



A20 Is Germany a nation of Luddites?

A20 The impact of Western militants

## The importance of looking outwards

**S**INGAPORE'S success was in no small part built on its global orientation. It continues to be receptive to outside ideas and best practices, while making the most of its location to be a service provider to the world. In his National University of Singapore Society lecture, Prime Minister Lee Hsien Loong made a point of telling his audience of young working adults that any tendency to turn inwards, as Singapore society grows more complex, would be disastrous in an inter-connected world.

Working people and students who are absorbed with varied goals and pressing deadlines might well focus on what is at hand and not delve into external events. Certain foreign news, of course, may go

viral, while other reports gain less attention or are circulated largely within interest groups. Yet other developments might be glossed over when they appear distant at first glance. However, there are good reasons to maintain a pre-occupation with constantly joining the dots.

While the melting Arctic ice concerns everyone because of its massive environmental impact, the consequent opening of new sea routes that bypass Singapore's port is news its citizens would want to track closely. Similarly, the way Gulf nodes are profiting from Africa's progress and the extent to which their carriers are gaining ground on trans-Asia routes deserve attention as an evolving trend that can affect

Changi's valued hub status.

Business developments might not be everyone's cup of tea, yet there is no ignoring the way global markets have richly rewarded innovators and risk-takers in the stock market flotation of Chinese e-commerce giant Alibaba. Another example is the corporate splitting impulses of technology behemoths such as Hewlett-Packard and Symantec. Knowing about the implications of such moves and changing business models would better insulate people against surprises.

On the political front, few would be unaware of the ructions in Hong Kong and the street chaos that led to a military coup in Thailand. How these events

are viewed, of course, can never be taken for granted. A city brought to its knees by the exertions of activists can be a metaphor for both the bad or the good in a political system, depending on one's leaning.

An exhortation to look outwards implies that a polity is mature enough to actively seek sufficient knowledge of the ground realities elsewhere - for example, to make necessary distinctions when drawing a parallel. It also assumes that outward-looking citizens will habitually put their judgments to the test by evaluating opposing critiques on the basis of rationality. To look at a fast-changing world in any other way would be a self-defeating exercise.

Russia faces increasing pain as sanctions tighten. Worse may come, as long as President Vladimir Putin remains in power

## The 'soft containment' of Russia



EYE ON THE WORLD

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**T**HERE is nothing Russian President Vladimir Putin cherishes more than his image as the only leader capable of defying the West: As he celebrated his 62nd birthday last week, an exhibition in Moscow portrayed Mr Putin as the mythical god Hercules, battling Western nations depicted as snakes or demons.

Yet notwithstanding the bravado of their boss, President Putin's aides are deeply worried. They know that the Russian economy is already hurting badly as a result of the sanctions imposed by the West.

And they worry that, unless Moscow manages to have these sanctions lifted soon, Russia will be condemning itself to many years of confrontation; the integration of their country into the global economy could be reversed, with catastrophic effects on its people.

The fate of the rouble, the country's currency, says it all. Its value has dropped by a quarter this year, and it is now in freefall: "The dollar is 40 rouble, the euro is 50 rouble, and Putin is 62", as the joke now making the rounds in Moscow succinctly puts it.

