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The paper argues that while the current model of US-Russian relations, which the author defines as “selective cooperation against the background of strategic deterrence”, fully reflects their historic narrative and corresponds to the current preferences of the political establishments on both sides, it does not correspond to the major trends of global economy and international relations development. Kondratiev waves theory was selected to describe those trends and their impact on relations among states. According to the author, a sharp discrepancy between the current model of the US-Russia relations and what is demanded by the current Kondratiev wave trajectory results in gradual weakening of the sides and especially Russia in the International system, whose policies are in greatest breach with the Kondratiev wave conjuncture. Case study of US-Soviet relations was provided to depict the negative consequences of this discrepancy. The paper ends with arguing for a new model of the US-Russia relations and description of the one, which would be consistent with the Kondratiev waves cycles.

JEL Classification: Z

Keywords: Russia, United States, US-Russia relations, Kondratiev waves, new model.

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1. External Context of the US-Russia Relations²

The world is undergoing tremendous and rapid transformation in both economic and political sense, becoming increasingly complex, nonlinear, dynamic and unstable. Basic components of international order – structure, rules and norms of behavior, types of actors – are changing, as well as predominant patterns of international competition and interstate relations. Below is a more detailed description of these changes in economic and political realms.

1.1. Economic transformations

The first decade of the new millennium was marked by an amazing economic growth of China (average 10,1% a year in 1999-2008) and some other emerging economies. At the same time political, financial and military recourses of the United States and their closest allies have shriveled as a result of disastrous economic, military and foreign policies, especially by the Bush Administration. The world economic crisis of 2008-2009 accelerated structural change in the world economy. It originated in the developed world, showed that the models of economic development that had been existing in the US and in Europe since 1980-s were basically exhausted and uncompetitive in the global environment, and put an end to the Western-dominated world economic governance. Emergence of G-20 at the level of heads of states as the major framework of global economic governance was a vivid illustration of this change.

While increasing role of developing countries and exhaustion of the Western economic models may be the major trend in the short run, a more fundamental theory is needed to determine long-run scenarios. The Kondratiev long wave (K-wave) theory is suggested as a proper one for long-term economic prognoses.

This theory is based on analysis of long-run trends in development of the world economy, which were described as super-cycles or long waves. According to Kondratiev these exceptionally long (about 40-60 years) business cycles consist of two periods: an upswing and a downswing waves, each being about 20-30 years long, with a turning point between them usually marked with a severe crisis. According to this theory the “Long Depression” of 1873-1896 and the Great Depression of 1930-s were parts of downswing phases, characterized by a relatively slow and unstable economic growth and high rates of unemployment. Recent studies showed a strong correlation of K-waves with technological innovation cycles: fundamental innovations such as electricity or the Internet serve as new drivers of development. Basically, a major proposition of

² The author conveys his gratitude to *Dmitry Novikov*, NRU HSE PhD student, for valuable input and contributions to this paper.

this theory crucial for this paper is that each turn of the K-wave to the up coincides (and actually is driven) by a new technological revolution.

There are two interpretations of the 2007-2009 world economic crisis from perspective of the Kondratiev theory. The classic one describes it as a border between the upswing and downswing phases of the 5th K-wave. If this is true, the world economy has stepped into a period of turbulence and slowdown which will continue for at least 20-25 years – up to the middle of the 2030s. The alternative explanation is that the world crisis of 2007-2009 was just a temporary depression between two peaks of the upswing. Seeming recovery of the US economy and preservation of high growth rates by leading developing countries, above all China, speak in favor of this hypothesis. In this case a new economic crash is coming in 2018-2020, when the upswing phase of the K-wave will rise to its maximum³.

In any case, both explanations presume that the world economic system is passing through a period of substantial transformation, which will develop in two ways. First is quantitative and structural. It is the redistribution of wealth and economic might from the developed countries to the developing ones. As long as the downward swing of the K-wave continues, this redistribution will go on, providing not just economic, but also political implications. This shift of economic power could be slowed down or even reversed only if the new upward swing of the K-wave originates from the Western developed countries. This would happen if the latter conduct substantial structural socio-economic reforms and launch a new technological revolution. Thus far this scenario is in no way predetermined. Developing countries are not burdened by heavy social programs (as in Europe) or by paralyzed political systems, as in the US. And the most successful among them make huge investments into research and education.

The 2nd aspect of transformation is qualitative. It is the looming technological transformation. As K-wave turns to upswing phase correlate with technological innovations waves, the core of global competition will take place not simply in economic realm, but in cutting-edge technologies, which will determine technological structure of the future. Result of this competition will determine shape of the international landscape in the XXI century. Moreover, this time the correlation between technological competition and a new power structure will be even stronger. Because of globalization and global interdependence, as well as power diffusion and nuclear deterrence among the major powers, military factor is losing its traditional dominance in shaping international system's structure. Rather, it remains a passive but necessary

³ Korotaev A., Tsiel S. A Spectral Analysis of World GDP Dynamics: Kondratieff Waves, Kuznets Swings, Juglar and Kitchin Cycles in Global Economic Development and the 2008-2009 Economic Crisis // www.escholarship.org

precondition for great power status. But the core of competition moves to the spheres of economy, technology and images. Ability to produce cutting-edge technologies, to be successful and competitive, and to be viewed by the others as a dynamic and successful nation – these factors will be decisive ones in determining the new power structure after the K-wave turns up.

Thus, a new power structure is about to be established in the world, and it will be determined by economic and technological, not military, competition. Besides, in conditions of globalization success in technological innovations requires economic openness and deep integration into world scientific community is necessary. Production chains are becoming increasingly transnational and global, and free transfer of technologies and ideas is one of important terms for creating innovations as well as for their commercialization.

Finally, necessity to preserve economic competitiveness in conditions of negative K-wave swing and globalization transcends traditional foreign policy rules and patterns. Clear-cut distribution of foreign states into enemies and friends becomes an exception rather than a rule. Rather, the majority of countries tend to be competitors and partners at the same time. US-Chinese relations is a splendid illustration of this complexity. On the one hand, China is the major challenge to the US superiority, and geopolitical competition between the two, primarily in Asia Pacific, is increasing. On the other hand, the US-Chinese relations is an important source of economic development and growth for both countries, and none of them is interested in destroying the existing interdependence. For the US, as well as for many smaller Asian countries, Chinese growth is an opportunity to stimulate their own development at least no less, than it is a threat.

