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# Russia and Globalization

MIKHAIL A. MOLCHANOV<sup>1</sup>

## ABSTRACT

Globalization dramatically changed Russia and prompted its return to the global market economy on terms largely dictated by the West. The post-communist transition transformed not only the country's economic and political systems but also the state-society articulation at large. Russia's complete abandonment of socialist ethics cost the country and its people dearly. While neoliberal economists regard globalization as a worldwide advance in terms of economic efficiency and human enlightenment, the Russian example shows that the process can also be catastrophic and intrinsically unethical.

## Introduction

The question of whether globalization is just a continuation of a familiar trend or an expression of an entirely new state of world affairs is at the center of an ongoing multidisciplinary debate. Nobody doubts that the last 40 years or so saw “the steady advance of economic internationalization,” including integration of practically everything from production to finance to lifestyles to communication and transportation networks. But the question remains as to whether “these essentially quantitative developments generate, individually or in combination, a qualitative change in world affairs” (Jones 1999: 365).

One way to suggest an answer is by looking at changes that affect the world system as a whole. Have the ways of international business changed beyond recognition? Have the property relations been cloned into “something completely different,” as the Monty Python show would

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have it? Is the modern state “retreating” (Strange 1996), or is coming back with a vengeance—perhaps less as a state and more as an empire (Simes 2003)? Is the threat of global warming changing our relationship with the environment? Finally, are Western values and patterns of cultural consumption being followed worldwide, or is this just a myth that we have taught ourselves to believe?

Questions like these have to be answered in order to develop a systematic understanding of globalization as either a quantitative or a qualitative change in world affairs. But another way to ascertain the qualitative character of change is to look at critical case studies, analyzing the impact that globalization has had on certain states that, because of their economic, geopolitical, or systemic importance for the world, may either typify changes affecting a whole group of nations or exert disproportional influence on the rest of the world. The United States is obviously one such case. Russia, the subject of the present essay, is another.

Even in its present shape, Russia is huge in territory and rich in resources. As the world’s second largest exporter of oil, it will be able to supply as much as 10 percent of US oil imports by 2010 (Mironov 2003). Russia is a key participant not only in the affairs of Eastern Europe and Central Eurasia, but also in the Middle East, South Asia, and the Asia-Pacific region. Under Vladimir Putin’s leadership, it became one of the fastest growing economies in transition. As the world’s second largest nuclear power and tenth largest economy, it appears well worth its permanent seat on the UN Security Council.<sup>2</sup>

It is immensely interesting to look at how globalization has changed Russia, producing a qualitative change in the nation’s ethics and a complete about-face from socialism to capitalist individualism—the very ethical system that it had opposed for more than 70 years. One indicator of this change is the fact that the Communist Party’s popularity in today’s Russia is at an all-time low. According to a recent poll, only 3 percent of all Russians claim membership in the party, and only 7 percent admit that they could join it at an appropriate moment, while 84 percent categorically reject such an eventuality.<sup>3</sup>

This change did not come easily. While the celebrated collectivism of the Soviet way of life has largely proven to be a phantom, it still provided

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<sup>2</sup> World Bank data show Russia as the world’s tenth largest economy in 2003, with GDP measured in terms of purchasing power parity ([http://www.worldbank.org/data/datatopic/GDP\\_PPP.pdf](http://www.worldbank.org/data/datatopic/GDP_PPP.pdf)).

<sup>3</sup> The Foundation “Obshchestvennoe mnenie.” The All-Russian survey of urban and rural population, November 13, 2004. Retrieved March 25, 2005 ([http://www.polit.ru/research/2004/11/19/fom45\\_542.html](http://www.polit.ru/research/2004/11/19/fom45_542.html)).

a sense of community and an identity shaped by society's uneasy truce with an overbearing post-totalitarian state. The regime's collapse brought down not only the party and the state it operated, but also this identity and this community. The "liberal individualism" that the country embraced in the wake of the collapse was "liberated" from community bonds and from established societal values to no less extent than from the grip of the moribund communist ideology. Liberalism was taken to mean a free-for-all fight for power and riches, which neither law nor morality could legitimately restrain. Individualism became synonymous with unabashed egotism. The cutthroat competition among the Russian *nouveaux riches* bred crime and corruption, which could not but overflow the national borders. Meanwhile, the alleged beneficiaries of the increased openness of the state and the economy—the people at large—lost even those few limited channels of participation that had existed under Soviet rule.

Throughout much of the twentieth century, Russia hosted "the first and by far the most significant, if not the only, 'really existing' counter-model to capitalist modernization" (Job 2001: 935). Russia's turnaround signaled the end of the worldwide ideological opposition between socialism and capitalism. The "end of ideology," which Daniel Bell predicted in 1960, materialized as Fukuyama's (1992) "end of history." In both economics and public management, neoliberal dogmatism entrenched itself as sacrosanct truth. Was it the end of a socialist idea, or just of its bureaucratic-authoritarian implementation? Was it the triumph of individual freedom, or of free-for-all individualism? Was Russia's post-communist "marketization" a success story? Has Russia's "return" moved us a step closer to the international human rights regime that "could be used to balance global corporate power" (Gerle 2000: 163), or did it signify the country's capitulation before that very power? Are other alternatives to neoliberal capitalism possible or, indeed, desirable? Our understanding of globalization will vary depending on the answers to these questions.

### The Fall

Following the collapse of the Soviet Union, Russia, its founder and formal heir, suffered a tremendous blow in international prestige and status. The USSR took pride in being the champion of the world socialist transformation and the principal backer of anti-capitalist revolutionary movements across the globe. It was a superpower that rivaled the United States in military strength, in size of GDP—up to 43 percent of that of the United States when adjusted by purchasing power standards (Maddison 2001: 261)—and in the rate of growth, which began to slow only in the seventies. It was also a leader in space exploration, cutting-edge sciences, mass education and, many would argue, welfare provision. Most if not

all of this ended when Russia abandoned its unique path of development to join with the rest of the market-driven world.

The Soviet Union was the first country in the world to guarantee employment and payment for work, rest and leisure, free universal education, and health protection as fundamental constitutional rights of its citizens. These were not just empty words. By 1930, the problem of chronic and cyclical unemployment in Russia was permanently resolved. In the 1980s, public expenditure on education, as a percentage of GNP, ran as high as 7.3-8.2 percent, versus a 5.1 percent average for the group of advanced industrial economies.<sup>4</sup> By 1990, the country had more physicians per capita than any other nation in the world and twice as many hospital beds as the United States.<sup>5</sup> Average lengths of a yearly vacation, pre-maternity and maternity leave in the former USSR were on a par with the most generous provisions of the West European nations.

Even the country's most bitter enemies agreed that its achievements were impressive. Most criticisms were consequently leveled at the human costs of these gains rather than the achievements as such. While the West raised the banner of human rights and freedoms against the Soviets, the USSR based its claim to superpower status on the presumed superiority of its collectivist ideology over the ideology of individualistic capitalism represented by its arch-rival, the United States. The struggle that the USSR waged against its capitalist competitors was indeed colossal both in aims and scope—not so much because of the sheer amount of material resources involved, but mainly because of its ultimate prize: the right to determine humankind's fate and ways of development.

When Russians lost this battle, in no small part thanks to the rise of individualism and consumerism inside the country's elite, they lost something more important than a political superstructure consisting of the discredited Communist Party and affiliated state institutions, including the short-lived office of the President of the Soviet Union. They lost the meaning of the country's existence. Whether accepted or challenged, ignored, debated, or defended, it was the meaning nonetheless. Following this loss of meaning, there was neither will nor stamina left to prevent the decline in the country's economy and standards of living:

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<sup>4</sup> National Center for Education Statistics, *1995 Digest of Education Statistics* (<http://nces.ed.gov/pubsoft/d95/dtab386.html>).

<sup>5</sup> Association of American Physicians and Surgeons, "Soviets Lead in 'Right to Health,'" *AAPS News* 46(10) October 1990. Retrieved July 27, 2003 (<http://www.aapsonline.org/newsletters/oct90.htm>).

