

Russia and Europe: A Finnish View

Henrikki Heikka

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1 “Perskuta” is not a Foreign Policy¹

In recent months, several prominent Finnish politicians have criticized the Finnish government for lack of vision in its foreign policy. Liisa Jaakonsaari, Chairman of the Parliament’s Foreign Affairs Committee and a prominent social democrat), has argued that the government “lacks one thing, and with it, everything: a vision”. Member of the European Parliament Alexander Stubb (the Conservative party’s vote puller in the last EP elections) has publicly called contemporary Finnish foreign policy as “pitiful tinkering” (säälittävää näpertelyä). Editorial writers have begun to recycle the old the term “driwftwood” (ajopuu), a term originally coined to describe Finland’s flip-flopping during World War II, in their attempts to find an appropriate label for the present government’s foreign policy.²

Whether or not one agrees with this criticism, it is a useful starting point when discussing EU-Russian relations, since it shows that there is an urgent need in this country for visions about foreign policy. Matti Vanhanen’s Centre-Left coalition has now been in power for a year and a half. It is fair to say that Vanhanen has steered away from the previous (Lipponen) government’s EU-friendly , “Commission, Commission über alles” grand strategy – which Lipponen, as a sign of true statesmanship, managed to make look America-friendly at the same time - and has offered no single guiding idea to replace it.

During Lipponen’s time, Finland strove to be at the core of Europe, a pro-active player in developing the EU’n foreign and security policy, including its Northern Dimension and Russia-strategy. One might get several interpretations on the successfulness of Lipponen’s policies - depending on who you ask - but there is no doubt that Lipponen had a grand strategic vision and that the vision helped brand Finland in Europe and give direction to Finnish foreign policy during a crucial time (Finnish presidency, setting up of Europe’s rapid deployment force, war in Kosovo etc.).

During the present government’s reign, Finland has either been a passive player in Europe or, at times, even a break-man (as was arguably the case in Finnish policy regarding the EU’s solidarity-clause issue), and has presented nothing that could be called a Russia-policy, aside from the usual rhetoric on friendly relations, no problems, and shiny prospects for the future.

Indeed, in the much-awaited White Paper on Security and Defence Policy, the government provides a strikingly naïve, rosy picture of Putin’s Russia as a country on the way towards integrating into the West. To make sure that the Finnish public stays utterly confused about the topic, the White Paper nevertheless makes the case for Finland to maintain a 350 000 –men army with up-to-date weaponry long into the future. The

¹ As the title implies, this paper represents *a* Finnish view rather than *the* Finnish view, all errors are mine and mine alone.

² On the debate see Taneli Heikka “Ulkopolitiikka tarvitsee kansanvalistajan” *Turun Sanomat*, 24.10.2004, available at <http://www.turunsanomat.fi/osasto/?ts=1,12,0,0,187002,2004-10-24>

unstated threat perception here seems to be – bizarre as it may sound to outsiders - that at some moment in the not-so-distant future, Russia might once again rise to be a major military power and that Finland might once again have to fight a total war against Russia on its own.³

This combination of mixed signals, silence on the very real problems of Russian democratization, and an existential, out-of-date threat perception regarding Russia has amounted to an atmosphere that might be referred to as neo-Finlandisation, where the canons of Finnish cold war era double talk regarding Russia continue to proliferate.

In this paper, I make three arguments on the future of Russian-European relations, which I hope could be useful for moving the Finnish debate a step closer to reality. First, I argue that Russia is a corrupt, authoritarian, and economically unfree country, and that if left on its own, it will continue to lack far behind the West in terms of implementing the values that the EU's Russia-policy has stated as its goals regarding Russia: liberal democracy, rule of law and economic freedom.

Second, I show that Russia will not have the economic and demographic resources, nor the geostrategic advantages, that could ever again make it one of the great powers in the international system.

Third, I make the case for abandoning Finland's current passive foreign policy line, and explain why Finland should try to promote an active Russia-policy on apart of the European Union, preferably in sync with the policies of other like-minded powers such as the US.

2 Getting Real on Russia

After the collapse of the Soviet empire, European discourse on Russia's future commonly assumed that Russian political culture would evolve, slowly but steadfastly, towards acceptance and implementation of the basic norms of liberal democracy, rule of law and free markets. The European Union's main policy instruments regarding Russia, in particular the PCA, the Russia-strategy and the idea of four freedoms were all based on the assumption that Russia would eventually move toward becoming a normal European democracy.