1.2. Political transformations

Political transformation of the international system are no less pervasive. First, due to globalization, information revolution and global political awakening⁴ international relations are becoming increasingly unpredictable and nonlinear. Time and again results of international regulation turn out to be very different, sometimes opposite, to what is desired, and many important processes change fundamentally over the course of their development. “Arab spring” is a good illustration of both. Having started as a plea for justice, freedom and human dignity, it transformed into a fight between Islamic radicals and the rest, who ally around the power structures they previously demanded out. Instead of spread of freedom and democracy, interventions against the old Arab dictators turned out to be a direct help to Islamist radicals and

⁴ Zbigniew Brzezinski, The Global Political Awakening. The New York Times: December 16, 2008: <http://www.nytimes.com/2008/12/16/opinion/16iht-YEbrzezinski.1.18730411.html>; Zbigniew Brzezinski, The Dilemma of the Last Sovereign. The American Interest Magazine, Autumn 2005.

terrorists, including Al Qaeda. Few would have thought in 2001 that the US would provide direct assistance to this terrorist structure and its allies in Libya and Syria.

Second, power is not just shifted from the West to the “new centers”, but also diffused among many actors, including middle and small states, as well as non-state actors.⁵ This makes structure of the international system extremely complex and contradictory, and drastically changes traditional patterns of governance. Great power vertical rule, which has dominated international regulation for centuries, is losing effectiveness. Regulation is often hijacked by smaller and medium powers, and traditional great powers find it increasingly difficult to promote their course. It might be the case that a rule, when world events are driven by great powers, is already a history. Thus, to conduct a more or less successful foreign policy all the states, including the most powerful ones, need to be as flexible as can in their cooperative and partner relations and enroll the more relevant actors into implementing a certain action the better.

Again, the Arab spring is a good illustration. It was not driven and certainly not launched by the US or the EU, and clearly develops in direction not consistent with either Western or Russian and Chinese interests. Ability of great powers to govern development of events in the region, be it Egypt or Libya or Syria is extremely limited. It is not they, but local actors, including Saudi Arabia, Iran, Qatar and Turkey, who have real power over what’s happening on the ground. Moreover, when it comes to Libya and Syria, it is these local actors, who determine policies of great powers, not vice versa.

Third, because of the nuclear deterrence on the one hand, which excludes war as a method to check power relations and establish a new correlation of forces, and power diffusion on the other hand, which widens a gap between “mathematic” or “absolute” power of states and their ability to drive events, it is very hard to define exact structure of the international system at all. Number of nukes or size of GDP don’t provide the correct picture. For instance, China might rather soon supersede the US in the size of its GDP. However, it is doubtful to argue in this case, that Beijing will become more powerful. Another example is Russia and China. Moscow enjoys vast superiority in nuclear weapons, while China is far above in the size of GDP and growth rates. So it is extremely hard to argue who is more powerful in international relations.

Forth, absence of clarity about power structure logically and predictably creates ambiguity about other vital components of international order, which usually depend on the distribution of power and defined by it: norms, rules and institutions. This relates to the most fundamental norms and

⁵ Joseph S. Nye. The Future of American Power // Foreign Affairs, November/December 2010.
<http://www.foreignaffairs.com/articles/66796/joseph-s-nye-jr/the-future-of-american-power>

rules governing behavior of states – sovereignty, non-interference into domestic affairs of states vs. “responsibility to protect”, as well as central institutions of international order – the UN and affiliated structures. As the same Arab spring showed, there is no consensus in the world about those basic norms. Some countries, as Russia and China, defend the classic understanding of sovereignty. Western actors proclaim R2P in words, but in deeds simply conduct regime change policy in accordance with their egoistic interests. The UN institutions are suffering from abundance of problems and are weakening in terms of effectiveness. Ad hoc forums (G20, BRICS, nuclear security summit, etc.) are increasingly created to fill the gap of global governance. There are reasons to believe that traditional institutional multilateralism can over time become secondary in comparison to flexible mini-lateral and multilateral forums and ad hoc groups.⁶

Fifth, the role of military power is changing. Without question, it remains necessary for security, and a crucial component of power. It is still what deterrence is based on. Moreover, in conditions of creeping disorder its role in the international relations might increase. However, remaining crucial, military force is ceasing to be an active policy tool for great power relations. As stated above, other issues start to define winners and losers among great powers. Moreover, as the US wars in Iraq and Afghanistan showed, the ways to transform military power into political ends are decreasing.

Remarkably, the conclusions of these observations for interstate relations are very similar to those we made on the basis of economic analyses: strategies and policies of states become increasingly flexible and complex. Traditional allied relations and stable antagonisms are giving a way to a pragmatic approach based on economic calculation and immediate political goals. To rephrase Thomas Hobbes, the world politics of the XXI century is the “cooperation of all with all” as well as “competition of all with all” as two sides of the same coin. Whereas the purpose of these flexible relations are to minimize the cost of foreign policy (unilateral conduct turns to be extremely costly emerging conditions), to promote national interests in the most effective way at a given situation, which can hardly be promoted in today conditions though traditional rigid alliances only, and promote economic growth and innovations.

The US provides a vivid example. Many of its traditional ally relations are on the flux and changing their importance and role in the US foreign policy. They are becoming less central as the formats and mechanisms through which the US foreign policy in its multilateral aspects is

⁶ Steward Partick. The Unruled World. The Case for Good Enough Global Governance. // Foreign Affairs, January/February 2014. <http://www.foreignaffairs.com/articles/140343/stewart-patrick/the-unruled-world>

being implemented. Many of them are also ceasing to be Washington's central foreign policy priorities. "Coalitions of the willing" – the concept coined by the Bush Administration and heavily criticized at that time for its unilateralist nature – is becoming predominant pattern of multilateral action of the emerging order. At the same time, new partners emerge, who might look unnatural given the history of US relations with them – Vietnam comes to mind as a good example.