Between 1992 and 1995, Russia's GDP fell 42 percent and industrial production fell 46 percent—far worse than the contraction of the US economy during the Great Depression. . . . Since 1989, the Russian economy has halved in size, and continues to drop. Real incomes have plummeted 40 percent since 1991; 80 percent of Russians have no savings. The Russian government, bankrupted by the collapse of economic activity, stopped paying the salaries of millions of employees and dependents. Unemployment soared, particularly among women. By the mid to late nineties, more than forty-four million of Russia's 148 million people were living in poverty (defined as living on less than thirty-two dollars a month); three quarters of the population live on less than one hundred dollars per month. (Holmstrom and Smith 2000: 5-6)

Economic decline and a precipitous drop in living standards brought the loss of international prestige and status. While Russia found itself in the limbo of the so-called "transition" (to what?) and "consolidation" (of what?), more fortunate nations scrambled to squeeze extra dividends from the globalization led by the West, that is, increased openness of the world to the spread of Western money, brand names, values, lifestyles, and opinions. While all these things came to Russia in droves, only a few members of the country's newly emerged class of rich and super-rich persons could fully partake of the benefits. Meanwhile, Russia's own money, brand names, values, lifestyles, and opinions were driven to the verge of extinction. Success in the "transition" was measured by the country's eagerness to uproot whatever structures held its economy and society together in favor of undiscerning importation of Western finances, goods, and ideologies.

Political scientists have compared post-Soviet "transitions" to the "third wave" of democratization in Latin America. More recently, they went even further to draw parallels with post-colonial Africa. The former communist East, now contemptuously designated as "Eurasia," has truly gone South (Beissinger and Crawford 2002). Most of those—in Russia and the West alike—who believed in the possibility of a big leap forward to the radiant capitalist future, have by now found themselves bitterly disappointed. Political scientists talk of "liberalization without democratization," "peripheralization," "balkanization" and "thirdworldization" of what used to be the Second World of more or less developed socialist welfare states (Przeworski 1991).

It stands to reason that Russia could fare much better. First, it is still located in Europe and does belong to the family of European nations. Geopolitically, this translates into Moscow's repeated overtures to the European Union and its individual members. Although no formal application has been made to join the EU, Russia's claim to being a key part of a "Europe of concentric circles" sounds confident enough, even if it is more modest than Gorbachev's utopia of the Euro-Atlantic community

stretching “from Vancouver to Vladivostok.” The eastward expansion of the European Union brings it straight to the Russian borders. Russia will also share borders with the new NATO members in the Baltics.

Second, Russia is a natural bridge between Europe and Asia, or between the European Union and China more specifically. In an era that may witness protracted decline of the American hegemony, Russia is uniquely positioned to connect these future powerhouses of the world to each other. Russia also possesses strategic energy reserves for the twenty-first century, which can only be tapped through its active involvement in the Central Asian-Caspian energy market.

Third, Russia has acquired new significance as a Western ally in the so-called “war on terror” and in the struggle to control the unstable world peripheries. It already facilitates NATO’s operations in Afghanistan and the adjacent area.

Finally, whether looked upon as a “petro-state” or as a wide-open consumer market of 145 million people, Russia is, even now, a considerable force in world economic affairs. In 2003, Russia outperformed Saudi Arabia in oil production and came second in oil exports (Cox 2003). Russia’s foreign trade turnover reached \$148.5 billion in January-September 2003, and brought a foreign trade surplus of \$43.9 billion.<sup>6</sup> Russia’s total trade with the European Union was close to €78 billion in 2002.<sup>7</sup> US-Russian trade, at around \$10 billion a year, although currently modest, demonstrates excellent growth potential. With the world price of oil hovering above \$60 a barrel, Russia seems well poised to fulfill President Putin’s ambitious plan of doubling the country’s GDP in 2002-2012. These and similar facts have led some observers to regard Russia as a normal middle-income country and to argue that “the notion that the country has gone through an economic cataclysm and political relapse is wrong—more a comment on overblown expectations than on Russia’s actual experience” (Shleifer and Treisman 2004).

However, growing budget surpluses do not automatically translate into the improvement of living conditions for society at large. Over the first ten years of transition, the consumer price index grew by 75.2 percent a year on average. In other words, the total cost of acquiring a basket of essential goods and services almost doubled every year following the end of the Soviet Union. Once a society that prided itself on achieving a high level of equality, Russia is now a country where the richest 10

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<sup>6</sup> Xinhua, November 20, 2003 ([http://news.xinhuanet.com/english/2003-11/21/content\\_1190564.htm](http://news.xinhuanet.com/english/2003-11/21/content_1190564.htm)).

<sup>7</sup> The European Union, EU-Russia Trade ([http://europa.eu.int/comm/external\\_relations/russia/intro/trade.htm](http://europa.eu.int/comm/external_relations/russia/intro/trade.htm)).

percent of the population appropriate and consume more than 20 times the share of the poorest 10 percent. Judging by a measure such as the Gini index of inequality, Russia, at 45.6, finds itself in the company of the Philippines and *Côte d'Ivoire*. No other country in Europe has made it that far in terms of glaring disparity of income. Even the United States of America and Hong Kong, those beacons of capitalist free enterprise, are now more egalitarian in income distribution. In terms of the infant mortality rate, Russia has fallen below Mauritius and Sri Lanka. With a life expectancy of 66.7 years, and per capita health expenditure as low as \$454, Russia's Human Development Index currently positions it below such countries as Uruguay, Qatar, or Cuba.<sup>8</sup>

The change from the socialist model of a comprehensive, cradle-to-grave welfare state, to the neoliberal "night watchman" state could not be more dramatic. The loss of productive capacity in Russia over the years of post-communist reform exceeded its industrial losses during World War II. The pain of transition has been felt by the vast majority of the Russian people, who practically overnight lost their lifetime savings, job security, guaranteed health care, free education, and many other benefits they took for granted under socialism. Living standards of a good nine-tenths of the population plummeted before recovering, rather slowly, for select professional and social groups that could successfully adjust to the political economy of the Yeltsinite absentee state. It is little wonder, then, that fifteen years into the transition, most people in the country still prefer an economic system based on state planning and distribution over the uncertain market economy. The 2004 survey showed that, in the opinions of respondents, the Soviet political system was preferred over the Western democratic model by a 17 percent margin. Together, the Soviet regime and Putin's incarnation of "regulated democracy" took 60 percent of the vote, versus 24 percent given to the Western political model. Every second Russian agreed "it would be better if everything remained as it was before perestroika."<sup>9</sup>

What this says is that at least half of the Russian people feel deeply unhappy about what happened to their country. They do not consider the post-communist transition to be something "normal" in either design or outcome. The expectations of ordinary Russians obviously differ from

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<sup>8</sup> All data from UN Human Development Reports. Retrieved June 14, 2005 ([http://hdr.undp.org/statistics/data/index\\_alpha\\_indicators.cfm](http://hdr.undp.org/statistics/data/index_alpha_indicators.cfm)).

<sup>9</sup> "A nostalgia for the past." Levada-tsentr. Press-release #30, March 19, 2004. Retrieved June 14 2005 (<http://www.levada.ru/press/2004031901.html>). This all-Russian survey by a reputable pollster is considered representative for the whole country,  $N = 1600$ ,  $p < 0.035$ .



those of Western analysts. Where the latter see “imperial nostalgia,” the former find memories of relatively secure lifestyles sacrificed to the Moloch of the market. Where Western pundits decry sluggishness of adaptation and unyielding dependency on a patronizing state, Russians see life paths disrupted by exogenously generated shocks. They see a government renegeing on the social contract forged in blood and cemented by the suffering of two post-revolutionary generations. More often than not, they see a great country reduced to shambles by the greed of its own elites and transformed into a hapless resource appendage of the global capitalist economy run from afar.

Russian “nostalgia” is rooted in the experience of a post-totalitarian socialist past that provided a reasonable and growing standard of living for everyone, not just for the country’s elite and its small middle class of business people, senior bureaucrats, and professionals. Although the Soviet Union could not meet the standards of a functioning democracy, it did provide some outlets for meaningful participation in the affairs of the government that millions of people were familiar with and actively employed (DiFranceisco and Gitelman 1984). Although it demonstrably lacked a number of liberal freedoms, it did promote a fair degree of social equity and managed to instill a sense of national pride and dignity in the vast majority of its citizens. When party rule ended, neither liberal democracy nor a successful market economy emerged in its place. Instead, the unwritten social contract was gone, the familiar channels of participation were closed, the Soviet past was damned, and the sense of national pride and dignity was ridiculed and abandoned in favor of newly found global openness. The psychological shock and trauma that resulted from these “progressive” developments will be felt for generations to come. In Russia itself, the post-communist reflections on the country’s past and present, even if they have barely begun, are acquiring an increasingly acerbic taste.

