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SNAPSHOT

The Dark Side of Interdependence

How Global Ties Tied Our Hands in Russia

Stuart Gottlieb and Eric Lorber

STUART GOTTLIEB is Adjunct Professor of International Affairs and Public Policy at Columbia University, where he is also a Member of the Saltzman Institute of War & Peace Studies. ERIC LORBER is an attorney at Gibson, Dunn & Crutcher, LLP.

In recent months, the United States and the EU have ratcheted up diplomatic and economic pressure on Russia in response to its activities in Crimea and eastern Ukraine. Although the United States has hit major Russian companies with significant sanctions, the EU has remained decidedly more hesitant. It took the downing of Malaysia Airlines flight MH17 on July 17, purportedly by Russian-supplied separatists, and Russia's increased involvement in eastern Ukraine in the weeks thereafter, for the EU to even begin matching its threats with real action.

The EU's reticence is understandable; the union's countries are some of Russia's main trading partners and rely heavily on Russian energy exports. This attitude has nevertheless drawn the ire of U.S. policymakers, many of whom believe that Europe's hesitance is indicative of a general unwillingness among the United States' transatlantic allies to punish international aggression. Senator John McCain (R-Ariz.) said as much on a recent television interview. "The Europeans are not going to do anything," he said, continuing, if anyone believes the Europeans will impose firm sanctions, "I have some beachfront property for them in Arizona."

Those with such mindsets, however, have forgotten something important. Economic interdependence between the EU and Russia is the direct result of U.S. policies in the 1990s. During the Clinton administration, the United States actively tried to integrate Russia and the former Soviet republics into the liberal free trade framework that it was promoting throughout Europe. The policies were based on a deeply held belief that political and economic integration is the best way to avoid potential conflict in Europe.

And that creates a paradox. Greater interdependence might, in fact, reduce the likelihood of conflict between nations or groups of nations. After all, it increases the cost of conflict for all of them. However, as the EU-Russian case shows, the logic can also work in reverse. It is incredibly difficult to punish economic partners for international aggression. The rational fear of economic backlash creates high tolerance for international wrongdoing.

This is not to argue that the United States should turn its back on liberal integration as a primary foreign policy goal. Rather, it should recognize the downsides of integration and explore ways to ameliorate its effects.

THROWN TOGETHER

Following the end of the Cold War and the breakup of the Soviet Union, the United States actively fostered interdependence and closer economic and political ties throughout Europe. It also created or supported a number of forums -- the World Trade Organization's Working Group on Russia, NATO's Partnership for Peace, and the Partnership and Cooperation Agreement between the EU and Russia to name a few -- to help integrate Russia and the former Soviet republics into the larger European political and economic framework.

Building on the political scientist Francis Fukuyama's idea of the "end of history" -- that political, economic, and social systems were evolving toward some liberal endpoint -- and the George H. W. Bush administration's concept of a "new world order" -- that U.S.-led global liberal institutions would help usher in a new era of post-Cold War cooperation -- the Clinton administration touted increased economic ties between the West and the former Soviet Union as "win-wins" all around. "The short-term difficulties of taking Central and Eastern Europe into Western economic institutions," the administration stated in its 1994 National Security Strategy, "will be more than rewarded if they succeed and if they are customers for America's and Western Europe's goods and services tomorrow. . . . One of our priorities, therefore, is to reduce trade barriers with the former communist states."

Efforts by U.S. policymakers to integrate the EU countries and Russia were not purely economic; they were also oriented toward politics and security. U.S. President Bill Clinton's push for NATO expansion, for example, was about enlarging the realm of collective security interests to match the newfound economic engagement. Indeed, from then on, NATO was expected to not just fight wars, but also protect common liberal values. Strobe Talbott, Clinton's undersecretary of state, made this clear when, in a 1997 speech on NATO enlargement, he offered up the possibility that Russia -- the country NATO was created to fight -- would one day be welcomed as a full member, so long as it met minimum democratic political requirements.

Integration might have been a top priority for U.S. foreign policy -- and the United States certainly led the charge -- but it also fit EU interests and goals. In addition, many former Soviet republics were the initiative's biggest supporters. Russia, of course, was wary of NATO encirclement, but the benefits of economic integration proved difficult to ignore.

FOR RICHER, FOR POORER

Economically at least, the approach seemed to pay off. It helped produce significant benefits for the EU and Russia. Since the break-up of the Soviet Union, Russia has become the EU's third-largest trading partner, while the EU is currently Russia's largest trading partner. Overall, trade between the two entities is now valued at nearly 300 billion euros (over 400 billion dollars) a year, and roughly 75 percent of total foreign direct investment in Russia comes from the EU. Over the past 20 years -- in no small part because of the United States' promotion of economic and political integration -- the EU and Russia have become increasingly economically tied at the hip. Meanwhile, former Soviet satellites and republics -- such as the Czech Republic, Hungary, Poland, and the Baltic states -- were incorporated into NATO and the EU, and Russia became a member of the G-8, the elite global economic forum.

All of this integration, however, has had an unexpected consequence: Although the original policy was hailed as a way to ensure that Russia would be incorporated into the Western economic and political order -- and therefore would be less of a threat to the West -- it may have actually decreased the West's ability to deter Russian aggression against other countries. For example, European concerns about their relationships with major Russian companies, such as Rosneft and Gazprom factored heavily in the EU's reluctance to impose sanctions on Russia businesses. Indeed, with Russia in possession of the world's largest gas reserves (and major oil reserves), energy had always been an important factor in integration -- the EU expected a new "stable" supply of energy. Although the EU recently agreed to impose somewhat stricter sanctions, it will continue to be more hesitant than the United States to turn the screws on one of its largest trading partners, even as that trading partner continues to make a mockery of Ukrainian sovereignty.

Further, this dynamic illustrates a broader problem for liberal internationalist theory: Although economic interdependence may keep states from coming to blows, it may also limit their wherewithal to pressure their partners into complying with international standards of behavior.

BLAME GAME

Although economic integration may limit policymakers' ability to put pressure on their trade partners, it does not mean that promoting such integration is wrong. If the EU and Russia did not have any economic ties, the EU would lack any significant leverage -- short of military action -- with which to threaten Moscow. In other words, policymakers must recognize that, although integration can achieve many shared goals, it can also box them in.

In addition, rather than blaming the Europeans for supposed fecklessness, the United States should face up to the role that its own global liberal ideology and policy promotion played in creating the present dilemma. And both the United States and the EU should develop strategies to increase the credibility of their threats to impose sanctions on trading partners who engage in reprehensible global conduct. A good start would be for the EU and possibly even NATO to reconsider their policies of unanimity within the group to authorize any collective action. This would permit stronger action by these organizations, without the real and perceived political stalemate in the face of global threats.

For 70 years, U.S.-led global liberal institutions that promote free trade, interdependence, and international law have helped create a more peaceful, prosperous, and democratic world. But it is not a perfect world. If liberal values and institutions are going to continue to lead the way, Western policymakers need to recognize and address their shortcomings. Otherwise alternative, anti-liberal forces will certainly step up to the challenge.

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