Although many alliances will surely be preserved and even strengthened, an "applied role" of alliances is changing. They are becoming passive, rather than active tools of foreign policy. They are no longer the assets of 1st resort for implementing quick and complicated decisions, such as use of military force, or resolving of an ongoing conflict, or for managing transnational threats and challenges. More flexible mechanisms are needed for this, and a US-Russia partnership could be among them.

2. Current model of the US-Russia Relations

The current model of the US-Russia relations does not reflect these tendencies in either economic or political sense. It remains rigid and fragile at the same time, and distracted from the tendencies of the world economy and international affairs development described above. This increasingly vivid distraction, which immediately assumes an artificial agenda of the US-Russia relations, is their major illness and the major reason of their inability to build sustainable partnership since the end of the Cold war.⁷

On the one hand, contradictory contents and high volatility of the current US-Russian relations might create an impression of conformity of the relations model with the external environment in terms of its flexibility. Indeed, US and Russia are neither allies nor foes, and the model of their relations emerged in 2013, after they had overcome the "mini-crisis" of 2012, is "selective pragmatic cooperation". It means that the sides cooperate where they can, where their interests converge and where they conclude that it would help to promote their interests, such as on ending Syrian civil war, Iran, Afghanistan up to 2014, counter-terrorism, and so on. On some of them cooperation is quite impressive, as it was in fall 2013 on resolution of the Iranian nuclear program issue, on elimination of Syrian chemical stockpile and on driving the two sides of the Syrian civil war to start talk to each other ("Geneva-2" process). At the same time, the sides do

⁷ S. Karaganov, D. Suslov. U.S.-Russia Relations after the 'Reset': Building a New Agenda. A View from Russia. Valdai International Discussion Club Report. March 2011. http://vid-1.rian.ru/ig/valdai/US-Russia%20relations_eng.pdf

not hide their differences and allow explicit clashes on the issues where their interests diverge, such as missile defense, new rounds of nuclear arms reductions, Ukraine, Afghanistan beyond 2014, sovereignty and regime change, etc. Similar model existed in the US-Russia relations in the 2nd half of 2000-s (before the 2008 crisis over the Russian-Georgian war) and even in later 1990-s.

On the other hand, this seeming conformity is just an illusion. While enabling the sides to fulfil some immediate tactical goals, on the whole the “selective pragmatic competition” model deprives them from greater opportunities both Moscow and Washington could grasp through their cooperation, it does not make them either wealthier or secure in the turbulent external environment, and, moreover, it makes them (and Russia on a greater scale) weaker.

First, the relations are fundamentally fragile. Since the end of the Cold war they have been developing in a vicious circles mode, when each next attempt to build partnership collapses within 2-3 years, and the relations find themselves in stagnation and ultimately in crisis. This pattern remains unchanged disregarding the changes of international environment, places of the US and Russia in the international system and foreign policies of the sides. Collapse of the US-Russia “reset” in 2012 was the latest illustration of the pattern. It happened despite the fact that majority of the problems that had been poisoning US-Russia relations for decade and a half (i.e. NATO expansion, strategic missile defense, open rivalry at the CIS) were taken off the agenda or substantially weakened. As of late 2013 – beginning of 2014, when the sides perform remarkable cooperation on Syria and Iran, their new tug of war over Ukraine is intensifying, and the old devil of open geopolitical rivalry and mutual containment at the Post-Soviet space seems to be out of the bottle.

The reason of this fragility is exactly the existing model of relations. It presumes that US-Russian cooperation takes place only when it is tactically and feasible and instrumentally desirable, or indeed necessary, not because the sides’ political leaders would like to drive the relations forward and bring them to some desired state of affairs. On the contrary, in both countries leaders refuse to invest any substantial political capital in the relations and deprive them of any strategic purpose. Cooperation remains fully instrumental, determined usually by external factors, rather than by the sides themselves. As soon as the external-driven issue is addressed, cooperation ends. The sides lack political will to develop new substantial cooperative agenda, beyond of what is done by default and out of necessity, capable of providing them with positive stability and of making the sides more secure, wealthy and influential.

US-Russia relations acquired this pattern once again in 2013 – after the “mini-crisis” of 2012 and after Russia rejected a new proposal to make a new round of nuclear arms reduction the bases for

positive agenda till the next Presidential elections in the US. Obama administration vividly reduced the role of Russia in its foreign policy priorities hierarchy and started to demonstrate that it is little to talk about with it, besides the issues where this talk is unavoidable (as on Syria and Iran, due to Russian status of a UN SC permanent member). Witness Barack Obama's decision to cancel bilateral summit with Vladimir Putin in early September 2013 and to miss the Sochi Olympics in 2014.

As for remarkable cooperation on Syria and Iran, which was detrimental for international security and showed very clearly that US and Russia can cooperate and that their cooperation does bring positive results for themselves and the world, again, it was tactical, instrumental and fragile. It was neither Russia nor US-Russia relations that persuaded US to change course on Syria or Iran in Autumn 2013, but American domestic limitations and foreign policy considerations, internal US domestic and foreign policy discourse. Russian brilliant proposal on establishing international control and eventual elimination of Syrian chemical stockpile was a pretext, not the cause for change of the US policy. And as soon as Russian role is fulfilled for accomplishing US interests on both cases, cooperation will end. Finally, this cooperation did not manage to weaken or prevent the creeping US-Russian rivalry at the Post-Soviet space or US decision to keep the dialogue on bilateral problems at the low profile.

Whereas bilateral US-Russian agenda remains rigid, outdated and increasingly detached from the major trends of the international system development. It rests largely on two pillars: strategic deterrence and geopolitical competition in Eurasia.