Russians keep pondering why the country has not fared better. Why has globalization failed to rescue Russia from its post-communist misery (Saunders 2001)? Why has transition to capitalism failed to create a stable liberal democracy in a country that measured close to the United States on a typical index of liberal-democratic values as recently as 1993 (Hahn 1993)? Why has China succeeded where Russia failed? These questions are also subject to intense academic debates. One possible answer lies in the Cold War mentality and attitude toward Russia that prevailed among its erstwhile foes. Misery, in the opinion of some influential policy makers in the West, is something that Russia has brought upon itself—a deserved affliction for the original communist state, the “empire of evil” in Reagan’s memorable phrase, that had to be completely crushed before something useful could grow in its place.

## Russia, a Pariah

As officially designated heir of the Soviet Union, Russia has struggled to find a new meaning to its existence in the world of nations. The original leaders of Soviet “perestroika” fondly and stubbornly clung to the view that Russia, no less than the United States, won the Cold War for the benefit of all humanity. Americans, of course, had quite a different opinion. “We win and they lose” was Ronald Reagan’s summary of U.S. policy toward the Soviet Union; and only an extremely naïve man, such as Gorbachev undoubtedly was, could see things otherwise (Schweizer 2000).

To be fair, Gorbachev was not alone in his optimistic delusion. First-generation Yeltsinites shared his belief that Russia would automatically find its “rightful place” in the family of “civilized nations” once nuclear missiles no longer targeted U.S. cities and Western imports filled the shelves of Moscow supermarkets. Yeltsin’s Minister of Foreign Affairs, Andrei Kozyrev, became a pioneer of the so-called “Atlanticist” course in Russian foreign policy. Atlanticists believed that Russia must ally itself with the West and seek admission into the international clubs run chiefly by Western nations. Although elected on a platform of pragmatic nationalism and a “multipolar” orientation in foreign policy, Vladimir Putin also spent his first term in office essentially re-creating Atlanticist thinking in foreign policy and adjusting it to the realities of a “new American century.”

Meanwhile, Russia has received no invitation to take its “rightful place.” The “market Bolshevism”<sup>10</sup> pioneered by Yeltsin and his cronies succeeded only in crippling Russia’s national economic complex, leaving the tasks of reconstruction, retooling, and comprehensive market reorientation to the future generation of leaders (Reddaway and Glinski 2001). A decade and a half later, it is apparent that it was not so much the state-socialist regulation of the economy as the country’s industrial capacity itself that was rolled back as a result of the “reform.” The “shock therapy” recipe, encouraged by such Western advisors as Jeffrey Sachs and Anders Åslund, led to “the effective exclusion of the institutional and political elements of the transition” (Marangos 2002: 272), wide-ranging impoverishment of the population, loss of existing welfare services, and the concomitant growth of corruption and crime at all levels of power. There is little wonder that Russia’s people increasingly suspect that the West was concerned only to remove a potentially powerful competitor from the geopolitical arena and did all in its power to pauperize Russia.

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<sup>10</sup> That is, “marketization” imposed from above with “Bolshevik” zeal.

Despite a conspicuous rapprochement with the United States in the wake of September 11, Russia is still looked upon suspiciously and is far from being embraced by America in matters of practical relevance. Procrastination in granting Russia permanent “normal trade relations” (PNTR) status is one case in point. PNTR would require removal of the Jackson-Vanik amendment, which makes trade conditional on the freedom of emigration, a matter that is no longer an issue in American-Russian relations. While Russians rightfully regard the 1974 amendment as an unwarranted relic of the Cold War, the United States has been using the restrictive conditionality as leverage to open Russian markets to American agricultural exports. The lukewarm support that Russia’s bid to join the World Trade Organization (WTO) has found in America has also made many Russians question the sincerity of the newfound friendship.

Western reactions to President Putin’s fight with the oligarchs (the handful of people principally responsible for plundering the country’s assets), as exemplified by the arrest and trial of Russia’s richest man, Mikhail Khodorkovsky, provide yet another illustration. Nobody claimed that Khodorkovsky was innocent. Yet international observers decried the arrest as a matter of executive fiat prompted exclusively by considerations of political expediency. George Soros observed that, “since practically everybody in Russia broke the law during the turbulent years following the collapse of the Soviet system, the Russian president can prosecute whoever [sic] he chooses.” Sen. John McCain saw “a creeping coup against the forces of democracy and market capitalism in Russia.”<sup>11</sup> Ariel Cohen (2005), of the Heritage Foundation, called the nine-year sentence a “setback for US-Russian relations.” In a barrage of protests, almost no one attempted to address a key question: Should business tycoons with intimate connections to the government be expected to repay at least some of the misappropriated money, or should the state grant a blanket pardon to everyone involved in the free-for-all theft that was Russian privatization?<sup>12</sup> Precious few analysts were able to see the

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<sup>11</sup> *USA Today*, November 4, 2003.

<sup>12</sup> Mr. Khodorkovsky’s career started with channeling a youth organization’s money into a private bank he created and owned. After defrauding the investors, Khodorkovsky borrowed from the state and, rather than paying interest, lent the borrowed money back to the state for profit. A rigged “loans-for-shares” auction in 1995 saw the banker paying some \$170 million for one of the nation’s largest oil companies now worth \$28 billion. The money brought in as payment was, as analysts noted, most probably taken from the state budget. The investment pledge has not been fulfilled in full up to the present day.

truth of the matter; namely, that the whole Khodorkovsky affair was in fact a genuine attempt to “revitalize Russia’s democracy by asserting state control over the oligarchs” (Roberts 2003).

In international relations, a similar situation prevails. Although Russia sided with Germany and France over the war in Iraq, the country remains “Europe’s Other.” It has been regularly defined in terms almost antithetical to all things “European” (Neumann 1998; Casier and Malfliet 1998). Thus, Europe is democratic—Russia is not; Europeans espouse the social market economy—Russians were only able to introduce “bandit” capitalism; Europe is law-based—Russia is corrupt and lawless, and so on. Europe’s international behavior is said to be predictable and motivated by humane considerations, while Russia’s is egoistic, subject to unexpected and unannounced changes, and generally resembles that of a rogue state much more than that of a responsible member of the international community.

The perception that the West was ready to embrace the country in a unified global community of liberal nations, once Russia had shed the institutions of its communist past, was clearly exaggerated. It is noteworthy that European liberals even find it difficult to acknowledge that Russia may have a legitimate claim to membership in the Western community: “Consider the case of Russia: Who wants Russia to share the values (and benefits) of EU membership? Who believes that Russia can share the values of NATO” (Croft et al. 1999: 16)?

As the French and Dutch referenda on the EU Constitution have shown, the dread of value incongruity (in this case, between largely Christian and secular Europe and predominantly Muslim Turkey) can be a force potent enough even to bring European integration to a halt. Similar perceptions of Russia, as a culturally alien country, are prevalent throughout the transatlantic community. “The current thinking in the West,” write Alexander Rahr and Nicolai Petro, “seems to be that a Russia with even the slightest reservations about the appropriateness of ‘universal values’ simply has no business in the new Europe—even though the same could be said of many other countries that have joined the EU since 1990” (Rahr and Petro 2005: 8).

Interestingly enough, the more Russia recovers from the shocks of the post-communist reform—which even sympathetic observers describe as the theft of national property, “thanks to rigged bids, bribes, violence, and dubious interpretations of the law” (Goldman 2004: 39)—the more criticism gets hurled Moscow’s way. As the West gives little support to Putin’s economic and state-building policies, of which most citizens approve, more and more Russians are coming to the conclusion that “the West cannot tolerate a strong Russia on the world stage. That is

the main reason why there is so much badmouthing of Russia's modernization efforts, so much undisguised sympathy for Chechen rebels, and why there have been so many efforts by Western politicians to thwart closer economic and political ties between Russia and Ukraine" (Rahr and Petro 2005: 6).

At the same time as transatlantic liberals bemoan an authoritarian backlash against corrupt tycoons and ethnic separatists, conservative commentators admit their "vague dread of Russia's vastness and inscrutability" and allege, in Henry Kissinger's words, that Russia's foreign policy is "historically" based on a desire "to dominate neighbors where they cannot be subjugated":

... while America's idealism derives from the conception of liberty, Russia's developed from a sense of shared suffering and common submission to authority. Everyone is eligible to share in America's values; Russia's have been reserved for the Russian nation, excluding even the subject nationalities of the empire. American idealism tempts isolationism; Russian idealism has prompted expansionism and nationalism. (Kissinger 2001: 72, 75)

Although George W. Bush or Gerhard Schroeder may show signs of friendliness, including even an occasional suggestion that Russia might be allowed eventually to join NATO, more candid commentators (e.g., Zbigniew Brzezinski of the United States) prefer to see Russia permanently locked into the position of a subordinate and marginalized "regional third-world power." A focus on "the prevention of the reconstitution of a Eurasian empire," advocated by the likes of Brzezinski, leads to encouraging centrifugal tendencies in the post-Soviet space as if they were signs of "westernization."<sup>13</sup>

A policy of preventing the accession of countries such as Ukraine to a trade and economic union with the Russian Federation, a project that some of the post-Soviet states attempted to put forward, aims to weaken Russia and stall its modernization efforts. Thus, even the victory of a democratic candidate in Ukraine's presidential elections gets celebrated not as a chance for Ukraine to choose its own course of development and the partnerships that best suit its developmental goals, but as "a humiliating defeat for Putin and a setback for Russia's hegemonic inclinations" (Karatnycky 2005: 50). Such caricatures of Russia's foreign and economic policies can only serve the task of keeping Russia's economy bottled up in a permanently debilitated and locally confined state.