On the Russian side, President Putin abandoned his predecessor's realist rhetoric about Russia as a great power in a multipolar world, and sought to rebrand Russia as a

³ William Hopkinson, former Assistant Undersecretary of State, U.K., and Director of Studies at RIIA, has argued in a recent study on Nordic security that Finland's massive reserve is not justified even considering worst-case scenarios about Russia's future. According to Hopkinson: "There seems to be no circumstances in which Finland could ever deploy such numbers or would need to do so in the foreseeable future, even allowing for all the uncertainty and turbulence in Russia. See William Hopkinson "Sizing and Shaping European Armed Forces: Lessons and Considerations from the Nordic Countries", *Sipri Policy Paper* 7 available at http://editors.sipri.se/pubs/European_armed_forces.html.

“normal” European country seeking to increase its clout through economic growth rather than military and diplomatic bullying.⁴

While Putin’s ambition of making Russia great and normal is worthy of applause, and while Putin’s many achievements suggest that he might be able to steer Russia somewhat towards achieving those ambitions, it is worthy to pause and take a birds-eye view on how Russia actually ranks in terms of implementing European values how much potential does Russia have for actually becoming a great power through economic growth in the future. Getting the picture right on these basic issues is a key for formulating a successful vision to enlighten European policy on Russia.

First a word of caution. The following overview is based on widely cited and much used indexes regarding political culture and economic freedom. They provide only a partial and a rather sketchy picture of any country, and should not be taken too seriously. They can, however, serve as a useful starting point for discussing the state of Russia’s political culture and Russia’s future economic and military power potential.

3 A Normal European Country?

The European Union’s new constitution defines rather clearly what are the values that a European country should subscribe to: “respect for human dignity, liberty, democracy, equality, the rule of law and human rights.” In economic policy Europe aims at a state where “competition is free and undistorted”.⁵

How well does Russia fit into this definition? Let me focus on three key areas: liberty and democracy; rule of law; and economic freedom.

Lets begin with political freedom. Freedom House is a respected and widely cited source ranks countries according to political rights and civil liberties. Currently Freedom House ranks Russia as a “partially free country” with a grade of 5 (1 being the best and 7 the worst), on both political and civil liberties, with only half a point in both categories separating Russia from the status on an “unfree” country.⁶ The other countries in the

⁴ For example, in his address to Russia’s ambassadors last summer, Putin gave the impression that gaining recognition to Russia’s Europeanness was only a question diplomatic skill: Russia would be regarded as a normal European country if only Russian diplomats worked hard enough to convince the West that Russia really was a rather normal law-abiding democratic country.

⁵ See European Convention Secretariat, Draft Treaty Establishing the Constitution of Europe, Conv 850/03 available at <http://european-convention.eu.int/docs/Treaty/cv00850.en03.pdf>

⁶ Political rights are assessed by Freedom House based on a checklist of several issue areas, which cover the electoral process, political pluralism and participation, and the functioning of the government. Civil liberties are assessed in four areas, freedom of expression and belief, associational and organizational rights, rule of law, personal autonomy and individual rights. (see <http://www.freedomhouse.org/research/freeworld/2003/methodology.htm>)

same category with Russia are Bahrain, Central African Republic, Congo, Ethiopia, Malaysia, Mauritania, Morocco, and Uganda.⁷



MAP OF FREEDOM 2004



- FREE
- PARTLY FREE
- NOT FREE

The Map of Freedom reflects the findings of Freedom House's 2004 survey *Freedom in the World*. *Freedom in the World* is an annual institutional effort that monitors the gains and losses for political rights and civil liberties in 192 countries and 18 related and disputed territories. For each country, the survey provides a narrative report on political and human rights developments, along with ratings of political rights and civil liberties. Based on these ratings, countries are divided into three categories: Free, Partly Free, and Not Free, as reflected in the Map of Freedom.

In Free countries, citizens enjoy a high degree of political and civil liberties. Partly Free countries are characterized by some restrictions on political rights and civil liberties, often in a context of corruption, weak rule of law, ethnic strife, or civil war. In Not Free countries, the political process is tightly controlled and basic freedoms are denied.

In 2003, there were 2.78 billion people living in Free societies, representing 41 percent of the world's population. There were 1.32 billion people living in Partly Free societies, representing 21 percent of the world's population. There were 2.21 billion people living in Not Free societies, representing 38 percent of the world's population.

