograph; Guy Faulconbridge, "Goldman Sachs' O'Neill Warns Russian Growth could Slow," *Reuters*, June 8, 2008; and Alison Smale, "Money Talks at Russian Forum as Business Leaders See Past Hurdles to Investing," *New York Times*, June 9, 2008.

27. Ministry of Economic Development and Trade, "Kontsepsiia dolgosrochnovo sotsial'no-ekonomicheskovo razvitiia Rossiiskoi Federatsii do 2020 goda" ["The Concept of Long-Term Socioeconomic Development of the Russian Federation to 2020"], Moscow, October 15, 2008, at <http://www.economy.gov.ru/wps/wcm/connect/economylib/mert/welcome/pressservice/news/doc1224245909936>; and Putin, "Speech on Russia's Development Strategy through 2020."

28. Worldwide Governance Indicators, 1996–2008, Country Data Report for Russia, 1996–2008, World Bank Institute, 2009.

29. Pekka Sutela, Focus/Opinion, *Expert View*, 1 (February 27, 2008).

Table 1
Russia and the BRICs: Key indicators

	Russia	Brazil	India	China
Population in 2005¹	143,151	186,405	1,304,500	1,094,483
Forecasted Population, 2025 ¹	129,230	227,930	1,441,426	1,395,496
Forecasted Population, 2050 ¹	111,752	253,105	1,392,307	1,592,704
The World Bank (2007 data, released in 2009)²				
Population, total (millions)	142.1	191.6	1,124.79	1,318.31
Population growth, (annual %)	-0.3	1.2	1.3	0.6
GNI, PPP (current international \$) (billions)	2,036.47	1,775.64	3,082.54	7,150.54
GNI per capita, PPP (current international \$)	14,330.00	9,270.00	2,740.00	5,420.00
Life expectancy at birth, total (years)	68	72	65	73
GDP (current US\$) (billions)	1,290.08	1,313.36	1,176.89	3,205.51
GDP growth (annual %)	8.1	5.4	9.1	13
Exports of goods and services (% of GDP)	30	14	21	42
Imports of goods and services (% of GDP)	22	12	24	32
Time required to start a business (days)	29	152	33	35
Market capitalization of listed companies (% of GDP)	116.5	104.3	154.6	194.2
Military expenditure (% of GDP)	3.6	1.6	2.5	2
Defense Expenditure in 2007 (US\$ m)³	32,215	20,559	26,513	46,174
Defense Expenditure in 2007 (% of GDP)³	1.54/3.90	1.56	2.32	1.42
World Governance Indicators (higher percentile indicates better score—2008 data, released in 2009)⁴				
Voice and Accountability	21.6	61.1	58.7	5.8
Political Stability	23.9	38.3	16.7	33.5
Government Effectiveness	45	54.5	53.6	63.5
Regulatory Quality	31.4	58	46.9	56.5
Rule of Law	19.6	46.4	56.5	56
Control of Corruption	5.5	58.5	44.4	41.1

Russian leaders regularly rail against the scourge of corruption, but much of the blame rests with them. In presenting Russia's 2020 development strategy, Putin noted that the state system is "weighed down by bureaucracy and corruption and lacks the motivation for positive change, much less dynamic development." Medvedev went even further in an open letter on the country's strategic challenges published in September 2009, criticizing his country for a humiliating dependence on natural resources, a "half-Soviet" social sphere, and instability in the Caucasus, but offering no specific policy reforms.³⁰ Yet the "legal nihilism" condemned by President Medvedev is reflected in the Kremlin's foreign expropriations, the banning of foreign investment in about forty-two strategic sectors, and Putin's creation of state-owned "national champions," corporations

30. Vladimir Putin, "Speech on Russia's Development Strategy through 2020," and Dmitrii Medvedev, "Rossiia, vpered!" *gazeta.ru*, September 10, 2009, http://www.gazeta.ru/comments/2009/09/10_a_3258568.shtml.

Table 1
(Continued)

	Russia	Brazil	India	China
The World Bank – “Ease of Doing Business 2009”⁵				
Ranking (out of 183)	120 th	129 th	133 rd	89 th
2008 Corruption Perceptions Index (on a scale of 1 (most corrupt) – 10 (least corrupt))⁶				
CPI	1.9-2.5	3.2-4.0	3.2-3.6	3.1-4.3
Ranking – out of 180 (least to most corrupt)	147 th	80 th	85 th	72 nd
2009 Index Economic Freedom (higher indices equal less economic freedom)⁷				
IEF Percentage (out of 100%)	50.8	56.7	54.4	53.2
IEF Ranking (out of 179)	146 th	105 th	123 rd	132 nd
2008 World Economic Forum: Regulatory Unpredictability⁸				
Ranking (out of 117)	75 th	65 th	50 th	48 th
World Economic Forum – “Global Competitive Index 2009”⁹				
Ranking (out of 133)	63 rd	56 th	49 th	29 th
Economist Intelligence Unit – “Business Environment Rankings 2009”¹⁰				
Ranking (out of 82)	58 th	40 th	62 nd	57 th

Sources

1. World Development Indicators; Julian Cooper, “Russia as a BRIC: Only a Dream?” July 2006.
2. The World Bank, “Key Development and Statistics,” August 2009.
3. International Institute for Strategic Studies, *The Military Balance 2009* (London: IISS, 2009), 449, 213.
4. The World Bank, “World Governance Indicators,” August 2009.
5. The World Bank, “Ease of Doing Business,” June 2009.
6. Transparency International, “Corruption Perceptions Index 2008,” 22 September 2008.
7. The Heritage Foundation, “2009 Index of Economic Freedom,” 2009.
8. World Economic Forum, “Regulatory Unpredictability,” January 2008.
9. The World Economic Forum, “The Global Competitiveness Report,” 8 September 2009.
10. The Economist Intelligence Unit, “Business Environment Rankings 2009,” May 2009.

like Gazprom. These do the bidding of the state internationally yet encourage the siphoning off of revenues, worsening corruption, and low productivity at home.³¹ Thus, despite becoming one of the top ten economies and growing richer, Russia ranks 147 out of 180 countries on Transparency International’s corruption index for 2008 (see table). According to Standard & Poor’s, “Russia’s commitment to productivity-enhancing structural reforms . . . has been at best, erratic”³² Labor productivity in Russia is only one-quarter of the U.S. level and high-tech industrial exports are a meager 2–3 percent of total exports, equivalent to one-tenth of the high-tech exports of Mexico and one-eighteenth of South Korea.³³

Encouragingly, some Kremlin staffers question the “national champions” policy and the captains of Russian business (including the leaders of state-owned

31. Boris Nemtsov and Vladimir Milov, *Putin and Gazprom: An Independent Expert Report* (Moscow: Novaya gazeta, 2008) pp 9–11; Vladislav Inozemtsev, “The Productivity Trap,” *Moscow Times*, June 2, 2009; and Ben Aris, 2020 Vision, http://businessneweurope.eu/story1621/2020_Vision.

32. *BRIC by Name, BRIC By Nature?* Ratings Direct, Standard & Poor’s, February 4, 2009.

33. Inozemtsev, “The Productivity Trap;” Ivanov speaking to *Deloiva Rossia*, Interfax, March 18, 2008; and Julian Cooper, “Of BRICs and Brains: Comparing Russia with China, India and Other Populous Emerging Economies,” *Eurasia Geography and Economics* 47 (2006): 255–84.

companies) are also concerned about corruption, an ineffective judiciary, and the weak rule of law. They see the “main challenge for Russia” as dealing with corrupt and inefficient bureaucracy and political meddling in the economy.³⁴ Similarly, increasing peer learning and cooperation among the BRICs could catalyze greater emulation and a new openness to mechanisms that may help increase productivity.³⁵ The core problem, however, is that Russia's rulers are determined to maintain their hold on power and control over property rights while attempting to foster dynamic capitalist development. In truth, the Kremlin appears trapped between the “need for economic growth” and the “need for political control”³⁶ and can only square the circle when oil prices are high.

Given such weaknesses, it was not surprising in the global economic downturn that Russia experienced the sort of boom-to-bust cycle characteristic of an economy dependent on natural resources, with an expected decline in GDP of about 5–7 percent in real terms, inflation remaining in double-digit levels, and the budget swinging sharply from a sizable surplus to a large deficit.³⁷ President Medvedev initially insisted that Russia was not “caught in this whirlpool and has the opportunity to escape it.” But according to the managing director of Goldman Sachs in Moscow, “They made the mistake of confusing high oil prices with the genius of their economic management.”³⁸ Russian authorities were “of the mindset that they had more money than God,” and spent almost 10 percent of GDP on questionable stimulus measures despite the paucity of “shovel-ready” projects and the likelihood that even the shovels would be stolen.³⁹

From Default to U.S. Creditor

Despite persistent bad governance, Russia's ability to learn from some of its past mistakes helped avert a worse disaster in the global economic crisis. Moscow's conservative financial policy created some important advantages

34. “Kremlin Aide Warns of State Control,” *The Moscow Times*, October 4, 2007; “Raising Doubts about State Capitalism,” *The Moscow Times*, October 10, 2009; and Sergey Guriev and Igor Fedyukin, *Challenges 2020: The View From Russian Business*, New Economic School Report (2008), http://www.nes.ru/files/Challenges_2020_eng.pdf.

35. For a report on the BRIC International Competition Conference in Kazan, September 2009, see *Rossiiskaia gazeta*, September 10, 2009.

36. Robert Cottrell, “Putin's Trap,” *New York Review of Books* 50, December 4, 2003; William Tompson, “Putin and the ‘Oligarchs’: A Two-Sided Commitment Problem,” OECD April 2004.