Those who are unable to part with a Cold War mentality are bent

<sup>13</sup> Peter Baker, "Russia in NATO? For Now, Just Talk," *Washington Post*, August 12, 2001, A17; an interview with Brzezinski in *Komsomolskaya pravda*, January 6, 1998.

on diminishing Russia's chances to restore its former international status. Arguing for "geopolitical pluralism in the space of the former Soviet empire," these people do not hide their preference for a weakened, vulnerable, and dependent Russia. The Russia they would accept must be artificially separated from its traditional allies in Eastern Europe and Central Asia in order to assure "America's global primacy," which is "directly dependent on how long and how effectively its preponderance on the Eurasian continent is sustained" (Brzezinski 1997: 121, 30). Such a Russia would not only bow to ethnic separatism among the non-Russian subjects of the Federation, it would also let go of predominantly Russian areas east of the Urals—all for the sake of "democracy" and "market development" of the resource-rich areas that advocates of western imperialism would rather see "liberated" from Moscow's federal oversight and control.

The Russian government's reactions to these plans are best exemplified by President Putin's consistent policy of bringing *siloviki* (high-ranked military and security officers) into positions of power: if Russia can only be seen as "normal" when it shrinks two- or three-fold in territory, it is better not to take any chances with the unstable peripheries. The decision in 2004 to disallow direct elections of the governors of Russian provinces, in favor of their appointment by the president (subject to confirmation of candidates by the provincial legislatures), should also be seen against the background of federal disunity and externally encouraged separatism. In a country where the state has been largely dismantled through a decade of free-for-all "marketization" (read: asset stripping and privatization of the government), democracy may well appear as a luxury that should be managed from above and can be temporarily curtailed until state functions are restored to complete normalcy. To decry the reassertion of state authority in such a country as an alleged sign of authoritarianism is to betray either simplicity or duplicity on the part of the critic. If the issue is the status of Russian democracy, bemoaning the loss by oligarchs of their power to manipulate the government should be the last thing on the mind of a concerned observer.

With the fall of communism, Western policy advisors, steeped in the legacy of containment, saluted nationalist revolts in the former Soviet Union as democratizing movements of a Western liberal type. They criticized Clinton's foreign policy as allegedly too friendly toward Russia, and instead advocated return to the "cold peace" and policies of re-containment. Now it was "Russian imperialism," not communism, which America had to fear (Petro 1997). The US administration was advised to embrace and encourage Russophobic nationalism in Russia's immediate periphery as a sure sign of a pro-Western "democracy."

Praises were heaped on the Balts for their allegedly instrumental role in bringing down “the empire of evil.” A closer analysis shows that it was not the Baltic republics that liberated Russia, but Russia that liberated the Baltic republics. Such “bastions of democracy” (Diuk and Karatnycky 1993) as Latvia and Estonia later distinguished themselves by conspicuously ethnocentric policies in education, public service, immigration, and citizenship. Those policies so obviously ran counter to Western values that the European human rights watchdogs had to establish special posts in both states to monitor their progress in implementing more humane measures. As late as 2002, according to the Russian side, about 700,000 members of national minorities living in these two countries, most of them Russians and other eastern Slavs, did not have citizenship and were “deprived of the possibility to enjoy some basic social, economic, political and cultural rights.”<sup>14</sup> Nonetheless, systematic official discrimination against Russian-speaking minorities did not stop the West from offering both Latvia and Estonia membership in the European Union and in NATO. Both countries engaged in prosecution of Soviet World War II veterans, whom they represent as “occupiers,” while celebrating their own Nazis, as in the annual SS veteran processions that still continue in Latvia.

Both Latvia and Estonia received much advice and financial aid from American co-ethnics and from the US government (Lieven 1993). Independence quests in the Baltic states took the form of unceremonious attacks on the Russian-speaking “occupiers,” most of whom were born after World War II and have lived all their lives in the Baltics. Western sponsors of independence movements accepted Russophobia as a substitute for largely missing democratic credentials. Undeterred Russophobia mutated into xenophobia writ large, yet it was overlooked as long as it did not target the West. Petitions that Russian minorities brought to the attention of various European bodies produced, at best, mixed results. As late as 2005, one-fifth of the total population of Latvia, predominantly Russians and Russophones, were denied the right to vote and participate in local elections. A quarter of a million of Estonia’s population of 1.3 million were officially designated as “resident aliens.”

As Baltic supporters of “soft” ethnic cleansing made it into the European Union, pro-fascist nostalgia and anti-Semitism at home flourished.<sup>15</sup> At

<sup>14</sup> “Russia to discuss with OSCE High Commissioner on National Minorities discrimination of Russians in Baltic states.” Pravda.RU, June 15, 2002. Retrieved September 1, 2003 (<http://english.pravda.ru/politics/2002/06/15/30419.html>).

<sup>15</sup> Karlis Streips, “Extremism in Latvian Government.” *The Baltic Times*, September 22 2004. Retrieved June 20, 2005 ([http://www.baltictimes.com/art.php?art\\_id=10974](http://www.baltictimes.com/art.php?art_id=10974));

the same time as they prosecuted Soviet war veterans and refused to acknowledge the role that their own antecedent pro-Nazi regimes played in the Holocaust, the Baltic governments saw fit to lecture Moscow on human rights and democracy!<sup>16</sup> History textbooks were rewritten to make the Baltic collaboration with the Nazis, and the very existence of concentration camps there, look almost normal, and certainly much less disturbing than the forty-something years of Baltic Soviet history. In view of these facts, the praise that George W. Bush heaped on democracy in the Baltics during his May 2005 visit was decried by both Russian and Jewish communities worldwide as implicitly condoning “Latvia’s disturbingly tolerant view of its own Nazi past” (Ames 2005).

Throughout the first post-Soviet decade, pundits indiscriminately praised anti-Russianism as the best proof of democratic credentials and of the Western orientation of a newly independent state. The Baltic states, and Ukraine in particular, were represented as Europe’s barrier against the illusory Russian “menace.” The same pattern of inciting hatred against the former “imperial master” was repeated in other nations on the periphery of the former Soviet Union, including those, like Georgia or Kyrgyzstan, that were least prepared to depart from, and most dependent upon, Russia’s continuing support. The West applauded their “independence” from Moscow even if that independence was brought upon them by no one else but Russia’s new rulers themselves, who unceremoniously cut off the supply lines that fed former sister republics.

The double-headed myth of Russian “resurgent imperialism” and potential instability was used to justify neo-imperialist designs in the United States. The argument for US global primacy was specifically built on the idea that “for America, the chief geopolitical prize is Eurasia” (Brzezinski 1997: 30). Eurasia, the region rich in natural resources and central to geopolitical designs of the Cold War strategists, is Russia’s homeland. The assault on Russia’s alleged “neo-imperialism” was one of the motors behind America’s unilateralist activism, which culminated in the National Security Strategy’s proposition to “deter and defend against the threat before it is unleashed.”<sup>17</sup>

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“Wiesenthal Center Condemns Marches in Riga and Liepaja, Latvia of Latvian SS Veterans,” Simon Wiesenthal Center, News Releases, March 16, 2005. Retrieved June 20, 2005 (<http://www.wiesenthal.com/site/apps/nl/content2.asp?c=fwLYKnN8LzH&b=245494&ct=543331>).

<sup>16</sup> Ministry of Foreign Affairs of the Republic of Latvia, “On EU-Russia consultations on human rights issues,” March 1, 2005. Retrieved June 20, 2005 (<http://www.am.gov.lv/en/news/press-releases/2005/march/01-4/>).

<sup>17</sup> The White House, The National Security Strategy of the United States of America. Retrieved October 1, 2003 (<http://www.whitehouse.gov/nsc/nss5.html>).



