

Globalization and American Policy Toward Russia

Douglas Blum

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This memo deals with globalization and its implications for US policy toward Russia. Accordingly, the first order of business is a brief working definition. As used here globalization has three major components: 1) openness (political-institutional and infrastructural); 2) flows (of capital, people, goods, information and ideas); and 3) convergence (or homogenization) in terms of technical harmonization, social organization, popular culture, and norms (and to some extent, local particularism as well).

In addition to its major components, the current character of globalization matters also because of its close fit with the American polity. The cluster of norms and functional institutions embedded within it include private property, free trade and movement, limited government interference (but government enforcement), and basic individual (human) rights. They are neoliberal to the core. Indeed, in many key social and macroeconomic respects, America benefits disproportionately from the advance of globalization. Yet while this is true in relative terms, in absolute terms globalization offers numerous benefits to Russia as well. These include economic and social development, attraction of foreign capital (and retention of domestic capital), enhancement of governmental legitimacy, consolidation of pragmatic and cooperative foreign policies, and a lessened danger of domestic political pathologies. Moreover, most comparative studies suggest that sustained growth in per capita income contributes to the emergence and consolidation of democratic institutions, and globalization can potentially help promote median per capita income in Russia. The alternative simply dooms Russia to economic and social underdevelopment, with all their attendant political risks.

So far, however, Russia is only weakly globalized with regard to the openness, flows, and convergence referred to above. This is true almost regardless of what indices one chooses to examine: telephone mainlines, fax machines, PC users, Internet hosts, or Internet users. Long-distance telephone networking within Russia remains poor, especially outside of the Moscow-St. Petersburg corridor. The system of satellite, land lines, microwave radio relay and submarine cables is inadequate to handle increased international volume, and domestic fiber-optic cable installation is limited. Private capital flows remain extremely low as a percentage of GDP. While it is not within America's power to orchestrate and ensure convivial arrangements in Russia's domestic politics, it is within America's power to help foster the macroeconomic and infrastructural framework within which such developments may occur on their own.

Priorities for US Policy

For all of the foregoing reasons--to bolster Russian development, enhance the economic foundations of Russian stability, and improve US-Russian relations--American policy should be explicitly reoriented away from bilateral, government-to-government ties and toward the "global level" instead. This means two things:

1) Impacting openness: contributing to the macroeconomic and regulatory context for Russian development. One way to accomplish this is by providing trade concessions in exchange for institutional reform. For example, greater restraint might be shown in applying WTO provisions for inclusion of services or arbitration of disputes (as in the recent conflicts over rolled steel and nitrogen fertilizer) in return for more transparent product certification standards. This might even involve direct provision of expertise and accounting methods. For example, to the extent that barriers to product entry are based on technical and financial obstacles, American aid to Russian standards and certification bodies may be instrumental in creating greater openness. With regard to infrastructure, the US might directly fund projects in power, transportation, and telecommunications (an example might be provision of untied aid for the purchase of ISDN switches). Finally, on an intellectual plane the US can contribute to openness by engaging in norm development in the areas of human rights, democracy, transparency, and accountability. Such American efforts to increase openness are likely to have the greatest long-term effect on Russian reform.

2) Contributing to flows: especially the transmission of knowledge and capital that help plug Russia in to globalization. Examples are providing production and efficiency technology and expertise in such areas as mainframes, fiber and acoustical optics, encryption, and energy utilization. Of course, none of this is entirely new. The US has for some years been providing technical and infrastructural support for Russian development. The Gore-Chernomyrdin Commission and its successors have focused on conveying knowledge and institutional forms conducive to globalization, in areas ranging from healthcare to energy efficiency to finance. What is called for, then, is a marked shift in emphasis, not creating a new policy out of whole cloth. In this respect it should be noted that while the projects envisioned here may involve bilateral contacts, they largely circumvent high-level politics.

Conspicuously missing from this agenda are time-honored but failed initiatives to instill democracy and market reform by diplomatic means, mainly from the top down. American efforts to shape Russian policies such as privatization, tax collection, and public spending tend to:

- backfire, because such attempts to interfere are inevitably resented;
- miss the target, because of the difficulties in understanding domestic political complexities; and
- miss the point, because the main leverage for encouraging productive change in Russia is not in the arena of high politics to begin with. Instead, such leverage is to be found in 1) the macroeconomic foundations (e.g., openness to foreign

investment); 2) infrastructural capacity (primarily modern means of communication referenced earlier); and 3) associated international norms (e.g., human rights, democracy, transparency and accountability) associated with globalization.

Precisely where then should American efforts be targeted, to the extent that they work through direct bilateral channels? Without developing the point at length here, the short answer is that there are numerous opportunities for selective involvement at the regional level. Receptivity to true structural openness and its attendant flows varies markedly within Russia, as some municipalities have actively helped foreign investors overcome cumbersome registration and offered investment incentives (e.g., in Novgorod and Samara). Providing investment guarantees and infrastructure-building projects for such regions would be especially desirable. The main rule of thumb should be that officially sanctioned investment projects are conducted by, and at the behest of, local actors in the regions themselves.