Freedom House
 120 Wall Street, 26th Floor, New York, NY 10005
 Phone: (212) 512-8000 Fax: (212) 512-8005
 1319 18th Street, NW, Washington, DC 20036
 Phone: (202) 296-5101 Fax: (202) 296-5078
www.freedomhouse.org

Global Trends in Freedom

Year Under Review	1993	1998	2003
Free	72	88	88
Partly Free	53	53	55
Not Free	55	50	49
Total	190	191	192

(Source: Freedom in the World 2004: Map of Freedom)⁸

Freedom House provides a long list of violations of the rules of the game of liberal democracy in Russia, a list familiar to everyone from other sources as well.⁹ Military and

⁷ <http://www.freedomhouse.org/research/freeworld/2003/averages.pdf>

⁸ http://www.freedomhouse.org/pdf_docs/research/freeworld/2004/map2004.pdf

⁹ See e.g. "An Open Letter to the Heads of State and Government Of the European Union and NATO, September 28, 2004".

security officials continue to be appointed to key government and legislative positions. Businessmen that have not accepted Putin's autocratic hold on power have been forced to move from the country. The last free nationwide tv-network has been taken over by the government. Widespread violations of human rights in Chechnya continue. Supporters and financiers of opposition parties have been harassed and jailed and their offices have been raided. Prominent liberals have been assassinated. The country's richest man and most important financier backer of liberals forces is in jail and the future of his company's, Yukos, is in the hands of the government. After the tragedy in Beslan, the centralization of power in Russia has been accelerated, with the last traces of regional self-government crushed by the Kremlin.

All of this has led to a situation where the future of Russia as normal democratic country is increasingly questioned. Freedom House concludes in its recent report: "There are growing questions whether Russians can change their government democratically, particularly in light of the state's far-reaching control of broadcast media and growing harassment of opposition parties and their financial backers."¹⁰

How about the rule of law, another key aspect of a country's normalcy and Europeanness? Here Transparency International provides the commonly accepted source for comparing countries. In the most recent rankings, Russia ranks behind countries such as Mongolia and Iran, and receives a score identical with Gambia, Tanzania and Mosambique.¹¹ In Transparency's International Bribe Payer's Index, Russia ranks as the worst among the 21 countries studied.¹²

Moving onto economic freedom, Russia's progress seems equally unimpressive. Despite the oil-fueled economic growth of the last few years, the Russian economy remains far behind the West in actual implementation of economic freedom. The Heritage/Wall Street Journal Index of Economic Freedom helps put Russia's performance in context. Whereas Western countries (plus Hong Kong and Singapore) score the highest in the implementation of economic freedom, Russia ranks as 114th, just behind Niger, Benin and Malawi, as a "mostly unfree" country in the index.¹³

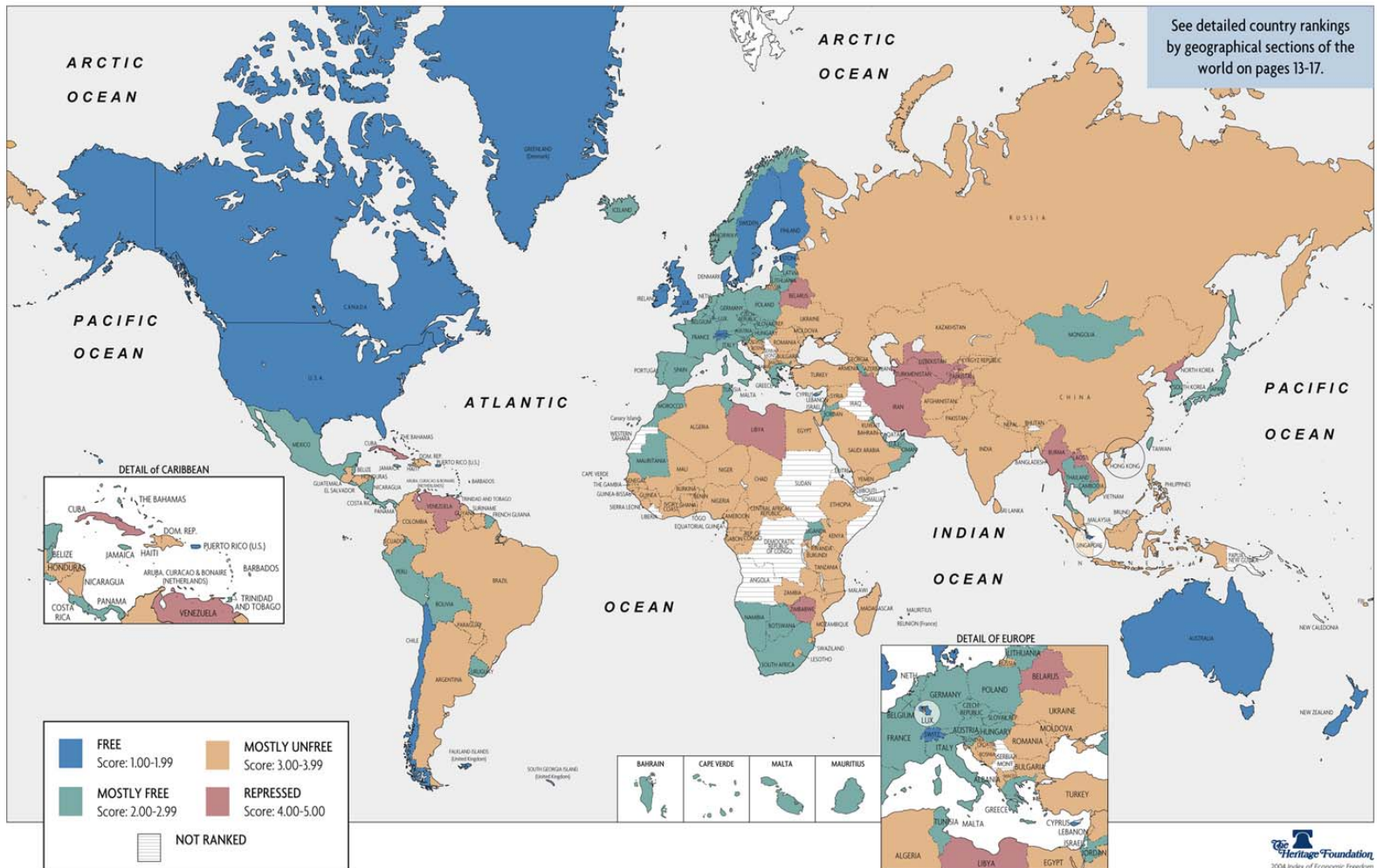
¹⁰ See Freedom House's 2004 country report on Russia. <http://www.freedomhouse.org/research/freeworld/2004/countryratings/russia.htm> See also Freedom House's Nations in Transit 2004 Report, <http://www.freedomhouse.org/research/nattransit.htm>