Despite the fact that the Cold war ended 25 years ago, US and Russia are no longer adversaries and pose no objective direct military threat to each other (especially after the Obama Administration froze NATO expansion and rejected plans to develop global strategic missile defense system), their relations are still based on strategic nuclear deterrence philosophy and balance as they existed during the Cold war. The essence of this philosophy is that the sides measure their security on the basis of not objective military threats they face, but the other side's defense development, frankly, against each other. It is not even mutual assured destruction, that is viewed as a criteria of security, but it is MAD plus balance, according to which the sides are able to destroy each other equal amount of times.⁸ Every step that could hypothetically undermine the "pure" Cold war-type strategic balance is viewed as a grave threat to national security, and immediately steps are made to counter-balance it. This is why Russia objects

⁸ S.M. Rogov, V.I. Esin, P.S. Zolotarev, V.S. Kuznetsov. On the Qualitative Transformation of Russian-American Relations on Strategic Issues. Russian International Affairs Council Working Paper № VIII, 2013

strongly to US initiatives to proceed with nuclear arms reductions, demands limitations on US missile defense policy and regards the latter and some other components of US defense policy (high precise weapons) as a military threat, demanding counter-measures.

This situation is not only in total breach with the international developments, but also undermines the US-Russian relations and the sides themselves in several ways. In conditions, when there is no lethal antagonism between Russia and the US, when the international structure is not simply bipolar, but increasingly flexible, dynamic and even unclear, such commitment seems absurd. It is unnecessary for effective defense and deterrence, it is harmful for Russia's relations with the US and American allies, and it is simply destructive economically.

This philosophy excludes trust from the relations at all and makes sustainable cooperation impossible by default. Foreign and defense policy establishments of both sides watch the other side carefully, making sure it does not undermine the balance, assuming that it might cheat and counterbalancing every step. Frankly, the US and Russia still regard each other as potential adversaries in defense area, and this predominance of mistrust and counter-balancing limits positive cooperation and exacerbates contradictions.

Thus, this model impedes cooperation on newly emerging positive areas, as it faces the wall of mistrust. It also exaggerates artificial contradictions on US-Russia agenda and turns them into major conflict areas (such as missile defense), and compels the sides to make unnecessary spending (on sustaining the balance). It distracts the sides from cooperation on real threats and challenges of international security to counter-balancing of artificial ones. Last but not least, it makes the whole agenda of the relations misbalanced, with disproportionately dominant role of nuclear arms in the bilateral agenda. The sides get so used to perceiving strategic deterrence as the core and skeleton of their relations, that have neither will nor imagination to think about anything else. And when this traditional skeleton crumbles – as it does today as Russia is rejecting further nuclear reductions – the relations turn to lack the core at all and become compiled of accidental externally driven issues, and the sides reduce the relations' importance.

Finally, the current model of the US-Russian relations undermines opportunity for the sides to look for ways to expand the relations' agenda and establish cooperation in areas and regions, when it could really contribute to Russian modernization and economic development. Cooperation on Siberia and the Far East as a component of a US-Russian general partnership on Asia Pacific could be the case. Today neither former nor latter exist on the US-Russian agenda. The reason is a lack of political will, which prevents leadership in both countries to invest political capital in the relations and establishing some new cooperative projects, as well as political inertia, which also does not let us look beyond the habitual framework.

The 2nd pillar of traditional US-Russian agenda is also detached from the international trends and outdated. It is geopolitical rivalry in the Post-Soviet space and on the issues of European security, which sustains itself since the middle of 1990-s and also makes both sides weaker. Indeed, throughout the last 20 years Moscow and Washington perceive each other's policies in the regions through the zero-sum prism. Russia is convinced that the US is deliberately trying to weaken it and contain every form of Russian influence in the region Moscow regards as its major foreign policy priority and central for its survival, security and identity. The US, on its turn, view Russian policies in the post-Soviet space as designed to re-establish empire against the will of the regional countries. Both are wrong and based on geopolitical inertia, rather than unbiased calculation of the real situation in the region and real interests of the sides, which are no longer zero-sum. For instance, the US failure and withdrawal from Afghanistan undermines, rather than promotes Russian interests.

Moreover, the efforts the sides make to weaken the other side's position in the region are no longer relevant for their longer-term place in the world. With the emergence of China and the major challenger of the US global primacy it is no longer important for the US place in the world whether Russia dominates the Post-Soviet space or not. At the same time, integration with Post-Soviet countries by itself is incapable of providing Russia with a new stimulus and model of economic development, which would match the tendencies of the world economy development. Again, this artificial and inertial rivalry undermines the sides' ability to promote their interests (for instance it impedes economic integration at the Post-Soviet space and diminishes the sides' will to cooperate on Afghanistan) and deteriorates situation in the region itself (witness political crisis in Ukraine in winter 2013-2014 and increasing instability in Afghanistan and Central Asia).

At the same time, the existing model does not raise the sides' (especially Russia's) capabilities to be competitive in the transforming world economy: it does not contribute to their modernization, innovation-based growth and capacity to produce cutting-edge technologies. Despite the fact that the US is still the major producer of technological innovations in the world, maintains enormous economic and financial potential and still plays leading (though diminishing) role in global economic governance, the US-Russia economic relations are remarkably scant, amazingly below the potential of economic links between the 1st and 6th largest economies in the world. The total amount of American direct investments in 2012 was just about \$400 million, while the commodity turnover for the same time made \$40 billion, what is less than 1% of the US total

foreign trade⁹ (and about 5,7% of the Russian one) – in other words from perspectives of economic partnership Russia simply doesn't exist for Washington.

Despite both sides keep on proclaiming intensification of economic relations as the major priority of the US-Russia relations since 2011 and even take lots of administrative measures,¹⁰ real progress is very low. Existing examples of successful cooperation (such as “strategic partnership” between Rosneft and ExxonMobile companies, involving joint exploration of the Arctic resources) remain sporadic and rather exceptional. Whereas US-Russian “partnership on innovations”, proclaimed in 2010, does not have a cumulative effect on the economy and up to now have consisted of symbolic and superficial steps only (such as President Medvedev's visit to the Silicon Valley, bringing CEOs of the US innovation companies to Russia and involving some of them into Skolkovo project).