37. European Commission, “The Impact of the Global Crisis”; and Martin Gilman, “Building a Post-Crisis Economic Paradigm,” *The Moscow Times*, September 9, 2009.

38. Rory MacFarquhar as cited in Yuri Mamchur, “Russia's economic crisis could have been avoided,” *The Seattle Times*, December 30, 2008. For a critique of the illusory assumptions underpinning Russian planning, see Andrei Ryabov, “Krizis natsional'noi modeli,” *gazeta.ru*, July 22, 2009, <http://www.gazeta.ru/column/ryabov/3225668.shtml>.

39. Andrew E. Kramer, “Political Aide Says Kremlin May Need to Ease Control,” *New York Times*, February 9, 2009; author's interviews, Moscow, June 2009.

compared to other emerging markets. Convinced that the Soviet collapse and the 1998 financial crisis caused Russia to suffer a loss of its autonomy, Putin determined that the state should never again become dependent on loans from Western banks and governments and needed ample financial reserves to withstand future crises. Over two terms as president, Putin's finance ministry advocated the policy of taxing and saving oil revenues—imposing a tax rate of over 90 percent on oil export earnings—which expanded the government's ability to counter negative external shocks without printing money, borrowing, or dramatically cutting spending. Russia has not only become a leading financier of the U.S. current account deficit, but, in a remarkable turnaround in its fortunes, just eleven years after Moscow defaulted on \$40 billion of sovereign debt payments, investors want less to insure Russia's debt than California's.⁴⁰

Outdistanced by China: Russia as a BRIC but not a Pole

Despite Russia's status as an important creditor, in most indicators except per capita GDP it remains in the shadow of its most important BRIC partner and southern neighbor. China not only has the world's largest foreign currency holdings, over \$2 trillion (more than five times larger than Russia's estimated \$400 billion), but its economy is expected to overtake Japan in 2010 and the United States by 2027. The stark contrast with China is also revealed in how quickly the Chinese economy recovered from a steep fall in the fourth quarter of 2008 to relatively strong growth, while the Russia economy continued to contract an annual 10.9 percent into the second quarter of 2009.⁴¹ Still highly centralized, China's stronger institutions and bureaucracy implement policy guidance more efficiently, allowing leaders to ramp up infrastructure spending to support the

40. Although before 2008 the Russian government accumulated a substantial financial surplus and repaid debt, it should be noted that the corporate and banking sectors borrowed heavily in foreign markets, increasing their dependence on external capital, a vulnerability worsened by the depreciation of the ruble. Clifford G. Gaddy and Barry W. Ickes, "Putin's Third Way," *The National Interest* (January 2009); IMF, "Statement by the IMF Mission to the Russian Federation," Press Release No. 09/193, June 1, 2009, <http://www.imf.org/external/np/sec/pr/2009/pr09193.htm>; Yegor Gaidar, *Gibel' Imperii. Uroki dlgya Sovremennoi Rossii* (Moscow: ROSSPEN, 2007); Andrew E. Kramer, "Rise in Oil Prices Eases Push for Reform in Russia," *New York Times*, June 4, 2009; and Laura Cochrane, "Russia Beats California as Default Swaps Favor BRICs," bloomberg.com, August 7, 2009.

41. Another reason why Russia contracted the most among the BRIC countries was that the Russian economy was overheating before the crisis and the central bank tightened monetary policy while other countries could afford to start monetary easing to cushion the adjustment from the external shock. For useful overviews and comparisons, see Rudiger Ahrend and William Tompson, "Fifteen Years of Economic Reforms in Russia: What Has Been Achieved? What Remains to Be Done?" *OECD Economics Department Working Papers*, no. 430 (2005); Aslund, *Russia's Capitalist Revolution*; Cooper, "Of BRICs and Brains"; and Gary H. Jefferson, "How Has China's Economic Emergence Contributed to the Field of Economics?" *Comparative Economic Studies* 50 (2008): 167–209.

economy and ensure the banks inject fresh capital instead of hoarding it. By comparison, Russia is still without strong institutions and its policymakers are uncertain and less able to implement policies, including fiscal stimulus. Market mechanisms are also weaker in Russia, partly because the concentration of wealth has meant reduced external discipline from international integration. Russia's comparative advantage remains as a major energy supplier; despite aspirations to diversify into high technology, foreign and domestic incentives and capital are insufficient.⁴² With its economy based on manufacturing, China has benefited from increasing competitiveness and openness to the world economy after permitting FDI and entry into the WTO. China is linked in technology chains and participates in full product cycles while Russia's economic integration in the global economy is thin.⁴³

Paradoxically, Russia's preoccupation with the status of being a great power,⁴⁴ in addition to shortcomings such as unbridled greed, rent-seeking and population decline, probably put this aspiration out of reach. Even in the most optimistic projections, and assuming more efficient policymaking, Russia cannot match the two emerging poles in the international system—the U.S. and China, with a united Europe as a possible third pole.⁴⁵ Thus Moscow may escape the constraints of unipolarity only to find that its hedge against China is no longer adequate. When the star BRIC performer no longer needs the BRICs to shield its emergence as a new superpower, the BRICs grouping may lose one of its principle *raison d'être*.⁴⁶ As China becomes a polar power, Russia may be progressively displaced to the periphery of international decisionmaking.⁴⁷

Unipolarity, Balance of Power, Hedging

Given that Russia cannot expect to stake a claim as a pole in an emerging multipolar world, understanding how Russia has adapted to American hegemony since the Soviet collapse provides useful insights into Moscow's

42. Rudiger Ahrend, "Can Russia Break the 'Resource Curse'?" *Eurasian Geography and Economics* 46 (2005): 584–609.

43. Harley Balzer, "Eager Dragon, Wary Bear," *International Herald Tribune*, September 24, 2007.

44. Deborah Welch Larson and Alexei Shevchenko, "Status, Power, and World Order: Russia and China," Paper presented at the 2009 annual meeting of the International Studies Association, New York, NY, February 18–19, 2009.

45. For an informed discussion that characterizes as "illusory" the hopes of the Russian elite that Russia will emerge as an "independent pole of strength in the multipolar world," see Andrei Riabov, "Krizis natsional'noi modeli," *gazeta.ru*, July 22, 2009.

46. See Michael Glosny, "China and the BRICs," *Polity* 42 (January 2010): 100–29.

47. Bobo Lo, *Axis of Convenience: Moscow, Beijing and the New Geopolitics* (Washington, DC: Brookings Institution Press, 2008), 7.

probable responses to a multipolar world where it remains a second-tier regional power. The demise of the Soviet Union and resulting U.S. dominance of the unipolar world led many international relations specialists to predict a rapid return to balance of power dynamics and a short half-life for America's "unipolar moment."⁴⁸ However, a world so far "out of balance"⁴⁹ discourages attempts to counter the unipole by such means as forming traditional alliances and even blocking maneuvers involving a variety of mechanisms referred to as "soft balancing" or "asymmetrical balancing."⁵⁰ Stability flows from actors adjusting to the incentives to accommodate the unipole and the dangers of opposition. Only the unipole is free from constraints, even to act capriciously.⁵¹

That a leading scholar of alliances and neorealism finds "no attempts to form a formal alliance" and only "tentative and half-hearted" efforts to contain the U.S. after the end of the Cold War is not surprising given the unipole's huge power advantage and historical patterns that show balancing processes rarely succeed against preeminent powers.⁵² Balancing is costly and requires significant collective mobilization both internally and within interstate coalitions, which tend to struggle with mutual suspicions, conflicting interests, and distributional concerns.⁵³ Such factors apply to the BRICs writ large, which beyond the strong structural disincentives to ally against the West also have powerful economic motivations to maintain good relations with the hegemon. Unlike most coalitions, the BRICs group does not trace its origins to security concerns—three of the four rely on nuclear deterrence for their core security requirement. It was designed as a framework for dialog where interests converge, not as a confrontational, anti-Western coalition. Further impeding collective action, the BRICs are a diverse lot

48. Charles Krauthammer, "The Unipolar Moment," *Foreign Affairs—America and the World*, 1990, special issue 70 (1990/91): 25–33. On balancing, see Kenneth Waltz, "Structural Realism after the Cold War," *International Security* 25 (Summer 2000): 5–41; Layne, "The Waning of U.S. Hegemony," and Christopher Layne, "The Unipolar Illusion Revisited: The Coming End of the United States' Unipolar Moment," *International Security* 31 (Fall 2006): 7–41.

49. On the general absence of counterbalancing in unipolarity, see Stephen G. Brooks and William C. Wohlforth, *World Out of Balance: International Relations and the Challenge of U.S. Primacy* (Princeton, NJ: Princeton University Press, 2008), especially chaps. 2 and 3.

50. An assessment of the extensive debate on soft balancing is beyond the scope of this article. See especially T.V. Paul, James J. Wirtz, and Michael Fortmann, eds., *Balance of Power: Theory and Practice in the 21st Century* (Stanford: Stanford University Press, 2004); Randall Schweller, *Unanswered Threats: Political Constraints on the Balance of Power* (Princeton: Princeton University Press, 2006); Robert A. Pape, "Soft Balancing Against the United States," *International Security* 30 (Summer 2005): 7–45; Kier A. Lieber and Gerard Alexander, "Waiting for Balancing: Why the World Is Not Pushing Back," *International Security* 30 (Summer 2005): 109–39.

51. See Jervis, "Unipolarity: A Structural Perspective," and William C. Wohlforth, "The Stability of a Unipolar World," *International Security* 24 (Summer 1999): 5–41.

52. Stephen M. Walt, "Alliances in a Unipolar World," *World Politics* 61 (January 2009): 86–120; Wohlforth, "The Stability of a Unipolar World"; and Daniel H. Nexon, "The Balance of Power in the Balance," *World Politics* 61 (April 2009): 330–59.

