

# U.S. – RUSSIAN RELATIONS: IS CONFLICT INEVITABLE?

## FOREWORD

The purpose of the Hudson Study Group on U.S. – Russia relations was to identify some of the core issues in U.S. – Russia relations and to make recommendations on ways to prevent their further deterioration. The participants in this study group are Russian and American political writers and scholars with long experience in U.S. – Russian relations. They met on March 26-27, 2007 in Washington, D.C.

This report is divided into three sections: a joint statement with recommendations for U.S. policy signed by four members of the group, an edited transcript of the discussion of U.S. – Russian relations by the members of the group on March 27, and four separate papers.

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2

## TABLE OF CONTENTS

FOREWORD.....	2
<b>Workshop Participants:</b> .....	4
<b>Joint Statement of members of the Hudson Institute study group on U.S. – Russian relations.</b> .....	5
<b>Edited transcript of meeting, March 27, 2007, Hudson Institute.</b> .....	8
<b>I. Internal Situation:</b> .....	8
<i>A. Nature of Russian people</i> .....	8
<i>B. Gazprom and the economy</i> .....	9
<i>C. Putin’s future</i> .....	10
<i>D. Internal situation and foreign policy</i> .....	10
<i>E. The democratic electorate</i> .....	11
<i>F. The danger of disparities in wealth</i> .....	12
<b>II. Foreign Policy</b> .....	12
<i>A. Russia’s place in the world</i> .....	12
<i>B. Uses of the Russian energy complex</i> .....	13
<b>III. Possibilities for U.S. Influence.</b> .....	16
<i>A. Russian interests in the West</i> .....	16
<i>B. The psychology of the Russian leadership</i> .....	17
<i>C. Ways to influence the Russian population</i> .....	20
<i>D. Evolution of the situation</i> .....	21
<i>E. Some specific recommendations</i> .....	24
<i>F. The question of values</i> .....	24
<i>G. General considerations</i> .....	25
<b>Workshop Addenda</b> .....	27

<b>Before a New Cold War: How to Stop It, If We Genuinely Want To Do That?</b> <i>Mikhail Delyagin</i> .....	28
<b>Russia and the West: 2007</b> <i>Andrei Piontkovsky</i> .....	34
<b>Resistance to a Delusionary Mentality</b> <i>David Satter</i> .....	39
<b>The End of Putin’s Era: Domestic Drivers of Foreign Policy</b> <i>Lilia Shevtsova</i> .....	43

Workshop Participants

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Evgeny Kiselyev, well known Russian radio and television commentator

Andrei Piontkovsky, visiting Senior Fellow, Hudson Institute

Richard Pipes, Baird Professor Emeritus of Russian history, Harvard University.

David Satter, Senior Fellow, Hudson Institute

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4

U.S. – Russian Relations – Is Conflict Inevitable?

**Joint Statement of members of the Hudson Institute study group on U.S. – Russian relations**

Fifteen years after the fall of communism, Russia is reverting to patterns of behavior characteristic of the Soviet Union. This is reflected in foreign policy, in domestic policy and in the realm of ideas.

In foreign policy, Russia increasingly seeks to frustrate the goals of the West. On February 7, President Putin, in a speech to the Munich security conference, accused the U.S. of “overstepping its borders in all spheres,” and imposing itself on other states. He accused the U.S. of a “hyper-inflated use of force.” Insofar as the policies of the U.S. have been undertaken either to protect the U.S. and other countries against terrorism or to promote and strengthen democracy, it is hard to interpret Putin’s words other than as a call for the U.S. to forswear almost all influence in the world and to leave the fate of democracy to the world’s dictators.

In domestic policy, Russia has steadily destroyed political pluralism. The Duma was reduced to subservience, as were the courts. Oligarchic wealth was put at the service of the regime, the free press was all but eliminated (a few exceptions remain) and NGOs were placed under bureaucratic control. With independent centers of power in this way effectively neutralized, the fate of the country is in the hands of a small group of rulers divided by their hatred of each other and driven by their fear of losing control over the country's wealth.

In addition to a retrograde foreign and domestic policy, the Russian regime has made efforts to develop a new, undemocratic ideology. Leaders of the Russian Orthodox Church, which has become a pillar of the regime, have denied the universal validity of human rights. The Russian foreign minister, Sergei Lavrov has declared Russia's neutrality in what he calls "the West's supposedly inevitable conflict with Islamic civilization." At the same time, Alexander Solzhenitsyn, now a strong supporter of the Putin regime, has equated human rights with the "right" of a caveman to "snatch a piece of meat from his neighbor or hit him over the head."

The danger of these developments is that they are capable of defining a durable system of anti-Western authoritarian rule. Recent developments show that there is a sharp

divergence between Russia's interests and the interests of the small group of people who run it. The result has made Russia a disruptive and unpredictable force in international relations and a danger to itself.

The best way to counteract authoritarianism in Russia and the tendency, once again, to live in a world of illusions is for the U.S. to demonstrate strict fidelity to its own

values. By demonstrating that we have principles that we are ready to defend, we will positively influence Russian policy and offer needed support to the liberal minority in Russia that shares the values of the West.

5

- The U.S. should dispel any illusions that it is ready to reach agreements with Russia at the expense of fundamental matters of principle. The most urgent issue is the nuclear ambitions of Iran. The Putin regime and its spokesmen have indicated that they are ready to cooperate with the West in return for a Russian condominium over large parts of the former Soviet empire. The U.S., however, cannot make "deals" with the Russians at the expense of the sovereignty of third countries. Such bargains, in any case, would only be temporary opening the way for new and more outrageous demands in the future.

- Relations between Russia and the West should be based on complete frankness, particularly in regard to violations of human rights. The hope that self-censorship on the part of the U.S. will buy Russian goodwill in matters of foreign policy has been typical of U.S. policy toward Russia. Yet, with the exception of the 2002 invasion of Afghanistan, in which Russia had a vital strategic interest, cooperation in the war on terror has been elusive and Russia's policies have become increasingly anti-American. This may be because the real

source of Russian policies is the Putin regime's need to create the impression of an external adversary in order to consolidate its own power. If this is true, U.S. acquiescence in the face of Russian human rights abuses is self defeating. It does not lead to a change in Russian policies and it makes it difficult if not impossible to address the underlying tendency.

- The U.S. and the European Union should develop a strategy to prevent Russia from using energy as a political weapon, including measures to protect against the consequences of any abrupt and politically motivated cutoff of supplies, coupled with the establishment of standards of transparency, competition and reciprocity. There should also be a means to investigate attempts by the Russian authorities to pressure Western companies to give up their contractual rights as well as measures to support affected Western companies in the event of abuses.

- The U.S. should take Russian commitments seriously. Russian participation in Western clubs – principally, NATO, the G-8 and the Council of Europe – gives the U.S. the right to insist that Russia fulfill the obligations that it accepted by joining these organizations, beginning with the duty to adhere to democratic norms and respect the rule of law. In the event of flagrant violations, for example, the brutal suppression of peaceful protests or the carrying out of assassinations on the territory of Western states, Russia should be expelled from these organizations.

- The U.S. should strengthen its contacts with Russian civil society, encouraging exchanges and business contacts, easing the visa regime, and expanding broadcasts. The present Russian system is based on an ever-increasing closure of society that will complicate efforts to influence it from the outside. It will be particularly difficult to promote democratic practices directly, by, for example, organizing elections and aiding the creation of independent institutions. But the

6

West can aid the Russian liberal project indirectly through its wide contacts with the Russian population.

- Finally, the U.S. should try to make clear to Russians that, although the U.S. fully supports democratic institutions, the core of the U.S. position is support for universal moral values. Many in Russia are impoverished and do not place a high value on freedom of expression. At the same time, many Russians have bitter memories of the Yeltsin period and the U.S. support for reforms that led to the criminalization of the country but were identified with democracy. Under these circumstances, it is important to emphasize the universal moral component in U.S. policy – a standard of right and wrong that is applicable to all. In practice, this means being willing to prosecute corrupt Russian officials and to deny entry to those known to have criminal connections. It also requires denouncing acts of barbarism like the Russian assault on school number 1 in Beslan that led to the deaths of hundreds of children.

It is important for the U.S. to look beyond the Putin regime and think in terms of the broad future of U.S. – Russian relations. The success of the regime in eliminating independent centers of power only makes it more brittle as the struggle for power at the top assumes more opaque and uncompromising forms. At the same time, the prosperity stemming from the increase in energy prices has not been shared; 83 per cent of the Russian population is poor and 13 per cent live below the poverty level. After a century of self inflicted catastrophes, Russia also faces a demographic crisis. For every 100 births, there are 160 deaths, a development that is extremely threatening to Russia's future.

Under these circumstances, the U.S. should preserve and expand its moral capital with the Russian people. The present appearance of stability in Russia may be misleading. Putin's popularity, as reflected in the opinion polls, is a reaction to the chaos of the Yeltsin years and was made possible by the eightfold increase (at one point) in the price of oil. The memory of the Yeltsin era is growing less acute and the price of oil could fall. In a new struggle for power, developments could lead to major exposes of corruption and criminality on the part of the present leadership. Any backlash against Russia's corrupt bureaucracy should not rebound against the U.S. In this situation, it is important that Russians see the U.S. as a principled friend as they try to chart their country's very uncertain future.

Zeyno Baran  
Evgeny Kiselyev  
Richard Pipes  
David Satter

7

U.S. – Russian Relations – Is Conflict Inevitable?

### **Edited transcript of meeting, March 27, 2007, Hudson Institute**

Participants: Andrei Piontkovsky, Richard Pipes, Zeyno Baran, Lilia Shevtsova, Evgeny Kiselyev, Mikhail Delyagin

Moderator: David Satter

#### **I. Internal Situation:**

##### *A. Nature of Russian people*

**Richard Pipes** said that there is a “tremendous urge in Russia for the strong hand of autocracy.” He said that Russia is very poorly socialized and politicized. Russians care little about politics and want to be left alone. They are mutually suspicious and imagine

that they live “in trenches,” threatened by their neighbors, by foreigners. They trust only their immediate family and friends. This attitude is incompatible with democracy that presumes trust. At the same time, Russians view order and freedom as opposed. As a result, the most one can hope for in Russia is an autocratic regime that is reasonably law-abiding. The worst scenario is an autocratic regime that does not obey laws and that is supported by the majority of the people.

**Lilia Shevtsova** took issue with some of Pipes’s arguments. She said that the mentality of Russians is still in flux. She cited polls conducted by the Levada organization according to which at least 50% of Russians believe in democracy whereas 29% of Russians believe in order and practicality. Of the 50% who believe in democracy,

48% would vote for a Russia-specific path towards democracy. But when they are asked what this path would entail, they describe the usual Western principles of democracy; 70% of Russians believe that Russia should have closer relations with Europe, 29% believe that Russia should have a closer relationship with the United States.

8

The problem, according to Shevtsova is with the Russian elite which is much more conservative than at least 50-60% of the Russian population. According to all polls during the last 15 years, 25-30% of Russians would be happy to live in the past. That leaves 60-65% of Russians, who, with a more liberal-looking elite, could be persuaded or

seduced into a transition to at least unconsolidated democracy.

**Pipes** said in the Russian collective memory, democracy breeds anarchy and crime.

**Shevtsova** said that, in this respect, Gorbachev represented a rupture with history. She said that she was not sure that history was only pessimistic and deterministic because, under those conditions, development would stop. She recalled the previous view

that Catholic nations would never be democratic; that only Anglo-Protestant nations could develop the pre-requisites for democracy...

**Mikhail Delyagin** said that democracy is where the leaders of a system consider the opinions and interests of a people to the greatest degree possible. Democratic institutions solve this problem at a fairly advanced level of development and within the boundaries of a particular civilization and culture. When these instruments are imposed on other cultures, like Islam, and on societies that are at different levels of development, they do not lead to democracy. This is the case with Russia.

**Pipes** said that the issue was not a different developmental level, but a different political culture. Russian people think that democracy leads to anarchy and crime. That’s

their experience. In the 1990’s, they had anarchy and crime and they don’t want that – they don’t want “lawlessness.”

**David Satter** said that, in the case of Russia, there was a population that was ready for democracy but the way in which the change was carried out discredited the idea.

**Pipes** said that the Russians are “wonderful in personal relations, but hopeless in

social relations. That means that you can't really establish a viable society and political system because they don't see each other as being in the same state, as being in the same functional society. When you ask Russians where their loyalty is, they respond, 'to my little country, my *oblast* and to my friends and my family,' not to Russia as a whole."

### *B. Gazprom and the economy*

**Delyagin** said that two years ago there was a consensus that all strategic aspects of the economy should belong to Gazprom, including metallurgy, a portion of automotive production, diamonds, etc. Since that time that idea has been rejected for two reasons. First, the gas and oil industry are governed in a completely different manner. Gazprom is run by the former liberals, Rosneft by the former oligarchs. The same clans exist in other industries. It's impossible to unite them. The political losses and tensions would be too great.

Second, leaving some companies in private hands is advantageous. When an enterprise is controlled unofficially, formally, it's a private business. That is much more lucrative and convenient because if Yuganskneftgaz was given to Rosneft and then its financial standing declined, there is a basis for criticism. But if there is a formally private business that you have robbed, it's not your problem. That's a problem for the nominal

9  
business owner. Rosneft is a government-controlled company and it's difficult for it to expand abroad. Lukoil was engaged in international expansion projects in the mid-1990's

– and not only in Azerbaijan, but as far away as North Africa. They are used to having a wide berth and to thinking strategically. Nationalization of such companies means their destruction. In addition to that, nationalization is very difficult because the takeover attempt will arouse resistance. By the end of the 1990's, half of Lukoil's profits came from outside of Russia. Even then it was a transnational company that was theoretically, relatively independent. This shows that the regime's power over big business isn't absolute.

### *C. Putin's future*

**Delyagin** said that if Putin were to be the head of a big corporation after he leaves office, it would not protect him from anything. "If he [Putin] were to head Gazprom, tomorrow a major could come and arrest him in his office, that's theoretically possible and he [Putin] understands that. Therefore, to think about the future, Putin will need a post that offers total protection and influence, like the post of the chairman of the Constitutional Court.

"That's the best position for Putin because you can't do anything to him, he's the symbol of the law. The chairman of the Constitutional Court cannot send people to make arrests so his power is limited. But he, unlike the Attorney General, enjoys total immunity. As far as the Chairman of Gazprom is concerned, if, tomorrow a shareholder

from the Chechen republic sues him, he can go to jail.”