Although Russian domestic limitations is the major reason of this poor development, political factors also play a role. The cool political atmosphere of the US-Russia relations, systemic lack of trust, continues discouragement and irritation and mutual perception as potential adversaries is an important reason why the US is not performing as an external source of Russian modernization and why their economic relations remain underdeveloped. For instance, negative political atmosphere is the reason why it is so difficult to lobby for development of economic relations with Russia in the US Congress.

Unfortunately, the existing model of the US-Russian relations, which remains largely unchanged throughout the last 20 years, is likely to survive further. Historical background, circumstances of domestic politics and current comprehension of the national interests serves as factors which make this model psychologically and practically acceptable by élites – especially by military and intelligence establishment on the both sides. Moreover, some could even argue that it is this model that serves the Russian interests best.

Indeed, rise of Russian influence in the world politics in the last decade was partially based on a careful balancing of relations with the West, combining both cooperation on the areas of mutual interest (Afghanistan, counter-terrorism, etc.) with soft confrontation with Washington, critic of the US policy in the Near East and a careful backing of American foes. Without question, Russia regained its status of independent global player staying distinctly beyond the Western orbit,

⁹ The US Census Bureau. www.census.gov

¹⁰ Obama Administration brought Russia into WTO and repealed elderly Jackson-Vanik amendment; the sides created several formats designed to stimulate economic relations, including dialogue on the level of the US Vice-President and the Russian Prime Minister and relevant Working Groups of the Bilateral Presidential Commission.

sometimes being openly opposed to it. Witness Putin's speech at the Munich Security conference in February 2007 and the Russia-Georgia war in August 2008. In 2013 Russia's distinctly independent global course continued to strengthen and to bring benefits. From the escape of Edward Snowden to Moscow to the successful initiative to establish international control over Syrian chemical weapons, Russia not only proved once again that it is perhaps the only great power today which is capable of resisting American pressure, but that coupled with skillful diplomacy this approach brings positive results, and Russia's international position continues to strengthen.

However, this effectiveness is very likely to turn out to be temporary, as well as the Russian rise within the existing pattern and logic of its relations with the US. Whereas in the long-term perspective preservation of this model is increasingly at odds with the development of the international system and the world economy, and does not contribute to the sides' economic competitiveness or political power in the changing global environment. At best, status quo deprives Moscow of potential benefits it could extract out of cooperation with the US. Some of these lost benefits are quite important, such as in the Asia Pacific region. At worst, this model creates conditions for decrease of Russia's competitiveness and eventual weakening in the longer run.

Thus, it is evident, that the existing "selective pragmatic cooperation" model of the US-Russia relations diminishes, not increases, their military security and political standing in the world. The sides pay huge attention and money to counterbalancing each other, aggravate artificial contradictions instead of cooperating on real challenges and threats. They miss opportunities to promote their political power, security and development through cooperation, which the international system offers. For instance, cooperation on Asia Pacific is simply not viewed by political leaderships of the sides as a fruitful area of cooperation, despite both Russia and the US proclaimed the region as major foreign and economic policies priority and despite their interests their largely converge. And they doom the relations to regular crisis, which could be easily avoided if the sides revise strategic deterrence and Eurasian geopolitical rivalry. All the more so neither US-Russian strategic deterrence nor geopolitical rivalry corresponds to the real places the sides occupy in the international system and the challenges they face in reality.

3. Case study: K-wave and the US-Soviet relations

The case of US-Soviet relations is quite helpful in highlighting negative consequences of inconsistency between the model of relations and foreign and defense policies on the one hand,

and direction of the K-wave, on the other. Although international environment of the Cold war was fundamentally different from the present complexity, the logic of the US-Soviet relations had much in common with the contemporary Russian-American relations. Both were based on strategic deterrence, counter-balancing and preservation of strategic balance. This might help us to understand the impact of the K-wave on the relations better.

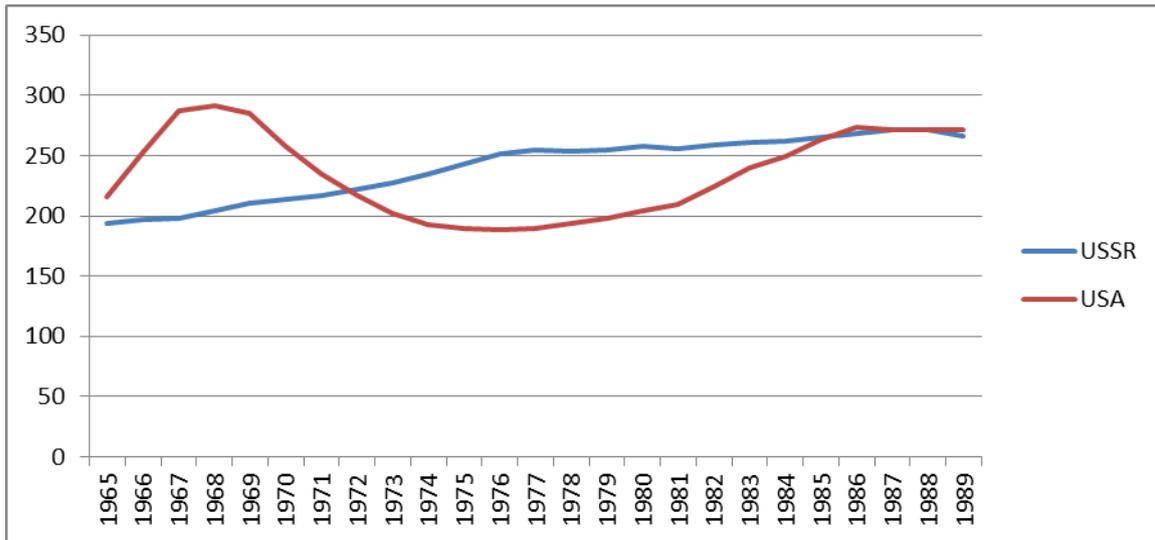
The previous downswing phase of the K-wave took place between the 60s and 80s– and manifested itself in the structural economic crisis of the 70s, which encompassed both capitalist and socialist worlds. To a certain extent it was this development of the world economy that created preconditions for Détente of the 70s. Financial austerity, aggravated by the Vietnam war and arms race was a good stimulus for the United States to change foreign policy, i.a. withdraw troops from Indochina, stabilize relations with the USSR through Détente and begin a rapprochement with China. As a result a less confrontational international environment of the 1970-s helped the US to pass through a critical point of the downswing.