53. Nexon, "The Balance of Power in the Balance."

whose members have different political and economic systems and geographical positions and must struggle to contain internal frictions from persistent Sino-Russian and Sino-Indian rivalry. The four, which divide into commodity exporters and importers, have also been enmeshed in trade disputes over market access and protection of agriculture.

The interplay of structural and domestic factors left Russia too weak to balance the United States in the 1990s, leading it instead to seek partnership. However, with Russia's economic resurgence, many observers have detected an imperialist impulse or a geopolitical motivation to challenge American power. They disagreed as to whether Russia would escape its historical pattern of economic backwardness and autocracy.⁵⁴ In 2008 the U.S. National Intelligence Council's (NIC) *Global Trends 2025* report noted that "[i]n terms of size, speed, and directional flow, the transfer of global wealth and economic power now under way—roughly from West to East—is without precedent in modern history." Significantly, the report underscored that this shift in global power "is strengthening states like Russia that want to challenge the Western order." Russia "has the potential to be richer, more powerful, and more self-assured in 2025." Singling out three of the BRICs (the RICs), it concluded that "No other countries are projected to rise to the level of China, India, or Russia, and none is likely to match their individual global clout."⁵⁵

Searching for Russian Balancing in Unipolarity: The Dog That Didn't Bark

From his first manifesto, published on the eve of his accession to power, Putin zeroed in on Russia's urgent need for renewal to ensure its prosperity and competitiveness in the twenty-first century. Unlike Stalin, who argued that Russia must make up a lag of fifty or hundred years behind the advanced countries in ten years "or they crush us," Putin identified no pressing military threat at the end of the Cold War.⁵⁶ "In today's world," Putin insisted, "the might of a great power is measured more by its ability to be a leader in creating and using advanced

54. Zbigniew Brzezinski, "The Premature Partnership," *Foreign Affairs* 73 (March-April 1994): 67–82; Rajan Menon and Alexander Motyl, "The Myth of Russian Resurgence," *The American Interest* 2 (March-April 2007): 96–101; Ariel Cohen, *Russian Imperialism: Development and Crisis* (Westport: CT: Greenwood Press, 1996); Janusz Bugajski, *Cold Peace: Russia's New Imperialism* (Westport: Praeger, 2004); and Edward Lucas, *The New Cold War: The Future of Russia and the Threat to the West* (New York: Palgrave Macmillan, 2008).

55. *Global Trends 2025: A Transformed World* (Washington, DC: U.S. Government Printing Office, 2008), iv–vii.

56. In Russian polls conducted in 2009, 37 percent of respondents perceived the existence of external threats to Russia. In 2003 the corresponding number stood at 57 percent. Viktor Khamrayev, "52 percent of Respondents Perceive No Military Threat to Russia," *Kommersant*, February 24, 2009.

technologies, ensuring a high level of popular well-being, reliably protecting its security and upholding its national interests in the international arena, than in its military strength.”⁵⁷

The Kremlin’s often chaotic adjustment to the pressures of globalization, unipolarity, and regional instabilities, particularly violent separatist movements in Chechnya, has been tortuous, but Russia has yet to abandon its strategy of global engagement and adopt militant nationalism, autarky or confrontation. A feint at balancing was championed by Yeltsin’s foreign then prime minister (1996–1999) Evgeny Primakov, who advocated anti-Western zero-sum, competitive power politics under the guise of “multipolarity.” Significantly, its attempt and failure created a negative feedback loop that increased mistrust in both Russia and the West.⁵⁸

As Russia under Putin became increasingly authoritarian, some western experts claimed to see in the Russo-Chinese rapprochement the rise of a counterbalancing alliance of authoritarian powers against the West.⁵⁹ However, despite a common interest in containing American influence in Central Asia, Moscow and Beijing are as much rivals as partners, particularly within Eurasia. China has used its immense reserves to extend economic largesse to gain influence with many Central Asian countries during the global financial crisis, while also lending Russia’s Rosneft and Transneft oil companies 25 billion dollars in return for future shipments. A careful review of the evidence suggests that the relationship is opportunistic and that fears of Sino-Russian collusion are misplaced.⁶⁰ Even the SCO, a full-fledged regional organization established in 2001 and dominated by Moscow and Beijing while excluding Western countries, has reached out to NATO to coordinate counter-terrorist and narcotics policies for Afghanistan, hardly a move characteristic of a group building a platform for an anti-American alliance.

Further evidence pointing against a balancing coalition is found in recurring competition between Moscow and Beijing for privileged bilateral relationships with the United States. Thus, Moscow, which evinced little interest in expanding G8 membership to fellow BRICs when it rotated into the chair’s position in 2006, now worries about China’s superior position and prospects and is especially irked by calls from prominent Americans for a G2 composed of Washington and

57. Vladimir Putin, “Rossiya na rubezhe tysyacheletii” [“Russia on the Threshold of the Millennium”], *Nezavisimaya gazeta*, December 30, 1999.

58. For a good overview, see Bobo Lo, *Vladimir Putin and the Evolution of Russian Foreign Policy*, Chatham House Paper, Royal Institute of International Affairs (Oxford: Blackwell, 2003).

59. Minxin Pei, *Assertive Pragmatism: China’s Economic Rise and Its Impact on Chinese Foreign Policy* (Paris: IFRI Papers, No. 15, 2006); and Constantine C. Menges, *China: The Gathering Threat* (Nashville, TN: Nelson Current Publishers, 2005).

60. Lo, *Axis of Convenience*. Lo emphasizes that China provides a large market for Russian weapons and energy products.

Beijing. Washington's increasing preoccupation with China's rise prompted one of Russia's leading Sinologists to ask resentfully, "Why has the development of Russia and China resulted in Moscow no longer viewed as a privileged partner of Washington? Why was democratic Russia not offered a new trans-Atlantic partnership after the breakup of the Soviet Union, which is now actually offered to authoritarian China?"⁶¹ China adopted a policy of "peaceful rise" and, unlike Russia, was willing to accept a form of junior partnership with the U.S. to avoid provoking a backlash from Washington. Ironically, as China increases its bargaining position vis-à-vis the U.S., the BRICs diplomacy allows China useful cover, but possibly at Russia's expense.

Significantly, Russia's dissatisfaction with its international status and influence has not generated major security concerns. Russia's incentives to balance are reduced not only by the opportunity costs of countering the enormous power of the United States but also by its reliance on nuclear deterrence. Underlining Russia's nuclear option, top Russian generals characterize the prospects of large-scale war as very low.⁶² Despite problems with its program to modernize its nuclear forces, Moscow continues to give priority to this area to forestall the erosion of its deterrent capacity as the United States fields new weapon systems of its own. Although Russia is well aware that American military power as a whole vastly outstrips its own power, it is reassured that its nuclear arsenal, if necessary, can also provide an asymmetrical response to conventional threats.

Russia's ambivalent stance toward NATO enlargement is similarly instructive. Until the possible inclusion of Ukraine and Georgia in the alliance galvanized Russian opposition, Putin had reacted calmly to the continued expansion of NATO, criticizing the decision but also noting that it was the legitimate right of sovereign states to join the alliance. According to the Kremlin, Russia has not ruled out joining NATO in some capacity, and has occasionally floated the idea of the past French model of limited membership based on political cooperation. Even the Russian General Staff wavers in its assessment, either viewing NATO as a growing threat justifying large resource allocations or seeing it as a diminishing security concern due to the perceived weakening effectiveness of the alliance as it expands. In public statements, President Medvedev seems to perceive the futility of expending significant political energy and material resources in creating a regional organization to oppose the expansion of the alliance. NATO enlargement, he argues, was "not fair to Russia . . . it was simply humiliating. . . .

61. Alexander Lukin, "Russia to Reinforce the Asian Vector," *Russia in Global Affairs* 7 (April-June 2009). See also Harsh V. Pant, "Feasibility of the Russia-China-India 'Strategic Triangle': Assessment of Theoretical and Empirical Issues," *International Studies* 43 (2006): 51-72.

62. *Interfax-AVN Online*, August 5, 2009. For a good overview see Alexei Arbatov and Vladimir Dvorkin, *Beyond Nuclear Deterrence: Transforming the U.S.-Russian Equation* (Washington, DC: Carnegie Endowment for International Peace, 2006).

We cannot tolerate it any longer.” Yet in the same breath Medvedev maintains that “we are not going to create some kind of counter-alliance, there is no point in doing so.”⁶³ Some former Russian generals have even dismissed NATO as a military danger, suggesting instead that the expansion of the alliance was a political threat that would lead to Russia’s “exclusion from civilization” and the loss of legitimacy by the Russian regime as western models of democracy and civil-military relations become more salient in the region.⁶⁴

If Russia felt threatened by the invasion of Iraq and other American uses of force and power, it is unlikely that successive governments would have neglected much-needed military reform. Putin’s nationalist rhetoric and his penchant as president for donning uniforms and experiencing weapons systems first hand masked a serious decline in the Russian military and military-industrial sector since before the Soviet collapse and lasting through both Putin terms.⁶⁵ Like Yeltsin, Putin made military reform a low priority, relying on deterrence for security and status. When the Kremlin finally decided to devote some of its enormous oil profits to defense, the government’s capacity was so weak that much of the allocated funds were lost to theft and corruption. Even when Russia’s economy was soaring from 2005 to 2007, Moscow spent less on defense than did China in absolute terms and only somewhat more as a percentage of GDP. It is worth recalling that China has eschewed a near-term quest for great power status, adopting a strategy of “peaceful rise” and global integration. Russia’s defense burden also falls broadly within the BRICs norm. Russian defense spending grew in absolute terms but as a percentage of GDP held fairly steady in the 2005–2007 period at 1.20, 1.44, 1.54. These figures are not dramatically different from China’s defense burden of 1.31, 1.34, 1.42 as a percentage of GDP across those years.⁶⁶ Although some assessments include additional items and estimate higher spending, even the 3–4 percent range is far below what would be needed to balance an American threat⁶⁷ (see table).