An overarching idea behind lamentations of Russia's "neo-imperialism" has been to move all other ex-Soviet states as far away from Russia as possible, geopolitically, culturally, and economically. The planned result is to isolate and to lock up Russia in the eastern part of the Eurasian continent, where it will be doomed to political oblivion and economic exploitation by advanced industrial economies, the United States first and foremost.

In the opinion of Brzezinski and others, Russia must embrace vassalage and dependency as a sign of its final transformation into what these people would see as a "normal democratic" (read: internationally unambitious, docile, and externally influenced) state. Such an outcome would presumably benefit the world more than Russia's attempts to restore regional ties with its closest neighbors. This is what advocates of United States-led globalization have in mind when they argue that "America's primary interest is to help ensure that no single power comes to control this geopolitical space and that the global community has unhindered financial and economic access to it" (Brzezinski 1997: 148). Little wonder that many in Russia learned to take American precepts with a grain of salt. Little wonder that suspicion arose toward the "global community," whose claims of "financial and economic access" to other countries must be defined in such stark and presumptuous language.

### **Globalization's Philosophy**

For Russia, the advance of globalization has not brought ready access to world markets and resources, only economic contraction, political humiliation, and geopolitical confinement. Yet globalization's most distinctive feature is said to be the integration of world capitalist markets. It supposedly means deepening and widening of the world market economy and its underlying infrastructure, and the corresponding integration of its political, cultural, and ideational "superstructure." Globalization has also been understood as a revolution of rising expectations prompted by "the unstoppable flow of information across national borders [that] is exposing a larger and larger share of the world's population to the West's prosperity" (Saunders 2001: 29). It leads populations of the poorer areas to demand a greater measure of prosperity for themselves, thus putting pressure on national leaders to initiate reforms that will eventually assist their country's economic growth, democratization, liberalization, and openness. A byproduct of this evolution, the worldwide spread of western values, is commonly taken as a welcome and generally unproblematic development.

Globalization circumscribes national sovereignty in the spheres of credit and finance, taxation and labor mobility, security and defense (Strange

1996). It limits the freedom of maneuver for developing nations, which are increasingly sucked into the maelstrom of international trade and finance. Foreign goods, foreign money, and foreign ideas tend to travel together. While some states may resist the assault of global capitalism by falling back on familiar isolationist policies, the majority will have to acquiesce or face economic marginalization and eventually political oblivion.

Globalization is a triumph of instrumental rationality. It symbolically erases not only political, but also cultural borders and bonds. Through the creation of a universal market, globalization totalizes ethical discourses and privileges the one discourse that is most firmly rooted in the market's logic and imperatives, namely, classical liberalism. The end of ideology, which adepts of globalization preach, is really the victory of one particular ideology over all the rest. Fukuyama's "last man," a true liberal, appears as a person ignorant of alternatives, incapable of fundamental choices, and indifferent to ethically unsettling questions. A typical representative of mass society, the "last man" bears no clear markers of identity apart from the ones assigned by the consumerist culture that equally homogenizes tastes and values, fashions, and ethical aspirations.

While liberal ethics has much to offer to an individual escaping various forms of totality, it lacks self-criticism and inner motors of development beyond perpetuation of self-interested individualism. Russians find this aspect of globalization particularly worrying. Liberal ethics undermines community-specific values and identities. It spells the "end of history" in the form of an endless continuation of utility pursuits by egoistic actors who can relate to each other only via the medium of anonymous market forces; therefore, "in the context of market relations, each individual necessarily becomes a *means* to satisfaction of another's private needs and desires," while the society at large stands at risk of degenerating into a "spontaneous cosmos of exchange relations devoid of ethical content" (Day 2002: 10, 15). Ethical norms and values are marketized as mass media appropriate and disseminate them for mass consumption.

In these circumstances, it is obvious that globalization does not necessarily portend the triumph either of liberalism and democracy or of free trade and an open-market economy. If economic success is the only measure of value, then the value of liberal democracy itself is contingent on its market success. In an era when authoritarian China is ascending to the apex of the global economy, the link between democracy at home and the ability to capture important markets abroad seems, at best, to be very tenuous indeed. Textbook depictions of an open-market economy hardly apply to market-driven authoritarians or even to the realities of industrial policy in East Asia, continental Europe, and, increasingly,

North America itself. The failure of the 2003 Cancun WTO Ministerial meeting showed that rich countries can shirk both free trade and democracy when their trade interests seem to be affected.

An unambiguously positive correlation between economic development and democracy cannot be persuasively demonstrated. Various authoritarian and totalitarian regimes of the twentieth century frequently outperformed their democratic competitors in terms of economic growth rates. Although some of those achievements proved shallow, others endured and were inherited by successor regimes. In many parts of the world, the lure of authoritarian governance remains strong. Democracy is also threatened by the prospect of a world controlled “by self-interested, private agencies as the only feasible alternative to general anarchy” (Jones 1999: 366). If globalization is little more than complete integration of world capitalist markets, democracy cannot and should not be seen either as its necessary precondition or as its assured outcome.

### Globalization’s Costs

Globalization affects every country of the world, but in different ways. It has its own winners and losers. For many observers in the Third World, globalization appears in a recognizably American garb. The conclusion being drawn is that globalization benefits America at the expense of everyone else. People on the political left in Russia also resent globalization as an American plot aimed at destruction of the Soviet state and society. Russian nationalists argue that the West has used its “agents of influence,” from Gorbachev and Yeltsin to Chubais and Berezovsky, to weaken and dismantle the country.

Many in Russia saw economic reforms and the hardships of transition not as a result of the country’s belated response to the pressures of globalization but as a Western conspiracy aimed to bring Russia to its knees (Molchanov 1999). A 1995 survey showed that 55 percent of the Russian population thought “the West tries to drive Russia into impoverishment and disintegration.” As late as 2000, 37 percent believed that a social system of the Western type is “at loggerheads with the Russian way of life,” and a further 30 percent thought it did not “quite fit” Russia and would not survive in the country. Two-thirds of those polled in the VCIOM 2002 survey saw Western culture as a negative influence. Finally, as many as 68 percent of respondents characteristically admitted that “over the years of Soviet power, our people grew different from people in the West, and it is too late to change it now.”<sup>18</sup>

<sup>18</sup> VCIOM, *Obschestvennoe mnenie—2002*. (Moscow: VCIOM, 2002), pp. 180-182, Tables 13.13; 13.19.

The respondents might have found more similarities with their Western cousins had it not been for the abrupt fall in living standards that made such comparisons an exercise in wishful thinking. Russia's science is still world-class, Russia's high culture has always resonated well with the West, Russia's idols and models have never been found anywhere but in the West. However, Russians are generally poorer, and they have made this material deprivation, just as they did the lack of consumer goods two-three decades ago, into a sign of identity. Russia's very alienation testifies to the success of the western push to make Russians embrace the materialist and consumerist values characteristic of global capitalism.

For this, Russia has paid a dear price. Exactly how much will be for future generations to assess. For now, we can only say that globalization's costs for Russia continue to outweigh its benefits by a huge margin. The first decade of reform saw the nation losing 54 percent of its gross domestic product and 60 percent of its industrial capacity, more than twice the loss that the USSR suffered in World War II. After two years of growth, thanks to a hike in oil prices, Russia's GDP in 2000 was still less than two-thirds of what it was in the final years of Soviet rule. Commenting on these statistics, Joseph Stiglitz (2002) observed that a decade of mismanagement by the IMF, the World Bank, and the country's own reformers had brought far more than a crash in the economy. Mismanaged globalization has actually changed the country's identity: "Russia [was] quickly transformed from an industrial giant—a country that had . . . put the first satellite into orbit—into a natural resource exporter . . ." (pp. 143, 151-152).