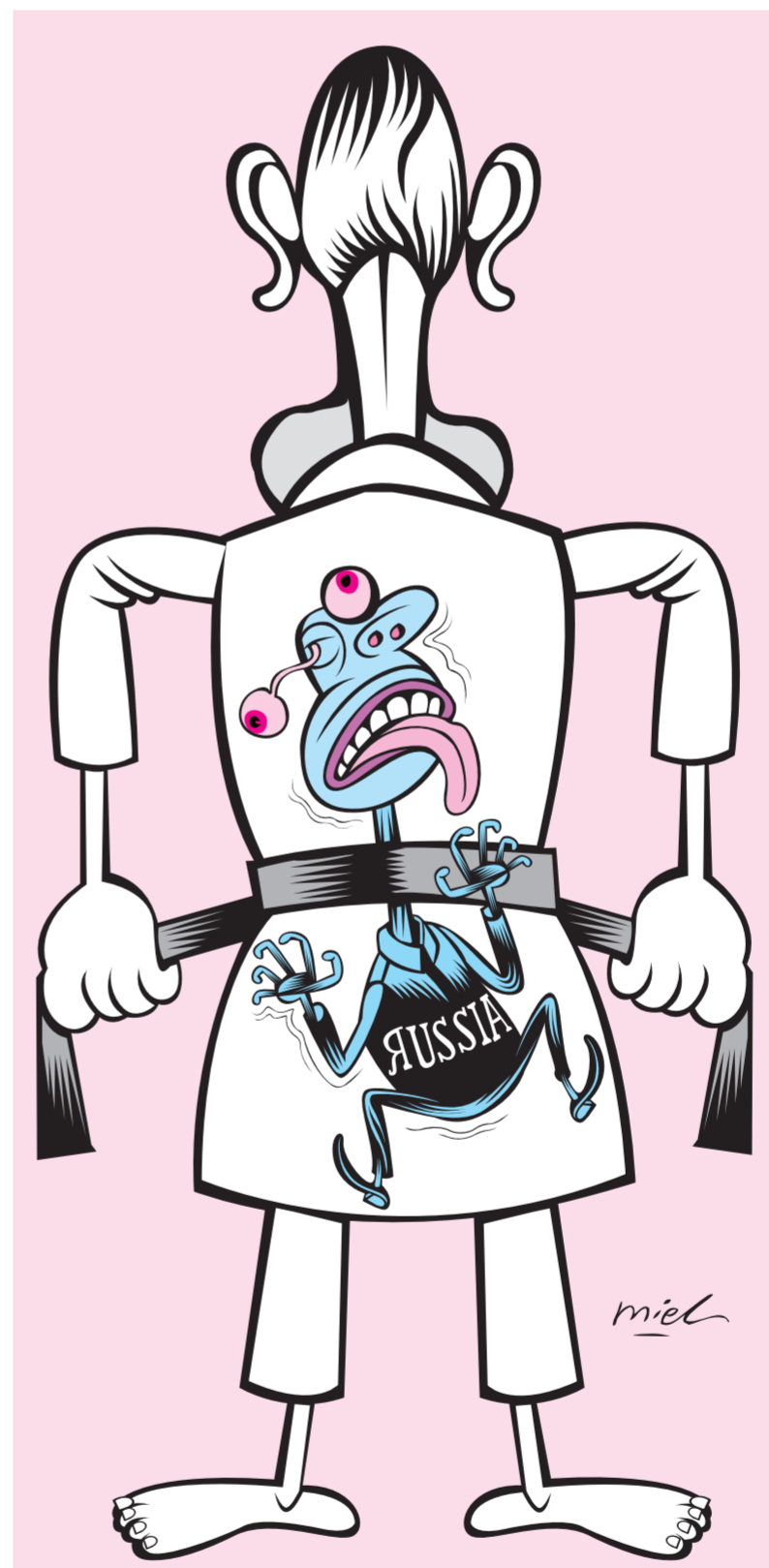
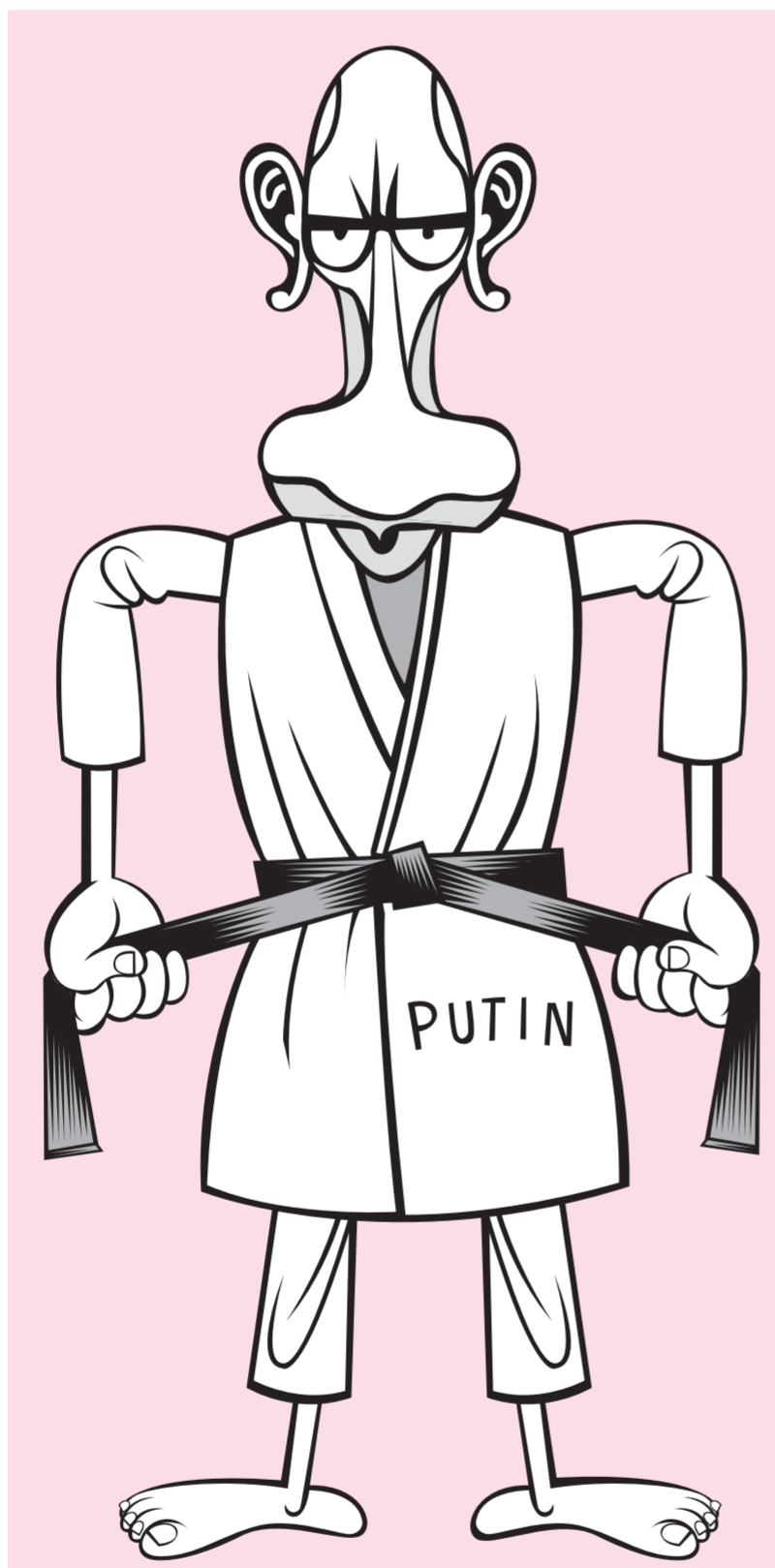
"Without a doubt, this and the next year, we will have to try very hard to ensure the planned economic growth rates," Finance Minister Anton Siluanov admitted recently as he presented the country's budgetary projections. But that's an understatement, since Russia will have to perform economic miracles just to stand still.

