



Opening Remarks

**ECONOMIC COOPERATION
OR ECONOMIC WARS?**

Experts in international economics view the theories of free market economy and free competition as a basic knowledge. Some «hotheads» among modern scientists talk about «the end of competition». This was substantially induced by the works of James F. Moore, Adam M. Branderburger and Barry J. Nalebuff. Moore was listed among the *Business Week's* «most original new strategists» of 1996. In opposition to commonly held views, he showed that, under modern conditions, the co-operation with suppliers and customers and experience-sharing with producers in closely related market niches gain in significance as the factors of success more than does the cut-throat competition. The misunderstanding of this fact, says Moore, means you are in great trouble.

In their major work «Co-opetition», Branderburger and Nalebuff argue that business is a game, but of its own kind. It is not exactly what is known as a sport competition in baseball; neither it is a card play like poker – these gurus say – where it is not enough for one to win, it is necessary for others to fail. In business, it is just the opposite. Success in business does not presuppose the failure of others; there can be many winners. In short, business is war and peace at one time. You are to compete, but if you are smart, you will co-operate. This phenomenon was called «co-opetition».

The economic wars of 2005–2006 made both traditional and new theories of free market economy and competition null and void. Ukraine became one of the war objects, while Russia acted as an aggressor. The circle of «players» though was not limited to those two. Georgia and Moldova, and to some extent Europe, found themselves in the «hostilities» area. The Ukrainians happened to learn such new phenomena as petrol, sugar, milk and meat wars between Ukraine and Russia.

For all that, the most dramatic was the gas war since it broke beyond the relationships of the two countries. Worthy of mention in this respect is the inauguration speech of G. Bush who concluded: «After the shipwreck of communism came years of relative quiet, years of repose, years of sabbatical – and then there came a day of fire». Norman Podgorets called this «day of fire» the «World War IV» (after the «third World War» with communism). In the case of gas war

however, there is a smell of the World War V – the fuel and energy war – in the air, and the world community starts to speak about the «gas NATO».


Why does such a problem arise? From the standpoint of the game theory, the situation can be called a global rearrangement of game components. According to Branderburger and Nalebuff, any game includes five basic elements: **Players**, **Added values**, **Rules**, **Tactics**, and **Scope (PARTS)**. Suffice it to change one of the components, the whole game will change. In the Russian gas business, all five elements were changed, and two of them – Rules and Scope – underwent major transformation.

The Russia's gas war with Ukraine, Georgia and Moldova had a much larger scope than initially planned. In fact, it drew the whole world into conflict mitigation. Ukraine and Europe faced the acute problem of alternative suppliers and energy sources. Russia violated the rule that made it the Europe's priority partner for many years – securing the reliability of energy supplies to Europe. The gas war against Ukraine had an unexpected consequence for Moscow: this incident gave the European Union an occasion to launch public hearings on the danger of unilateral dependence on the Russian gas. It was for the first time that the relations between the EU and Russia were viewed as «un-true partnership». Even though the cooperation between the EU and Russia in the field of power engineering will not change so far because of the absence of other suppliers, its sounding is definitely new.

Nevertheless, turning to economic science prior to making a decision would always help. Another rule formulated by Branderburger and Nalebuff and disregarded by the organizers of the gas war says: «the change of the game is not what you want to do once and forget later. The change of the game is best to perceive as a continuous process. It does not matter how well you caught the existing opportunities since there always appear new opportunities which could again be used to change the game ... The game of changing the game is endless».

The fears of the Europeans that Russia will not be able to satisfy their increasing needs grow. They cannot be simply dissipated by the personality factor. The issue of the new world (or at least European) energy order is already on the agenda. The world needs liberalization and openness of the energy industry.

Business is truly war and peace. But it is not the war after Lev Tolstoi or endless turns of war and peace; it is war and peace simultaneously. The science and the world community proclaim the rule that one should learn both to compete and to co-operate at one time. The most difficult thing is to apply this rule to the world's natural monopolists. They need to have special procedures prescribed, a special institutional system created, and a specific world order introduced. A new science of economic warfare may also be needed.



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