As shown at the Picture 1, the United States cut down military spending for almost one third between 1968 and 1975, mostly by finishing the war in Vietnam and refusing to build a national strategic missile-defense system. This allowed Nixon Administration to present the only balanced federal budget between 1961 and 1998 and form other budgets with comparatively low deficits. This, in turn, provided macroeconomic stability during the recession of 1974-1975 and later gave the Reagan administration a space to raise the national debt in the 1980s. Smart foreign policy decisions enabled the US to soothe the negative effect of the downswing phase of the K-wave and create prerequisites for impressive growth in the 1980-s.

On the contrary, the Soviet Union, which had been enjoying inflow of petrodollars since the oil shock of 1973, refused from deep structural reforms and preferred to develop traditional industry and extensive oil and gas production instead. Moscow also used oil boom to preserve high level of military expenses. Soviet defense assignments were increasing permanently until 1986 and were a little bit cut down just in 1989, while the economy showed clear signs of stagnation in the later 70s. The annual average real GDP growth of the USSR in 1961-1973 was about 5%, in 1974-1978 it decreased to 3,4% and in 1979-1985 the Soviet economy produced only 2,1%¹¹ of annual growth, followed by severe recession of the 2nd half of 1980-s. That was a great contrast with the United States, which economy almost doubled during the economic boom of 80s.

¹¹ Serrano F. Mazat N. An Analysis of the Soviet Economic Growth from the 1950s to the Collapse of USSR // www.cenrosraffa.com

Pic. 1. Military spending of the USA and USSR, 1965-1989 (Billion 1988 Dollars)¹²



Thus, the crises and eventual collapse of the USSR was to a great extent predetermined by inertial policy of its leadership in the 1970-s, both economic and defense, which was in profound breach with the dynamic of the K-wave at the time at least in two ways. The Soviet Union kept on increasing defense spending at the time, when external economic environment demanded otherwise; and as it abstained from reforms and was cut from the capitalist world by the Iron Curtain, it missed the new technological revolution, which paved the ground for a new up-swing of the K-wave in the 1980-s. Although predominantly the guilt was with the totalitarian political regime of the USSR and style of governance of the elderly Soviet elite of the 1970-s, the model of the US-Soviet relations also played its part. Confrontational logic contributed to closeness of the Soviet system, limited economic and scientific links with the West and resulted in progressing technological lag. It also pushed the Soviet leadership to make disproportionate investments to defense sector and keep strategic parity with the US by all means.

4. Towards a new model of the US-Russia relations.

4.1. Necessity of a new model

Today there is a big risk for Russia to repeat the same mistake, albeit with even more destructive consequences. The impact of inconsistency between the K-waves logic and the current state of US-Russia relations is very likely to be stronger. Unlike the USSR Russia is not a superpower

¹² CIA Analysis of the Soviet Economy. www.cia.gov

and is more vulnerable to global economic and political turbulence, and economically it is much more fragile than was the USSR – with disproportionate dependence on energy exports.

As in 1970-s, the current US policies look more consistent with the K-wave downwards conjuncture than are the Russian ones.

The US is in the midst of rather painful and complicated reforms designed to reestablish economic dynamism and increase US socio-economic and technological competitiveness. Despite sharp partisan divisions on too many issues, the US political establishment seems to understand that the roots of American competitiveness and power in the world lie at home.¹³ The National Security Strategy issued by Obama Administration in 2010 was the 1st one to discuss domestic affairs and to describe them as the national security priority No 1.¹⁴ The current debate in the US on national security is also giving vivid preference to domestic troubles, which are often referred to as top national security challenges.¹⁵

Also, as required by the K-wave conjuncture, the US is making its foreign and defense policy less costly. Obama Administration started to reduce defense spending, which can happen to be even more profound than the claimed half trillion dollars within 10 years, to reduce the personnel of the Armed forces and to revise American worldwide presence and responsibilities. Asia Pacific is claimed the only region in the world where the US military presence will not be reduced. Obama Administration withdrew troops from Iraq and plans to withdraw the majority of forces out of Afghanistan by the end of 2014. Its policy in the field of nuclear weapons is also partly dictated by cost reduction considerations: sustaining vast nuclear arsenals is costly and, in today conditions, unnecessary and even counterproductive. Thus, the Obama Administration suggested an ambitious nuclear arms reduction initiative and offered Russia a vague (though interesting) concept of “mutual assured stability”¹⁶ as an alternative to MAD.

Actual conduct of US foreign and military policy is also changing. It has rejected long-term occupations and nation building as policy objectives, reduced priority of counter-insurgency among the tasks of the US Armed Forces and reduced the personnel of the Army. Thus, the Obama Administration has put a clear end to imperial foreign policy. Its approach to foreign interventions has become remarkably different from the one employed by Clinton and Bush

¹³ Richard N. Haass. Foreign Policy Begins at Home: The Case for Putting America's House in Order. Basic Books, 2013. 208 pp.

¹⁴ National Security Strategy. May 2010. http://www.whitehouse.gov/sites/default/files/rss_viewer/national_security_strategy.pdf

¹⁵ Richard N. Haass. The Real Threat to U.S. National Security // Politico, October 7, 2013

¹⁶ Report on Mutual Assured Stability. US Department of State, August 14, 2012. <http://www.state.gov/documents/organization/196789.pdf>

governments. This was particularly evident in the US handling of the operation in Libya in 2011 and its decision not to intervene in Syria in 2013. Washington could have made a huge mistake and stepped aside from the road consistent with the K-wave requirements, when it was preparing to attack Syria in autumn 2013. But fortunately Obama Administration changed the course at the last moment, remarkably, with the Russian help. Burden sharing, developing capacities of the others, building partnerships and, above all, reducing US military presence abroad (except Asia Pacific) become focal topics in the US foreign policy discourse.