63. Transcript of the Meeting with the Participants in the International Club Valdai, GUM Exhibition Centre, *kremlin.ru*, September 12, 2008. The authoritative *Foreign Policy Concept of the Russian Federation*, published in 2008, states that “Russia is not going to get involved in a costly confrontation, including a renewed arm race, destructive for its economy and disastrous for its internal development.” Website of the President of Russia, at <http://www.kremlin.ru/eng/text/docs/2008/07/204750.shtml>.

64. Vladimir Dvorkin, “Pochemu rasshirenie NATO dolzhno trevozhit’ voennykh professionalov,” *Ezhednevnyi zhurnal*, April 11, 2008, at <http://www.ej.ru/?a=note&id=7969>.

65. For an examination of government efforts to forestall the bankruptcy of much of the Russian military-industrial complex, see Andrei Dolgikh, “Military-Industrial Collapse,” *Novoe Izvestiia*, March 3, 2009. On the lack of reform, see Zoltan Barany, *Democratic Breakdown and the Decline of the Russian Military* (Princeton, NJ: Princeton University Press, 2007).

66. International Institute for Strategic Studies, *The Military Balance, 2009* (London: Routledge, 2009), 448–49.

67. International Institute for Strategic Studies, *The Military Balance*, 213. See also the discussion in Brooks and Wohlforth, *World Out of Balance*, 27–38.

The best evidence for counter-balancing the U.S. is Russia's war against Georgia in the summer of 2008. Moscow, which had been spoiling for a fight, was determined to signal the United States that incorporating Georgia and Ukraine into NATO would threaten Russia's strategic and economic interests in the post-Soviet space where a vast network of pipelines, transit, and power lines connect Russia to its main export markets in Europe. But it is also true that Russia seeks to consolidate a sphere of influence along its periphery. This effort expresses competitive power politics and domestic regime and transimperial interests,⁶⁸ not balancing. The war with Georgia may have been driven more by Russia's quest for regional dominance than by concern over security created by the unipolar system.

The Unipole as Global Neighbor

Inevitably, the far-flung interests of the unipole, such as spreading democracy, generate regional tensions and even conflict. As Robert Jervis explains, "Most countries are primarily concerned with what happens in their neighborhoods, but the world is the unipole's neighborhood, and it is not only hubris that leads it to be concerned with everything that happens anywhere." Washington's counter-terrorism agenda has also expanded the unipole's concern with its "turbulent frontier," creating new positions to protect and new regions of threat.⁶⁹ The result is a predictable clash with rising regional powers whose natural preference is to operate independent of American power and purpose, not necessarily to balance the U.S. but to build up their own spheres of interest in the interplay of regional interactions.⁷⁰ In fact, challenging the assumption of complete global domination by the unipole, some scholars contend that "[j]ust as regionalism functions as a hegemonic strategy for the United States, it may also provide space for a variety of counter-hegemonic projects."⁷¹

68. Celeste A. Wallander, "Russian Transimperialism and Its Implications," *The Washington Quarterly* 30 (Spring 2007): 107–22.

69. Jervis, "Unipolarity: A Structural Perspective," 200. Realists also see an inevitable tendency among great powers toward coercive regional domination. See John Mearsheimer, *The Tragedy of Great Power Politics* (New York: W. W. Norton, 2001), 41. Wohlforth goes further to argue against the existence of regional polar powers because the unipole is likely to have great power allies in the same region that would act as agents, as for example, Europe and Japan have on behalf of the U.S. Wohlforth, "The Stability of a Unipolar World." See also Amitav Acharya, "The Emerging Regional Architecture of World Politics," *World Politics* 59 (July 2007): 629–52.

70. Acharya, "The Emerging Regional Architecture of World Politics."

71. James Mittleman and Richard Falk, "Global Hegemony and Regionalism," in *Regionalism in the Post-Cold War World*, ed. Stephen C. Calleya (Aldershot: Ashgate, 2000), 19. See also Andrew Hurrell, "Hegemony, Liberalism and Global Order: What Space for Would-be Great Powers," *International Affairs* 82 (January 2006): 1–19.

Wary of infringements on their autonomy and precedents that limit their freedom to set their own policy agendas, the BRIC countries have actively pursued regionalism and resisted many Western liberal policies, from humanitarian interventions to financial liberalization. Reflecting the tension with competing norms typically more highly valued in the West, such as human rights and restrictions on the state's authority, the BRICs, with the partial exception of Brazil, tend to be "sovereignty hawks" that must govern large, diverse societies and manage the distributional costs of globalization without losing control or their power. For the most part, however, the BRIC states have sought greater regional autonomy while avoiding any frontal challenge to the United States.

Of all the BRICs, Russia has been least successful in establishing itself as a regional power. Despite much fanfare attending its creation, the Collective Security Treaty Organization (CSTO), a pseudo military alliance formed in 1993 to replace the Warsaw Pact, has never emerged as an effective vehicle for Russian influence. The CSTO has attempted to improve border security, strengthen anti-terrorism measures, and combat drug trafficking from Afghanistan. Some military exercises have been held, and in 2007 the CSTO began talk of transformation and a collective rapid-reaction force. However, the hollow character of the CSTO has become increasingly apparent with the slow-motion defection of Uzbekistan, the Central Asian state under harsh authoritarian rule. Tashkent recently announced that it would no longer participate in exercises under the aegis of the CSTO or the SCO, a more important regional grouping of Russia, China, and the Central Asian republics. Repairing its strained relationship with the United States, Uzbekistan has gone so far as to permit the U.S. military to use Uzbek facilities to transport supplies into Afghanistan.

Russia's reflexive reliance on coercion and force has significantly undermined Moscow's bid for regional hegemony. Russia's disputes with Ukraine over natural gas debts, prices, and supplies frightened not only Western Europe but also the small states in the region, which increasingly looked to the United States for security. The ham-handed diplomacy of the Kremlin also induced Belarus, long the closest of Russia's few allies in the region, to make overtures to the West when Russia moved away from extending preferential energy prices to Belarus or routing new pipelines through the country.

The aftermath of the war with Georgia revealed the costs to Russia of its ingrained, self-defeating preference for coercion and hard-power. For many Russian observers, the conflict was seen as "Russia's public flogging of Georgia, the 'spoiled child' of the United States," which was unable to "stop Russia or protect Saakashvili."⁷² Yet this dramatic exposure of the limits of American power did not yield a commensurate increase in Russian influence. The Georgia war

72. Andranik Migranian, "Voices from Afar: Russia Makes Partner," *The National Interest Online*, October 24, 2008, at <http://www.nationalinterest.org/PrinterFriendly.aspx?id=20082>.

demonstrated Moscow's military primacy in the non-NATO sphere, but like the turbulent Caucasus, exerting authority in separatist regions like Abkhazia and South Ossetia is certain to bring new headaches. Most important, Russia could not convince its fellow members of the CSTO and the SCO to recognize the new mini-states and only Nicaragua and Venezuela have recognized the new statelets of Abkhazia and South Ossetia.

Russia's preference for hard power in its regional policy reflects in part its nineteenth-century view of sovereignty in which great powers expect deference and acquiescence when they intervene in smaller states located in their perceived sphere of influence. Russia's political elite initially viewed the "color revolutions" in Ukraine, Georgia, and Kyrgyzstan as grave geopolitical intrusions by the United States and its agents, not as democratic expressions of popular will. Foreign Minister Lavrov argued that the color revolutions were anti-democratic coups, which "trampled underfoot" authentic election results not to the liking of the political opposition supported by the West.⁷³ Now several years after the "color revolutions," Russia's elites still view the prospect of democratization in the region with distaste, but less as zero-sum geopolitical rivalry with the West, particularly after the upheavals in Ukraine and Kyrgyzstan failed to create strong, anti-Russian regimes.

Although Moscow is not balancing overtly against Washington's enormous power, choosing instead to strengthen its regional position, Russia and other second tier powers do engage in subtle forms of resistance, the most important of which is to withhold cooperation.⁷⁴ Unipoles possess enormous power but cannot achieve all of their foreign policy goals without the assistance of other states. In some cases, the unipole may require only material support, but if it pursues what Arnold Wolfers calls "milieu goals," such as the establishment of peace or international law, the unipole must persuade those states that do not necessarily share the same values or objectives.⁷⁵ Refusing to cooperate or attempting to extract favors or impose conditions are ways of limiting the influence of a unipole without provoking a hostile backlash, which may occur in the attempt to balance. Non-cooperation has lower opportunity costs and is

73. Transcript of Response to Questions by Russian Minister of Foreign Affairs Sergey Lavrov During the Meeting with the Members of the Council on Foreign Relations, New York, September 24, 2008. A group of influential Russian foreign policy analysts recently argued that: "America's efforts to spread democracy in the world at large, and particularly in the former Soviet Union usually took the form of supporting the most anti-Russian forces in CIS countries." Sergei Karaganov, Dmitry Suslov, and Timofei Bordachev, *Reconfiguration, Not Just a Reset: Russia's Interests in Relations with the United States of America* (Moscow: SVOP [Council on Foreign and Defense Policy], June 2009), 10.

74. G. John Ikenberry, Michael Mastanduno, and William C. Wohlforth, "Introduction: Unipolarity, State Behavior, and Systemic Consequences," *World Politics* 61 (January 2009): 1-27, at 16.