At least US\$100 billion (\$127.6 billion) worth of investment capital has already fled Russia since March, when the West imposed sanctions in the wake of Russia's involvement in the Ukraine crisis.

Very little money is coming in, while the Russian state budget needs to refinance its chronic deficits, as well as pay for Mr Putin's plans to buy new weapons for his military, which, according to official figures, will cost an astonishing US\$700 billion over the next four years.

Officials in Moscow claim that, if they cannot borrow the money they need from Western banks, they will turn to Asia for cash. But that's just bluster.

For, even if significant Asian banks are willing to risk US or European punitive measures by doing business with Russia, they may not have the volume of cash that the Russians need to borrow, nor are they likely to offer this at competitive rates. So, at least for now, the Russian government has resorted to its old technique of



raiding the country's pension funds in search of "easy" money.

### Declining oil advantage

**BUT** the most ominous development for Russia is the drop in energy prices on which its economy largely relies. All the current Russian spending plans are based on the assumption of a price of US\$105 per oil barrel. Yet prices today are hovering around the middle of the US\$90 range, and are likely to go down further.

With their penchant for conspiracy theories, Russian officials assume that the United States has, in consort with Saudi Arabia, conspired to drive prices down. But the reality is both more prosaic and more ominous: The US has no interest in manipulating energy prices but oil is fetching less because there is a glut on the market, and because growth in the global economy is sputtering.