**Evgeny Kiselyev** said that Putin’s future was the key issue and all Russian politics now revolves around the question of what will happen in 2008. He agreed with Delyagin that immunity and security are the key questions for Putin in making up his mind. Kiselyev said that existing legislation will not allow chairmen of the court to do many things but this is because of political developments in 1993. The then chairman was

trying to play a political role and the law was heavily amended and a number of restrictions were introduced in the law to prevent judges of the court and its chairmen from playing any political role. Kiselyev said, however, that this can be changed without any major changes to the constitution.

**Delyagin** said that Putin will make a decision in early December. And in the meantime, the situation will change. He said Putin’s interests would be best served by a third term. This would cause problems with the West but that would be the only problem.

Another possibility is a new president for a few months after which Putin would return. The interim president, however, would have to be a zero, someone like Medvedev or Fradkov.

**Satter** asked what were the dangers in this lame duck period.

**Delyagin**: “The problem is that our warring clans, while staging provocations against each other, may commit serious crimes. This may destabilize society because the provocations may get out of control and obtain a life of their own.”

#### *D. Internal situation and foreign policy*

10

**Shevtsova** said that Russia’s foreign policy is a reflection of Russia’s hybrid domestic system. “Russia’s foreign policy is to be with the West, simultaneously part of the West, against the West, to be the enemy of the West, and to be inside the Western orbit and outside the Western orbit. This of course is a very schizophrenic oscillation. But

if it is a reflection of the Russian domestic situation in which Russia is imitating democracy and simultaneously imitating an authoritarian regime having no forces or strength to be in both paradigms.”

Currently, Shevtsova said, Russia’s foreign policy is the servant of domestic imperatives. This is not a new phenomenon in the world, but Russia’s foreign policy is a means to legitimize the hyper-centralization of the state by creating a hostile environment

within Russia and outside of Russia. This is the traditional method.

**Satter**: So the internal policy dictates the foreign policy?

**Shevtsova**: “Yes, but we have had in Russian history at least one period when foreign policy became the instrument for a liberal democratic breakthrough—under Gorbachev. The end of the Cold War became the impetus for domestic policy change. It was a very short moment. So is there any possibility for Russian foreign policy to become

again the instrument, to make a breakthrough domestically? This is a big question mark. Again, the jury is out, but at least there are some people who are interested in this and maybe we can find politicians who would like to shift this paradigm, to change the role of

the foreign policy, using some pretext provided by relations with the West.”

**Pipes:** “We know from Gorbachev’s memoirs why he altered the foreign policy from an aggressive one to one of accommodation. He discovered when he became general secretary that Russia was spending 40% of its budget on defense and they could not afford to carry on at this rate. But you know, in the last elections when we ran uncontested, he got less than 1% of the popular vote. The fact is, I would like to share with you your hope for Russian democracy, but the democratic parties have fared miserably in elections. They can’t even get 10% of the vote. What does this tell us, and how can we explain that a man with an essentially authoritarian temperament, like Putin, has 70-75% support. All of which indicates to me that there is hope, perhaps, but it is not a very realistic hope.”

#### *E. The democratic electorate*

**Shevtsova:** “Firstly, the decline and demise of the democratic parties does not mean that we don’t have the electorate that is ready to vote for liberal and democratic values. Only 2% of the electorate would vote for the current liberal democratic parties, but approximately 25-37% would vote for new liberal democratic parties...The current liberal democratic parties have been discredited...”

**Pipes:** “Why are they discredited?”

**Shevtsova:** “It’s a long story...can I give you the second point? A lot of liberal and pragmatic and democratic people are voting for Yeltsin and for Putin, because for many people Putin has been the embodiment of a national and pro-Western leader, a person that can guarantee order and democracy. He means all things to all people. So a lot of liberals are voting for Putin.

11

“Thirdly, in current Russian history, during the last 15 years, people didn’t elect Zyuganov or Zhirinovskiy as their leader: they voted for Yeltsin and Putin who are considered by Russians to be pro-Western leaders.

“Fourthly, there is also a kind of logical aspect to this. Your approach justifies the behavior of the Russian elite, and I hate to put you in the same camp with Kremlin pundits, you don’t need to know their names. But in fact, your logic and your thesis could

be used by our leaders as an endorsement of their position. They love your recent article from the last year when you wrote that Russians are asocial, apolitical, etc. This was the first article memorized by Putin. Here is what Richard Pipes, the best of the best, is saying. Well, the West endorses us because Russians are not ready, they are not mature.

“I have a different view of the Russian population. It seems to me that the fact that people voted for Putin, that people are not taking to the streets, only proves my point of view. People are down-to-earth, pragmatists; they are not voting for idiots, they are voting for Putin because this is the lesser evil.”

### *F. The danger of disparities in wealth*

**Kiselyev** said that Americans engaged in the study of Russia should be aware that another crisis is inevitable in Russia. “I am a Persian translator and Iranian historian by training,” he said. “I lived in Iran in 1977-78, the beginning of the Islamic revolution. I could not believe the Iran I saw when I came back 25 years later. The difference was akin

to visiting Hiroshima before the nuclear explosion and after. In the late 1970s, I saw a Western style democracy emerging in Iran. Of course, it had authoritarian leanings but Teheran was a totally European city.

“This is what is currently happening in Moscow. Fifteen years ago in Moscow you couldn’t get adequate service or find a nice restaurant. Now, that is all there, on every street corner. The streets are filled with the latest, super-expensive American and European cars and this consumerism and level of consumption is overwhelming. And then, 83% of people are poor, and 13% live below the poverty level. In Iran, at a certain moment, these people like these came out on the streets and, armed with religious and nationalistic slogans swept away everything, including an authoritarian regime and powerful intelligence services in a few months. The whole system collapsed like a house of cards. This colossal gap between the standards of living enjoyed by the wealthier class and the ever poorer part of Russian society represents, I think, the gravest political and social danger for Russia in the foreseeable future.

## **II. Foreign Policy**

### *A. Russia’s place in the world*

**Pipes** said that post-Communist Russia has not yet worked out what its real interests in foreign policy are. Much of what Russia does is inspired by psychological motives: namely, the desire to show that Russia is a great power - that they can do what they want, that they don’t have to listen to the West, particularly the United States.

12

“I don’t see a line where foreign policy is dictated by understandable interests,” he said. “I cannot understand why Putin would receive the leader of Hamas. I don’t think they [Russia] support terrorism; obviously, they don’t. But they want to show that the United States thinks Hamas is a terrorist organization but we want to talk to them. They do the same thing with their policy towards Iran and so on.

“The Russians don’t quite know what their place in the world is and should be. They are very bewildered. They deny being Western but deny being Oriental, even more emphatically. Eurasianism is an ideology that solves the problem in a way, but it is restricted to a small group of intellectuals.

“I don’t think that there is any chance of a new Cold War and I would not get tremendously excited by them doing things that we don’t like. I think that we should be more critical of them when they do things we don’t like. I think the Bush administration

is too restrained in its criticism, but on the whole I am not alarmed by what they are doing.

“I don’t see any ideology in their foreign policy, except that Russia should be feared and respected. This view has the support of the vast majority of Russia’s citizens. Russia should not obey and follow the orders of the West. But that is not really a policy. It is a negative policy rather than a positive policy. Such are my conclusions.”

### *B. Uses of the Russian energy complex*

**Zeyno Baran** said that while working at the Nixon Center, she met with different Russians and it was clear that the people in the Kremlin now, want to be feared and respected and they do not care about democracy. Since the late 1990s, people in Gazprom

and outside it have realized that the existing oil and gas pipeline networks could be used much better than anything else they had, including nuclear weapons, as an instrument of pressure. The US has not reacted sufficiently, and the Europeans have been too afraid and

divided to react. Countries one by one are reaching decisions on oil and gas pipeline projects or distribution networks not because that is what is the best for their country, but because they do not consider the geopolitical implications, and are also pressured. And, increasingly, even US companies are used to lobby the American government.

**Satter:** “Zeyno, can I ask you to give us a few examples of how this energy pressure might work in foreign policy? Can you imagine some hypothetical situations in which it might actually be used to impose Russia’s will, in a given situation?”

**Baran:** “My concern is not with energy cut-offs, but the relationship. Concerning Hungary, there were statements from Russian officials saying that ‘now that we have Hungary with us, they will never have an anti-Russian foreign policy.’ This was the message in Bulgaria, in Turkey, Romania. These tactics were tried in Lithuania and Poland. It really is completely irrelevant if these countries are in NATO or in the EU. Because their energy is controlled by an outsider, their decisions can be controlled by that

outsider, and are controlled. And I see that very much in Turkey, it is 75% dependent on Russian gas, and Turkish policy makers are constantly aware of this. They just don’t do certain things that might upset Russia. I have just published an article on the Greek-Bulgaria oil pipeline. This is a strategic disaster for those two countries because it is going to be over 51% owned by Transneft. Through those sorts of controls, Transneft and

those people come in and influence the decision-making process.

13

“There is the use of the *compromat* [compromising information]. The way those particular energy deals are reached is not transparent, so the decision-makers get stuck with this unholy alliance where if they were to go in a different direction in their foreign policy issues they can’t be sure that certain things won’t be revealed. There are many examples of this.”

**Satter:** “It sounds to me a bit like Finlandization. There are two questions that

come to mind. If Russia owns parts of the downstream oil and gas infrastructure in neighboring countries, does it not then become subject to their laws? And does not Russia

risk the loss of its financial assets for violations?"

**Baran:** "No, because you have Western banks becoming investors, and so you basically get a lot of stakeholders for this situation to continue. And then we have seen when Russia joins an organization it changes the rules. The OSCE is a very clear example. There is the cut-off to the Lithuanian *Mazeikiu nafta* refinery: they basically claim technical problems and promise to investigate. No one else is allowed to look into it. Finally, a Transneft person says that they may never start supplying and there is nothing anyone can do about it."

**Kiselyev:** "This was the biggest Yukos asset outside of Russia. And they put it up for sale, and the Russian government was in fact not allowed to acquire it. The refinery went to a Polish company. And after that immediately the refinery started to experience problems with supplies of oil.

**Baran:** "I have been promoting a transatlantic discussion on these things. But in discussions with the 27 EU countries, everyone is looking to the US. And with this administration not willing to take certain steps, everyone is paralyzed in Europe. The administration is not coming to terms with how American companies are being used by the Kremlin. Chevron, for example, is told, 'Support the pipeline we want. Otherwise, you are not going to get the Kazakhstan-Russia CPC pipeline extension.' The Russians say, 'give us this and we promise you a good field' but then environmental issues or other

things can be raised leading to the companies getting kicked out.

"Western companies should not simply accept mistreatment. In the case of the Sakhalin oil project, when the Russian government raised supposed environmental concerns, the Western consortium gave in. The environmental concerns were forgotten the very next day. One alternative is really to look into the supposed concerns. If there is no response to the random kicking-out of companies, the Russians will continue doing it. In Europe there is a lot of discussion about mutual dependence, and interdependence.

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interdependence works if you actually make sure that when you abide by your side of the deal, the other side will abide by theirs. I do not see the West actually saying: these are the conditions, these are the norms, and they need to be respected.

**Shevtsova:** "You are making an interesting conclusion, because in fact what you are saying, Zeyno, is that the ball is in the Western side of the field."

**Baran:** "Completely, 100 percent. For example, after all that we know about what is happening in Turkmenistan and Ukraine, why is Europe getting gas from RosUkrEnergo (RUE)? By getting gas from RUE, Europe is legitimizing a massive money laundering criminal operation. RUE is absolutely not necessary. Why not get gas directly from Gazprom? All that I am actually telling the Europeans and Americans is that we should insist on transparency, competitive markets, and reciprocity. If the West

14

just were to do the things that are on paper as European and American norms, there would not be a problem."

**Shevtsova:** “I agree. In dealings with Russia, the West should at least follow the principle ‘practice what you preach.’ The West has become a huge laundry machine, and the majority of the Western businesses operating in Russia, and quite a few of Western political leaders and representatives of the community have been participating in the laundry machine.”

**Satter:** “A propos of this, I wanted to ask Zeyno, do you know anything about the murder of the chief engineer of the TNK-BP concern in Siberia? There were some suggestions that this was a way of putting pressure on BP, and it would be typical. This is

the way in which Russian criminal groups do put pressure. They kill a visible representative of the group that is being pressured.

**Baran:** “I am not sure of this particular case, but I know of other cases where this has happened, but TNK-BP is clearly under a lot of pressure to go in a particular direction.

“To me the question of what happens after Putin is sort of irrelevant because the way the whole Gazprom/Rosneft/Transneft system is structured, the person running things is going to be basically whoever is in charge of that vertically-integrated oil and gas network system.”

**Shevtsova:** “The Russian government is using its energy resources and that is a sign of the evolution of Russian foreign policy. It means that Russia is trying to re-assert its position in the world. This is not the previous military paradigm. This is the attempt to

use traditional soft power for hard power purposes. Secondly, the West has created a lot of possibilities for Russia to become the energy bully. First of all, in Europe because Europe has no common strategy, neither in the foreign policy, security policy, nor in the energy policy field, and European countries, especially the old European countries - Germany first of all, but also Italy and France - have been following a policy of acquiescence in signing bilateral treaties with Russia not only on the energy issue but on all other issues. It would be strange if the Kremlin and Moscow did not use the situation that has been offered to them. This was point number two.

“Thirdly, Russia really has acquired really a lot of diplomatic finesse despite the fact that it lacks a clear national interest but only the interests of the elite and the regime. They are using these bilateral relationships very effectively, as well as the co-optation of specific Western political leaders. The syndrome of Schroeder and Berlusconi has played a tremendously important role in triggering the new cockiness of the Russian political elite, first of all in the Russian energy field. And also the readiness on the part of Western

companies and international oil majors to accept any rules of the game with Russia at any

expense has also played its role. It would have been foolish on the part of the Russian elite not to use that.

“So Russia continues to play the role of the bully because there is the space, possibilities, and even invitation to play this role.”

**Baran:** “I think that we can actually just focus on the RUE as a specific thing that Europeans and Americans can do. It actually hurts Russians more than anyone else. RUE has nothing that it provides. It doesn’t have gas. It doesn’t own the pipelines. There is no

role for it if you look at what it actually does. Yet annually it has a couple of billion dollars of turnover and everyone knows where the money goes. The Department of  
15

Justice in the U.S. has been investigating connections to Semyon Mogilevich and the investigation is continuing. From what I know, there is a lot of stuff there. But it's not going to come out due to political reasons. By remaining silent, we are not helping Russia domestically, or the broader energy issues.