75. For a discussion of "milieu goals," see Arnold Wolfers, *Discord and Collaboration: Essays on International Politics* (Baltimore: The Johns Hopkins Press, 1962), chap. 5, especially 67-80; and Jervis, "Unipolarity," 211.

available to both allies and competitors. In the case of Russia, examples of such behavior include “cheap talk” on containing Iran, limited commitments to managing instability in Afghanistan, free-riding on U.S. and NATO counter-terrorism and stability efforts, and vacillating support for U.S. bases in Central Asia.

The Outsider at the Door, Seeking a New Bargain

Moscow’s BRIC diplomacy is one of the “soft power” components of its larger “multi-vector” strategy to assure Russia a leading role in the international system. For most of the post-Cold War period, Russia’s priority has been integration or close partnership with Western Europe and the U.S. while the China and Asia vector was relegated to the back burner. After each descent into cold peace—during the crises over Kosovo in 1999 and over Georgia in 2008—Russia resisted overreacting to conflicts reminiscent of the Cold War and returned to its quest for integration. Perhaps the most dramatic example of this pattern was Putin’s decision to use the tragedy of 9/11 to make a renewed bid for strategic partnership with the United States.

Confounding realist expectations for balancing, Moscow was guided by the false hope that it would integrate into the West on its own terms, meaning equal status and little or no conditionality.⁷⁶ Russia drew on the international prestige of Mikhail Gorbachev’s initiatives in support of an “all-European” home and the fact that post-Soviet Russia was a more powerful and important player than the East European states freed from the Soviet orbit. The Soviet collapse, China’s growing strength in the east, and instability in the Islamic south could also mean that Russia’s only geopolitical future lies with the West, including integration with the EU and NATO and close relations with the U.S.⁷⁷

76. James M. Goldgeier and Michael McFaul, “Russians as Joiners: Realist and Liberal Conceptions of Postcommunist Europe,” in *After the Collapse of Communism: Comparative Lessons of Transition*, ed. Michael McFaul and Kathryn Stoner-Weiss (New York: Cambridge University Press, 2004), 232–56; Michael McFaul “Russia and the West: A Dangerous Drift,” *Current History* 104 (October 2005): 307–12; Lilia Shevtsova, *Putin’s Russia* (Washington, DC: Carnegie, 2003); and Alexander J. Motyl, Blair A. Ruble, and Lilia Shevtsova, eds., *Russia’s Engagement with the West: Transformation and Integration in the Twenty-First Century* (New York: M.E. Sharpe, 2004). For a similar perspective see Vladimir Baranovsky, “Russia: insider or outsider?” *International Affairs* (Moscow) 46 (July 2000): 443–59. An assessment published in *Kommersant* in February 2008 concluded that “Russia’s attempt to incorporate into the West on its own terms failed, and it proved unacceptable for Moscow to do it on the terms set by the U.S. and the EU”: see Igor Fedyukin, “Bez peremen,” *Kommersant*, February 25, 2008. The same point is perceptively argued in Dmitri Trenin, “Russia Redefines Itself and Its Relations with the West,” *The Washington Quarterly* 30 (Spring 2007): 95–105; and Dmitri Trenin, *Getting Russia Right* (Washington, DC: Carnegie Endowment for International Peace, 2007).

77. Dmitri Trenin, *The End of Eurasia: Russia on the Border Between Geopolitics And Globalization* (Washington, DC: Carnegie Endowment for International Peace, 2002): 306–12.

However, nothing has bedeviled Russian foreign policy more in the past twenty years than the failure of its western strategy. Alternately bucking and cooperating with the Americans and the Europeans, the Kremlin has been frustrated by the prolonged lack of progress and Western obstinacy. Neither fully excluded nor embraced by the West, Russia has forged problematic partnerships with the dominant Western institutions (EU, NATO, G7/G8),⁷⁸ provoked contentious membership relations in the Council on Europe, the OSCE, IMF and World Bank, and still remains outside the OECD, the Energy Charter Treaty, and importantly the WTO, despite negotiating membership terms since 1993.

In retrospect, the U.S. and Europe were initially unwilling to bargain with a severely weakened former adversary on terms for a final settlement of the Cold War. Washington had expected Moscow to be preoccupied with building the institutions of a market democracy and satisfied with the opportunity to partake in an order that offered peace and a path to prosperity. The tumultuous character of the transition, the deep resentment of its elites over the loss of the Soviet Union, and their preoccupation with relative gains and losses surprised American policymakers. Despite its largely reactive character, Western policy towards Russia nonetheless assumed that sufficient time, economic recovery, global engagement and select status enhancers would permit liberal reforms to take root and the natural international adjustment and socialization processes to exert their effects. However unevenly, Russia would adjust to its new position, as France and Britain did after 1945 (or at least after Suez in 1956), experience a normative evolution with democratization, and develop "habits of cooperation" by associating with Western institutions. Gradually the values gap would disappear, trust would grow, and deeper integration would then be possible.⁷⁹

78. See Roberts, *Russia and the European Union*; Cynthia Roberts, "A Useful and Limited Engagement," *The Moscow Times*, July 14, 2006, 6; and Cynthia Roberts, "Russia and NATO: Explaining the Sources of 'Special Relationships,'" Paper presented at the annual meeting of the International Studies Association, Honolulu, Hawaii, March 2005.

79. A goal of NATO enlargement was to "contribute to enhanced stability and security for all countries in the Euro-Atlantic area by encouraging . . . democratic reforms [and] fostering . . . 'the patterns and habits of cooperation, consultation and consensus building which characterize relations among current Allies . . .'" *Study on NATO Enlargement* (Sept 1995), <http://www.nato.int/docu/basicxt/enl-9502.htm>. NATO officials hoped the same process would apply to Russia despite its status as a nonmember partner. Roberts, "Russia and NATO". For useful accounts see Strobe Talbott, *The Russia Hand* (New York: Random House, 2002) and James M. Goldgeier and Michael McFaul, *Power and Purpose: U.S. Policy Toward Russia After the Cold War* (Washington, DC: Brookings Institution Press, 2003). For the foundation of such transformations as applied to postcommunist countries, see Emanuel Adler, "The Spread of Security Communities: Communities of Practice, Self-Restraint, and NATO's Post-Cold War Transformation," *European Journal of International Relations* 14 (2008): 195–230; Jeffrey Checkel, *International Institutions and Socialization in Europe* (New York: Cambridge University Press, 2007); Frank Schimmelfennig, *The EU, NATO and the Integration of Europe* (Cambridge: Cambridge University Press, 2003); and Frank Schimmelfennig, "Strategic Calculation and International Socialization: Membership

In the worst case that the transition failed, revanchist nationalists assumed power, and militarized confrontation returned, the West's liability was limited and it could return to containment grateful at least that most of the former Soviet bloc had escaped tyranny and were becoming anchored in NATO and the EU.

Moscow had failed to understand that when post-communist states negotiate *to join existing regimes*, the terms are essentially *nonnegotiable*; existing rule-makers hold all the cards and the aspirant's domestic constraints mostly hinder the necessary adjustments.⁸⁰ Other factors, such as size and geographical location, which threaten the character and distribution of power and benefits in the existing regime, may also weigh heavily in the deliberation, as shown by Europe's distancing of relations with Turkey, Ukraine, and Russia in the early 1990s (when it was considered by many in the West to be transitioning to democracy). Outsiders like Moscow can only possess bargaining power in a negotiating framework *to create a new regime*.

The U.S. did eventually concede that liberal reform in Russia was beset with numerous obstacles and that Yeltsin's position in the 1990s was endangered by a rising tide of domestic opposition fed by resentment and humiliation. In fact, successive Kremlin leaders accepted that modernization is tied to globalization but failed to mobilize integrationist coalitions and resisted relying on international conditionality to tie their hands and push through reforms.⁸¹ Washington sought to alleviate these threats through policies designed to bolster Russia's confidence in its identity as a secondary great power that would be willing to accommodate itself to a subordinate position in the Euro-Atlantic order. Such measures included inducting Russia into the G8, creating the Russia-NATO Council (RNC), and promising to help Russia join tier I economic institutions like the WTO, Paris Club, and the OECD. Russia was also invited to cooperate with the United States in Middle East diplomacy.

As William Wohlforth suggests, status enhancements can be important tools in easing political and socio-economic adjustment in transitional states. Yet they are likely to be effective only if the prevailing system of dominance appears to rest on unambiguous foundations and lower-rank actors are certain of

Incentives, Party Constellations, and Sustained Compliance in Central and Eastern Europe," *International Organization* 59 (October 2005): 827–60.

80. For a thoughtful discussion about the difference between bargaining in traditional two-level games and those involving international-domestic coalitions to join existing regimes such as the EU see Wade Jacoby, "Inspiration, Coalition, and Substitution: External Influences on Postcommunist Transformations," *World Politics* 58 (July 2006): 644–47, especially note 58.