Despite the tenor of the preceding comments, it is important not to treat globalization in a glib and Panglossian manner. Neoliberalism contains contradictions that often require difficult value tradeoffs, and globalization carries a variety of potentially detrimental effects. Capital flows can be hugely disruptive and socially punitive. Other dangers include the loss of traditional sources of social cohesion and meaning, the loss of cultural diversity, and the emergence of reactionary social and political backlashes. In particular, globalization is widely (and correctly) understood to involve the partial dismantling of the welfare state along with openness to various international flows referred to above: of capital, people, goods, and ideas. Far more attention should be paid to these distributive aspects of globalization, including effects on labor (viz. recent UN-HDI data on the widening poverty gap and International Labor Organization reports on the plight of workers), as well as negative effects on the environment.

Cautions and Lessons

Nevertheless, while these dangers are serious, they are potentially manageable and are far outweighed by the advantages--both for Russia and the US. While grappling with its problems, it is equally important not to demonize globalization.

- There are innumerable local responses to and interpretations of globalization, which in many respects ease the numbing sameness of its social and cultural outcomes. Thus while homogeneity does tend to arise, it is often interwoven with a subtle fabric of innovation in traditions, norms, and institutions. The threat to cultural diversity is real, but should not be overstated.
- The widespread perception that the state is in jeopardy is considerably overblown. The state continues to be indispensable for the very "openness" which allows the world's most important flows to occur. Even multinational corporations are nationally based and dependent on the state for regulatory practices, legal regimes, and enforcement powers. None of this is likely to change in the

foreseeable future. National governments thus retain considerable leverage over process and outcomes, even while they relinquish certain traditional forms of control.

- The opportunity exists to negotiate international standards and norms governing employment conditions, environmental effects, and capital volatility.

And yet in some ways myth matters more than reality, at least for the politics of globalization. And here we come back to Russia. It seems fair to say that a sizable segment of Russian society tends to regard America rather unsympathetically, as an arrogant and intrusive force in international affairs. Some, going further, see America as a repository of cultural sins. Of course the United States is also resented for more specific reasons, ranging from NATO expansion to the perennial charge of "meddling in domestic affairs." But some of these resentments are social and psychological, due to America's failure to live up to post-Soviet expectations. In retrospect none of this seems very surprising. Any balanced assessment of blame would probably include the distribution of international power, the commission of American blunders, and a vein of intellectual recidivism in Russia. Yet the precise sources and extent of such Russian attitudes are not important here. What matters for the moment is that the perception that globalization threatens the Russian state and society only magnifies its perceived negative features. This is particularly true for a country in which the central government is widely viewed as a crucial source of national power and unity. Consequently, the process of globalization is likely to continue to be viewed suspiciously by many, as a force emanating from foreign (especially American) political and economic ambitions.

Obviously this creates a potential policy problem, because to the extent that interventionist US policies are seen to advance globalization in Russia, such efforts will be strongly resisted by some. Furthermore, if such policies are not quickly successful the resulting backlash may be profound and long-lasting. The conclusion, however, is not to abandon hope of facilitating positive changes in Russia. US policy should be directed toward involving Russia in this dominant process. In doing so, however, US policymakers should strive to maintain a low profile and avoid unsolicited commentary about Russian political actors and programs. Indeed, rather than operating through bilateral fora, US policy is often best channeled through multilateral organizations that facilitate international cooperation or provide valuable public goods.

A very brief example may be offered for the Caspian basin. Here the US has systematically interfered with the flow of capital and energy, and has also concentrated on bilateral relations with the national leaderships of the countries in the region. The intended outcome has been geopolitical management or containment of Russia and Iran, as well as fostering multiple sources of energy development (and supporting US-based multinational corporations). Unfortunately, in the process Iran and Russia--and in fact most of the other regional states--are kept separate or set against one another. This precludes the possibility of various regional development initiatives, through which information, people and goods might circulate, and into which foreign capital might flow. In the absence of such conditions the Caspian countries remain more technologically and

infrastructurally undeveloped, and more domestically repressive, than they might otherwise be. Of course, the US is not individually responsible for this situation, much of which owes to domestic politics in the neighboring states, and the US cannot change such conditions alone. But the US might take the lead, for example, in establishing a multilateral Caspian Development Bank, the investments from which would be targeted locally--regardless of the political proclivities of national governments. This is related to globalization and is predicated on the assumption that, in the long run, the more connected these societies are to each other and to the outside world, the less political coercion and military instability there is likely to be in this region.

Conclusions

- The international political landscape has fundamentally changed, and this carries fundamental implications for US-Russian relations. It is crucial, as the popular homily goes, to "focus on the forest instead of the trees," and that forest is globalization. Its momentum dwarfs whatever might conceivably be accomplished at the bilateral level.
- Since the underlying tenets of globalization precisely conform to the tenets of American public policy, and since it is likely to have far more beneficial than detrimental effects on Russian social, economic and political development, it makes sense for the US government to actively encourage the extension of globalization to Russia.
- Intrusively commenting on and trying to influence Russian domestic politics generally does not work, is often counterproductive, and is essentially irrelevant. The US would do better to stay out of the political micromanagement business, avoid geopolitical intervention, and instead help provide the macroeconomic, infrastructural and intellectual conditions for change.
- American policy and foreign aid investment strategies in Russia should emphasize institutional and infrastructural openness.
- In doing so, the US should direct its efforts toward globally oriented, multilateral institutions and overarching international norms.