Commodity sales constitute 80 percent of Russia's exports. Foreign investors shun the country's manufacturing sector. Close to 70 percent of all investment goes into oil and gas extraction or originates in budgetary outlays. In the words of the World Bank report, "notably absent" in Russia are "the export-oriented manufacturers and others involved in the new 'globalized' production system, which are so prominent in other transition economies" (World Bank 2002: 6-7). Russian economists estimate that, even with stable growth of 4.3 percent a year, the country's GDP will not return to its 1990 level until 2010. By that time, Russia's GDP per capita will still be 30-35 per cent lower than per capita figures for Portugal and Greece.<sup>19</sup>

However improbable it may sound, economic downfall by itself may well be the least of Russia's troubles. The country's social structure has

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<sup>19</sup> The Institute of the World Economy and International Relations (IMEMO), "Russia—Continued Growth against the Backdrop of Global Recession." Retrieved December 24, 2003 ([http://www.imemo.ru/publ/2001/01005\\_1.htm](http://www.imemo.ru/publ/2001/01005_1.htm)).

also been radically transformed from one with relatively insignificant income differentials to one where a standard measure of income inequality, the Gini coefficient, has more than doubled in less than ten years and reached a level of disparity typical of an impoverished Latin American nation.<sup>20</sup> After sixty years of full employment, registered unemployment in Russia went up from 5.2 percent in 1992 to 13.3 percent in 1998 (with real figures about twice that size); 13 million jobs disappeared for good, and real wages were cut by 40 percent (World Bank 2002: 3).<sup>21</sup>

Following the financial meltdown of August 1998, real wages fell by another 36 percent in less than a year. While Yeltsin's cronies transferred billions of dollars from the national treasury into private offshore accounts, the working people and their families "took the brunt of the transition, as the adjustment to lower output was also shouldered in the form of a substantial growth in wage arrears. This, together with the need to stay close to work-based social support systems, led to the emergence of the working poor" (World Bank 2002: 6).

Sociologists estimate that one-half of the Russian population belongs to a social category that is characterized by an extremely low level of consumption. Two-thirds of the families belonging to this group have to save on food. Relatively well-to-do families constitute only 15 percent of the country's population. Overall, 53 percent of the population experienced a loss of social status during the transition decade of 1989-1998.<sup>22</sup>

Grim and overbearing inequality is a definitive feature of Russia's oligarchic capitalism. If, in the late 1980s, wage differentials in the USSR varied from 75 to 500 rubles per month, by 2003 incomes varied from roughly \$60, a subsistence minimum for the poor, to tens of thousands of dollars per month for the rich.<sup>23</sup> The ratio between the incomes of the richest one-tenth of the population and the bottom one-tenth went up from 3.8 in 1989 to 13-14 in 2000. The richest 20 percent consumed 54 percent of the country's income, while the lowest quintile

<sup>20</sup> In Soviet times, the Gini coefficient for Russia varied between 0.22 and 0.26. In 2002, it reached 0.396. By 2003, it rose to 0.50, thus positioning Russia between such countries as Jamaica and El Salvador (World Bank 2003, chap. 3).

<sup>21</sup> As even pro-reform theorists admit, in the first year of reform (1992), "real income fell by one-half compared to the previous year and by one-third compared with 1985. The corresponding falls in consumption were 57 and 51 percent" (Illarionov, Layard and Orzag 1994: 128). If in 1988 only 6 percent of Russians lived below the poverty level, by September 1992 this figure grew to 37 percent, including one-half of Russia's children (Diuk and Karatnycky 1993: 49; Illarionov et al. 1994: 136).

<sup>22</sup> VCIOM, *Obschestvennoe mnenie—2002*, chap. 4, Table 4. 1.

<sup>23</sup> "Russian Living Standards: Social Stratification Must Be Overcome," *Trud*, 229, December 2002, via *Johnson's Russia List* 7021 (January 17, 2003).

received 4.4 percent. Every third Russian lives at or below the official poverty line. The country that knew no homelessness now faces a 150,000-strong army of street children (World Bank 2002: 4, 43, and Annex B5).

### Russia's Reactions

Although Russia's post-communist leaders did not draw a connection between the downfall of the economy and the external forces that they hoped would make Russia into a rich country, many influential writers have been quick to associate Russia's tribulations with foreign interests. These include Alexander Solzhenitsyn, who decries the moral decadence of the West. Igor Shafarevich (1996), a prominent critic of liberalism, attacked Westernized intellectuals as a culturally alien group and called for a sense of national allegiance as "the only force capable of . . . rescuing [Russia] in the moment of its seemingly inevitable death" (p. 105; see also Shafarevich 1989). Alexander Prokhanov, a prolific novelist and editor of the nationalist newspaper *Zavtra*, has bitterly satirized the Yeltsin years.<sup>24</sup> Sergei Kara-Murza (1997), a prominent left intellectual, journalist, and frequent contributor to *Zavtra*, condemned the siren call of "blind freedom" and self-serving individualism that he held responsible for the collapse of the Soviet Union (see also Kara-Murza 1998).

Another prominent critic was Gennady Zyuganov, leader of the Communist party in opposition to Yeltsin, who condemned the IMF-approved policies of "shock therapy" and saw instant price liberalization, tight monetary policies, and the state's promotion of privatization—even before creation of a functioning market infrastructure—as the "ruin of the national economic complex and reorientation of the flow of resources abroad" (1994: 103). Globalization, in his view, served no one but a transnational "cosmopolitan elite" bent on creation of a "new world order," described as a "unified global network of planetary management, a world superstate governed from a single center and wielding legal priority over the 'local laws'" (1994: 116).<sup>25</sup>

Boris Kagarlitsky, another critic from the left, sees globalization as implementation of a conscious policy design called forth by international finance capital. For him, the very concept of globalization is but a cover for neoliberal policy precepts aimed at squeezing extra profits from the working classes and from nations in the developing world. The overarching

<sup>24</sup> See an outline of Prokhanov's *Mr. Hexogen* at (<http://www.newsmax.com/archives/articles/2002/7/18/213136.shtml>).

<sup>25</sup> See more on Zyuganov's antiglobalist rhetoric in Molchanov (1996).

goal of these policies is to prolong the existence of the decaying world capitalist system in its core centres, first and foremost in the United States. Subordination of the whole world to the *diktat* of a single superpower is a natural international political concomitant of policies that advance the interests of those whom Kagarlistky (2001a) calls “financial monsters”:

As a result of these policies, not only are Russian workers in most sectors now on the verge of starvation, but American workers are receiving smaller wages than twenty years ago after inflation is taken into account. These policies are not aimed against Russia, any more than against America. It is simply that international finance capital has been victorious over industrial capital.<sup>26</sup>

Most Russian commentators perceive their country as the victim of a globalization process that is being abused by Western political and business elites.<sup>27</sup> Sergei Kara-Murza includes the Western population at large, writing of “the golden billion” who live through exploitation of the world periphery. Sergei Karaganov, chairman of the Council on Foreign and Defense Policy, sees Russia’s peripheralization as inevitable. Mikhail Delyagin, economist and director of the Institute for Problems of Globalization, attributes development of a few nations to underdevelopment of the rest. Oleg Bogomolov and Alexander Nekipelov, in their book *Economic Globalization and the Crisis of the World Economic Order*, view globalization as a “battering ram” of Western neoliberalism, with the richest states being the main beneficiaries. Professor Yuri Krasin contemplates the possibility of a crisis of democracy and a new phase of authoritarian development in the world at large. Professor Alexander Veber (2003) sees Russia as a victim of globalization’s negative effects, “unable to defend its interests or to take advantage of new opportunities” (cited in Rozanova 2003: 661). Even Gorbachev warns against attempts to “privatize” globalization and base it on the military superiority of the West.

The reaction of the public at large is best described as one of fatigue and disorientation, accompanied by a growing apprehension of globalization and a distinct feeling of national betrayal. In 2002, 32 percent of all Russians welcomed globalization while 11 percent rejected it. However, not many people understood what globalization means or entails.<sup>28</sup> Four out of 10 said they would rather live relatively isolated from the outside world in the Soviet Union of the Brezhnev era. Another

<sup>26</sup> See also Kagarlitsky (2000 and 2001b).

<sup>27</sup> This paragraph is based on Julia Rozanova (2003).

<sup>28</sup> “Russia’s Minister of Trade: Globalisation on Our Terms,” Rosbalt News Agency, February 26, 2002 (<http://www.rosbaltnews.com/2002/03/07/37548.html>).