81. For a revealing insider account, see Talbot, *The Russia Hand*. See also Ministry of Foreign Affairs of the Russian Federation, *Kontseptsiiia vnesheinei politiki Rossiiskoi Federatsii*, 2008; and speeches by Putin and Medvedev on www.kremlin.ru and www.premier.gov.ru.

their position.⁸² When the relevant out-group is clearly dominant materially, a subordinate actor is likely to acquiesce. However, the likelihood of status competition increases when actors receive signals that suggest they belong in a higher rank. The possibility of conflict also arises in conditions of “uneven capability portfolios.” When lower-ranked states possess some but not all of the material capabilities (military, economic) of the dominant state—such as Russia’s nuclear arsenal—the subordinate actor has an incentive to challenge its rank, and the dominant actor to resist.⁸³

Although the United States recently offered new status enhancements to Russia—including occasional participation in the G7 (before the G20 assumed greater standing)—the effectiveness of such side-payments weakens as Russia perceives that unipolarity is in decline. Indeed, Moscow now seeks to overturn the one-sided bargaining relationship with the West that it was forced to accept in the initial post-Soviet period. Committed to a more balanced multi-vector strategy, Russia hopes to leverage its higher status as a global energy supplier, BRIC, and U.S. creditor to negotiate new bargains for equal status in one or more of the West’s premier clubs or an entirely new regime. The Kremlin continues to insist it is committed to joining the WTO, despite mixed signals about entering as a customs union with Belarus and Kazakhstan. The latter represents a backtracking move in 2009 by Putin. He has alternately supported and opposed membership, insisting that “Russia should not join the WTO at any price” and that Moscow would no longer abide by WTO regulations it had agreed to during the accession process if a green light to join was not forthcoming.⁸⁴

Similar frustrations have accompanied Russian efforts in the security realm. After the Bush administration’s withdrawal from the ABM Treaty, plans to deploy new defensive systems in Eastern Europe, disdain for arms control treaties, and continued enlargement of NATO (not to mention waging two wars in the Russian periphery), Russia cautiously welcomed the restarting of serious arms control negotiations with the Obama administration. Reflecting perhaps another signpost of an ongoing international power shift and waning of unipolarity, one observer reported that “Moscow is returning to proposals for which it failed to receive support in the 1990s.”⁸⁵ Russia also returned to the NATO-Russia Council after a

82. William C. Wohlforth, “Unipolarity, Status Competition, and Great Power War,” *World Politics* 61 (January 2009): 28–57.

83. William C. Wohlforth, “Unipolarity, Status Competition, and Great Power War.”

84. Victor Yasman, “Russia: WTO Becomes Long-Term Issue For Relations With U.S.,” *RFE-RL*, July 24, 2006; Michael Emerson, “Russian Games with the WTO,” *CEPS Commentary*, July 14, 2009; and Yevgeny Yasin’s comments that Putin had sided with Russian protectionists who sought “to slow or stop” the effort to join the WTO. *Nezavisimaya gazeta*, July 13, 2009.

85. Andrei Zagorski, “Moscow Seeks to Renegotiate Relations with the West,” *Russian Analytical Digest* 26 (September 4, 2007): 1–18.

temporary break over the 2008 war against Georgia, just as it restored relations after the 1999 NATO conflict against Serbia.

Meanwhile, the Kremlin continues to informally signal that its principal issue with NATO was Russia's own exclusion from the leading Euro-Atlantic security organization, and that a political relationship similar to the one France once held would be an acceptable option. As President Medvedev told a group assembled at the Council on Foreign Relations in November 2008, "[T]he North Atlantic alliance had a chance to invite Russia." Although the alliance decided against doing so and the current situation is not favorable, he continued, "we would like to develop [a] full-fledged normal and friendly relationship with NATO Moreover, if our . . . partners see additional opportunities to develop those relations we are ready to consider them." As for "the possibility of Russia's accession to NATO, . . . never say never."⁸⁶

Finally, the centerpiece of Russia's European vector was President Medvedev's proposal in May 2008 for a new overarching European Security Treaty, specifying a prominent role for Moscow. Medvedev argued that a system of comprehensive security must apply uniformly to all states, "without isolating anyone" and consolidating the "Euro-Atlantic region . . . on the basis of uniform rules of the game," which include respect for sovereignty and territorial integrity as well as a unified approach to conflict prevention and resolution (i.e., no new members in NATO if their membership threatens Russian security interests). The Russian president noted that the basis for this prospective treaty was not American leadership but the values and identity that Russia shares with contemporary Europe and European civilization.⁸⁷

Notwithstanding Moscow's outreach efforts, Russia's history of thorny interactions with Western institutions differs notably from China's experience. China stands as the only other non-democratic, post-socialist BRIC country with a permanent seat on the Security Council. Like Russia, China has also engaged in complex, if less challenging, negotiations with the West to join the WTO. Yet until recently China has rarely confronted the U.S. and the West on security issues outside its region. For many years Beijing resisted contesting the realities of American primacy or its inferior international position during its "peaceful rise" to leading power status because of the tremendous gains from globalization. China identifies itself as a responsible stakeholder in the existing order, and only

86. Transcript, "A Conversation with Dmitri Medvedev," Council on Foreign Relations, November 15, 2008, at: http://www.cfr.org/publication/17775/conversation_with_dmitry_medvedev.html. For an analysis of Russia's problematic partnership with NATO see Cynthia Roberts, "Rossiia i NATO: Predely chastichnoi integratsii" [Russia and NATO: The Limits of Partial Integration], *Aktual'nye Problemy Evropy [Urgent Problems of Europe]* 4 (2004): 87–113; and Cynthia Roberts, "The Russia-NATO Partnership: Bargaining in Unipolarity," paper in revisions.

87. D. Medvedev, "Presentation at the Conference on World Politics," Evian, France, October 8, 2008, <http://news.kremlin.ru/transcripts/1659>.

gradually has Beijing seriously begun to challenge American prerogatives and authority, stepping up its claims in the economic crisis. By comparison, Russia blames the U.S. (however unfairly) for many harsh aspects of its painful transition, and after three transfers of power there is still no resolution of whether Russia would be an insider or outsider in the Western system.

An Emperor Losing his Clothes? Challenging the Legitimacy of America and the Western Order

Russia's failed integration experience also calls into question key assumptions about American primacy and the durability of the Western order. Stability has largely depended on great powers finding security in nuclear deterrence and prosperity in a post-war Western order that is more open, integrated and rule-based than any historical precedent and could endure even "after hegemony."⁸⁸ Although the Western system is rooted in democracy and capitalism and thickly institutionalized, its advocates emphasize its accessible, expansive qualities and ability to generate immense economic growth and power while integrating a widening array of stakeholders. To many American specialists it is "easy to join" and "hard to overturn,"⁸⁹ but, unsurprisingly, this is not a view widely shared in Russia.

The hard school of unipolarity taught Russia that dominant states by virtue of their preponderant power are not only the principal rule-makers in the international system but also the chief privilege-takers and often rule-breakers. The same enormous advantage in material resources that enables a hegemon's exercise of leadership also "positions it for system exploitation."⁹⁰ Instead of bearing all the costs to maintain international order, a dominant state can use its leverage to coerce other states into carrying the burden instead, typically through

88. Robert Jervis, "Theories of War in an Era of Great Power Peace: Presidential Address, American Political Science Association, 2001," *American Political Science Review* 96 (March 2002): 1–14; G. John Ikenberry, *After Victory: Institutions, Strategic Restraint, and the Rebuilding of Order after Major Wars* (Princeton, NJ: Princeton University Press, 2001); G. John Ikenberry, "Democracy, Institutions, and American Restraint," in *America Unrivaled. U.S. Unipolarity and the Future of the Balance of Power*, ed. G. John Ikenberry (Ithaca, NY: Cornell University Press, 2002), 213–38; Brooks and Wohlforth, *World Out of Balance*; and Robert Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy* (Princeton: Princeton University Press, 1984).

89. G. John Ikenberry, "The Rise of China and the Future of the West," *Foreign Affairs* (January–February 2008). See also his works cited in note 88.

90. Michael Mastanduno, "System Maker and Privilege Taker: U.S. Power and the International Political Economy," *World Politics* 61 (January 2009): 121–54, at 125.

institutions that bind subordinate states while the hegemon exploits and escapes the rules.⁹¹

At what point does rule-breaking and hypocrisy undermine the hegemon's reputation for leadership and the very legitimacy of the system? This question has animated Russia since the 1990s. One of the drivers of Moscow's BRICs diplomacy is to reform key economic and security structures to increase the voice and representation of rising powers like Russia. Although a permanent member of the Security Council (P-5) and a former superpower involved in special relationships with the G8, NRC, and other organizations, Moscow through the BRIC format defines itself as an outsider whose international role and authority are not yet commensurate with its rising power and ambitions. As a result, the Kremlin acts as if should be less constrained by social structures of legitimation it did not create, organizations from which its membership is withheld, and norms whose original intent it views as having been subverted and used against Russian interests, such as the Organization for Security and Cooperation in Europe (OSCE). The OSCE notably has increased its role in monitoring suspect elections, challenging the overarching principle of sovereignty, and intruding on Russian interests in the former Soviet Union. Unipolarity and the U.N.'s lack of credible enforcement power have also constrained Russia's ability to exploit its P-5 role to constrain the U.S. and increase its own international influence. Some of Russia's leading international relations analysts attribute the deterioration in U.S. Russian relations in part to Washington's "attempts to usurp decisionmaking rights on issues of war and peace," and "revise international law on the use of force and on state sovereignty,"⁹² weakening the UN Security Council and other international institutions.

In theory, institutions help avert concerns about leadership and legitimacy by constraining dominant states through rules that set limits on the exercise of power, standards of appropriateness, and reputations for constructive behavior necessary for mutually advantageous cooperation.⁹³ When the distribution of international power is relatively balanced, international stability depends on widespread satisfaction with the *status quo*.⁹⁴ In unipolarity, however, even a liberal dominant state may suffer high legitimacy costs and yet still operate

91. Robert Gilpin, *War and Change in World Politics* (New York: Cambridge University Press, 1981); and Randall L. Schweller, "The Problem of International Order Revisited," *International Security* 26 (Summer 2001): 161–86.

92. Karaganov, *et al. Reconfiguration, Not Just a Reset*, 10.

93. Keohane, *After Hegemony*; Lisa Martin, "Multilateral Organizations after the U.S.-Iraq War," in *The Iraq War and Its Consequences: Thoughts of Nobel Peace Laureates and Eminent Scholars*, ed. Irwin Abrams and Gungwu Wang (New Jersey: World Scientific Publishing, 2003), 359–73; Martha Finnemore and Kathryn Sikkink, "International Norm Dynamics and Political Change," *International Organization* 52 (1998): 887–917; and Ian Hurd, "Legitimacy and Authority in International Politics," *International Organization* 53 (1999): 379–408.

