

# Russia after Putin: Implications for Russia's Politics and Neighbors

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# The Nature of Power in Russia and its Impact on the International Community

Anna Jonsson\*

On March 2, 2008 the Russian people elected Putin's pre-appointed successor Dimitrii Medvedev as Russia's new president in an election subjected to heavy criticism by both international and Russian commentators. International election observers have been debarred from long-term election observation, and only a small group of elections observers were present during the elections, hence only being able to monitor the larger cities, Moscow and St. Petersburg. However, the Russian election observation group Golos did monitor the elections to a larger extent. The organization reportedly deployed over 1,500 stationary and mobile observers in 36 regions across the country during Election Day. Golos concludes in its pre-election report that the equality of rights of candidates has been violated throughout the election campaign, mainly by the extensive media coverage of Medvedev, who received 76 per cent of TV coverage, and the misuse of administrative resources. The latter mainly took place in the form of public officials agitating for specific candidates. The presidential election, as the Duma election in December 2007, is characterized by the Russian government's violation of the principle of neutrality, meaning that the state apparatus must always remain neutral in an election process and hence treat all the candidates equally.

With the benefit of hindsight, it is hard to avoid asking the following question: why the need for a controlled succession when support for the successor was clearly so large, and the opposition equally weak, in combination with a restricted presence of international observers and, as a result, weaker criticism as to how the elections have been conducted? The

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overall answer is, “better safe than sorry”. But in order to unfold the many layers that compose this answer, it is necessary to try to grasp the nature of power in Russia.

### **The Nature of Power in Russia**

Power in Russia is a zero-sum game. The political elites have created extraordinary economic wealth for themselves whilst in power. Economic assets are secure and free only if their owners are unquestionably loyal to the ruler. Thus, the only way to secure personal safety and economic wealth is to stay close and loyal to the ruler. This, in combination with what Stephen Blank describes as the service state, creates a vertical *modus operandi* which has become self-adjusting. Once the power structure has been consolidated, the vertical line of power will adopt itself. Clearly, in a situation like this, it is no surprise that regional and local leaders go out of their way to secure a high voter turnout and a high degree of support for the appointed successor. By doing so, local and regional leaders will be able to manifest their loyalty and willingness – and not unimportantly, ability – to deliver a result which corresponds to the will of the ruler. Hence, even if there were no instructions from the highest level of the vertical power, there would be a fairly strong incentive to deliver a result equal to what is interpreted as the will of the ruler. In this context, taking into consideration the high accounted numbers of open voting and the high voter turnout in for example Chechnya (91 per cent), elections in Russia cannot be deemed free.

Such a system is nevertheless vulnerable in the sense that should power be lost, or should the ruler show weakness, the supporters of that ruler would not only risk losing their privileged position and all the benefits that come with it: they would also risk losing their private wealth, and hence their societal status; and even worse, they would potentially be subjected to the powers of a state apparatus they no longer control, which could mean everything from legal procedures and court trials to more informal and violent ways of correcting perceived injustices or threats. Clearly, in such a system, the stakes are very high. However, anyone trying to understand the nature of power in Russia would do themselves a great disfavor by being satisfied with this conclusion. A strong desire for personal wealth could be, and in the most successful cases is, combined with a pragmatic analysis and

sober understanding of the realities upon which power and influence rest, which in the case of Russia spells control of the state apparatus, economy, media, and civil society, and hence popular opinion. Nevertheless, for control to be successfully managed and consolidated it needs to be coupled with a genuine understanding of what the people desire most. This, in combination with a well-formulated domestic and international rhetoric, which is in tune with the opinion of the majority of the people, leads to a consolidation of power in a system like Russia's. Clearly, this means that popular opinion is anything but unimportant; however it is, importantly, manageable. Nevertheless, to move from identifying a problem to actually solving it requires power, time, money and will. In the meanwhile, rhetoric precedes deeds.

Putin and his advisors clearly have a great understanding of the power of public relations. During Putin's eight years as president, a sophisticated public relations strategy has been developed. This strategy, focusing on Putin as a person with all his qualities as a statesman and a private person, in combination with boosting the Russian state internationally, rests on a solid understanding of the desires of the Russian people; it cannot be said to be totally detached from public opinion. Rather, it is a two-way street and the impact goes both ways. Putin's increasingly clear and articulated rhetoric on the international arena is aimed just as much at the Russian population as at the outside world. By stating Russia's interests and position internationally, Putin has gained substantially in domestic support. Therefore, Russia's foreign policy cannot be detached from its domestic policy in terms of internal power relations. And as a consequence, an understanding of Russia's role and actions in the international arena cannot be separated from the nature of power in Russia.