And if this were not enough, prices of natural gas, another lu-

crative Russian export, are also tumbling. The US shale revolution made possible by advances in production techniques is likely to result in flooding the gas market: As early as 2016, Russia's Gazprom giant energy company could lose up to 18 per cent of its revenues, predicts Mr Jason Bordoff, a former White House energy official now running the Centre on Global Energy Policy at Columbia University.

The Russians have done their sums: They know that they cannot afford a lengthy showdown with the West.

Indeed, as Finance Minister Siluanov openly admitted last week, his entire economic forecasting is now predicated on the assumption that sanctions will be lifted by the end of this year.

In theory, that is perfectly possible. The fighting in Ukraine has died down and the Malaysian airliner disaster is now largely forgotten. Just like the Russian invasion of Georgia in 2008 had no

long-term consequences, so the Ukraine crisis can simply be shelved.

### Putin's likely gambits

**WESTERN** intelligence analysts are now predicting that, over the next few weeks, Mr Putin will launch a series of initiatives designed to break his country's isolation. The first Russian initiative will consist of forging a unified stance with Brazil, India, China and South Africa, Moscow's partners in the Brics group attending the G-20 summit in Brisbane next month, in rejecting any West-led deal to boost global economic growth unless Western governments promise to lift economic sanctions.

The second Russian initiative will be to offer the West a new disarmament deal, cutting the level of troops and weapons stationed in Europe. This will be presented as a substitute for old treaties which governed disarmament in

Europe but which date back to the Cold War, although their real purpose from Moscow's perspective is to push Western forces as far away from Russia's borders as possible.

Sadly, however, Mr Putin may be deceiving himself if he believes the West - and particularly the Europeans - would accept these proposals. For gone are the days when Russia could deal with just a handful of countries such as Germany, France or Britain, and get a deal which decided Europe's fate. The former communist countries of Eastern Europe now have a blocking vote in both the European Union and Nato, the US-led military alliance in Europe.

And for the East Europeans, the threat from Russia is not a matter of abstract diplomatic principles; it is an existential question of national survival.

That does not mean that a durable accommodation between the West and Russia is impossible. But that will require genuine Rus-

sian concessions which reassure everyone, like Mr Putin's acceptance that Ukraine cannot be under a Russian sphere of influence, and that Russia cannot overturn the borders created at the end of the Cold War. That is unlikely to happen for, in effect, such concessions would entail the destruction of everything Mr Putin has stood for since he became Russia's President.

### Moving from sanctions

**IT IS** therefore very likely that the economic sanctions will remain in place. And the longer they last, the bigger the consequences for global stability, since there is more at stake here than just a tiff between Russia and the West.

Russia's integration into the world's markets is only partly a natural outcome of globalisation; a much more important reason has been the deliberate strategy pursued by the West to expand and integrate powers such as Russia in the international system, in order to create what a US official once rather patronisingly called "responsible stakeholders".

The Europeans were fervent believers in the idea that Russia could be bound into a community, and that such bonds would ultimately be translated into friendship and stability, the so-called "Wandel durch Handel", or "transformation through trade" as the Germans put it. But the crisis over Ukraine has alerted Western decision-makers to the possibility that their assumptions were wrong. That is why the alternative to integration is now openly discussed in Western capitals: that of containing Russia.

The received wisdom is that such containment strategies cannot work as they did during the Cold War. Yet that ignores the fact that containment was never meant to be a coherent unified policy designed to hermetically seal a country. As Mr George Kennan, the senior US diplomat who conceived the strategy in 1947, defined it against the Soviet Union, containment was about the "adroit and vigilant application of counterforce at a series of constantly shifting geographical and political points, corresponding to the shifts and manoeuvres of Soviet policy".

And that is as feasible today against Russia as it was at the onset of the Cold War against the Soviet Union. What we may witness is what the European Council on Foreign Relations, a think-tank, calls the "soft containment" of Russia, perhaps for as long as Mr Putin remains in power. It will be soft in political and military terms, but very painful for ordinary Russians.

The story of Russia carries a warning for other nations, for it acts as a reminder that economic interdependence cannot be taken for granted, that it can be unwound and, once it begins unwinding, it develops a dangerous dynamic all of its own.

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