Obama Administration's Grand Strategy also corresponds to the tasks of the K-wave conjuncture. From the start it was based on a notion that American unilateral power is not enough, and the US needs allies and partners to fulfill vital components of its foreign policy agenda. Thus, it started a "strategy of partnerships" with the major centers of power on the basis of how helpful can they be for US interests, not how democratic or non-democratic they were. Later this strategy evolved in two major and fully compatible grand initiatives, which are to remain as flagship components and priorities of the US foreign policy under Obama and beyond: "pivot" to the Pacific and Trans-Atlantic Free Trade Area. Both are focused on re-consolidation of major economic and political communities of the world – Pacific and Atlantic – around the US, which thus becomes its' center. Strengthening US-centric security communities in these two mega-regions will make America more secure and powerful. Whereas further economic liberalization in the Atlantic (through the TAFTA) and fastening a genuinely Pacific (with full-fledged US participation), rather than exclusively East Asian, economic community in the Pacific (through the Trans-Pacific Partnership project, which is the flagship one within the US "pivot") will create a huge stimulus to the US economic development and modernization. After all the central idea of the American "re-balancing" towards the Pacific is attaching the US to the highly dynamic economic growth in Asia.

The US policy towards China is a part and parcel of this strategy. Although containment and competition between the two is creeping, it is not the dominant component of the US policy. Rather, the US conducts a carefully calibrated comprehensive strategy, which combines containment of China in defense and foreign policy areas, and preservation (and even increase) of its role as a source of the US economic development.

As for Russia, its current policy does not match the K-wave conjuncture neither in economic, nor in foreign and defense policy sense. The developmental model that consolidated in Russia after Putin's return to the President's office in 2012 is that of stagnation and degradation in the longer-term. It neither conducts, nor even discusses modernization. Dependency on raw materials exports is increasing, investments are declining, and the capital is running away because of the

absence of rule of law and generally unfavorable business climate. Political system remains undemocratic and, with some fluctuations, repressive towards the opposition and liberally-oriented NGOs. Budgetary policy of the Russian government is also poorly consistent with the requirements of the downstream K-wave and the coming new technological revolution. In order to sustain social expenses, that were promised by Vladimir Putin during his election campaign, defense expenses and expenses for grand expensive projects, as the Sochi Olympics, the government is reducing what is the backbone for development and innovative growth – expenses for education and science. Political and social stability in the short-term prospect is being sustained at the expense of the country's future.

Russian defense policy is also quite different from the US one and from what would have been desirable according to the K-wave conjuncture. Unlike the US, which has resumed economic growth in 2013, but continues to reduce defense spending, Russia is increasing defense spending despite economic stagnation and extremely low growth (1,5% in 2013). Being the 6th biggest economy in the world, Russia has the 3rd biggest defense budget (91,2 bln. USD in 2013). The year 2012 only showed 16% increase of Russian defense spending in comparison to 2011, while the its share in the GDP reached 4,4%. This is twice as big as in China. In general, it seems that Russia persistently favors military power, especially its status and role of a nuclear superpower enjoying parity with the US, as a tool to ensure security and great power role in the world in general. As described above, such an unbalanced preference to the military power, especially at expense of economy, education and science, might be a rude mistake and result in gradual marginalization of Russia's role in the international system.

Finally, foreign policy strategies as pursued by Moscow also do not contribute to cost reduction and innovative growth. Here there is a big gap between rhetoric and reality. Officially such purpose is fully recognized. Russian Foreign Policy Concept adopted on February 12, 2013, defines one of the major goals of foreign policy as “creating favorable external conditions for a steady and dynamic growth of the Russian economy and its technological modernization with a view to putting it on the innovation-based development tracks”.¹⁷ “Partnership for Modernization” was proclaimed as a flagship project of Russia-EU relations in 2009, to be supplemented by similar “Partnership on Innovations” with the US in 2010. However, the real results are very scant. Long-term investment into innovative and sophisticated industrial sectors, transfer of technologies and integration of Russian companies into global production chains

¹⁷ Concept of the Foreign Policy of the Russian Federation. Approved by President of the Russian Federation V. Putin on 12 February 2013. <http://www.mid.ru/bdomp/ns-osndoc.nsf/1e5f0de28fe77fdcc32575d900298676/869c9d2b87ad8014c32575d9002b1c38!OpenDocument>

remain exclusion, rather than a rule of Russia-EU and Russia US economic relations. Despite declarations, modernization added value of Russia's relations with the West is almost zero.

In general, Russian foreign policy, though highly professional, remains largely heavy-handed and giving preference to hard, rather than soft power. The Russia-Western tug of war around Ukraine in late 2013 – early 2014 was particularly illustrative of this. Moscow was far ahead of the EU and the US in terms of carrot and stick dialogue with Ukrainian leadership. Whereas the option of integration with Russia and the Customs Union it leads together with Belarus and Kazakhstan as opposed to integration with the EU remains not that attractive for the majority of Ukrainian people despite the obvious economic benefits of the former and costs of the latter.

Negative impact of the inconsistency between the Russian policies and the logic of the K-wave conjuncture is already feasible. Russian economy vigorously suffered from the global economic crisis of 2008-2009. Recession in Russia was the deepest among all of the G20 countries (GDP contracted by almost 8% in 2009). Existing model of Russian development, based on energy exports and intensive interbank lending, is clearly exhausted: while oil prices in 2013 were about \$100 per barrel and the world economy resumed growth (in the US and China it was quite impressive), Russian GDP grew less than 1,5%. Preserving status quo will make prolonged stagnation of the Russian economy almost guaranteed. In conditions, when the others will grow, this would mean continues weakening and marginalization in the international system.