¹¹ Transparency International Corruption Perceptions Index 2004.

¹² http://www.transparency.org/pressreleases_archive/2002/dnld/2002.05.14.bpi.en.pdf

¹³ <http://www.heritage.org/research/features/index/>

DISTRIBUTION OF ECONOMIC FREEDOM



(Source: Heritage Foundation / Wall Street Journal Index of Economic Freedom)¹⁴

What these figures suggest is that Russia is far from the kind of normal European country that Putin claims it to be.¹⁵ If one sees the march towards ever more perfect representative

¹⁴ The map can be downloaded from <http://www.heritage.org/research/features/index/images/EconFreedomDistMAP.pdf> Another useful index for assessing the state of a country's economy is the World Economic Forum's competitiveness rankings. The most recent WEF index puts Russia ranks as 70th of the 104 countries studied. See http://www.weforum.org/pdf/Gcr/Growth_Competitiveness_Index_2003_Comparisons

¹⁵ Interestingly, this overall development seems to have been predictable, and indeed predicted from data available already a decade ago. See Bruce Bueno de Mesquita. Predicting Politics (Ohio State University Press, 2002). If one sees the march towards political and economic liberty as a never-ending competition, as the expected utility model sees it, it seems that Russia will continue to lag behind the West also in the

democracy, transparency of governance, and economic freedom as a never-ending competition, it looks like Russia will need a bit of help from the West if it is to succeed in achieving the grand goal of ranking aside European countries. If left on its own, there seems to be little cause to expect a miraculous rise of political liberty, transparency of government, and economic freedom in Russia.