“A second thing - Russia needs Turkmen or Uzbek gas. If Gazprom is able to take that gas, it does not have to invest properly in the development of the Russian gas sector. It will never have to improve the way it operates. That is why it is essential that Russia or Gazprom does not get continued control of that Central Asian gas because those countries have the right to send their gas to Europe directly. This would actually help Gazprom and Russia in that they will be much more inviting for proper Western investment. They will have to stick to the rules of the game. There is a lot that is not explored in Russia because other countries can be pressured. By controlling the export of oil and gas from Central Asia, Russia ends up controlling those countries' foreign and external policies at the same time.”

### **III. Possibilities for U.S. Influence**

#### *A. Russian interests in the West*

**Kiselyev:** “Zeyno made a very interesting point. I don't think that the American government or any European government has a coordinated approach towards these issues. In the meantime, Russia is trying to influence key European members and build a special relationship with them on energy issues. For example, Russia is offering special treatment to Hungary, seducing their socialist government with the idea of becoming a new hub for gas distribution in Europe. They are trying to stir up differences between Germany and Poland around the North Stream issue, and they are offering bonuses to countries in the Balkans like Bulgaria and Romania and tempting them into offering their territory for the construction of a new pipeline that again will create a split in the future between European member states. But government officials and big private businessmen are more vulnerable to pressures from Western governments than they appear to be on the surface.

“Take the Energy Charter and the surprising unwillingness of the Russian to ratify it. Yukos shareholders started an arbitration procedure in Paris. Very few people knew that there was an arbitration procedure going on but the Russian government hired the

very high profile American legal firm, Cleary Gottlieb, to represent them in this case.

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Yukos shareholders' claims are based on a key clause of the Energy Charter. If Russia accepts the Energy Charter, the claims of the Yukos shareholders become legally binding.

This is probably the real reason that Russia is not willing to ratify the Energy Charter.

Can the international arbitration court proceed and start to investigate the matter? I would

not be surprised if the international arbitration court decides that, no we cannot decide on this case, it is not within our jurisdiction, and then look immediately for the Russian government's stance on ratification of the Energy Charter to soften.

"I know, for example, that some of the wealthiest Russian businessmen are spending hundreds of millions of dollars on the improvement of their international acceptance. For example, Oleg Deripaska, the king of the aluminum industry in Russia, was spending millions of dollars to solve the problems that they had with the American  
16

government. He was denied American visa for a number of years but he is traveling finally. He went to great lengths to solve the problems that he was experiencing.

"I can give you another example. According to my information, the Kremlin has hired another respected and established law firm here in the U.S, and the firm is doing research for the future. They are doing a contingency plan for the Kremlin and studying the issue: could, in the future, Russian citizens be sued in American and other Western courts for crimes committed in connection with privatization and re-privatization schemes in Russia. To put it into plain language, they're trying to investigate whether they can have problems after 2008 or 2012. For example, can they be arrested and put on trial, for the participation in the Yuganskneftegaz affair?"

**Satter:** "Let me ask something about this whole question of putting people on trial. If it is a matter of human rights abuse, there are countries that can put Russian officials on trial, but how would it work in the case of dishonest transactions within Russia?"

**Kiselyev:** "That is why they are approaching American lawyers and asking, would that work or not?"

**Satter:** "Only if they have an American aggrieved party..."

**Kiselyev:** "Well, for example, Yukos had a lot of American shareholders, including pension funds... If you take Yukos, Mikhail Khodorkovsky and his partners were shareholders of a Gibraltar-based company that had the biggest stake in Yukos. So technically, it is a foreign company, and they can go to other courts..."

**Shevtsova:** "The Kremlin entourage that is ruling Russia at the moment, does care about their image. This means that they are not ready for confrontation with the West, they are not ready for the marginalizing of Russia and their rule. This is a positive fact, they do care.

"When the United States wanted to exert pressure on the Belorussian regime, they froze the accounts of at least a dozen Belorussian political leaders, including Lukashenko and they denied visas for representatives of the political regime. But when the West began the process against Adamov, the former minister of atomic energy, all these

charges and all these procedures and all these court appearances went nowhere. This says that at least some of the Western powers have double-standards involving Russia. They don't want to remind the Russian elite about the necessity to behave according to civilized rules. True, today the West has limited leverage on Russia..”

*B. The psychology of the Russian leadership*

**Andrei Piontkovsky** said that the main problem with the Russian elite is psychological. They want to be respected. “It is a classical Russian question, ‘do you respect me?’ This is what Putin’s speech [at the Munich Security Conference] can be condensed to. So we have a patient, and to deal with the patient, the West should be a skillful psychotherapist.

“Well, we know from Russian history that there is a cycle of liberalizations and inevitable freezing. Now we are deeply in this cycle of freezing. As usual, during this cycle, there are authoritarian tendencies in internal policy and an anti-Western foreign policy. There is mutual feedback between them.

17

“We can’t do anything with the internal anti-democratic tendency. I think that there is a slight, but realistic possibility of doing something with the second part of the question, the deep, anti-Western posturing in foreign policy. Why? Because in spite of this deep, anti-American complex, there is one important fact that Moscow cannot ignore:

the existential threat to Russian territory posed by Islamic radicalism, and a rising China.

“The Russian leaders do have their financial interests. In the case of Iran, the best case scenario for Moscow is an American or Israeli attack on the Iranian nuclear installations. There will be no Iranian bomb, there will be Muslim indignation against the West, and most important of all, there will be a \$200 dollars a barrel price for oil. Whatever Moscow is doing, selling Tor M-2 missiles to Iran, or temporarily interrupting supplies of nuclear fuel, the point is to push Iran and Israel, plus the United States, towards confrontation.

“In spite of all of this, there is an immediate common threat. In the event of a NATO failure in Afghanistan, the Islamists will move to the center of Asia. All of this has consequences for Russian security. Chinese demographic dynamism is dangerous for the Far East. Last fall a Chinese military exercise showed beyond a doubt their real intentions towards Russia.

“So there is an objective need for Russian and American strategic cooperation. How can we do this? I like Evgeny [Kiselyev’s] recommendation at the open hearing yesterday to not insult Russians by pretending that Putin is a democrat. I would add a second part: don’t insult yourself by pretending that Putin is an ally. Now Putin is not an ally; he is trying to play on the other side. What is needed, therefore, is a very serious strategic dialogue, to stop pretending that we are allied in the struggle against international terrorism. And this problem of respect that Russians are striving for has enormous importance because these complexes and their financial interests and the objective interest of Russian security are in balance in Moscow, in the decision-makers’ minds. We should use this enormous psychological weaponry of respect in suggesting to

Russians a real strategic union beginning with joint efforts in preventing a NATO collapse in Afghanistan. The West should demonstrate all signs of treating Russia as an equal partner.

“This strategic union was realized in 2001-2002, in spite of all the complexes of the Russian political leaders. Putin chose this option. But then it was not supported. Americans took it for granted. They did not understand this sophisticated balance of forces. There are two practical measures. I suggest making this strategic alliance that America proposed to Russia look like an alliance of equal partners. Putin [in Munich] returned again and again to two irritants: the ABM system, especially in Central Europe, and NATO. NATO is expanding, it is creeping up to Russia’s borders. Measure number one: United State should offer Russia - it is not a new idea - a joint ABM project. If this project is directed against potential terrorists and we are allies, then let’s package a joint project? The second issue: now it is evident, the situation in Afghanistan is very dangerous and the cooperation of NATO and Russia is a strategic necessity. Again, the obstacle is the Russians’ psychological problem. They don’t feel comfortable with this Blair invention, the NATO-Russia council. It is perceived in Moscow as a small additional chair around a big table. And they have been suggesting again and again, and Washington ignores this as just an absurdity, making bilateral links between two important security organizations: NATO on one side, and OSCE on the other side. This  
18

organization contains, by the way, some countries that are critical for our operations in Afghanistan - Uzbekistan and Tajikistan. Psychologically this has been a very important perception for Moscow. They are not just sitting at one table, on one chair in Brussels. They are the head of a very prestigious organizations, as in Soviet times, on equal terms working with us.”

**Satter:** “Andrei, this whole question of psychiatric help for the Russian leaders... How do you evaluate the fact that very serious incidents, the murder of Politkovskaya and Litvinenko, took place in the very year when Russia was chairman of the G-8. I wonder if it isn’t a mistake to encourage their pretensions and give them undeserved grants of legitimacy.

**Piontkovsky:** “It is not underserved grants of legitimacy. What I am suggesting are the things that are needed for the West: Russian cooperation in Afghanistan and Central Asia is needed. This kind of cooperation certainly would involve putting an American base in Uzbekistan because it is needed for this operation. It doesn’t change anything in this part of the equation. It doesn’t prevent the OSCE, the Council of Europe and Freedom House from talking openly and loudly about democracy in Russia. But that shouldn’t be put in the center of Russian-American relations. We are addressing

common security threats. In answering your question, let me again repeat the points I made yesterday. Does what I suggest mean the abandonment of the forces of democracy in Russia? Not at all, because give Russia two or three years of real Russian-American cooperation, deploying a joint ABM system, fighting together against Islamic radicals in Central Asia, and producing an atmosphere of trust and the democratic development in Russia will be inevitable. The main justification for anti-democratic tendencies in Russia is the idea of the West as the enemy. So what I suggest: first, let us involve Russia in

addressing our joint security problem. And second, let's deprive Putin's cronies of the possibility to present to the public the West as an enemy."

**Satter:** "I was unaware that after the success of the operation against the Taliban in Afghanistan that the West demonstrated lack of respect for Russia."

**Piontkovsky:** "What has been the main irritant in Russian-Western relations? The main irritant was the ABM treaty and so-called NATO expansion. Everyone understands that what is at stake is psychology - not real security issues. And by the way, during the period of real cooperation, 2001-2002, references to these two irritants were practically absent from Russia's internal political rhetoric. Moscow more or less graciously agreed to the elimination of the ABM treaty and second wave of NATO [expansion]. So during even this short period of real cooperation there was work in eliminating the main anti-Western mythology."

**Pipes:** "I have a problem with the notion of an equal partnership. It cannot be an equal partnership."

**Satter:** "Let's return to the murders of Politkovskaya and Litvenenko. They say, 'you don't respect us...' That is right, we don't respect you because you are behaving in a manner which is impossible to respect. Putin said, after the murder of Politkovskaya, that her death did more harm than her writing. So if her death had done less harm than her writing does that mean it would have been all right to kill her?"

**Pipes:** "Russia will never be a junior partner, and you can never persuade them to be so. We are monetarily, politically and economically so much more powerful, and that is why I think that they will find it very difficult to accept this notion, and that is why I  
19

think that they would prefer to make our life difficult. Even at the cost of their own interests, in regard to the Islamic movement, even possibly in regard to China: they had Russian joint maneuvers with China. Logically speaking, what you say is correct. But psychologically it is not."

**Piontkovsky:** "They are destroying themselves. Yes, these maneuvers with China, this is suicidal."

**Pipes:** "But I think that they will find it very difficult to pretend that in any pact with the United States, that they are equal. I think therefore, I would guess, they would prefer to cut off their own noses to prove that they are independent, they are respected, and even feared. I am afraid that this maybe is not a good prospect, but I think it may be a realistic one."

**Piontkovsky:** "Well, in this case let's say that Russia is lost completely. I began saying that it is a slight but realistic possibility."

**Pipes:** "Why would it be lost? A country of 140 million people..."

**Piontkovsky:** "Lost as a partner..."

**Pipes:** "I don't think they will ever be a partner. Short of a complete transformation of Russian politics..."

**Piontkovsky:** "It was a partner, and a very useful partner in 2001..."

**Pipes:** "But this policy has been abandoned..."

**Piontkovsky:** "Well, it was abandoned because it was not cultivated by the United States because they decided that it's taken for granted..."

### *C. Ways to influence the Russian population*

**Delyagin:** “I know roughly how America will conduct herself. America will say as follows; ‘There’s only one set of values, these are our values and you are obliged to obey because such are our values.’ That will be said in such a manner, regardless of what we say here now.”

**Pipes:** “No one says that you need to obey.”

**Delyagin:** “If only your values exist, then we need to adopt them. That’s the same as obeying.”

**Pipes:** “You need to adopt them, but that’s not the same as obeying.”

**Delyagin:** “That means that we will decide what is good and bad because we are the bearers of the values and you are not. And we’ve been through that in the mid-1990s.

The most extreme version of that occurred when faxes came from the IMF outlining, in English, the economic policies of the Russian government. And then, as a sign of respect

to the Russian government, these same faxes used to come with a computerized Russian translation. I’m just saying that this will be very good for our guys. Because the answer to such a position, even if it’s expressed delicately or not brought to its logical conclusion, will be very simple. ‘Look at them. They have designed everything that is at fault today. They arranged everything that turned out badly for us. The Soviet Union fell apart because of hated American imperialism. The financial crash of 1998 occurred as the

result of external control and we experienced the systemic crisis because Americans treated Russians badly.’ And this will be a situation when the discontent of the Russian population with their bureaucracy will be turned in its traditional direction, i.e. towards the West, and that will support any regime. Maybe the regime will be responsible, maybe

20

it will be insane but our discontent with the bureaucracy will be turned towards you and will be objectively strengthening our new leaders. I think that you need to make sure that

this u-turn will be more complex. But, in order to achieve this, besides having a dialogue

with the country’s leadership to respect or not to respect, here we respect here and here we punish you, you will need to maintain a constant dialogue with the population. You will need to explain to the Russian people that the West is, roughly speaking, against democrats but not against democracy.”

**Satter:** “We need to maintain a dialogue with the Russian people?”

**Delyagin:** “Yes.”

**Satter:** “It is very important for America to admit the mistakes of the 1990’s, our unconditional backing of Yeltsin and our lack of understanding of the processes of that period and turning a blind eye to the criminalization of Russia.”

**Delyagin:** “That’s important for Americans, but it won’t be noticed in Russia. It’s

necessary to punish the Russian bureaucracy for violating Russian, not American, norms.

For example, in Russia the Czar could have given any order. Any order. But someone who doesn't execute a given order is breaking both God's and man's laws.

"The main point is that you do not always need to fight against things that are viewed as sinful by the West but not always in Russia. For example, whereas authoritarianism is a sin from the West's point of view, it's not such a big sin from the point of view of Russian society. On the other hand, large-scale corruption veiled in patriotism is a sin both by Western and Russian standards because deceit is a sin for Russia as well. And we must express our dismay not over issues that infuriate Western observers but which Russia finds virtuous, but those things that Russia views as a sin, as well. That's corruption."