94. Wolfers, *Discord and Collaboration*; Wohlforth, "The Stability of a Unipolar World."

internationally with few restraints, providing its actions are not self-defeating for the leader's own power and prosperity.⁹⁵

It follows that the waning of unipolarity will likely provoke strong resistance by BRICs and other powers to contested norms, excessive hypocrisy, and use of double standards by current insiders. BRICs and others will similarly rebuff pressure to assume the burden of adjusting their policies to satisfy American interests and preferences, from combating terrorism to liberalizing markets and setting environmental standards. So long as the United States provides important public goods, such as peace and prosperity, it can press emerging powers to behave as "responsible stakeholders" and help "sustain, adapt, and advance the peaceful international system that has enabled [their] success."⁹⁶ But when Washington attempts to mask private interests as public goods or inflicts "public bads" on others when its relative power is diminishing, rising powers may shift from mere expressions of opprobrium to more serious efforts at opposition and constraint.⁹⁷ In the wake of the global economic downturn, the BRICs appear to be on precisely this trajectory, challenging the effectiveness and legitimacy of U.S.-led economic institutions, pressing for both wider leadership and policy reforms.

No BRIC is more critical of what it sees as American hypocrisy and inflated claims to global leadership than Russia. Questioning America's trustworthiness and moral reputation, Russian leaders and elites often bitterly complain that the U.S. says one thing and does another. From Moscow's perspective, Washington imposes what Finnemore calls an "ideology of certitude," denying room for others to doubt or debate the wisdom of American behavior and the legitimacy of Western authority structures which, to a large degree, continue to treat Russia as an outsider.⁹⁸ Even one of the most prominent Russian politicians who favors Western integration echoes complaints commonly made by top foreign ministry officials that American foreign policy has only two modes. One is a highly ideological, oversimplified, categorical approach to foreign affairs—defining countries in terms of "freedom-lack of freedom," "democracy-lack of democracy." When Washington is not hammering these distinctions, it approaches other countries, including Russia, "in a very utilitarian way: whether they help America extend its influence or interfere with the process." Despite talk of cooperation, "the United States believes itself strong enough to realize its interests without

95. Robert Jervis, review of *World Out of Balance* in *Perspectives on Politics* 7 (March 2009): 219; Brooks and Wohlforth, *World Out of Balance*, chaps. 5, 6.

96. Robert B. Zoellick, Statement on Conclusion of the Second U.S.-China Senior Dialogue. U.S. Department of State Press Release, December 8, 2005.

97. Jervis, "A Structural Perspective," 195.

98. Martha Finnemore, "Legitimacy, Hypocrisy, and the Social Structure of Unipolarity: Why Being a Unipole Isn't All It's Cracked Up to Be," *World Politics* 61 (January 2009): 58–85, at 73 and 81.

taking the interests of others into account.”⁹⁹ Similarly, the editor of a respected Russian international relations journal observes how “Western politicians emphasize ‘the necessity of ceasing ‘zero-sum thinking’ in favor of ‘win-win models.’ But at the same time, the European Union is convinced in the historical superiority of its political model. . . . [and] the same holds true for the United States. In other words, in the West there is an *a priori* conviction that what is good for Europe and the U.S. is good for everyone else.”¹⁰⁰ Such perceptions of hypocrisy, which were especially widespread during the Bush years, undermine “respect and deference both for the unipole and for the values on which it has legitimized its power” and risk eroding the credibility of American commitments.¹⁰¹

Many Russian grievances and arguments against the U.S., particularly the Bush administration’s use of preventive war and arrogant unilateralism, echo those made by American and other international critics and should not necessarily be traced to deep-seated, anti-Americanism or lingering resentment about Russia’s lost superpower status.¹⁰² Most Russian observers, of course, are well-versed in realist principles, where the strong do what they can. The West, they complain, pretends to live by “humanitarian values” while masking geo-strategic interests and ignoring how the luxury of their dominant position explains why “Western ideas about the world order did not meet with systemic geopolitical opposition.”¹⁰³

In arguably the most important example of venting against American hypocrisy, Putin at the 2007 Munich security conference attacked the Bush administration’s unipolar tendencies in unusually blunt terms, warning that they would bring in their wake “illegitimate actions,” “new human tragedies,” and “seats of tension.” His broadside against the U.S. was harsh. But the accusations of double standards were familiar:

Today we are witnessing an almost uncontained hyper use of . . . military force . . . that is plunging the world into an abyss of permanent conflicts. [T]he use of force should be a really exceptional measure, comparable to using the death penalty However, [c]ountries are airily participating in military

99. K.I. Kosachev, “Rossiya mezhdru evropeiskim vyborom i aziatskim rostom,” *Mezhdunarodnye zhizn*’ 12 (2005): 54–67. See also a more recent summary of his analysis in *Rossiiskaia gazeta*, No. 4822, December 29, 2008, <http://www.rg.ru/2008/12/29/kosachev.html>.

100. Fyodor Lukyanov, “What Shapes the Global World Of The 21st Century?” Oslo, Norway, <http://www.regjeringen.no/se/dep/ud/kampanjer/refleks/innsjill/globalorden/lukyanov.html?id=492922>.

101. Finnemore, “Legitimacy, Hypocrisy,” 61.

102. Feodor Lukyanov, “Mnogopolyarnyi vektor,” *gazeta.ru*, June 11, 2009.

103. Lukyanov, “What Shapes the Global World.” For American critiques of U.S. revisionist policies, see especially Robert Jervis, *American Foreign Policy in a New Era* (New York: Routledge, 2005); Jervis, “Unipolarity”; and Stephen M. Walt, *Taming American Power: The Global Response to U.S. Primacy* (New York: W.W. Norton, 2006).

operations that are difficult to consider legitimate. And . . . these conflicts are killing . . . hundreds and thousands of civilians!¹⁰⁴

Putin's speech was the culmination of years of resentment and frustration over the failure of Russia's Western integration policy and America's double standards. The previous spring, a frustrated Putin had castigated Washington for its enormous defense budget, "almost 25 times bigger than Russia's," and made derogatory veiled references to America's proclivity for the unilateral use of force. "The wolf knows who to eat, . . . and is not about to listen to anyone, it seems." Moreover, it turns out, Putin continued, that interests trump everything without limits and then "all the pathos about protecting human rights and democracy is laid aside." Russia would not repeat the Soviet Union's mistake, Putin insisted, and would ensure its security without bankrupting the country.¹⁰⁵

Moscow's resolve to use its perceived growing bargaining power to demand better terms in new and existing regional arrangements reached a turning point in 2006–2007. Putin signaled his audience that Moscow sought to leverage its influence through its association with the BRICs, suggesting that Russia would only grow stronger as it positioned itself with these rising powers. Challenging America's claim to predominance, Putin remarked at Munich that measured in PPP, the combined GDP of India and China is already greater than that of the United States. "And a similar calculation with the GDP of the BRIC countries—Brazil, Russia, India and China—surpasses the cumulative GDP of the EU." Putin gloated, "And according to experts this gap will only increase in the future There is no reason to doubt that the economic potential of the new centres of global economic growth will inevitably be converted into political influence and will strengthen multipolarity."¹⁰⁶

Yet trapped in the proverbial glass house, the Kremlin cannot persuasively claim to be more holy than the hegemon. Russia used indiscriminate force and terror to subdue Chechnya, spoiled for a fight with Georgia, embraced independence for Abkhazia and South Ossetia while rejecting the legitimacy of secessionist claims by Kosovo and others, subverted market principles by forcing foreign firms to cede control of their stakes in gas and oil projects, disrupted energy supplies to gain control over European gas-pipeline networks, and above all severely curtailed Russia's fledgling democratic institutions and many basic freedoms enjoyed by Russian citizens in the tumultuous 1990s. These actions

104. V. Putin, "Speech to Munich Security Conference," 2007, at <http://www.securityconference.de/konferenzen/rede.php?sprache=en&id=179>.

105. V. Putin, Annual Address to the Federal Assembly, May 10, 2006, the Kremlin, http://eng.kremlin.ru/speeches/2006/05/10/1823_type70029type82912_105566.shtml.

106. V. Putin, Speech to Munich Security Conference.

seriously undermine Moscow's own trustworthiness and capacity for making credible commitments, even those reflecting Russia's national interests. Not even China, among Russia's fellow BRIC partners (and SCO members) supported Moscow's recognition of Abkhazia and South Ossetia after the Russo-Georgian war.

The Russian political class has been more tolerant of American hypocrisy when it accepts a legitimate trade-off among shared values, such as retaining a nuclear deterrent capability while promoting non-proliferation or engaging in selective protectionism while supporting the public good of free trade. Another example of when others tolerate the unipole's hypocrisy is the need for small leadership groups in international organizations to surmount global collective action problems.¹⁰⁷ This principle of cooperation conveniently justified Russian membership in the exclusive G8 club, which runs counter to the BRIC's stated objective of promoting greater representation and democracy in global institutions. Actually Russian affirmation of the greater good of expanded international representation is not intended to apply to all states, only to great powers, reflecting Moscow's *sotto voce* preference for a "concert" global governance structure.