17 percent would like to live “in another country.” Only 23 percent, mostly young people, were content to live in a “globalized” Russia.<sup>29</sup> According to a nationally representative survey taken in 2005, 70 percent of Russians believe that perestroika brought more harm than good to the country.<sup>30</sup> More than half see the country headed in a wrong direction and into a dead end.<sup>31</sup> As for relations with the West, 35 percent claim that Russia is not really a European, but a Eurasian country; almost every second person believes that European nations have no interest in Russia’s economic growth; and close to 60 percent accuse Europe of focusing exclusively on exploitation of Russia’s natural resources (Andreyev 2003). This squares well with the results of another recent poll that, *inter alia*, asked people’s opinion on whether there is a worldwide conspiracy against Russia. Those who said “definitely yes” and “probably yes” took 45 percent of the vote, versus 39 percent of those who said “no” with various degrees of certainty.<sup>32</sup>

Members of the Russian political elite reveal the same schizophrenic split of opinion. It is not clear whether the Russian government embraces globalization or simply bows to its presumed inevitability. For Vladimir Putin (2003), globalization is “an objective phenomenon that influences economic growth mostly positively,” yet it also presents certain “serious problems . . . with the poorest countries being pushed to the outskirts of global civilization.” For Minister of Trade German Gref, “globalization is inevitable and goes on regardless of what we want or say,” yet Russia’s participation “must be as much as possible on our terms and taking into account all the problems of our domestic production of commodities.”<sup>33</sup> Some politicians and bureaucrats seem to believe that globalization can be harnessed to benefit “all countries, regardless of the level of their development.”<sup>34</sup> Others, like Minister of Culture Mikhail Shvydkoi, fear

<sup>29</sup> VCIOM, *Obschestvennoe mnenie—2002*, graph 1.2.

<sup>30</sup> Levada-tsentr. Press-release “Perestroika: More Good or More Harm?” April 24, 2005. Retrieved June 21, 2005 (<http://www.levada.ru/press/2005042205.html>) 21 June 2005.

<sup>31</sup> Levada-tsentr nationwide survey, 13-17 May 2005, N = 1600. Retrieved June 21, 2005 (<http://www.russiavotes.org/>).

<sup>32</sup> Levada-tsentr nationwide survey, 24-27 September 2004, N = 1601. Retrieved June 21, 2005. (<http://www.russiavotes.org/>).

<sup>33</sup> Should Russia fail to jump on the wagon, as Gref noted, precious little can be done about well over 120 anti-dumping measures, to the tune of up to four billion dollars annually, which are currently in place against Russian exporters. See “Russia in WTO: Pluses and Minuses,” *Pravda.RU*, February 13, 2002. (<http://english.pravda.ru/economics/2002/02/13/26383.html>).

<sup>34</sup> Deputy Head of the Presidential Administration Sergei Prikhodko, in *Pravda.RU*, October 18, 2003 (<http://newsfromrussia.com/world/2003/10/18/50584.html>).



that globalization threatens the very existence of non-Western cultures.<sup>35</sup> By and large, the Russian political class is prepared to take up the role of a junior partner of the West out of fear of the country's permanent marginalization. It is less obvious that the common folk are ready to follow suit or to accept the price that such a role will exact from the country.

### Lessons from China

Can Russia enjoy the fruits of globalization without falling victim to its negative tendencies? While few would advocate isolationism and retreat into the fading communist past, the question of the best strategy of reform is looming large. An important trend of thought in the mass media and in academic discourse concerns lessons that Russia might draw from China, particularly from Chinese adaptation to the realities of the global age. Comparing China's success to the disaster of Yeltsin's years, people such as political analyst Andranik Migranian believe that the Chinese style of market authoritarianism would work better for Russia's modernization than the liberal democracy advocated by the West. A strong supporter of "managed democracy" (a term he himself coined in the early 1990s), Professor Migranian calls Russian liberals "idiots completely divorced from reality" (cited in Higgins 2004).<sup>36</sup> Since China and Russia share important elements of their past, it is instructive to compare these two countries as they now face the present uncertainties and future prospects of globalization.

The People's Republic of China (PRC) originally patterned its political and economic structures on those of the Soviet Union. The Soviet model of development, with its emphasis on the primacy of heavy industry, collectivized agriculture, and all-encompassing planning of both production and consumption, prevailed in general terms throughout the period from 1949 to 1978. But when China's revolutionary leader, Mao Zedong, periodically tried to outdo the Soviets in his emphasis on mass mobilization by purely ideological means, the results proved disastrous for the economy. Mao's ideological campaigns, including the notorious Great Leap Forward of the late 1950s, succeeded in enlisting millions

<sup>35</sup> "Russia's Minister of Culture: Globalisation is a Threat to the Slavonic World," *Pravda.RU*, May 23, 2002. Retrieved December 29, 2003 (<http://english.pravda.ru/culture/2002/05/23/29180.html>).

<sup>36</sup> This is according to Andrew Higgins, "Reform in Russia: Free Market, Yes; Free Politics, Maybe. Washington's Civic Dreams for Old Foe Fade as People Focus on Making a Living," *The Wall Street Journal*, May 24, 2004, p. A1.

of peasants in a collective effort that produced mostly futile results, such as smelting pig iron in rural backyards. As agricultural output plummeted, the country was thrown into a three-year famine that took between 18-25 million lives (Yao 1999). The subsequent ideological split with the Soviet Union, and the so-called “anti-reactionary” campaign, cost further billions in lost Soviet assistance. The state of permanent revolution that Mao imposed on the country during the decade-long Cultural Revolution of 1966-1976 sent millions of intellectuals and professionals into low-skilled manual labor for the purpose of “re-education,” an exercise that further damaged the economy and provoked widespread social unrest.

By the late 1970s, nobody would have bet his or her fortune on the prospect of a Chinese economic miracle. However, all this changed with the leadership succession that brought Deng Xiaoping, a twice-purged pragmatic reformer, back to the pinnacle of power by the early 1980s. Deng’s famous quip, that a cat could be either black or white “as long as it catches mice,” neatly summarized his views on the proper relationship between economy and ideology: as long as the national economy developed, ideological purity could be put on a back burner.

One of the paradoxes of the Chinese reforms is that Deng, rather than embracing markets directly in the way that Yeltsin did “shock therapy,” instead began with what looked like a Chinese edition of the New Economic Policy (NEP) that was originally pioneered in the Soviet Union by Lenin. This strategy involved (1) keeping the “command heights” of the economy in state hands while simultaneously allowing market elements to develop in agriculture, retail distribution, food processing and light industries; (2) inviting foreign investors into the country; and (3) maintaining planning in major industries while allowing individual enterprises to sell in the market anything they produced beyond state-imposed targets. At the same time, Deng capitalized on the uniquely Chinese experience of multifunctional people’s communes by introducing the “family responsibility system” that eliminated coercion and gave rural workers a certain freedom of choice in agricultural and industrial activities, which in turn were supported by cheap credits extended by the state.

The second stage of Chinese reform had a more direct effect on urban industries. From 1984 onwards, state planning by quotas was replaced by taxation, and industrial managers were granted operational control and decision-making powers over production and marketing choices. In Wenran Jiang’s (2004) description,

Privately owned enterprises were allowed to operate; the planning system of the command economy was decentralized gradually; supply and demand mechanisms were introduced to take over state-set prices for most commodities; foreign ownership, joint ventures, and foreign direct investment

were now allowed to enter Chinese economy; deregulation was carried out at different stages to open the market; controls over consumer goods and wages were lifted; and nonprofitable state-owned enterprises were allowed to go bankrupt, given a time frame to reform with reduced subsidies, or privatized. (P. 282)

Whereas Russia's embrace of IMF-sponsored "shock therapy" coincided with collapse of the Communist party and the Soviet state, in China the communist apparatus remained in control not only of industrial policy, but also of society and the economy at large. Deng's "four modernizations"—encompassing agriculture, industry, science and technology, and the military—generated spectacular results that have continued since his death in 1997. Over a period of 26 years, China has achieved an average GDP growth rate of 9.4 percent. GDP has increased during this time from \$147.3 billion to \$1.6494 trillion, while the volume of foreign trade has risen from \$20.6 billion to \$1.1548 trillion, resulting in an equally spectacular growth of foreign exchange reserves from \$167 million to \$609.9 billion. By the end of 2004, China had accumulated \$562.1 billion in foreign direct investment (FDI) and achieved extraordinary progress in improving living standards nationwide while reducing the number of rural poor from 250 million to 26 million (Hu Jintao 2005).

China's progress appears all the more impressive when set alongside the "great contraction" (De Broeck and Koen 2000) of Russian industrial output during the 1990s. A systematic account of the differences between these two countries is beyond the scope of this paper, but many observers think that the starting point of any comparison lies in the fact that Russia attempted to leap from one system to another, while the Chinese approach was much more gradual. In Russia, Egor Gaidar and other "young reformers" freed prices virtually overnight and sold industrial giants for peanuts to anyone who had access to the right people in the government. This approach was propagated by Western "experts," financially supported by international institutions, and spurred by Yeltsin's fear of a communist backlash. "Shock therapy" entailed imposition of dramatic reform from above, whereas Chinese leaders stressed reform from below, emphasized rural industries, gave rein to local initiatives, supported small and medium-sized enterprises, and warmly encouraged foreign direct investment. Rather than crushing the state-socialist system completely, China's gradualism opened ways to develop a hybrid market economy. As Jiang (2004) notes, "none of these measures were implemented overnight. Many took months and years of debates, trials, experiments, and setbacks" (p. 282).