The reason of such state of affairs has direct relations with the Russian foreign policy, including its relations with the US at the first place. It is Moscow's clinging to strategic deterrence and the Cold war understanding of strategic stability and balance, which compels it to provide disproportionate spending on defense. While educational and research spending is being cut, the Russian government asserts that the State Armaments Program, which totals 20 trln. roubles (about 660 bln. US dollars) and which major priority is modernization of Russian strategic nuclear force, will be fulfilled. Given reduction of growth, it will require the share of defense spending to rise to more than 6-7 % of the GDP. Moreover, the structure of these expenses is at odds with the real threats and challenges Russia faces: their substantial share is devoted to modernization and upgrade of the nuclear forces in order to sustain strategic balance and MAD with the US.

Besides, it was Russia, not the Obama Administration, who played the major role in worsening relations with the US in 2011-2012 and who insists on keeping the existing model of the US-Russia relations, based on strategic deterrence and counterbalancing each other unchanged. Anti-American rhetoric, that accompanied Vladimir Putin's re-election campaign of 2011-2012, deliberate aggravation of the missile defense issue, rejection of the US proposal to continue with

nuclear arms reductions, systemic lack of trust, etc. – all this created a political climate in the US not favorable to rapid expansion of economic ties with Russia.

Given reduction of Russian economic growth and firm commitment of its leadership to sustain the Cold war type strategic balance with the US Moscow faces a real risk of making an even greater – and much more foolish – mistake than the USSR did. Russia is risking not simply to make defense sector too heavy for the economy in general, but to sustain it at the expense of education and science, of what could constitute the basis for Russian success in the world economy and politics, and, finally, to do this at the absence of the Cold war.

4.2 Outline of the new model

To be consistent with the external environment, defined by the K-wave conjuncture in economics and power diffusion in politics, US-Russia relations should contribute to at least the three following goals: 1) reduce expenses that impede economic growth and innovative development (disproportionate defense spending, especially those that poorly reflect the real threats); 2) increase economic competitiveness and the sides' ability to succeed in the new emerging technological revolution and achieve a new foundation for growth and development; 3) cooperate bilaterally, multilaterally and multilaterally, when such cooperation advances the sides' interests and provides positive added value.

To do this, Moscow and Washington should change the logic and substance of their relations in the following way. First and foremost, they should move away from the existing strategic deterrence philosophy. Further nuclear reductions would not help, but rather make situation worse. The only way to get beyond the Cold war understanding of deterrence between the US and Russia is to decouple deterrence and parity. The former should be preserved, while the latter needs to be recognized as both unnecessary and unnatural in existing conditions. The sides should recognize that the very possession of vast nuclear arsenals does not present a threat. On the contrary, these arsenals make use of force by the US and Russian against each other impossible by default. However, the size and structure of these arsenals, and, thus, deterrence, should be measured not by the arsenal of the other side, but what is necessary and sufficient for guaranteed deterrence. Frankly, “general deterrence” or “all-azimuth deterrence”, measured by the “reasonable sufficiency” principle should replace the principle of parity.¹⁸ Such reform would solve many contradictions of the US-Russia relations, such as missile defense, tactical nuclear weapons and new rounds of nuclear reductions, by itself. Those will simply not be

¹⁸ D. Suslov. From Parity to Reasonable Sufficiency. // Russia in Global Affairs, December 2010.
<http://eng.globalaffairs.ru/number/From-Parity-to-Reasonable-Sufficiency-15079>

regarded as threats or problems. At the same time, both sides will not have to make expenditures just for the sake of an outdated principle, poorly consistent with the existing realities.

Second, US and Russia should reject zero-sum thinking in their relations in the CIS, Europe, Middle East and other regions, which is inconsistent with the increasingly nonlinear and chaotic world, and reduce the importance of narratives, that were inherited from the past and no longer reflect existing realities. For instance, there is no objective US interest to contain all the forms of Russian influence at the Post-Soviet space and impede natural Russia-centric economic integration in the region. The existing situation with a clear lack of US interests vis-à-vis post-Soviet countries per se and a general interest of containing Russian influence in all of them is bizarre and aggravates not simply US-Russia relations, but the regional countries as well. Ukraine, whose political class has established a parasitic form of governance based precisely on extracting concessions from both Russia and the West via balancing between both sides, is a vivid illustration. As soon as Moscow and Washington switch their attention to stability and development of the countries concerned, rather than mutual containment, they will find multiple ways for positive-sum cooperation. At the same time, it is not in the Russian interests to kick the US out of Afghanistan and Central Asia. Situation on the ground demands their cooperation, rather than a new “big game”.

Third, the sides should prioritize economic relations in the spheres where it can really produce tangible added value for the sides' modernization and innovative potential. Nuclear energy, space, energy efficiency might be the prospective spheres.

Fourth, Russia and the US should diversify and broaden the scope of cooperation. It should involve not simply governmental structures, but also regions, companies, NGOs, universities and research organizations, and individuals. Research and scientific cooperation needs to be a major priority of the relations. It might be desirable to establish a special intergovernmental fund to sponsor and promote educational and research cooperation among Russian and American universities and research organizations.

Last but not least, the sides should establish strategic, intensive and comprehensive cooperation on Asia Pacific, including development of Siberia and the Far East. It could become a new “megaproject” for US-Russia relations, the one capable of changing their logic, model and substance fundamentally. It is the kind of new positive agenda, that will provide the relations with stability and positive interdependence. Indeed, Russia is the only country in Asia Pacific that could play a role of a 3rd independent great power in the region, a sort of 3rd power balancer, capable of preventing the region's geopolitical polarization between the US (and its allies and partners) and China. At the same time, involvement of the US and American Asian allies and

partners is the only way for Russia to stimulate economic development of Siberia and the Far East, which was proclaimed the major project of the country for the XXI century and is a critical component of the Russian strategy of “re-balancing” towards Asia Pacific. Limiting foreign participation in development of the Russian Eastern regions to China is counter-productive economically and dangerous geopolitically. Instead, Russia should balance its strategic partnership with China with intensified political and economic cooperation with the other Asian nations, the majority of which are the US allies and partners, and the US itself. Objectively a US interest in developing such cooperation with Russia also exists. First, American allies are interested in goods and services Russia could provide: above all, agriculture, water, etc. Secondly, the US would like to avoid a scenario when economy of the Russian Siberia and the Far East be dominated by China.

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