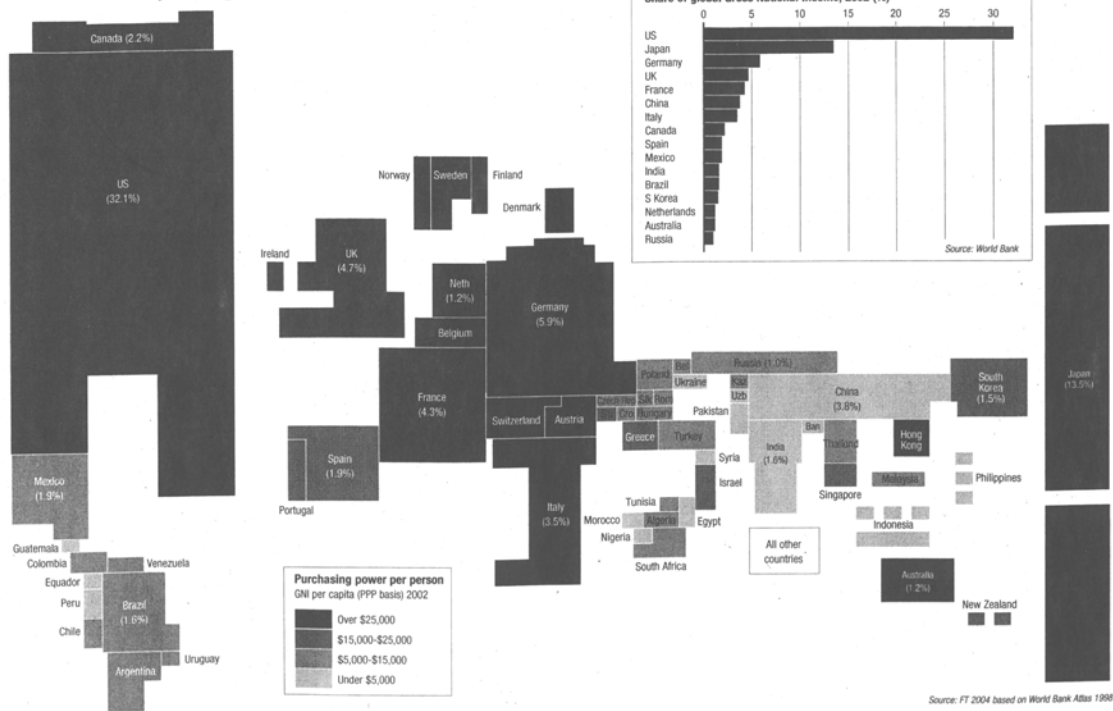
4 A Potential Great Power?

The two great centers of economic power in today's international system are the US and Europe, both with a GDP of approximately 11 trillion dollars, with South-East Asia having the potential to become the third pillar of the world economy in the coming years and decades. It is clear that at the moment, Russia with a GDP around one-tenth of EU, is not in the same league with the three main centres of gravity in the world economy, although Russia's role as an oil-producer raises its political importance somewhat above other similar-size economies.¹⁶

future and that this might create political friction between Russia and the West (although probably very different from the kind of militarized friction of the cold war decades).

¹⁶ Figures for Europe and US from <http://www.eurunion.org/profile/EUUSStats.htm>. These figures provide a somewhat flattering view of Europe, reflecting yesterdays achievements rather than potential for the future. Unless major structural changes in the European economy are made, Europe will fall further behind the US in economic performance, with serious repercussions on its ability to play a major role in the world. On more useful comparisons between Europe and the US, see Cecile Denis, Kieran McMorrow and Werner Röger, An analysis of EU and US productivity developments *Economic Papers*, no. 208, *European Commission*, http://europa.eu.int/comm/economy_finance/publications/economic_papers/2004/ecp208en.pdf and Fredrik Bergström & Robert Gidehag *EU versus USA* (Stockholm, Timbro, 2004), <http://www.timbro.se/bokhandel/pdf/9175665646.pdf>

How money shapes the world



(Sources: Financial Times, World Bank)

The disparity in economic power between the West and Russia is reflected in military budgets as well. Russia's military budget in real terms is about one tenth of NATO's (in figures that do not take purchasing power parity into question, the difference is considerably larger).¹⁷ The West is clearly the hegemonic military actor in Western Eurasia, and looks set to remain so for as long as one can see. Even a transatlantic divorce in the coming decades would not danger the EU's leadership role in Western Eurasia. Europe would have the economic power to bear that responsibility.¹⁸

The West also has geostrategic advantages that will enable it to focus procurement for force projection more efficiently than Russia. Russia is a continental power with long borders with the West, the unstable areas of the Caucasus and Central Asia. The Asian

¹⁷ Nato: \$626 billion (2003), Russia \$65 billion (2002). See International Institute for Strategic Studies: *The Military Balance 2004/2005*, s. 353-354.

¹⁸ European defence integration means that as doctrines, procurement and basing are increasingly done at the continent-wide scale, expensive duplication and irrational policies can be avoided. Europe's military budget is several times that of Russia, and if needed, Europe could easily outperform Russia in any imaginable arms race. (Europeans and Russians spend about the same on defence per capita (in ppp values), \$426 for Europe, \$455 for Russians, according to IISS figures. However, with a four-fold difference in per capita GDP and an over three-fold difference in population, it is difficult to see what, if anything, Russia could gain vis-à-vis Europe by starting to spend even more on guns and less on butter.)

part of Russia is part of the geostrategic problematique revolving around the rise of China. Europe, in turn, is secure on the Western side, while the US can still count on its traditional four most reliable allies - the Atlantic, the Pacific, Mexico and Canada – although terrorism has given homeland security a new dimension.