**Shevtsova:** "Mikhail is right. Once again, the West and only the West can raise the issue of forming a global anti-corruption commission based on the principles of the anti-terrorist commission. The anti-terrorist commission between Russia and America didn't lead to anything, but at least, discussion of common questions of concern to both countries, for example, dangers to financial markets, can be useful."

#### *D. Evolution of the situation*

**Shevtsova** said that Clinton decided to accept Russia as a G-8 member, making the G-7 into the G8 in response to Russia's agreement to withdraw its forces from the Baltic republics and other things that America and the West expected from Russia that Russia complied with. The symbolic rise in Russia's status was granted in return for very real Russian concessions to America. Some American policy-makers even called this principle "the trade off between symbolism and substance."

**Kiselyev:** "Yes, that's exactly right. But after that, something completely different began to happen. This began with the missile defense system. Russia did not object to the Bush administration decision to withdraw from the ABM Treaty and the Bush administration closed their eyes to many things that began to happen in Russia, first and foremost, the encroachment on certain democratic liberties. In the beginning, these were the restrictions on the mass media, which I experienced on my own skin, and secondly it was Chechnya – the second Chechen war that was conducted without regard to citizens' rights. Both Bush and Putin decided to close their eyes to all of this.

21

"But after five years, Putin made it clear that problems were the result of Russia's traditional enemies, American imperialists. He said that the dissolution of the Soviet Union was a geopolitical catastrophe and it didn't just occur by itself. The gist was that those who didn't want the imperial majesty of the Soviet Union then, now don't want to see Russia's greatness.

"When he spoke of the U.S. as a 'wolf' – that definitely should not have been allowed to pass. You see, when an unknown White House press secretary comes out, or even worse, a State Department spokesman, and says something and those briefings occur every day – that's not the right level of response. There wasn't a reaction at the

proper level. I think that it was a big mistake that there wasn't the right level of reaction to the Yukos affair or the Khodorkovsky case."

**Satter:** "Therefore, if we're going to define some boundaries, we need to react to obvious examples of outlandish claims and lies?"

**Kiselyev:** "Yes, I think so."

**Satter:** "I just want to understand Yevgeniy exactly. Our reaction should be based on principle and we should not calculate?"

**Kiselyev:** "This will be a very rough analogy. Putin is not Hitler and Germany of the 1930's isn't Russia at the beginning of the 21st century. But there was a guiding principle of European politics at the time – appeasement. Appeasement won't bring results. It seems to me that the entire history of Russia and the West, generally, and Russia and the United States, particularly, shows that appeasement doesn't work."

**Pipes:** "It's perceived as a sign of weakness, that's why."

**Kiselyev:** "Absolutely."

**Satter:** "Inside the U.S., people say, 'of course we can raise all these questions but that will only worsen the situation. Russian authorities will not cooperate with us in areas that are very important for us.'"

**Kiselyev:** "Then, how did Reagan achieve so much in the 1980's with his harsh policies at a time when Russia was much more powerful? It turned out that the Republicans' harshness towards the Soviet Union in the early 1980's bore fruit quite quickly. Of course, the world economy also intervened..."

**Shevtsova:** "Oftentimes, the manner of influence guarantees its success. For example, Cheney's speech in Vilnius not only damaged U.S. –Russian relations, but also the position of the liberal minority within Russia. I'm referring to when Cheney spoke his mind and then went and hugged Nazarbayev – this is the problem of double standards."

**Kiselyev:** "What was wrong with the fact that he went to visit Nazarbayev?"

**Delyagin:** "That discredited him."

**Kiselyev:** "I don't think so."

**Shevtsova:** "I'll explain. Sometimes, the way in which Russia is reminded of its commitments to the Council of Europe, the OSCE and other European organizations that it is a member of, makes a very big difference. For example, Cheney didn't help the spread of democracy in Russia. On the contrary, his comments caused a wave of anti-Western sentiment. However, when Americans, and specifically Americans, found a behind the scenes way of reminding Russia that enacting a harsher version of the NGO law will considerably worsen relations between the two countries - that worked.

22

However, had they chosen to remind the Putin administration of this publicly, that would not have worked."

**Pipes:** "It worked, because there were results."

**Shevtsova:** "My position is that Cheney has a right to say these things and to embrace Nazarbayev for one reason. That is because Russia has committed herself to many human rights values that Kazakhstan didn't commit itself to, so Russia has to follow these commitments. That's the difference between Russia and China. Russia has got commitments. That's why the West has got to be much more critical of Russia.

That's why I don't blame Cheney for having double standards – because Kazakhstan isn't

a member of all those organizations, the G-8, and so on. But overall, in the current political climate in Russia, Cheney's speech didn't facilitate the mutual trust, understanding, etc... And Cheney's speech has made our tiny liberal ghetto, our position, much worse."

**Satter:** "But, in the case of Cheney, was there something about the way he expressed himself that was counter-productive?" I understand of course that going to Kazakhstan afterwards created a bad impression, but what about the speech itself?"

**Kiselyev:** "The venue was probably wrong."

**Shevtsova:** "The venue, the timing before the Kazakhstan visit and you know, at that moment, the political climate when Putin had started to look for enemies, for a hostile environment, and they were looking for any sign that Russia is being encircled by the Americans."

**Satter:** "I have just one question. I'm interested in how our Russian participants will react to this. During the Brezhnev era, the government could always give the impression that the communist ideology was tied to higher values. As pragmatic people in the United States we usually concern ourselves with concrete questions such as; "How many NGO's were closed?", "How many newspapers were deprived of the freedom of the press?" However, we rarely tied this to the question of values. It has always seemed to me that in conversations with Russians who have a tendency to think more globally it would be better if American leaders would focus less on "you broke these rules" or "you did that incorrectly" or "closed that and arrested that person" and instead attempted to show the value of free expression for human dignity, that human life is worth something. Perhaps the problem lies in that?"

**Delyagin:** "America was great when it spoke from a position of ideas and principles. However, when a satiated person speaks about human rights, he talks about rights that are important to him. To talk to Russia about freedom of speech while forgetting the right to life is to put oneself not into the correct position, but into the hypocritical position. Understandably, from the point of view of a representative of a rich

and prosperous country that is normal. Because in America it may be that a poor person is to blame for his own poverty, he's not ready, but that is not the case in Russia. In Russia, only the well-off, civilized, cultured part of society is concerned with freedom of speech. As soon as you utter "freedom of speech" you alienate yourself from those who are concerned with, excuse me, freedom of the stomach. Those are the majority.

**Shevtsova:** "To not talk about the freedom of speech as it pertains to the disenfranchised part of the population means to forever leave it behind in the 16th century. Instead of freezing the Russian population in the past, letting it snore happily, we should help them to move into the future."

23

**Delyagin:** "America has never spoken to Russia about the right to life because in the Soviet Union everyone was satiated, if only a little bit. But now, this is a very pressing issue."

*E. Some specific recommendations*

**Shevtsova:** “One more recommendation. You must work with the U.S. Congress with one goal in mind, to widen the audience for RFE/RL and Voice of America (VOA).

It’s idiotic when all American funded programs are wrapping up shop.”

**Delyagin:** “That’s important. That’s very important. It’s not idiotic, their finishing their broadcasts due to the pressure exerted by our people.”

**Satter:** “I know that RFE/RL has an audience. Do people listen to VOA?”

**Delyagin:** “Yes, people listen to everything.”

**Shevtsova:** “If it will be available, people will listen.

**Kiselyev:** “Excuse me, there is also an Internet audience. The Internet is a place for such projects that are currently almost non-existent.

**Delyagin:** “The Internet is very important and you can work on it, but it is crucial to resurrect VOA and maintain RFE/RL. That’s what we already have.”

*F. The question of values*

**Satter:** “I think we can begin with Andrei Piontkovsky’s idea that we need, as one option, to respect the Russian leaders. Unfortunately, if we respect them regardless of

their behavior, this grant of respect may have the opposite effect of the one we are intending. My view is that, in dealing with Russia, it is important always to underline that

a civilized world and civilized values exist. This means that we don’t bargain and are not interested in trading Georgia for Kosovo. It means that we will not stand for the fact that they think they can kill political opponents on British territory and on their own territory. Perhaps we can begin this discussion just by addressing the general question - should we respect the Russian leaders or give them the impression that we respect them or respect our own values and insist that they respect them as well. Misha...?

**Delyagin:** “I think this is a romantic approach. What is lacking is an understanding of the goal that is trying to be achieved with this strategy and policy. You cannot count on changing Russia’s current leaders. It is only possible to keep them within

certain boundaries. It is very useful to show these boundaries, to say, ‘OK guys go ahead

and fool around’ and that’s acceptable and then there are things, stemming from our values, that without discussions, we do not allow or tolerate.”

**Pipes:** “Not ‘our values,’ the global values of the civilized world.”

**Delyagin:** “That’s debatable.”

**Satter:** “Misha, if I can interrupt... Where exactly is the boundary?”

**Delyagin:** “At a minimum, it’s murder. At the basic level, if it’s proven that someone participated in the affairs of Politkovskaya and Litvinenko...

**Shevtsova:** “Proven how?”

**Delyagin:** “For example, with several degrees of certainty, or something else. I

don't know where the boundary is.”

24

**Satter:** “I must say, this murder of Litvinenko. I didn't think they would go that far. There are echoes of the Markov assassination. (Agreement from the other panelists.)

And brazenly, he was a British subject.”

**Pipes:** “He was a British subject? I didn't know that.”

**Satter:** “Yes, he had just become a British subject.”

**Pipes:** “It shows that the KGB are getting arrogant.”

**Satter:** “And to what extent are they under control? Who is actually behind all this? Mikhail was saying that these decisions, in terms of the people who have been killed, may not be taken not at the highest level but...”

**Pipes:** “I doubt that.”

**Kiselyev:** “Let me interrupt, OK? Let's step away from the Litvinenko story. It is extremely special. In the Litvinenko story I would be especially cautious when hurrying to draw any conclusions. And I invite you to do the same. No matter how sweet doing so might be. I would not be surprised if this whole affair turns in a completely unexpected direction. I don't want to say anything further, but I would not be

surprised if this affair turns in an entirely unforeseen direction. With Politkovskaya, everything is more or less understandable.”

**Satter:** “Complicity in the murders will be hard to prove but we can judge the extent to which the authorities refuse to cooperate with the investigation. If the Russian authorities interfere with attempts to find out something about the circumstances of the Litvinenko murder that already tells us much of what we need to know... People cite the presumption of innocence as a reason not to accuse the Russian leadership of these crimes. But the presumption of innocence is a way to protect the individual from the overwhelming power of the state. It doesn't protect a government that is accused of crimes against its own citizens.”

### *G. General considerations*

**Satter:** “In *Democracy in America*, Tocqueville said that he sought one aspect of American life on which all others depended. This, he said, was equality of condition. All of us who experience Russia also seek the really central/essential theme of the culture and

history. Of course, the answers are different. But for me it was always the imbalance between the individual and the state and, as a result, the lack of an individual sense of ethical transcendence. In Russia, the moral awareness of the individual is inevitably compromised because of the weight of state power and his inability to defend his own rights and dignity.

“Under these circumstances, it seems to me that the way to resist Russian transgressions and to help Russian society is to act according to universal principles, to remain loyal to them and consistent in their application. This is across the whole gamut of

US-Soviet relations and in relation to Russian internal developments. It is amazing how often we lose track of this very simple fact and how it really needs to be emphasized. We have to confront them with the reality that there are people who don't accept that Russia has been able to improve on universally accepted moral values. So, without hostility and without condescension, we need to make clear to them that there will be no concessions to a false version of history and deluded view of reality.

25

**Shevtsova:** "There is a problem of timing: we are at the end of the political cycle for both administrations. But we have to work for the new political cycle and identify some people in the new American administration and the Russian political class who will start thinking about the change of the paradigm.

"There are two very substantial obstacles to this: the first is the legal system in Russia. The second obstacle is the logic of American preponderance and superpower.

The

problem with Russia is that Russia cannot adjust or adapt to the formula of living in a unipolar world. However, the conundrum and paradox is that the unipolar world - and Russian elites understand this - is much better than a multipolar world.

"I believe that we should while preparing for Russia's future transformation, work for the mutual understanding between Russia and the United States, especially on the level of societies and intellectuals, creating conditions that could make it possible to use a benevolent international situation to facilitate a domestic breakthrough in Russia."

26

## **Workshop Addenda**

### **Papers submitted by workshop participants**

Mikhail Delyagin

"Before a New Cold War: How To Stop It, If We Genuinely Want To Do That?"

**Andrei Piontkovsky**

Russia and the West: 2007

**David Satter**

Resistance to a Delusionary Mentality

**Lilia Shevtsova**

The End of Putin's Era: Domestic Drivers of Foreign Policy Change

By Mikhail Delyagin

## 1. The central issue – a change in tactics

First and foremost it is necessary to determine the cause of rising tensions between Russia and the U.S., or, more precisely, Russia and the West.

Subjective factors are usually mentioned: the unbecoming manners of authoritarian Russian leaders, international scandals (ranging from the murders of Politkovskaya and Litvinenko to “winter wars” with Ukraine and Belarus), the politics of Putin’s friends before the 2008 elections, and the peculiar state of American domestic politics (Democrats and Republicans will compete on all points, including criticism of Russia).

However, there is at least one objective factor in the new “Cold War”. Both Russia and the U.S. are changing their development strategies.

On the one hand, Russia has indeed received large sums of money (petrodollars) that it wants to use to achieve success and increase its influence. Indeed, “sovereign democracy” is clan democracy, serving the interests of the powerful oligarchs and corrupt officials. However, these new masters of Russia have their own interests and politics. Their politics is one of business expenses and individual integration into Western society,

often without adopting Western culture and laws. On the whole, their interests are contrary to those of the Russian government and people, but in part they do coincide.

In any case, Russia recognizes and pursues its interests for the first time in 20 years. This is good news for Russians, who have yet to understand the differences between their own interests and those of the oligarchs and corrupt officials. However, this comes as a complete, mean-spirited cultural shock to the West, which is used to a total absence of interests on Russia’s part.

On the other hand, U.S. strategies are changing. The reason for the change is not only over-extension due to preemptive use of hard power, above all military power, to the eschewal of the soft power of persuasion. And it is not solely the existence in the U.S. of the “Afghan-Iraqi syndrome.” The U.S. problem is deeper, and can be measured using three main indices; the crisis of modern democracy, the current leadership crisis, and the destabilization of the global economy.