On the face of it, shock therapy seems to have done more harm than good to Russia. Nevertheless, there remain disagreements as to how

salient these policy differences really were. Those who challenge the idea that such distinctions were crucial for subsequent success or failure of the transition have pointed out, with some justification, that shock therapy, as advocated by Jeffrey Sachs and other monetarists, was never fully applied in Russia (Gaidar 1995). Where it was applied more consistently, as in Poland or Vietnam, the results, even if less impressive than in China, were generally positive. Another related line of criticism holds that gradual reform in a post-Soviet country would have backfired and led to an even more dramatic economic collapse, as in the case of Ukraine (Treisman 2000: 148). However, citing Ukraine in this context does little to clarify the issue, since the crux of the matter in Ukraine during 1991-1992 was not the slow pace of reform, but the absence of any meaningful reform attempt whatsoever at a time when the Ukrainian economy was being forcibly severed from what used to be a unified industrial complex of the former Soviet Union.

Those skeptical of the whole debate believe that pre-reform conditions, such as levels of institutional development, industrial and structural distortions, trade patterns, and pre-transition levels of GDP per capita are more important than the speed or depth of the reform process itself (Popov 2000). With or without rapid liberalization, some argue that what matters most are the starting point and the pre-reform shape of the economy. The more developed and the more set the system is in the old ways, the harder it is to reform. Thus, agricultural reforms in both China and Poland could rely on a tradition of private land use that was still alive in both countries. In contrast, economically significant private land ownership in Russia was unheard of since the early 1930s. All over Eastern Europe, privately operated small and medium-sized enterprises were the norm; however, in Russia and other ex-Soviet states, they were an exception. The spectacular rise of township and village enterprises in China was made possible by the relative autonomy of local leaders and the lived experiences of both family farming and multifunctional people's communes. In the Soviet Union, local governments were more dependent on the center, while family farming could not evolve beyond *babushkas'* (grandmothers') backyard gardening.

Subjective factors of reform are no less significant. Entrepreneurial skills in both China and Vietnam, still relatively young communist countries, were not yet extinguished when the reforms started. By contrast, three generations of Russians worked for the state and yielded to its overbearing presence in the economy. Even reform-minded Russians expected the state to reinvent itself on behalf of its citizens, not to dismantle itself on behalf of private entrepreneurs inspired by the naked profit motive. In Russia, the prevailing cultural "ethos" and the shared

moral convictions that developed over the previous seven decades contradicted the idea of an absentee state and its concomitant mentality of “everyone-for-himself.” The neoliberal prescriptions, propounded by IMF advisors, succeeded in destroying the state-society link that was deemed responsible for economic rigidity of the Soviet system. However, the same link provided social cohesion and ensured stability. Economists who are not blinded by the instrumentalist orthodoxy of the Washington Consensus agree that “every economic system depends upon social capital, operating in the interstices of the system providing coordination, which can be destroyed by dislocations resulting from large changes in policy or system” (Murrell 1995: 172). The most important aspect of the “shock” treatment to which Russia was subjected lies more in this destruction of social capital inherited from Soviet times than in the relative pace or timing of the reforms themselves.

A related observation concerns the problem of the so-called sequencing of political and economic reforms. Gorbachev started with an attack on the party apparatus that was only exceeded in scope (although not in severity) by Stalin’s purges; Deng, on the other hand, started by unleashing the creative potential of the masses. Gorbachev’s reforms destroyed the party, crippled the state, and collapsed the Soviet federation even before the first steps of economic reform had a chance to run their course. Deng’s approach preserved the party as the leading force in the Chinese political system and, hence, preserved the system itself. A stable political environment and the predictability of government policy encouraged foreign investors and provided the crucially significant initial inflow of capital that allowed for deeper structural reforms to take off. In the Russian case, the political process was liberalized before opening up the economy, a strategy that proved disastrous, while in China the political system remained intact and capable of implementing a series of carefully considered changes that proved extremely beneficial for the country.

It seems that the major contrast between Russia and China concerns not so much differences in economic strategies (or policies), or even initial, pre-reform conditions, as differences in articulation of the state’s position vis-à-vis both domestic society and the economy, once the decision to launch the reforms was made. The Gorbachev-Yeltsin policies weakened the state, annulled the unwritten social contract, and betrayed long-held expectations on the part of citizens. The policies of the reformist wing of the Communist Party of China strengthened the state, built on the existing social contract between the state and society, maintained the promise of prosperity for everyone, and thus upheld the long-standing expectations of the Chinese population.

Equally important, the two states positioned themselves differently vis-

à-vis their external environment. While post-communist Russia adopted the position of a supplicant seeking material aid and advice from the West, China maintained full independence in the face of external pressure emanating from the IMF, the World Trade Organization, and the United States. Bowing to no one, China managed to avoid hectoring and scrutiny by proponents of the Washington Consensus and kept its political system intact. This policy enabled it to boost foreign trade, promote technological growth, and achieve productivity increases across the entire economy, while at the same time preserving the regime's legitimacy among broad sectors of the population. Russia's reforms precipitated a decline into confusion and poverty for most common people, whereas in China the national government was seen as continuing to work for the long-term well-being of its citizens.

### Conclusion

Russia's response to globalization—its “return” to the West—has been a tale of disaster. Other countries have fared better in meeting the challenge of globalization, although some have done even worse. In Russia's case, the country would most surely have been destroyed had it not been blessed with unrivaled natural resources, specifically oil, gas, and metals. Even so, the policies of the Washington Consensus, or what Stiglitz (2002) calls “market fundamentalism” (p. 134)—and what Russian scholars refer to as market Bolshevism (Reddaway and Glinski 2001)—transformed Russia from a reasonably well-to-do country into an oligarchic dependency characterized by stark inequality, marked injustice, the loss of social capital, widespread poverty and a stunning demographic catastrophe.<sup>37</sup>

The social costs of Russia's uncritical embrace of globalization mythology were enormous. A relatively egalitarian social structure was broken, popular trust in the government evaporated to the point where people prefer to keep their money in mattresses rather than in the state-insured

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<sup>37</sup> Russia's population growth rate turned negative with the start of the reforms. In 1993-1999, population declined on average by 0.3 percent a year. In the mid-1990s, the death rate in Russia matched the one registered in Sub-Saharan Africa—15 deaths per 1,000 people—while the figures for developing countries were 9 per 1,000, and for developed countries 8 per 1,000. Male life expectancy at birth hit a record low of 56 years, down from 65 years in the Soviet period. It is expected that Russia's population, which stood at 148 million people in 1990, will decline to 127 million by 2040. See The World Bank (2002) Annex B5; The World Bank, *World Population Growth* ([http://www.worldbank.org/depweb/beyond/wren/wnrbw\\_03.pdf](http://www.worldbank.org/depweb/beyond/wren/wnrbw_03.pdf)); Julie DaVanzo and Clifford Grammich, *Dire Demographics: Population Trends in the Russian Federation* (Santa Monica, CA: Rand, 2001), p. 4.

banks, and the whole normative structure underlying routine social exchanges and daily life was badly damaged, if not perverted. What globalization brought to Russia was an American frontier mentality, a post-modern reincarnation of the lifestyles and mores typical of the Wild West and the mafia turf wars of the prohibition years.

While much has been written on the authoritarian style of Russia's economic liberalization, much more remains to be said concerning the role of United States policymakers and the Bretton Woods institutions in the whole sorry saga of badly mismanaged and ultimately failed reforms. "Even in the West," writes Joseph Stiglitz (2002), "the critical decisions about Russian policy, both at the international economic institutions and in the U.S. Treasury, went on largely behind closed doors. Neither the taxpayers in the West, to whom these institutions were supposed to be accountable, nor the Russian people, who paid the ultimate price, knew much about what was going on at the time" (p. 165).

It is small wonder that some typically Russian questions—"Who is to blame?" and "What is to be done?"—have reappeared in the post-communist context as a reflection on Russia's unfortunate experience of knocking on the Western world's doors. But this reflection should also lead to broader ethical questions about the limits of external intervention into the country's domestic affairs; the meaning of national identity and independence in an increasingly globalized world; and finally, the value of the presently dominant vision of globalization as an ultimate victory and unbridled dominion of capitalist market forces. At the very least, the experience of Russia dramatically contradicts the utopian fantasies of those proponents of globalization who see it as heralding universal enlightenment and prosperity in a world finally "healed" by the end of the Cold War.

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