

NEW SITUATION IN RUSSIA AND WORLD SECURITY

1999 IISS Alistair Buchan Memorial Lecture

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Dear Professor Howard, Your Excellencies, Members of the International Council and IISS Members, ladies and gentlemen.

It is a great honour and privilege to be with you today.

Alistair Buchan was and still is one of the most in-depth looking and comprehensive scholars that analysed problems of international relations in the World after the World War II. I remember very well how deeply Alistair Buchan's observations and conclusions influenced me during my work on my Ph.D. thesis. His recollections are valid and important for nowadays also.

High level of scientific research set by Alistair Buchan in the work of International Institute of Strategic Studies is maintained and developed. It safeguards maintaining and strengthening of IISS's high profile and authority among scientists and specialists as well as among leading political figures all over the World – even if sometimes they disagree with some conclusions and recommendations of this or that IISS publication.

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Security of Russia and its impact on the World security first of all is connected with the way of how Russian reforms were introduced and how they will go on.

From 1992 in my country took place a historic attempt to create a viable political system and simultaneously - a market economy system. Not less important problem for Russia was deep and radical military reform envisaged to set up a modern defence system that would be adequate to the needs of national interests of modern democratic state.

It happened in the most complex conditions of a deep systems crisis of the "economy of developed socialism", USSR break down, collapse of the Warsaw Pact and COMECON, disruption of economic links and ties between Russia and other former Soviet Union (FSU) states.

In 1993 in Russia a new Constitution was adopted, State Duma (lower house of Federal Assembly – Russian Parliament) was democratically elected. Heads of the subjects of the Russian Federation – Governors and Presidents of Republics came to be elected and not appointed. In 1996 in a new situation democratic elections of the President of Russia took place. Freedom of speech and freedom of press became landmark achievements of democracy in Russia.

Great efforts took to integrate Russia into World economy, to create commercial non-government banking system, stocks and commodities exchange systems, other market economy mechanisms.

At the same time there was a significant increase in crime, broad scale corruption and illegal financial transactions. Year after year accumulated burning problems of non payment of wages to budget based employees – both at federal and at local level including Armed Forces, security and law enforcing agencies, teachers and health workers. Middle class emerged

much slower that it was needed for economy and for social and political stability – with possible exceptions to situation in Moscow and St.Petersburg.

Privatisation of the industries with rare exceptions has not led to creation of a new effective owners that could attract investments both from the country and from abroad and would be reliable long term partners for serious Western investors, banks and corporations.

In the international security sphere we can witness a substantial improvement of relations with the USA and other Western countries as well as with Japan. There is a significant development of relations with the two Asian giants – China and India, with a number of other Asian countries, including South Korea. Relations with other CIS countries with whom Russia has extensive economic, cultural and historic links were declared to be of a top priority, but in fact this priority was realised with great difficulties, partially because of some other parties' negative interference.

A reform of the Armed Forces has been launched, especially after decisions of Russian President taken on Summer 1997. There were efforts for defence industries and science conversion.

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Financial crisis caused by August 17, 1998 decisions of the Government has a major impact not only on Russian economy, but also on general political situation in the country, on defence and security situation.

Up to now Russia is still far from overcoming the crisis.

One of the major mistakes of radical reformers was that they concentrated almost exclusively on macroeconomic stabilisation (emphasised minimalisation of the role of the state). At this stage of reforms they did not pay proper attention to modern banking system of international

standards, did not address the issues of restructuring of the industry and its most valuable segment - defence industry.

In the process of radical reforms of 1992-1998 practically was not taken into account such the most important part of the modern economy, economic growth factor as human capital. It is even more surprising as Russia is known for high level of education, basic and applied science and technology, culture.

Not so much has been done to safeguard external markets for complex value-added high tech. products despite of great potential competitiveness in laser technologies, UHF electronics, space and rocket launching, in aviation and in software production. No efforts has been made to set up dynamically developing industrial corporations according to highest international standards.

As a result raw material character of Russian export increased even more in comparison with the USSR. And an ever eminent decline in oil prices hit Russian economy in the most serious way.

At the same time the scale of the Western assistance to Russia was greatly less then to Western Europe during Marshall plan days (hundreds of times less it recalculated in comparable prices).

Radical reformers did not pay due attention to traditional Russian values of patriotism – as a result ideas of patriotism were quite successfully exploited by radicals and by opposing to reforms forces.

During this period they failed to create modern system of law enforcing agencies that would safeguard inter alia a non-criminalized work of the market economy institutes and would wage an effective war against corruption. At the same time old system of law enforcement was practically dismantled.