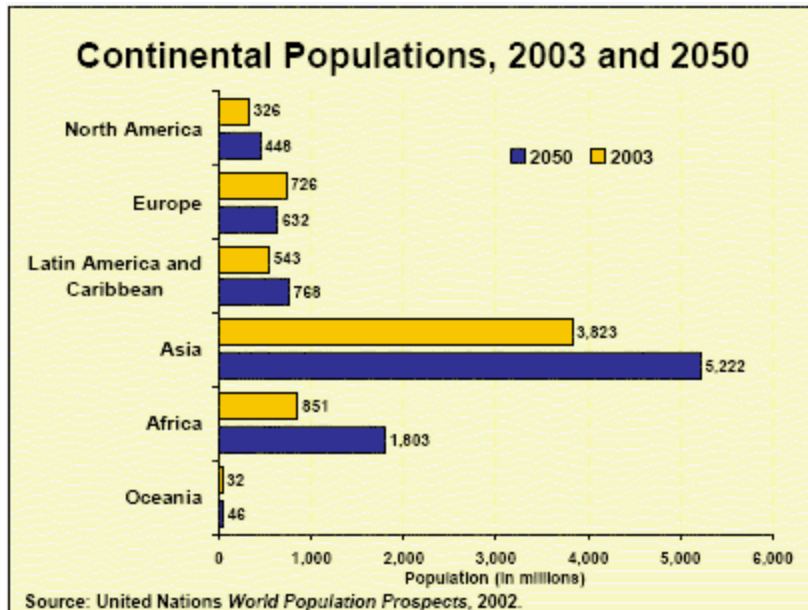
How about long-term scenarios? Could an economically booming, politically stable Russia catch up with Europe sometime in the future? The answer is simple: No.

Take the following figures. Russia's fertility rate currently is around 1.1-1.2. and the UN estimates that Russia's population will fall from its current 146 Million into approximately 100 million people around 2050. In comparison, the US fertility rates are around 2.1, which, combined with an active immigration policy, will take the American population to somewhere between 400 million and 500 million (some experts give even higher figures) by 2050.¹⁹ Europe's (current and forthcoming members of the EU) population will, according to the UN, decrease from the current 481 million to somewhere around 424 million in 2050 – a serious decline but still modest compared to the dramatic fall in Russia.

The real demographic center of gravity in the world will remain Asia, which will grow from its current 3,8 billion to 5,2 billion inhabitants.²⁰ This means that mere growth in the total population of Asia between now and 2050 will equal to about 14 times the total Russian population in 2050.

¹⁹ In the long term, one should not rule out the possibility of the US adding new states, which would further increase the US population and aggregate power resources. See e.g. Thomas P. M. Barnett: *The Pentagon's New Map* (Putnam, 2004), final chapter.

²⁰ An useful introduction to the challenges of forthcoming demographic shifts in the world *World Economic Outlook: September 2004: The Global Demographic Transition* (Washington D.C. IMF World Economic and Financial Surveys 2004).



(Source: UN World Population Prospects 2002)

In sum, the big structural changes we will be likely to see in the coming decades in international politics, will in all likelihood be related to the rise of Asia (China followed, quite possibly by India), into the ranks of US and Europe among the great centers of economic and political power in the world, with possible turbulence over the Atlantic as the West struggles to deal with the reality of European unity, and the pressures that being a hegemon puts on America.

There is every reason to conclude that Russia will remain a rather insignificant player in the global power game. Russia's demographic, economic and geostrategic weaknesses mean that Russia will never be in a position to compete with the US, Europe or Asia. Energy companies operating in Russia will make good money by servicing the three main centers of activity in the global system, but the Russian leadership's hands will be tied by the political challenge of holding together the country, engaging in damage limitation as the population shrinks, and modernizing the aging infrastructure of the country.