### *1.1 The Crisis of Modern Democracy*

Democracy grants power to the most influential part of society that, due to globalization, can reside outside of a given society, especially in the case of poor societies. As a result, democracy can become a tool of these groups and interests in ways that directly contradict the interests of a given society.

Secondly, global **networks** are gradually becoming full-fledged objects of international politics, almost on par with the nations (including the U.S.) that gave rise to them. At the same time, global networks are not responsible before societies and governments and pursue mostly private not societal interests. That said, they make grievous mistakes because, having rid themselves of the government, they cannot wholly take advantage of government “think tanks”. Declarations of allegiance to traditional democracy merely serve as a front for it, hiding the present situation, and cannot change it.

Thirdly, modern war (as we saw in the case of the last Lebanese war) is waged against networks that are deeply integrated into a respective society. In order to wage such a war, a government must engage in acts that are not subject to public scrutiny, ranging from secret talks to clandestine murders. This is an immoral, but necessary, technological requirement of such wars. A government that operates “on camera”, is essentially incapable of waging such a war. Therefore, the tactics of modern warfare restrict democratic institutions. If a society and its government are inspired by a strong nationalistic idea, this curtailment of democratic institutions does not engender corruption. However, modern democratic standards everywhere (except in the U.S.) destroy national ideology.

### *1.2 The Crisis of Contemporary Leadership*

The first “information explosion” was caused by the invention of the printing press. This drastically increased the number of people pondering abstract issues. The governments of that time, based upon the Catholic Church, proved unable to manage the situation and retain people under control. The leadership crisis resulted in the Reformation and gruesome religious wars. (It is sufficient to recall that during the course of the 30-Years War the population of Germany decreased four-fold.)

The invention of the Internet became the second “information explosion” in the history of mankind. We are once again witnessing a significant increase in the number of people who are beginning to think about abstract issues, unconnected to their daily lives. And yet again, we are seeing that modern systems of control; governments, corporations, and civil societies, are failing to keep these people under control.

Besides, in the age of globalization, control is manifested first and foremost by the control of consciousness. Modern systems of government are not tailored to forming consciousness (including that which they themselves use) and therefore begin to lose effectiveness. They begin to believe their own propaganda, alter perception instead of reality, and lose accountability. They lose accountability because they usually work with a televised image, forgetting both how it influences real life and real life itself.

In order to influence a society it is quite sufficient to alter the consciousness of the elite, and not that **of the society as a whole**. As a result, the consciousness of the elite changes to a greater degree and differently than the consciousness **of the society as a whole** and the two parties stop understanding each other.

Thus, we have a systematic leadership problem that is more acute for the U.S.

both because they are the more advanced country and due to their global domination.  
29

### *1.3 The Disturbance of the Global Economic Balance*

The international news media illustrates developed countries' standards of living to people. Meanwhile, global competition deprives two-thirds of mankind of the capacity to develop normally. People who belong to that group understand that their children will never be able to achieve a standard of consumption rated normal in developed countries. That is the cause of increased global tensions, in all its manifestations, including terrorism and immigration.

However, even developed countries have problems. Global poverty and (for information products), cultural differences limit the global market and consequently the commercialization of technological progress. Modern technologies are too complex and expensive for poor countries. Therefore, developed countries find it necessary to increase

their defense budgets in order to stimulate technological progress. However, this is the very medicine that is guaranteed to be more awful than the illness.

New, simple, and inexpensive technologies will destroy global monopolies and give poor countries opportunities for development. However, this will not occur quickly.

Rather, it will be the result of a systematic global crisis. Meanwhile, the tensions continue to rise.

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As it stands, what path can the U.S. chose? What will be the American response to the given systemic challenges?

## **2. The American Choice will also Determine Russia's future**

Modern Russia cannot be the key issue in world politics for the U.S. Their "Russia policy" will be defined by the grand American strategy. Three main variants of such a strategy are presently available.

1. Controlling key resources of global development. (Currently, these are oil, money, and intellect.) Direct control, as we see in Iraq, is impossible because the West is not strong enough. However, "soft power" can work as it had over the past years. For Russia, the first and foremost implication of this strategy is the "internationalization" of natural resources in Siberia and the Far East. Or, plainly speaking, the seizure of these resources from Russia for the benefit of global Western corporations.

2. "Traditional geopolitics": the maintenance of the global balance of power (i.e. domination of the U.S.) by containing China using, among other methods, expensive oil. Expensive oil is a blessing for Russia, however; the maintenance of the global balance of power contains the expansion of Russian business at the exact time when the Russian bureaucracy unequivocally deprived Russia of any foreign policy influence.

3. Governing using crises, including “**transit wars**”, so as to disrupt competing lines of communication, primarily gas and oil. From the viewpoint of containing China, this includes;

30

- Destabilizing the Fergana Valley and creating bases of Islamic militants in Southern Kazakhstan who could carry out sabotage operations along the proposed Kazakhstan-China pipeline.
  - Large-scale piratical attacks against oil tankers bound for China. (It is no accident that this scenario is being considered in detail at Davos.)
  - Halting energy and military cooperation between Russia and China.
- The next, possibly Democratic, U.S. President could complement this strategy by lowering world oil prices. In that case, cheap oil will not be available to everyone, rather, only to strategic Western allies.

For Russia, this amounts to problems with radical Islam, China, and probably economic destabilization resulting from a decrease in oil revenue in an atmosphere of total government corruption.

### **3. The U.S. can annihilate but cannot Change Russia**

Russia is an imperfect society and its leaders seem like typical “bad guys”. Modern Russia is weak and its interests, at least in some areas, conflict with American interests.

The U.S. can regard Russia from two different points of view and choose to interact with it accordingly. Russia can either be utilized as an object for realizing current U.S. goals or as a means of maintaining the global balance of power.

These are different goals and paths.

Objectively, the first path leads to Russia’s destruction and the shifting of global power towards U.S. adversaries; namely global Islam and especially China. China can take over Siberia and the Russian Far East after Russia weakens as a result of losing national control of raw material deposits in the interests of global Western business.

If the U.S. attempts to forcibly export Western democratic values to Russia and impose their own ideals upon it, they can simply hand Siberia and the Far East to China. Just like they already gave southern, Shiite populated Iraq to Iran.

After the Russian default of 1998, the U.S. chose the second path, that of maintaining the global balance of power, but it turned out to be too difficult. I am afraid that today the U.S. sees only the Russian bureaucracy and does not view Russia as an element of global balance and competition. If you only see current Russian leaders, than,

of course, you cannot answer the question “Why on earth should we stand this nonsense?” and chose the first path, the path of the nineties. Today, this path stipulates for:

- The sustenance of Western-oriented liberals and Medvedev in Russian domestic politics to serve as Putin’s successors;
- The intention to “internationalize” the natural resources of Siberia and the Far

East, the destruction of Gazprom, and free international use of Russian pipelines.

- A return to the “external control” of Russia, characteristic of the Yeltsin years.

This is a path of overt conflicts because it signifies Russia’s slaughter, and the Russian population is very well aware of it.

Putin disagrees with this scenario because it runs counter to his personal interests, and those of his friends. However, in this case, their personal interests coincide with the

31

public interests of ordinary Russians. The above scenario is not an effective “soft” method to erode “Putinism”. It is, on the contrary, a way of preserving it. It is a means of retaining Putin for a “third term”, and every international issue, be it with the West or the South, aids the idea of a “third term”.

**Many of Putin’s enemies will nonetheless help him in a confrontation with the threat of a return of “external American control”** exactly as their children had fought for Stalin, whom they hated, against Hitler. By trying, even unconsciously, to destroy Russia using globalization, the U.S. is ensuring Russia’s unity behind Putin.

The best course of action for the U.S., both for themselves and for Russia, but not for Russian bureaucracy, is to wait without actively meddling and to uphold the global balance of power. Putin and his friends need to bring the country into a systemic crisis on their own, without the ability to justify their actions by pointing to the “diversions” of the U.S. and other enemies. In this case, the Russian people will be able to solve their own problems and begin building a democracy in the course of overcoming the systemic crisis.

An active U.S. foreign policy towards Russia precludes a protest by the Russian people of both the Russian bureaucracy and Putin and his friends. It also transfers the people’s anger from the latter to the bureaucracy’s traditional and comfortable enemy – the U.S. This is not very interesting for the transgressors, and very bad for Russia.

#### **4. the Presidential Elections of 2008; a threat of a crisis, but not an opportunity for democracy**

Russian politics can be reduced to a single question; will Putin leave office or stay for a “third term”.

Russian political life is now a battlefield of two main bureaucratic groups; corrupt liberal officials and powerful oligarchs. Only Putin has the ability to govern and maintain a balance between these groups. Only Putin can ensure the safety of members of both groups, Russia’s new leaders.

If Putin chooses his replacement from among the powerful oligarchs, the corrupt liberals know that they will lose power, money, and likely, freedom. The powerful oligarchs in turn understand that if Putin chooses a representative of the corrupt liberals an enviable choice will lay ahead of them; **a court-martial or Basmany Court.**

Medvedev is the candidate of the corrupt liberals. He is the best manager of all the candidates, except for Sobyenin and Narishkin. However, neither of the two candidates possesses sufficient political heft and the latter is apparently only being groomed to be Prime Minister. Unfortunately, despite his managerial skills, Medvedev

still cannot run anything. The rest of the candidates are even worse.

After Ustinov was dismissed as Attorney General, the powerful oligarchs do not have a single candidate to put forth as Putin's replacement. Therefore, they need to preserve Putin for a third term. They create local and global crises both inside and outside of Russia in order to keep Putin in the Kremlin.

Relations with the West are so poor that a Western protest against Putin's third term is meaningless.

Putin will make a decision at the last moment, in the best case in December 2007.

Putin is a better president than Medvedev and others because although he can only work

32

a little and badly, he nonetheless can at least do something in order to maintain the global balance of power.

Pro- and anti-Western sentiments of the Russian population do not have political significance. This is the case because public opinion has only a slight effect on decision-making. The bureaucracy uses the public mood to achieve its own local goals and manipulates public opinion when it comes to serious issues.

Thus, Russia is not choosing between the East and the West, democracy and authoritarianism, economic competition or destabilization, but between chaos and order. After the liberal socio-economic policies and external Western control of the 1990's, Russians understand that a bad and corrupt order is better than good and democratic chaos.

## **5. What is important for normal relations?**

The West needs a stable Russia in order to maintain the global balance of power against China. In the event of Russia's disintegration, her resources will go to China, not the West.

The West cannot stop Russia's slide into a systemic crisis, and can only help get out of it once it has begun. This is a challenge for the future.

Currently, the West needs a "Cold War" only with Russia's new masters, not with the Russian people. Russians are protesting against the politics of the Russian bureaucracy, and their protest should not be re-directed at the bureaucracy's strategic partners in the West.

If the West understands and accepts this, it needs to learn to acknowledge Russians' rights to patriotism and to a normal level of freedom – not as a religious symbol, but as the only path to prosperity and justice.

Russian "democrats" and "liberals" have forgotten these demands and rights, and therefore the terms "democrat" and "liberal" are cursed in Russia. Official propaganda uses this to divert Russian citizens from asserting their interests and rights to fighting the West.

The West needs to explain to Russia that these rights are destroyed not by rivalry with the West, but solely by the avarice of new Russian leaders. Yes, in the future, the issue of global competition will arise. Currently, however, there is only one key problem – corruption (including, of course, corruption in the interests of the West) and a lack of

bureaucratic integrity.

After Russia experiences a systemic crisis the West must be able to say to Russians; "You see? We are for democracy, but not for "democrats", for law, but not for lawyers, for prosperity, but not for prospering oligarchs." All the things that it could not say after the 1990's.

Russia will be useful to the West if the West can side with Russia against China and global Islam in foreign policy and with the Russian people against the Russian bureaucracy in domestic policy.

If the West attempts to transform Russia according to its own conceptualization of the correct societal order, or simply seize Russian raw materials, intellect and money, it will destroy Russia and pay dearly for the relatively small gain. As a consequence of doing so, the West will experience large-scale, global systemic problems.

33

## **Russia and the West: 2007**

By Andrei Piontkovsky

### I. Kremlin

The nature of the conflict over Putin's successor has not changed in the slightest in the past two years. The Successor-2008 problem is quite different from the Successor-2000 problem. In 2000 the successor had to be marketed to an electorate 100 million strong. We all remember what a huge fireworks display was required, involving Basaev's raid on Dagestan and the blowing up of apartment blocks in Moscow. In 2008 there will be no need to market the successor to anyone. The electorate has been satisfactorily dealt with and will now swallow anything. In any case, nobody is going to ask its opinion. All that is required is for Putin to reach agreement with the inner circle of his entourage, five or ten of the boyz of the Petersburg Brigade. This is where the problems begin.

The conflict is already spilling out of Churchill's "riddle wrapped in a mystery inside an enigma," as the terrible truth becomes evident to Putin's cronies that He really does want to get out: " Long has the weary slave planned his escape." In The Brigade, however, a certain equilibrium has been established and "The Chief" cannot simply give orders or make arrangements there, let alone appoint successors. He needs to negotiate the terms of his departure, if he can, with his business partners.

Most see his longing to get out as easily explicable in a still youthful and no doubt wealthy man: he does very much want for the next twenty years or so to be something like another Roman Abramovich. As a certain Russian billionaire irrefutably remarked, we Russians should, after all, be allowed to compensate ourselves for decades of tragedy and deprivation. This feeling is undoubtedly present in the psyche of the boy from the Petersburg communal apartment, but it is not by any means dominant.

Putin understands very well the pitiless laws of the system he has built up step by step over the past seven years. If he takes that final step of agreeing to a third term, he is accepting a life sentence. He will move into a new existential realm; he will enter that

world of shadows from which no traveller returns. The darkness at noon of the Kremlin will engulf him forever. Not only will he never become a Roma, or Vova, Abramovich, he will never become anyone or anything again.

When Joseph Stalin lost, if he did, the argument on the agrarian question to Nikolai Bukharin in 1929, he could have still, if he had so wished, gone to work at the Institute of Red Professors teaching a course on “Marxism and the National Question” to students in the Workers’ Faculty. Alternatively, he could have gone home to Georgia, cultivated a vineyard and made his own wine. So many things he could have done.

Only a few years passed before, as the ruler of one-sixth of the Earth, resigning his position would have been tantamount to standing up against the nearest wall in front of a firing squad. He had another twenty long years of that before his beloved comrades-in-arms found him where he had been lying unconscious on the floor in a pool of his own urine for twenty-four hours.