In short, although the Russian government on some issues seeks constructive participation, in other areas strong sentiment and political expedience appear to be driving forces behind allegations of hypocrisy and illegitimacy. In this view, large, fast-rising nations such as the BRICs that seek to rank among the "global governors" do not accept a necessity to "demonstrate a responsible approach." Instead, "global responsibility must lie, above all, with those who built the present world order." For Beijing and New Delhi, the architects of that order seem to be the former colonial powers. From Moscow's perspective, though, the current order has a different authorship: it is "the West which took advantage of Russia's weakness at the end of last century in order to build the planet according to its own ideas."¹⁰⁸

Down from the Summit: BRICs Shifting into High Gear

Consistent with the unipolar structure of incentives and opportunity costs, the BRICs initial forays into opposition have been cautious. They have focused on gaining a "greater voice and representation in international financial institutions"¹⁰⁹ like the IMF, not challenging America's leadership role or the U.S.-led global order. Internationally BRIC countries have taken primarily defensive rather than coercive positions, reflecting concerns about the negative externalities of

107. Finnemore, "Legitimacy, Hypocrisy," 83.

108. Lukyanov, "What Shapes the Global World."

109. BRIC Summit communiqué.

America's economic mismanagement, frequent use of force, and interventionist policies.

On the other hand, Russia's status as a major creditor creates a margin of safety and gives Russian authorities leverage they have demonstrated a willingness to use (albeit tentatively so as not to harm themselves) when they began talking about shifting reserves out of the dollar and reducing its role as a reserve currency. The dollar slid 0.9 percent against a basket of major currencies after President Medvedev declared on the eve of the first BRIC summit in June 2009 that the "existing set of reserve currencies, including the U.S. dollar, have failed to perform their functions" and that additional reserves, including a new supranational reserve currency and use of the ruble were serious options. The Russian president's economic adviser cautioned that despite the obvious self-defeating effect of the dollar's drop in value, new reserve currencies were inevitable, although Russia's finance minister repeatedly dismissed the prospects for any near-term movement away from the dollar.¹¹⁰

Since the Second World War, because U.S. Treasuries have offered the most security, convenience, and liquidity, the proportion of global central bank reserves held in American dollars has been around 70 percent, despite past consideration of also using the Japanese yen, the German mark, and the Swiss franc. Alternative arrangements would be more cumbersome, costly, and riskier. Still, some policymakers and respected economists suggest that the dollar's status as the world's reserve currency "may deteriorate" and they anticipate that "complementary reserve currencies" may gradually emerge, given trillions of dollars of U.S. deficits and concerns about the inflationary expansion of U.S. spending.¹¹¹ Reflecting on the "upheaval" in the international economic order "as emerging nations gain greater influence," World Bank President Robert Zoellick warned in September 2009 that "The United States would be mistaken to take for granted the dollar's place as the world's predominant reserve currency."¹¹²

Given their large stakes in the current system, the BRICs do not seek to destroy it. But according to a senior Russian Foreign Ministry official, they "fear that it is unsustainable" and are engaged in "contingency planning." If the system sustains another shock, the dollar could go into free-fall and the United States

110. "Dependence on the dollar creates dangers," Economist Intelligence Unit, Risk Briefing June 25, 2009; and Gleb Bryanski and Guy Faulconbridge, "Russia seeks currency debate at first BRIC summit," *Reuters*.

111. Nouriel Roubini, quoted in Lester Pimentel and Valerie Rota, "BRICs Buy IMF Debt to Join Big Leagues, Goldman Says," *bloomberg.com*, June 11, 2009.

112. Daniel Whitten, "Zoellick Says U.S. Dollar's Primacy Not a Certainty," *bloomberg.com*, September 27, 2009.

would have no choice but to face its collapse. Meanwhile, as the BRICs knit their safety nets for the worst case, the Russian official suggests that they are collaborating to defend their interests in the present order while seeking an expanded managerial role in the leading international structures. These non-Western rising powers have been outsiders in the global governance process dominated by the U.S. and its Western allies, but now they are fast on their way to becoming insiders.¹¹³

At the June BRICs and SCO meetings the participants discussed a new international order less dependent on the U.S., as well as broader use of regional reserve currencies, use of BRICs currencies for bilateral settlements and a larger role for Special Drawing Rights (SDRs), the reserve asset issued by the IMF. Russia's BRICs diplomacy thus helped focus attention on the need for serious adjustments in the functioning of the global economy and the willingness of the world's largest emerging economies to use their growing economic clout to increase their role in the management of the international financial system and other global governance structures. A decision followed in September 2009 at the Pittsburgh G20 meeting to increase the IMF voting shares of developing countries. This would come primarily at the expense of the developed countries, which control 57 percent of IMF shares (and 56 percent of the World Bank shares), and in particular some smaller, over-represented European states. The BRICs share of global output was 14 percent in 2008 and will be closer to 20 percent by 2013, with China in the lead, accounting for 7 percent last year and exceeding 11 percent of global GDP by 2013. By comparison, BRICs voting rights in the IMF collectively account for 9.62 percent of the total, much lower than their share of global GDP. With only 3.66 percent of the voting rights China has been especially under-represented, along with Brazil, which accounts for 2.6 percent of global GDP but only 1.38 percent of voting rights. By comparison, Russia, with 2.7 percent of voting rights is on par with 2.8 percent of world GDP in 2008, a figure expected to drop before slowly rising again after the recession.¹¹⁴

Although Russia does not gain materially from the IMF reforms agreed to at Pittsburgh, the outcome institutionalizes Moscow's full membership in G20, in contrast to its uncomfortable partial integration into the G7/G8, and also showcases Russia as a global leader in the BRICs forum, a rising outsider fighting for a more equitable international system. Two years earlier, Moscow had nominated a qualified Czech former central banker and prime minister as its candidate for IMF managing director, in a similar apparent attempt to build a reputation for constructive international cooperation while exposing the

113. Author interviews, Moscow, June 2009.

114. "BRIC, but no bloc," Economist Intelligence Unit, June 16, 2009; "IMF Members' Quotas and Voting Power, and IMF Board of Governors," IMF website, <http://www.imf.org/external/np/sec/memdir/members.htm>.

institutionalized cronyism of the West Europeans who have had a lock on this appointment.¹¹⁵

Conclusion: Present at the Creation?

For two decades since the end of the Cold War, Moscow has tried to deny the realities of unipolarity while grudgingly adjusting to its constraints. Now that American primacy is waning, the Russians admit that unipolarity had a significant influence on international relations.¹¹⁶ However, the global financial crisis, widely seen as spawned by American greed and incompetence, is weakening the legitimacy of U.S. claims to be the dominant rule-maker and privilege-taker, including the domination of the dollar as the international reserve. Excluded from the management of the system and fearful of its costs, the non-Western countries challenged the basis of the U.S. order, but have not sought to overthrow it. They seek to be among the managing directors not only for the IMF, but also the World Bank and the U.N. Security Council and to step up reforms to change the distribution of relative costs and benefits.

In a Russian television interview, President Medvedev described the BRICs as a new format for tackling global problems by countries that unite half of the global population. Besides discussing the consequences of the financial crisis, Medvedev mentioned that he reminded his colleagues how none of the group's member countries participated in the creation of the world's financial architecture. "Everything was decided for us. In this situation, we cannot allow this. We should ensure that our states, where billions of people live . . . take part in shaping the new rules of the game—otherwise we will never forgive ourselves."¹¹⁷

Given that international change is likely to be uneven, with defenders and challengers to the *status quo* jockeying for position on the same platform, the Kremlin is hedging its bets on who will be the eventual leaders. Moscow is hewing to its "multi-vector" foreign policy, given America's proven resiliency, the multiple risks of siding with China and against the U.S., and continuing disappointment over Western Europe's inability to transform the EU into an independent global actor and close partner for Russia. Moreover the Kremlin and

115. Martin Gilman, "Deciding the IMF's Future," *The Moscow Times*, August 30, 2007, 9.

116. Alexander Kramarenko, "The End of the Cold War and the Acquisition of Meaning," *Russia in Global Affairs* (Jan-Mar 2009).

117. "First Channel" program Interview with Medvedev, June 18, 2009, <http://www.kremlin.ru/transcripts/4527>. See also Medvedev's speech to the Petersburg Economic Forum, June 7, 2008 where the new president talked about how "we want to participate in shaping the new rules of the game . . ." See, Dmitri Medvedev, speech at the XII St. Petersburg Economic Forum, 7 June 2008, http://president.kremlin.ru/eng/speeches/2008/06/07/1338_type82914type127286_202288.shtml.

top foreign ministry officials profess little interest in associating with traditional alliances or blocs, maintaining that “network diplomacy” is required to resolve multiple problems on different chessboards—pressing for reforms of global economic institutions with the BRICs, while building a new European security architecture with the U.S. and Europe. These different policy directions are not linked through overarching international institutions or norms. Rather they are meant to demonstrate the growing role of alternative development models and the possibility of informal cooperation without the conditionality requirement typical of most Western institutions.¹¹⁸ To a large degree, Moscow is free-riding on China’s dilution and diversification of the Western normative agenda where a “League of Democracies” would no longer have an obvious power edge.

Finally, to the extent that the BRICs diplomacy enables Russia to cast itself as a coordinator of the interests of major non-Western centers in the emerging multipolar world and either a bridge to their collective larger role in Western-dominated institutions or an alternative global governance framework, Moscow must be wary of the threat of internal contradictions. The BRICs approach recognizes China’s increased role in international politics and allows Moscow indirectly to extract some leverage from that association while Beijing pursues its growing ambitions shielded in part by the larger group. However, this is a difficult tango given continuing “diverging interests” among the RICs.¹¹⁹ The BRIC group’s future existence will probably be determined by Beijing, leaving Moscow with only a limited number of moves and an incentive not to burn its bridges with Europe.

118. Lukin, “Russia to Reinforce the Asian Vector.”

119. The RICs first summit was held in 2006 in St. Petersburg on the sidelines of Russia’s presiding over the G8 meeting. Their differences were mentioned in the Harbin communiqué, but not repeated at the BRIC meeting. Vladimir Radyukhin, “For a New Order,” *Frontline*, 25 (June 07–20, 2008). <http://www.thehindu.com/fline/fl2512/stories/20080620251205200.htm>.