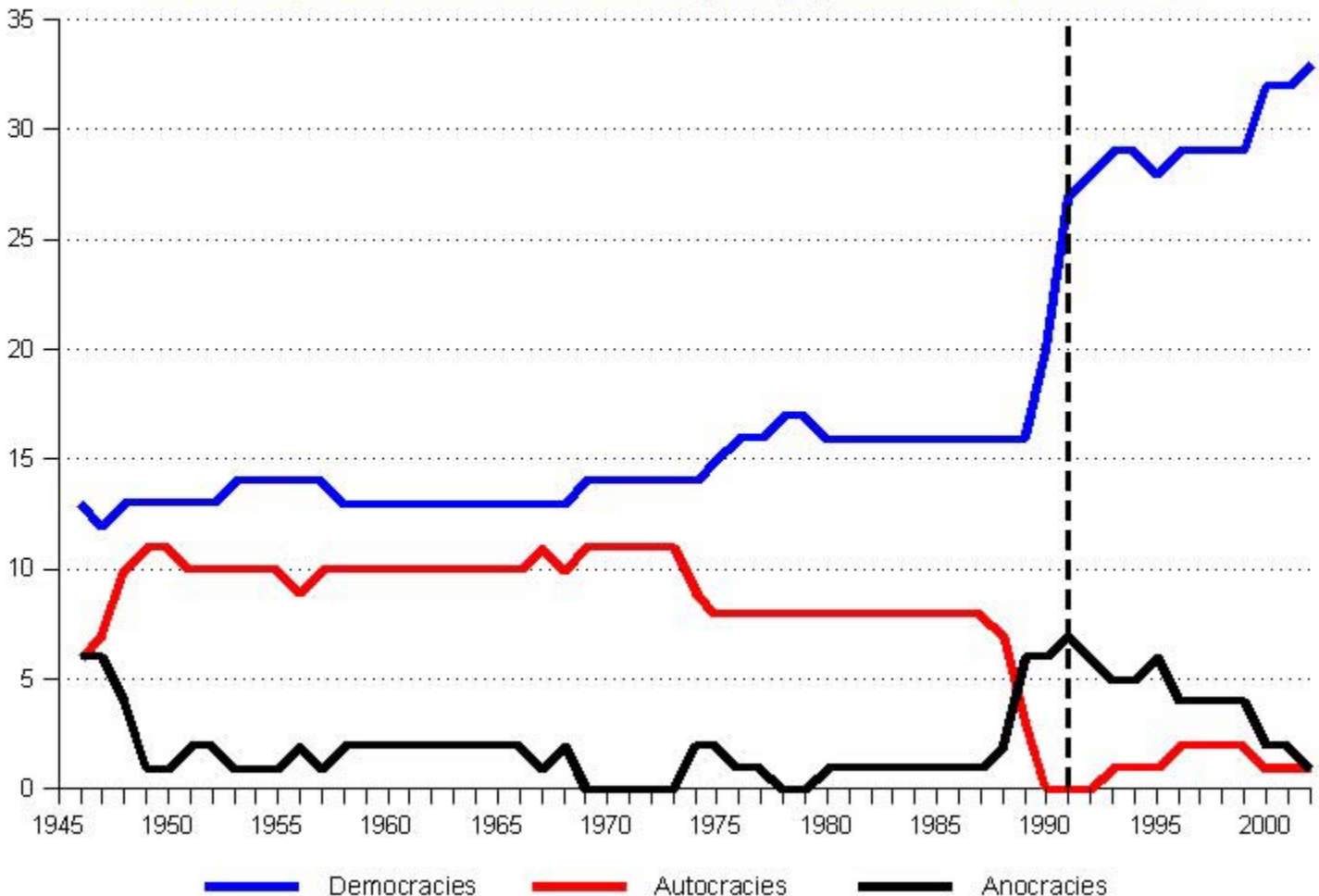
5 Seven Steps to Freedom: How to Promote Democracy in Russia

With the vision of Russia as a "normal European country" and a potential great power being so detached from reality, what kind of a positive vision can we offer for Russia?

Let me first give the reason for being optimistic. Despite the setbacks in Russia's democratization-process over the last few year, the megatrend towards liberal democracy in Europe and Russia is likely to continue. As shown in the figure below, the trend towards greater democracy in Western Eurasia is clear and strong. I believe it is likely that this trend will continue in the coming decades. Indeed, the Soviet empire can in hindsight be seen like dam that held the water of a river for several decades, and once the dam started eroding, the natural course of history resumed. Rivers flow downstream,

humans strive for freedom from arbitrary misuse of power. Putin can attempt to build another small dam around his country, but he cannot turn the course of history.

Europe: Regimes by Type, 1946-2002



(Source Polity IV Project, CIDCM, University of Maryland.)²¹

When historians fifty years from now will look at a similar chart that continues up to their day, it is likely that a any possible decrease in the number of democracies (or, more likely, a small drop in Russia's democraticness score) will be seen as a temporary dip in an overall upward trend, and that all European countries, including Russia, will have become consolidated liberal democracies. The setbacks in Russia's evolution in recent years will probably be seen as part of the growing-up process of the Russia people, as they slowly let go of the idea of a strong state and a strong leader, and internalize the virtues of liberal democracy, republican governance and economic freedom.