34

But let us return to our present-day hero. The more doggedly he tries to get out, the more they hate him; and the more desperately he wants to break free and never let these people hold sway over his life and destiny. Unfortunately, beyond the confines of his immediate entourage he has nobody. Beyond there is a scorched earth of his own making in which tens of thousands of “Our People”, his “Nashi”, are marching in T-shirts bearing his portrait.

Two Jungian archetypes were impressed forever on the infant psychology of the future president, and they often burst through from his unconscious to the verbal level: the cornered rat, and the boy clutching candy in his sweaty fist.

## II. Munich

The attitude of the Russian political class to Europe, and to the West in general, over the latest three-four centuries has always been contradictory, hypersensitive, and extremely emotional. The best Russian political text on the subject remains even today Alexander Blok’s 1918 poem, *Scythians*, with its famous lines about Russia: “She stares, she stares at you with hatred and with love” and “We will turn our Asiatic snout towards you.”

Just as 300 years ago, and 200, and twenty, we know perfectly well that we cannot do without Western technology and investments, and that autarky and an Iron Curtain spell economic and geopolitical disaster for Russia. We understand that Russian culture is an integral part of European culture. And yet, the West seems to irritate us by the very fact of its existence. We see it as a psychological, informational, spiritual challenge. We are constantly trying to convince ourselves that the West is inherently hostile and malevolent towards Russia, because this flatters our vanity and helps to excuse our shortcomings and failures.

If you take any mainstream Russian publication and read the last hundred articles

dealing with foreign policy matters, ninety-eight will be full of bitterness, complaints, irritation, poison and hostility towards the West. This despite the fact that most of the authors of those articles like to spend as much time as possible in Western capitals and Western resorts, keep their money in Western banks, and send their children to study in Western schools and universities.

As in the famous poem a passionate declaration of love for Europe turns, at the slightest doubt as to whether it is reciprocated, into a threatening, "And if you won't, there's nothing we can lose, and we can answer you with treachery!" What have "5,000 bayonets deployed in Bulgaria." three airplanes in Lithuania, Kosovo or the Jew-baiter of

Iran to do with anything? The whole lot of them are mere opportunities for the manic-depressive Russian elite to check and re-check its endless love-hate relationship with the West. That existential Russian question, "But do you respect me?" is in reality addressed, not to our latest drinking partner, but to the starry firmament in the West.

Last week that question was asked again at the Munich Conference on Security Policy in the latest spiritual striptease show put on by the latest Russian Patient. It doesn't matter what his name is: Ivanov, Petrov, Sidorov, Yeltsin, Primakov, Putin... For some reason it

is considered statesmanlike and patriotic to pout your lips and enumerate before various Western audiences the same old list of "grievances" about the unipolar world, the ABM treaty, the expansion of NATO, the creeping up of NATO, our encirclement by NATO.

35

Wake up, intellectual "heavyweights" of Russia. What world and what century are you living in?

Where now is that mammoth aggressive military machine of NATO you have so long been warning of? It truly has lumbered up to the sacred borders of the former Soviet

Union, but not from the direction you expected. Indeed, my fear is that there it will meet its end, defending those borders from the advance of Islamic radicals. When to the ullulating of those fighting against "a unipolar world" NATO finally departs from Afghanistan and from history, the front of the Islamic revolution will cut through the countries of Central Asia. If we look a little further to the East, there too significant events are afoot.

"In September 2006 the Chinese People's Liberation Army conducted a ten-day military training exercise on an unprecedented scale in the Shenyang and Beijing Military

Regions, the two most powerful of the seven Chinese MRs. These border Russia. Shenyang confronts the Far East Military Region and Beijing confronts the Siberian Military Region. In the course of the exercise, units of the Shenyang MR performed a 1,000 kilometer advance into the territory of the Beijing MR and engaged in a training battle with units of that Region.

The nature of the exercise tells us that it is in preparation for war with Russia and, moreover, that what is being planned is not defense but attack. Against Taiwan this scenario makes no sense. Deep invasive operations are being worked out on dry land, in a region of steppes and mountains. The lay of the land in the region where the exercises

were held is similar to that of the Trans-Baikal region, and 1,000 kilometers is precisely the distance from the Russo-Chinese border at the river Argun to Lake Baikal." ("Greetings from China", *Izvestiya*, 12 February 2007.)

But who is bothered about all that in our little psychiatric hospital? It is far more fun to go on about the usual grievances: bayonets in Bulgaria, Russophobes in Courchevel, calumniators of Russia in Scotland Yard. So, there we have it. In the not too distant future the centuries-old, tortuous psychological relationship between this patient and the West may finally be much simplified. No longer will anybody need to attend psychoanalytical conferences in Munich or turn their special Asiatic snout towards anyone there. Russia's Asiatic streak will be clear for all to see.

### III. Will the June 2008 G8 Summit be the last one?

Many commentators, myself included, have noted that Vladimir Putin pulled off a striking personal propaganda coup at last year's G-8 summit. But what about the present state of that institution, and the G-8's future?

The last time the G-8 was put to the test was when an extremely serious Middle East crisis blew up on the eve of the meeting of the "leaders of the world's foremost democracies." The analysts were debating whether this was the beginning of a fourth world war (the Third, Cold, War, having ended in November 1989), or whether it was merely a continuation of the war being waged, since September 2001 if not earlier, by radical Islam against the "Satanic" West. Be that as it may, the eight most powerful leaders on the planet, locked up together in the Konstantinovsky Palace for two days, had an opportunity, if not to snuff out the conflict, then at least to work out a responsible joint approach to what was occurring.

36

We heard a great deal over those two days about guinea fowl, lobster mousse, energy security and bird flu, but nothing at all, apart from an exchange of propaganda pinpricks, about a crisis that was rapidly worsening before our eyes.

The G-8 (formerly the G-7 and G-6) has not always been like this. It arose in the 1970s after the oil crisis, also caused by events in the Middle East, as a kind of Politburo of the West, a club for the leaders of countries with a shared geopolitical vision of the world, shared values and a shared historical destiny. The club became the antithesis of the Security Council, which was a propaganda platform for rivals and antagonists during the Cold War. It was a club where it was possible to work out, in a businesslike manner in an intimate circle, a common strategy for the West in world politics, primarily in economic sphere. Post-Soviet Russia was accepted into this club, despite its relatively modest economic weight, as a geopolitical ally that felt it belonged to the Greater West.

Economically, Russia today is far closer, at least in terms of her energy resources, to enjoying G-8 status than it was. The problem is that (as Russia's leaders proclaim ever more loudly and unambiguously) she no longer considers herself part of the West.

Indeed, as in the good old days of the USSR, she sees the West as a rival and a threat. In his Victory Day speech this year, Mr.V. Putin even compared USA with the Third Reich.

The upshot is that the G-8 ceases to be a club of like-minded partners, while falling short of being a global economic council, since such giants as India and China are absent from it

This totally undermines the institution's ability to function effectively, and that gives rise to an atmosphere of awkwardness and unease that developed into more and more evident mutual irritation.

The solution is not far to seek. Two functions of the G-8, neither of which it is currently performing satisfactorily, need to be separated. The G-8 should expand to 10 or 12 members (China, India, Brazil...) and become a full fledged Board of Directors of the global economy. Russia, which has recently taken to calling itself an energy superpower, would be wholly entitled to be a member of this board.

Putin's Russia is insistent at the same time that it is not a part of the West and is still fantasizing about Eurasianism and its own special path. Accordingly, the West needs as a matter of urgency to set up its own mini-Politburo. Whether that should be the old G-7 or a triangle of the USA, the European Community and Japan is not for us to say.

What is indisputable is that today the West faces challenges and threats on an unprecedented scale and urgently needs to come up with a unified strategy to cope with them. I believe that Russia is, in fact, both geopolitically and in terms of her civilization, a part of the West, and that this is dramatically underlined by the fact that these challenges and threats are targeted also against her. That is not, however, how my country's leaders see it. They are persuaded that "behind the backs of Islamic terrorists stand more powerful and dangerous traditional enemies of Russia." The Kremlin propagandists go on 24 hours a day on our state-controlled television about the threat to Russia whipping up anti-Western hysteria.

Given this state of affairs, it is naive and foolish of the West to continue pretending we are all members of the same club and trying to work out a joint strategy with Putin. Today Putin is playing on the other side, and no longer makes any bones about it.

However Putins come and Putins go but Russia remains, and in the long run the West needs an alliance with her, just as Russia needs an alliance with the West. One of

37

the most important tasks of the Western Politburo, then, will be to find a modus vivendi with an openly non-Western Putinist Russia. While harboring no illusions, the West should try not to allow relations to deteriorate further, to seek out the points of contact that do remain, and to wait patiently. They should wait for the real interests of Russia's national security to be accorded priority over the complexes, myths, and commercial interests of the ruling cliques, as will inevitably happen. Let us hope it does not happen too late, both for the West and for Russia.

By David Satter

The Russian regime has a different conception of the individual than the one that exists in the West. If in the West, the individual has inherent value and is the bearer of inalienable rights, in Russia, he is a means to an end and can easily be sacrificed in the pursuit of political goals. This difference is important to keep in mind when deciding how

the West should react to events in Russia. The decline of democracy and the apparent involvement of the Russian leadership in serious crimes such as the murders of Anna Politkovskaya and Alexander Litvinenko are important in themselves. But they are all the more ominous when considered in light of the mentality they reflect, a mentality that, left unchallenged, will influence further actions, creating new dangers both for Russia's citizens and the West.

The attitude of the post-Soviet Russian regime toward the individual is reflected in three ways: the low value placed on human life, a foreign policy that seeks "great power status" and the denial by the regime's representatives of the universal validity of human rights. In each case, the result is a moral challenge to the West.

Recent Russian history is replete with examples of the extent to which the Russian authorities have treated the lives of their citizens as expendable. The reform process in Russia was undertaken without serious consideration of its effect on the population. The criminalization that accompanied it had a devastating psychological effect on a people that had lost a worldview and received no new set of values able to take its place. One consequence was a sharp rise in mortality. In 1992-94, the increase in the death rate in Russia was so dramatic that Western demographers, at first, did not believe the data. In the end, crimes of violence, accidents and an epidemic of stress related illnesses contributed to what Western and Russian demographers agree were five to six million "surplus deaths" between 1992 and 1999.

The lack of respect in Russia for human life is also reflected in the authorities' reaction to hostage situations. In October 2002, 41 terrorists seized the Theater on Dubrovka in central Moscow and took 912 persons hostage. The Russian authorities refused to negotiate and attacked the hall with poison gas causing the deaths of at least 125 of the hostages. They did this although they knew in advance that the bombs that had

been placed in the hall by the terrorists had not been activated and could not explode. Two years later, during the Beslan school siege, 334 persons were killed, most of them children. There is now abundant confirmation – from the investigating commission of the North Ossetia republic parliament and Yuri Saveliev, a member of the federal investigating commission - that the massacre was provoked by Russian forces who opened fired on a school gymnasium with 1,200 hostages using flame throwers and grenade launchers. The attack was ordered shortly after agreement had been reached between the former Chechen president, Aslan Maskhadov and local authorities on negotiations that would almost certainly have ended the crisis but would have given an

important political victory to the Chechen resistance. In the end, the majority of those killed were children, many of whom were burned alive. A journalist who saw the scene afterward compared it to Auschwitz. The school was attacked for political reasons with standard military tactics for destroying a reinforced object and no regard for the presence of the hostages. No Western government and very few non-Western governments would have launched an attack under such circumstances.

Finally, the low value attached to human life is demonstrated in the recent murders of opponents of the regime. There is no incontrovertible proof that the regime was responsible for the deaths of Anna Politkovskaya or Alexander Litvinenko although there is considerable circumstantial evidence. What is indicative of an underlying attitude, however, is the regime's reaction to the events. In the case of Politkovskaya, Putin remarked that her death was more damaging than her writing. The obvious implication was that if her writings had been more damaging than her death, killing her would have been acceptable. In the case of Litvinenko, there has been a well orchestrated

campaign by the Russian authorities to blame his murder on Boris Berezovsky despite the

fact that there was never any serious indication that Berezovsky was involved in the killing. This reflects a long established KGB practice of not only killing a person but trying to use the crime twice by blaming it on a political opponent.

The regime also demonstrates a drive for great power status that is unconnected to any moral criteria or indeed any rational reason why that status is necessary.

Russia has, first of all, sought to circumscribe the independence of Ukraine. In the 2005 presidential elections, Russia openly backed Viktor Yanukovich who claimed victory on the basis of blatant election fraud. Putin demonstrated his disregard for the Ukrainians' democratic choice by congratulating Yanukovich on his "convincing victory." The same lack of respect was demonstrated in the gas crisis which arose in the wake of Ukraine's intention to move closer to the West. Russia and Ukraine share the energy complex of the Soviet Union. By abruptly canceling an existing arrangement and demanding an almost fivefold price increase in the price of gas, Russia was not following

the logic of the market but, on the contrary, using the forced cooperation of the two countries as a device for interfering in the internal political process in Ukraine.

Russia has also sought to limit the independence of Georgia. It backs separatist governments in Abkhazia and South Ossetia (while crushing separatism in Chechnya) and continues to occupy and reinforce Soviet era bases despite repeated international commitments to withdraw.

Ukraine and Georgia have reacted to Russian interference by seeking to join NATO. In response, Russia has warned that admission of Ukraine and Georgia to NATO would trigger a crisis in U.S. – Russian relations, a further indication that Russia does not

accept the sovereignty of Georgia and Ukraine.

Russia justifies the pressure it is exerting on Ukraine, Georgia and other former Soviet republics with reference to its "geopolitical interests." In fact, Russia remains blind to its real strategic interest that lies in an alliance with the West.

Despite the tension in U.S. – Russian relations, the Russia is a natural strategic ally of the West. Both Russia and the West are interested in halting the advance of radical islam, stopping nuclear proliferation and preventing the emergence of a Chinese superpower. Yet the Russian regime, in its drive to regain some of the status that was lost with the fall of the Soviet Union, neglects steps that are vital to its future security.