Unfortunately reformist ideas turned to be significantly discredited in Russian public opinion – reforms were often associated with westernization of economic and political life, culture – it led to significant increase of anti-western feelings in Russian public opinion. Significantly rose the popularity of those political parties that opposed the way of liberal reforms.

So, what might be the tasks for the next, maybe even more difficult phase of reforms in Russia?

It is of special importance to combine in the hands of those who wants and who is ready to continue reforms ideas of political democracy, human rights, market economy with ideas of enlightened Russian patriotism.

It is necessary to formulate clear national scientific and technological policy as a major part and parcel of economic policy based on human potential as the most important factor of economic growth. Russia differs from the “third world” countries by the very existence of such capital in all its principal areas – especially in technical and natural science education, in comprehensive net of scientific and educational institutions - and not only in Russian missile and nuclear complex that still equals to American one. In many areas Soviet and Russian science for long time has been and still is the leader or one of the leaders (mathematics, some areas of physics, chemistry, theoretical astrophysics, etc.). The major component of such a policy is arrival to world markets not with raw materials, but increasingly with high tech products in active cooperation with partners from Western Europe, Japan and USA. We already have some positive experience in such an activity.

New scientific and industrial policy of Russia should bring about creation of both powerful corporate structures and constellations of small and mid-size businesses – valid subjects of market economy.

Russia has already proved that even in the most difficult economic conditions it can be competitive in space launching for commercial satellites of different categories, in various civil aviation products, in energy machine building, in high speed maritime vessel construction, in some telecommunication equipment in composites and other new materials, in nuclear industry and in many other areas. Of a special value might be Russian products and services in creation of software for computers, industrial and telecommunications software and other highly specialised applied mathematical products to solve the most difficult engineering tasks.

It is the time of global changes in the world. Industrial era has been changed by the era of information. Nowadays it is much more profitable to trade not in raw materials, but in information, information technologies and knew knowledges.

Russia in its new policy should come from realization that it is not only flexible and high tech technologies emerging now in the world economic system, but also new kind of industrial relations aimed at increase of interest of workers in the results of their labour, new industries where private freedom is becoming the necessary 'technological' factor.

USA and Western Europe are the most important in the world markets for the high tech products. And the best USA and EU can do to help Russia to develop its market economy is to help Russian companies to get their high tech and information products to North American and Western European markets. For Russian market economy reforms to be stable it is of vital necessity that Russian producer would not only get his profit, but would be proud of the results of his work, that Russian companies-subjects of the market economy could become fully fledged members of international business community.

To this end it is necessary to provide grants, special regimes for various Russian products and companies. Major political decisions are needed from leading Western countries and international financing institutions: from the IMF, World Bank, EBRD etc.

It is obvious that many Western companies would see the appearance of Russian producers of industrial products and service providers as additional competitors. But in the final run it would be only for the best for the world economy and competitiveness of the same markets in the USA and in Western Europe.

In their time Marshall Plan designers showed statesmanship and wisdom, long term vision of the world economy and politics while helping to restore Western European science and industries getting away from the 'cheap fix' of absolute domination of *American industry* in the post-war world. Whether we can expect such type of a wisdom from the leaders of the Euroatlantic community on the brink of the new millenium after many mistakes made with regard to reforms in Russia? I would like to hope that we can. But for this we'll need an intensive joint intellectual work of Russian and Western politicians, scientists and businessmen.

A substantial part of Russian manpower and top technologies have accumulated in defence industries, including highly developed nuclear industry. In situation of sharp cuts in defence spendings and collapse of most defence industries' conversion programs there is always a threat of illegal use of these resources and violation of international non-proliferation regimes. That is why new scientific and industrial policy in Russia has also a paramount importance for international and political dimension of Russian national security.

In 1998 in the world military and political sphere happened such a developments that radically changed strategic landscape for the 21st century.

First of all it is appearance of two new nuclear powers: India and Pakistan. From the same viewpoint we should examine ballistic missiles testings in Iran and in North Korea. These events confirm once more the necessity of close cooperation between the West and Russia on non-proliferation of mass destruction weapons and missile technologies.

Today it is evident that in international relations of tomorrow with dominance of economic, informational and technological factors the role of military factor will be still highly important, especially taking into account the appearance of new nuclear states.

The West has to realize importance of Russian defence might and dynamic defence industry not only for Russian national security, but for international security also. To this end continuation of the military reform in Russia should be directed. Russia is destined by its geopolitical position to play a prominent role in the world military and political balance of the 21st century.