²¹ <http://www.cidcm.umd.edu/inscr/polity/europe2.htm>

Let me suggest seven concrete steps on how to prevent new dams or dividing lines from appearing between Russia and the West:

1) Forge a transatlantic political consensus on the importance of Russia's democratization. Little will happen if the EU and the US have differing views on how to proceed, or start following policies that contradict each other. Stability, non-proliferation and a steady flow of energy are important, but not enough. We need a common understanding about why promoting democracy in Russia matters and we need a common strategy on how to do it. This will probably be the most difficult of the steps to take. The main Western powers have a more urgent political agenda on their table and those countries that do care about Russia's democratization are too small and weak to do get things moving by themselves. In theory, the European Union could play the role of a force multiplier for these small countries, in reality the EU's record for doing so in its Russia-policy is not all that impressive.

2) Increase the financial backing for Russian liberal NGO's, media organizations, and think-tanks.²² The West should not be ashamed of being selective in its financial aid. It is not in the interest of Europe or the US to fund Russian civil society activity as such, or political science research as such, or creative new thinking on foreign policy as such. We are interested in activities that help foster a culture favorable to values defined in the EU's foreign policy documents and the European Union's draft Constitution (liberal democracy, rule of law, free markets) and the US National Security Strategy.²³

3) Educate more Russian students in the field of social sciences, political science in particular. Free-thinking policy pundits, think-tankers, op-ed writers, and civil right advocates do not appear from thin air. They have to be educated. (And, who knows, maybe young Russians can help us understand a thing or two from ourselves as well.)

4) Fight Russophobia in Europe, wherever it exists. The credibility of Europe's policy on Russia can be undermined if the experience of individual Russians is that Europe does not welcome them in the European family of nations. While Russophobia exists in many parts of Eastern Europe (some countries seem to be willing to close the doors once they have gotten into the club), prejudices towards Russians prevail in other places as well. For example, a Recent Gallup International study showed that 62% of Finns have a negative image about Russians. Getting this to change should be a priority for opinion leaders in Finland.

5) Be honest in public evaluations of the progress in Russia's political culture. Finnish history provides good lessons on how *not* to fight prejudices towards Russians. For half a century, the Finnish elite told the Finnish public that the Soviet Union was a peace-loving

²² By liberal I am referring to people, networks and organizations that support individual freedom and free markets as opposed to statist-nationalist alternatives.

²³ The US National Security Strategy notes for example "Russia's uneven commitment to the basic values of free-market democracy" as something that needs improvement.

country with an excellent relationship to our country. The present rather sad figures regarding Finnish Russophobia show that the Finnish public did not believe a word about the Finnish government's rhetoric on the topic. Trying to hide the current very real problems regarding Russia's democratization and the problems in EU-Russian relations would only perpetuate the existing perceptions. Getting the facts straight on the state of democracy in Russia would lift the burden from ordinary Russians in Europe, who have nothing at all to do with Putin's authoritarian policies and who now have to carry an unnecessary guilt for them.

6) Promote visa-free travel. Economic interaction between Russia and Europe is a key element in the liberalization of Russian political culture. Economic interaction requires free movement of people. The present visa-regime between Europe and Russia is not ideal for this. Becoming the champion of visa-free travel between Russia and Europe (instead of being perceived as one of the main opponents of it) would be a noble signal to send from Helsinki to Moscow. Making visa-free travel conditional on real progress in Russia's democratization would not be too much to ask in return.

7) Help design and maintain political institutions that support sound economic policies in Russia. The long-term danger for Russia is that the country will remain an oil-economy instead of gradually becoming a more diversified economy whose economic performance would not be so dependent on energy prices. There is a growing corpus of research on how to design political institutions that foster real economic growth.²⁴ There is an increasing awareness among experts that political institutions and political culture really matters for economic performance and that privatization as such is not an answer to all problems. This literature has direct relevance for the case of Russia and could be used better by Europeans.²⁵

²⁴ See e.g. Bruce Bueno de Mesquita, Alastair Smith, Randolph Siverson, and James Morrow, *The Logic of Political Survival* (MIT Press, 2004). Bruce Bueno de Mesquita and Hilton Root (eds.) *Governing for Prosperity* (Yale University Press 2000).

²⁵ An easily accessible summary of recent insights on literature on the topic is Francis Fukuyama, *State-building: Governance and World Order in the 21st Century* (Cornell University Press, 2004).

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