40

The country that presents perhaps the greatest long term threat to Russia's security is China but Russia is China's leading arms supplier. Since December, 1992, the signing of the Sino-Russian agreement on military technical cooperation, China has purchased more weapons from Russia than from all other countries combined. It is now expressing interest in buying long range Russian bombers like the Tu-22 MC "Backfire" used in joint Sino-Russian exercises that can carry conventional or nuclear tipped cruise missiles. Russia has furnished Iran with sophisticated weapons and nuclear technology, has turned a blind eye to Korean missile launches that endangered its territory and has delivered advanced anti-tank weapons to Syria knowing, at the very least, that they could (and probably that they would) be transferred to terrorists. The readiness of Russia to ignore its real geopolitical interests in pursuit of the phantom of becoming a "great power" by dominating its "near abroad" is a tribute to the power of the Russian leadership's ideological view of reality. It also is a sign of the extent to which a regime that denies the value of the individual understands that it is not part of the West.

Finally, the false values of the regime are reflected in its various half baked philosophical pronouncements, in particular, the effort to deny the universality of human rights. On April 6, 2006, the Tenth World Russian People's Assembly, a social forum organized by the Russian Orthodox Church, adopted a statement in which it explicitly rejected the priority of human rights. The statement said that other values are as important as human rights and that human rights should, in any case, not be allowed to threaten the existence of the nation. Where there is a conflict between human rights and the values of the nation, the statement said, the state and society should "harmoniously" combine them.

In a speech to the meeting, Russian foreign minister, Sergei Lavrov said he supported the position of the Assembly on the question of human rights. He said that Russia was emerging as an autonomous factor in world politics and he criticized those who were trying to put pressure on Russia to define itself on the side of Western civilization in "its supposedly inevitable conflict with Islamic civilization." He thereby suggested that the West, in its efforts to defend itself against terrorism, was seeking a conflict with "Islamic civilization" and that Russia did not consider itself to be a part of the West.

A short time later, in an interview with the newspaper, Moscow News, Alexander Solzhenitsyn also attacked the notion of the primacy of human rights. "Unlimited human rights," he said, "are what our cave ancestor had when no one forbade him to snatch a piece of meat from his neighbor or hit him over the head with a club." Solzhenitsyn said it was necessary to defend not "human rights" but "human obligations."

The statement by Solzhenitsyn, who has become an outspoken supporter of the Putin regime, was particularly disappointing but its language also showed a great deal about the moral confusion that is typical of Russia today. Rights exist vis a vis a government so a cave man cannot have rights much less “unlimited rights.” At the same time, the place of rights cannot be taken by obligations because they have a different origin. Rights are God given and exist as a counterpoise to the obligations imposed by society. To eliminate rights in favor of obligations is to destroy transcendent moral authority leaving only the authority of the state.

41

Russia is part of Judaeo-Christian civilization and its future is with the West. For this reason, the West should resist the temptation to make concessions to the Russian regime’s false values and deluded view of reality. Under the best of circumstances, the benefits from such concessions would be only temporary.

The role of the West should be to help Russia recognize the authority of universal values. This means ending the imbalance between the impotence of the individual and the

power of the state. An end to the Russian state tradition, however, also depends on the Russian intelligentsia, some of whose members prefer nationalist delusions to an attempt to think seriously about the future of their country. Such persons would do well to remember the example of the German intellectuals who almost unanimously supported the version of the “stab in the back” as the reason for Germany’s defeat in the First World

War and so contributed to their country’s destruction by helping bring the Nazis to power.

It is now argued in Russia that Russian history should be understood as the story of the development of the Russian state. According to this interpretation, the communist era was just another episode in the evolution of the state structures that were responsible for many of the glories of the Russian past. Putin even referred recently to the fall of the Soviet Union as the “greatest geopolitical tragedy of the twentieth century.”

To establish the authority of ethical transcendence in Russia, however, it is necessary to take a more realistic view of the Russian state and establish its reliable subordination to the interests and will of the population.

In the final analysis, a nation needs a moral framework for its long term existence. Jung said that ethical transcendence is the “reciprocal relationship between man and an extra-mundane authority that acts as a counterpoise to the ‘world’ and its ‘reason.’” It is this relationship that locates the true source of moral judgment not in the power of the state but rather in the sense of right and wrong of the individual.

It could be argued that to reject the Russian state tradition is to reject Russia’s identity since the role of the state has been critical in Russian history. Breaking with the past, however, does not mean a loss of identity if it is done consciously and in light of ultimate values. At the same time, the dominant tendency in Russia was not the only tendency. There are figures in Russian history that fought for individual rights from the Decembrists to the Soviet dissidents and all them played a role in bringing about that degree of freedom that exists in Russia today.

The Russian earth is no longer producing an unlimited number of individuals to be used up by the apparatus of the state. It is now necessary for Russia to value the people that it has. The process of change is likely to be difficult. But it is certainly well within the capacity of a nation that tried to create heaven on earth. And it is the only hope for a better tomorrow.

42

## The End of Putin's Era: Domestic Drivers of Foreign Policy

By Lilia Shevtsova

Russia is approaching the end of Vladimir Putin's presidency and is nearing its new moment of truth where the elite will try to guarantee the perpetuation of its power. Russia is still a moving target, a hybrid society that includes incompatible trends and interests and sees itself with an intentionally blurred focus. Does that mean that Russia defies explanation and forecasts? Fortunately, that is not the case. One can see already the outlines of the post-communist Russian System, its trajectory, its domestic and foreign policy drivers, and where these will take Russia in the future. Let us reflect on key elements of the Russian political canvas and see how they influence Russia's posture on the global scene.

### *The Art of Moving in the Grey Zone*

Russia presents the perfect case of a failed transition from totalitarianism to democracy, yet at the same time Russia is an example of an amazingly successful attempt to build a strange "political animal"—the super power-petro state—operating on the orbit of the West, and even being part of certain Western structures, while at the same time remaining an entity alien to the West. In short, we are dealing with an unusual civilizational phenomenon.

Russia has undermined quite a few scholarly beliefs and regime classifications; forcing analysts to think not in terms of a transition to democracy but in terms of a "democratic collapse" and "an imitation of democracy." Those, who evaluated Russia through the prism of electoral democracy, assuming that an "immature" democracy would sooner or later turn into a full-fledged democracy have been compelled to redefine Russia as an autocracy. Still others view Russia as a country that falls into the political gray zone between democracy and dictatorship; a recognition that the empirical reality in this country was messier than expected.

Russia has proved that liberalization does not always lead to a democratic transition: it can end with a return to traditionalism. Russia has also undermined the basic

assumption of the transition paradigm—the determinative importance of elections. Russian experience has proved that capitalism and economic growth not necessarily are prerequisites of the democratic developments as many Russian liberals and pragmatists still believe. The Russian post-communist evolution, however, has also demonstrated aside from liberal democracy, there are few alternative institutional models that elicit any enthusiasm. The political regime that emerged in Russia confirms that democracy is the only legitimate rule even in the perception of non-democratic elites who have felt unprecedented pressure to adopt, or at least mimic, the democratic form.

Not only Russian developments but the experiences of other post-Soviet states show that “imitative democracy”—that is, the existence of formally democratic institutions that conceal autocratic, bureaucratic, or oligarchic practices—is, apparently, a

43

major competitor to liberal democracy. The resurgence of neo-patrimonial practice under liberal and democratic disguise discredits democratic ideas and institutions to such a degree that it may give new appeal to the idea of authoritarian or totalitarian power in non

ideological disguise or in the nationalist or (and) superpower format. Moreover, in the Russian case, we are dealing not with a case of the collapse of democracy, as many think,

but with the deliberate use of a Potemkin village style imitation of democratic and liberal institutions to conceal the traditional power structure. The imitation is remarkably successful, and can (and is) replicated in the post-Soviet space.

The imitation of one dimension of Western life - liberal democracy- inevitably brought the imitation of other aspects, resulting in new cultural codes and a new social fabric. Ironically, by indiscriminately endorsing Yeltsin’s policies and his hyper-presidency in the 1990’s, the West bears at least partial responsibility for Russian developments. In any case, during the first Yeltsin presidency when Russia needed Western economic support and assistance in building a market economy, the Western powers had enough leverage to caution the Russian political elite about the consequences of liquidating independent institutions and relying on personalized power.

The Russian experience demonstrates how much the formula of “capitalism first, democracy later” admired by many analysts and politicians ended not only with authoritarian rule but with the emergence of an ineffective and corrupt capitalism, causing massive disillusionment among Russians in liberal democracy *per se* and in Western values. This was not the only assumption shattered. Russian post-communist evolution has proved that the overlap of economic growth and political freedom is not an axiom. Russia, like other petro-states, has not benefited from the enormous oil wealth and has not evolved into a democratic polity. In fact, just the opposite has occurred: in Russia, robust economic growth fueled by the oil prices during Putin’s presidency, has been followed by a crackdown on democracy and the degradation of a middle class which

is looking for an “iron hand” but not freedoms. China’s experience, with its booming economy and stagnating politics, reconfirms that there is no direct causality between

development and democracy.

The Russian political regime that has been consolidated due to the efforts of two Russian leaders— Boris Yeltsin and Vladimir Putin—closely resembles bureaucratic authoritarianism in Latin America in the 1960-70's. The regime includes personified power, bureaucratization of society, political exclusion of the population, a leading role for technocrats in the setting of the economic agenda, and an active role for the special services (in the Latin American case it was the military which played an active role). The majority of these regimes failed to build developed societies and there is no evidence to lead one to believe that Russia will do otherwise. The attempts of Russian bureaucratic authoritarianism to perpetuate itself by returning to a superpower mentality and using energy clout can hardly make it more sustainable.

Russia's bureaucratic authoritarianism has to be legitimized by elections and this fact itself creates a Catch-22: the regime cannot use harsh authoritarian measures because it would discredit its democratic legitimacy; but it cannot follow democratic rules either. This leaves the system inherently torn by incompatible principles that undermine its sustainability. In short, the regime survives by imitating; in the end, however, imitation prevents it from effectively functioning in either paradigm —

44

democratic and authoritarian— and it is doomed to stagnate in the twilight zone between the two.

Imitative systems produce misleading impressions. Putin's current politics look authoritarian, but in reality the president is more and more becoming the hostage of a bureaucracy which survives by using the super-presidency as means to pursue its own interests. By the same token, a Russian state that looks strong and omnipresent is, in reality, weak and unable to follow its commitments. An imitative system can also produce some other striking phenomena. According to the conventional wisdom, it is the *siloviki*, the representatives of the power structures, who are responsible for Russia's back-pedaling on political pluralism. In reality, liberal technocrats were the first to endorse an authoritarian style of governance, manipulate elections during Yeltsin's tenure, and wreck independent TV during Putin's presidency. Ironically, today it is the technocrats who are the first to call for nationalization as the means to legitimize a new round of privatization.

## *2. Bureaucratic Capitalism as the Key Impediment for Economic Development*

The economy Putin is leaving to Russia looks impressive. Gross domestic product has risen during his presidency from \$200 billion in 1999 to \$920 billion in 2006 (in current dollars); the gold and currency reserves have risen from \$12.7 billion in 1999 to \$ 303,86 billion in February 2007.. The reserves of the Stabilization Fund, into which oil revenues are deposited, have reached \$70 billion. In 2006 the trade profit was over \$120 billion, and the budget profit is 7.5 percent of gross domestic product. The Russian economy is now the twelfth largest in the world. Although since 2005 economic growth has been slowing down (from 10 percent in 2000 to 6.8 percent in 2006) it still looks fairly impressive. A boom is continuing not only in the extractive sectors of the

economy but also in construction, trade, the service and banking sectors. Russian business has shown it is able to organize large scale production, successfully competing against international corporations. Russia, which in the 1990s had humiliatingly to beg for loans, repaid her debt to the Paris Club ahead of time. The number of major businessmen in Russia is increasing more than twice as fast as in the USA: in 2005 the number of dollar millionaires in Russia grew by 17.4 percent as against 6 percent in the USA.

However, like everything else in Russia, the economy has a false bottom. The causes of the economy's success give no grounds for optimism, mainly because it is associated with high oil prices and has partly been achieved by sectors protected from foreign competition. A collapse of the oil price could plunge the Russian economy into recession, and people remember what a fall in the oil price means. Yegor Gaidar has repeatedly reminded us that the sixfold decrease in the oil price in 1986 led to the collapse of the USSR, and the twofold fall in 1998 caused a financial crisis that almost finished off the barely breathing Russian economy. Many speak about an inevitable devaluation of the ruble which could take the form of a crisis. Besides, wages and incomes in Russia have been growing systematically faster than productivity. As a result, the share of consumption in GDP has increased at the expense of investment (gross investment amounts no more than 20 per cent of GDP).

45

There are other causes for concern. The government cannot get inflation down to below 10 percent; the banking system is not fulfilling its role as a mediator: financial flows in the raw materials sector are not being transmitted to other sectors. The banks siphon money off into the shadows, and they service rentiers living off their dividends, and sometimes even criminal gangs. The government has no idea what to do about the negative impact of the flood of petrodollars, evident primarily in a strengthening of the rouble that stimulates imports and hits Russian industry. Russia has managed to pay off its national debt, but the corporate debt of Russian companies has risen from \$30 billion in 1998 to \$216 billion in 2005. Russia's foreign trade accounts for 45 percent of GDP (in China this indicator is closer to 70 percent), which warns us that the Russian economy

is relatively cut off from the rest of the world and that its goods are uncompetitive. The economic foundation of the current Russian system is *bureaucratic* capitalism, which has replaced Yeltsin's *oligarchic* capitalism. The bureaucratic corporation has come up with a number of ways to take control of assets, in particular by installing its representatives on the boards of private companies that led to the emergence of a new cohort of bureaucrat-oligarchs. The director of Gazprom, Alexey Miller, and members of the ruling team Dmitry Medvedev, Sergey Ivanov, Vladislav Surkov and the rest--and who sit on the boards of the largest companies represent a new type of Russian oligarchy.

Let me give a few examples of how power and business merger in Russia: Dmitri Medvedev, the first deputy premier, is the chairman of the board of directors of Gazprom; Sergei Ivanov, the first deputy premier is the chairman of the board of directors of the "United Aviation Building Corporation"; Sergei Naryshkin, the deputy

premier, is the the chairman of the board of directors of the “First Channel”; Victor Christenko, the minister of industry and energy, is the chairman of the board of directors of “Transneft”; Alexei Gordeev, the minister of agriculture, is the chairman of the board of directors of “Rosagrolising”; Anatolii Serdukov, the defense minister, is the chairman of the board of directors of “Chimprom”; Gremam Gref, the minister of economic development and trade, is the chairman of the board of the “Russia Venture Company”; Igor Levitin, the transport minister, is the chairman of the board of directors of “International Airport Sheremetievo”; Sergei Sobianin, the head of the presidential administration, is the chairman of the board of directors of the “TVAL” company; Igor Sechin, the deputy head of the presidential administration, is the head of the board of directors of “Rosneft” oil company; Victor Ivanov, an assistant to the president, is the chairman of the board of directors of “Almaz-Antei” and “Aeroflot”; Igor Shuvalov, an assistant to the president, is the chairman of the board of directors of “Russian Railroad”; and Sergei Prichodko, an assistant to the president, is the chairman of the board of directors of “Tactical Missile Weapons”. This is the team that rules Russia and this is how it rules Russian property. If we take into account that the capitalization of Gazprom is \$ 235.5 billion, that Rosneft is worth \$94 billion and that the Russian railroads are worth \$50 billion, we may have some idea of the wealth these people are controlling.

The ruling elite will undoubtedly continue to strengthen its grip on the economy, though some private companies under Kremlin control will be preserved. There are signs that the redistribution of assets from Yeltsin’s oligarchs to the bureaucracy could be followed by a fresh round of privatization and the formation of Putin’s own oligarchy. The regime has thus created a problem for itself, however. By seizing control of other

46

people's property it has placed its own property rights at risk, and who can guarantee that the new ruling team will not undermine new privatization again? It’s worth remembering that some Western businesses (backed by political circles) have legitimized the redistribution process in Russia by participating in it, financing it, and serving on the boards of companies that participated in the redistribution.

Russian economic reforms have been stalled and the reasons for that are not difficult to guess: who will risk starting painful reforms when the country is awash with oil money that, like a soothing drug, assuages all anxieties? Besides, who will embark on a destabilizing modernization on the eve of a new election cycle, when the government needs to create the impression of success and stability? Does the Russian ruling team understand that the country is approaching the limits of the “fuel” economy model? Surely, it is fully aware of the fact that it is taking part in a masquerade. But either the elite has no courage to admit it openly or it hopes that it has enough time to invent some gimmick to reenergize declining growth. Or there is one more explanation, cynical this time: the representatives of the Russian elite don’t care what will happen next because the system lacks a mechanism of accountability, and they have thought already about their personal exit solutions in case trouble starts for real. .

## *The New Incarnation of the Old Dream*

It is a truism already to say that the economic model that has taken shape in Russia resembles a *Petro-State*. The fuel and energy sector accounts for 54 percent of Russian exports, and more than 70 percent of investment. The characteristic features of the Petro-state are becoming more and more pronounced in Russia: the fusion of business and power; the emergence of a rentier class that lives on revenues from the sale of natural resources; endemic corruption; the dominion of large monopolies; the vulnerability of the economy to external shocks; the threat of the “Dutch disease”; and a large wealth gap between rich and poor.

Until recently Russia's over-reliance on natural resources exports was considered by the Russian elite as a weakness, but now the authorities attempt to convert this weakness into a strength by setting themselves the goal of turning the country into an *Energy Superpower*. This fact alone testifies to the failure of the government's attempts to create a diversified economy. It also gives rise to a number of difficult questions. How can Russia aspire to become the world's energy provider when when 75 percent of Russian proven oil and gas reserves are already in production; and when the country's oil reserves are expected to run dry in 25 years? The logic of the Petro-state inevitably forces us to pose another question: why Saudi Arabia, which pumps more oil than Russia, doesn't have aspire to the Energy Superpower role? The Russian elite is not pondering these questions, which only proves that it is not ready to think about the future and what it may have in store. The Russian Petro-state, however, differs from similar systems: the more Russia becomes a natural resources appendage of the West, the more the Russian elite tries to overcome its inferiority complex by promoting Russia's ambitions as a global actor. A nuclear Petro-State is a new phenomenon and its creators can hardly predict its logic.

Those Russian business people who understand why the economy is running out of steam try to seek salvation in Russia's regions, or attempt to offload their assets within

47

the country. By contrast, once the fallout from the Yukos affair had settled, Western businesses came charging back into Russia. Most of this investment came from multinational oil companies, that cannot be frightened away by unstable tax laws, corruption or the need to receive the Kremlin's political blessing to do business in Russia.

One has to admit that the Kremlin views Western companies as minority investors, and furthermore not investors in the strategically important sectors of the economy. And make no mistake: if the interests of the ruling class require stripping a Western investor

of his assets in Russia, the investor will lose—as we saw in the case of Royal Dutch Shell and Exxon Mobil on Sakhalin. If domestic political forces require turning a Western investor into an enemy, no high-level friendships can prevent this from happening.

*What is the potential of the Russian Hybrid?*

There is hardly any doubt that the Russian system will survive the 2007-2008 election cycle, complete the redistribution of resources, and keep society under control. The current system is extremely durable. The Kremlin has no cause for concern about its position as long as two factors remain in place: high oil prices and the lack of a political alternative to the ruling team. The regime can continue working to maintain the status quo, taking advantage not of society's hopefulness, as was the case early in Putin's first term, but its hopelessness, fear of unpredictability and desire to preserve the status quo at any price.

A number of factors facilitate a stagnant type of stability in Russia. The price of oil continues to provide the regime with a crucial safety net. The economy may continue to grow, contributing to the positive mood of a portion of society. The people are disenchanted with the opposition on both the right and the left and are still too weary from previous upheavals to take to the streets. The current regime is busy appropriating the ideas of its various opponents, thereby discrediting them. The regime is also relatively

humane, in that it allows those who disagree with it to survive. Finally, the Kremlin's political operatives have managed to manipulate public consciousness and the political scene, making it nearly impossible for a real political movement to emerge and creating the impression there is no alternative to the regime.

The Russian hybrid system excludes competition and uncertainty in the formation and execution of power, and it attempts to imitate or control any remnants of spontaneity.

The sort of power struggles we saw in Ukraine could only occur in Russia if four factors were to arise: popular discontent, a rift in the political class, an active youth movement, and independent television stations. But the Kremlin studied the crises in Ukraine, Georgia and Kyrgyzstan and took timely measures to guard against the contagion of the "orange virus."

The most likely succession scenario is a transfer of power to the Kremlin's designated successor. Who it will be in the end — Dmitry Medvedev, Sergei Ivanov or someone promoted or Putin himself - is far less important than the question of whether or

not the Kremlin will manage to reach a consensus on a model of self perpetuation, as well

as on the succession procedure itself. There is reason to assume that a devastating succession battle can be avoided, because everyone understands the risks, and the political class has no tolerance for risks. But so far, bickering and infighting within the ruling elite continues and we may become witnesses to some dramatic events.

48

Does the existence of the aforementioned factors mean that there is a future for the

Russian hybrid system, and that it is capable of responding to the challenges facing the country? The answer is a resounding “no.” The system contains four sources of structural

conflict that could tear it apart from within. The first source is the tension between personalized power and the need to hold elections. The regime attempts to eliminate this tension by manipulating the electoral process but such manipulation has already led to several revolutions in the former Soviet republics. The second source of structural conflict is the regime's attempt to ensure stability while simultaneously redistributing resources, which destroys the institution of ownership and destabilizes the market. The third source is the logic of self-preservation, which demands regular political "purges" whereby each successive leader is obliged to break abruptly with his predecessor in order to avoid responsibility for his past failures. The fourth source is the destruction of political pluralism, which creates the risk that society at some point will turn against the system or will try to circumvent the system in pursuit of its own interests, leading to a radicalization of social protest. One should also keep in mind that the situational factors that promote stability today could do the opposite in the future. Take oil revenues, for example. Russia has already endured two political upheavals — in the late 1980s and in 1998 — caused by the collapse in the price of oil on the world market.

One should also be mindful of *the law of unintended consequences*, which has become evident particularly in Russian-Ukrainian relations. Moscow's actions in Ukraine have twice contributed to the very results it was trying to forestall. In 2004 the Kremlin's aggressive backing of Viktor Yanukovich helped propel Viktor Yushchenko to power. One year later, Moscow's natural gas policy not only strengthened the anti-Russian mood in Ukraine but also undermined Putin's dream of turning Russia into an "energy superpower." Alarmed by Russia's ultimatums, the West has begun to seek alternative sources of energy, including nuclear power, as we have already seen in Finland and will likely see in France, too.

Although the Kremlin appears to have done everything in its power to carry out a smooth succession in 2008, it would be senseless to speculate about the extent to which the ruling team will maintain stability in a closed system that has begun to serve only itself. At present, Russia's situation appears to be secure. But consider the following combination of events: reform of the housing sector, a hike in energy prices, gridlock in major cities, nonpayment of wages to government employees in the regions, student unrest, and another infrastructure breakdown similar to the blackout in Moscow in 2005. Such an accumulation of events could spur even the most patient society to radical action.

How certain can we be of continued stability when just 42 percent of respondents to a recent poll said that Russia was on the right path, while 38 percent held the opposite view? When half of all Russians describe the situation in the country as tense (another 9 percent say it is explosive), and just 28 percent describe it as calm? When, of the 81 percent of Russians who *approve* of Putin's job performance and 56 percent believe that his government does a lousy job?

### ***Foreign policy as the Servant of Domestic Imperatives***

Unexpectedly for many, Russia is not only regaining confidence on the international scene but also positions itself as the opponent of the West. Putin's Munich

speech in February 2007 which has puzzled and shocked the Western world with its assertiveness and the “Cold Spring” of 2007 with the Kremlin’s sabre-rattling and threats to retarget the nuclear missiles at the European states only reconfirm the sour state of the

Russian relationship with the West and especially with the U.S.

What happened? How could a relationship so promising several years ago, which was described as a “strategic partnership” have deteriorated so? There are different answers to this question. Some pundits believe that the increased rockiness in the relationship between Russia and the West and primarily with the U.S. is a result of the new Russia’s confidence stemming from high oil prices and the Kremlin’s attempt to overcome the humiliation of the 1990s. That is only partially true. Russia’s self confidence is also the result of some external factors: the confusion surrounding European integration; U.S. difficulties in Iraq; and world resentment of U.S. hegemony and satisfaction over its decline. However, the most powerful factor explaining Russia’s new assertiveness in its relations with the West is the logic of the Russian system. The Russian state cannot consolidate itself without a global presence and leverage, and also without the search for an enemy, that is without some version of *derzhavnichestvo*. Russia’s ability to flex its muscles internationally has always proven to be a powerful instrument for domestic control. Maintaining Russia’s superpower ambitions and its domination of the former Soviet space are now crucial to the reproduction of its political system and the self-perpetuation of power. In short, today’s Russian foreign policy has become an important tool for achieving the Kremlin’s domestic objectives. And a key foreign policy objective is to create an image of a hostile international environment and demonstrate a strong reaction to it which can legitimize the hyper-centralization of Kremlin power, top-down governance, and its crack-down on political pluralism. During Putin’s presidency Russian foreign policy has undergone an apparent evolution. During his first term, the Kremlin developed a *multivector* approach to foreign policy, which amounted to simultaneously moving West and East, but refusing to make a final commitment to either direction. Today the Kremlin has decided to forge a more significant and ambitious role for Russia on the global scene. Hence, several ideas were introduced. First, the idea of Russia as an *intermediary* capable of resolving crises around the world. For the first time since perestroika, the Kremlin has publicly declared, through its Foreign Affairs minister Sergei Lavrov, that Russia cannot take sides in global conflicts; that it must act as a mediator. In other words, Russia is not going to join the West. By the end of 2006 the Kremlin had offered two more ideas: the idea of the geopolitical triangle where the corners would be the EU, the U.S. and Russia; and the idea of “network diplomacy”, which would mean avoiding fixed commitments and fixed alliances. In Spring 2007 Moscow’s harsh anti-American rhetoric has demonstrated an attempt to make Russia a representative of the states unhappy with U.S. hegemony. Regardless of how it might be spun, Russia’s relationship with the West is now one of “partner-opponent” —cooperation in certain areas and obstruction and even deterrence in others. Robert Legvold has defined this construct as being “with, although

not necessarily a part, of the West, or without and perhaps against the West". On one hand, Russia participates in the NATO-Russia Council, undertakes joint military exercises with NATO troops, and cooperates with Western leaders within the framework of the G-8. On the other hand, the Kremlin works to eliminate Western influence in the

50  
former Soviet republics and consolidates Russian society around anti-Western sentiments.

Ukraine's Orange Revolution has proved to be a watershed in the evolution of Russia's post-Soviet identity and foreign policy by provoking the Kremlin's desire to recover lost ground. The Russian elite now seeks to persuade the West to endorse a Faustian Bargain, in which the West would recognize the former Soviet space as Russia's

area of influence, and its role as the Energy Superpower. Regarding the latter role, Vladimir Putin at the beginning of 2006 offered the West an energy security trade-off between "security of demand" and "security of supply." There are two parts to the bargain: First, Russia would give foreign investors access to its major deposits in exchange for allowing Russian companies access to foreign pipelines and retail networks.

Second, the West would legitimize the fusion of state power and business in Russia by letting state companies like Gazprom act as transnational majors. The G-8 in July 2006 failed to endorse the energy security bargain which pushed the Russian president to make

two more attempts to strike an energy deal first with Europe and then only with Germany. Paris and Berlin again declined to support the idea of "energy reciprocity". But the Kremlin still believes that it could implement it through bilateral relations with Germany, Italy and France and there are grounds to believe that this plan is plausible.

How far is Russia ready to go to pursue its assertive agenda? Is the Russian elite ready for confrontation with the West? Definitely not. A significant part of the Russian elite is not ready for serious conflict with the West. But at the same time it is ready to continue to use anti-Western rhetoric to consolidate society. In fact, it is trying to have it both ways: integration with the West for themselves, but not for the rest of society. There is a logic to this seemingly schizophrenic behavior. The Russian elite can only maintain their privileged status in a society that is hostile to the West. The question, however, could be raised: will the Russian elite be able to control the consequences of this dual track policy?

And will the West by the same token, be able to control the consequences of the distancing between Russia and the West?

I would also mention the failure on the part of the West to foresee Russia's trajectory and to conceptualize Russia's challenge. When hope for Russia's democratization proved unfounded, no one—in the West or in Russia—seriously thought to confront the underlying problems. The West's response has been puzzlement, inertia and imitation of a partnership.

However, there is a positive element in all this: the mood within the Russian society. Seventy-three percent of Russians think that the country should cultivate a mutually beneficial relationship with the West, while just 16 percent think Russia should

distance itself. Fifty-three percent have a good opinion of the United States (against 34 percent who have a negative opinion), and 67 percent have a good opinion of the EU. If Russian society can avoid plunging into nationalism, the country may just manage to break out of this closed circle. But for that to happen, the political class must recognize that clinging to the past and attempts to use anti-Western feeling to mobilize the society is suicide.