Having said this and before moving on to draw conclusions concerning Russia's democratic future and the role to be played by the international community in this context, it must be recognized that under Putin, Russian foreign and international policy has become more pragmatic, articulated, and composed. Often, it manifests itself in rhetoric which relies on legal terminology. There have been constant referrals to international law, especially but not limited to the Kosovo case. Nevertheless, the disrespect for

international law within Russia and in relations with other countries does damage Russia's credibility when it comes to applying a legalistic rhetoric. By no means is Russia alone in applying double standards, but Russia, more than most countries, tends to invoke accusations directed at other states of applying double standards, and this on occasions when it suits the interest of Russia. For example, in an interview with the Swedish State Television's correspondent to Moscow aired on March 2, 2008, the Kremlin's official spokesperson indeed underlined that Russia's only way to voice its interests and boost its standing in the international arena was to reveal the alleged double standards applied by the West against Russia. Clearly, the double standard argument is used to damage the legitimacy of both individual governments and international and regional organizations. The paradox is that Russia cannot really be blamed for applying this strategy – the playing field is wide open and no one is watching the goalposts. And as long as Russian leaders consider the criticism of the Russian government's violation of democratic principles, rule of law, and human rights as unjustified and bargaining chips in a game, and not as serious concerns based on a belief in the values that democratic states are based upon, clearly the legitimacy of the values that the international community tries to disseminate through international socialization processes is in danger.

Turning to Russian domestic policies it is equally clear that Russian leaders do know what the Russian people and international observers want to hear. As both Jan Leijonheilm and Carolina Vendil Pallin illustrate in their contributions to this paper, both Putin and Medvedev constantly talk about the need to improve the socio-economic situation in Russia, fight corruption and establish the rule of law. However, it is very difficult to turn this rhetoric into political action without challenging the very fundamentals of the service state and hence the nature of power in Russia. What would it take for a Russian leader to seriously engage in the reforms that are needed to improve the socio-economic situation, fight corruption and establish rule of law? Have the first steps already been taken? Only a deeper understanding of the nature of power in Russia can help the observer to even begin trying to answer such questions.

### **Implications for the International Community**

Since the beginning of the 1990s, the international community has applied an inclusive approach to Russia, meaning that the willingness to include Russia in international and regional organizations has been explicit, albeit depending on Russia's willingness to change in certain directions. This policy has brought considerable results. The prospect of becoming an established part of the international community constituted an important part of Russia's foreign policy in the mid-1990s. The political willingness and readiness to adopt international standards in the 1990s, in combination with support and pressure from the international community, did produce positive effects, which are visible both within the economic and the legal sphere. Thanks to membership in the Council of Europe, Russia's body of law has improved significantly over the years. Although the Russian economy still has a distance to walk before it could be called a consolidated market economy, important progress has been made. The same applies to the election observation missions to Russia during the 1990s, in combination with the support and legal expertise that was rendered to Russian authorities. As a result of the constant evaluation of procedure and elections laws, the ODIHR's reports were initially rather optimistic. Russia's current relationship with the international community in general and regional organizations such as OSCE and the Council of Europe in particular, must be understood in this light. Neither the international community in general, nor certainly the OSCE or the Council of Europe, are to blame for Russia's difficult time during the 1990s.

Russia's newborn position in the international arena and its tougher stance towards international criticism coincides with the Putin regime seemingly consolidating its power. First, we must recognize the impact of Russia's growing economy on its international standing. However, having done that, the analysis benefits from connecting back to the aforementioned public relations strategy and its success. As Russia acts more boldly in the international arena, Putin's domestic support increases. When domestic popular support increases for the ruler, the cost for anyone wanting to overthrow him becomes that much higher. Thus, firstly, Putin staying on as Prime Minister of Russia is a way of securing Medvedev's popular support,

since it is strongly connected to Putin appointing him as his heir. Secondly, by doing so, Putin can support Medvedev's moving into the international arena and smoothening the transition – in a mid-term perspective, helping to boost Medvedev's standing as an international leader and thereby securing domestic support. In this context, it will not be surprising to see, initially, a slightly more accommodating approach towards Europe and the rest of the international community on the part of the new Russian leadership. Thirdly, only by adopting this holistic approach will the real succession of power in Russia be allowed to proceed smoothly and consolidate. When the shift of power is consolidated in this sense, the cost of challenging the ruling power will probably be too high for any of Putin's and Medvedev's opponents to be willing to challenge the ruler. And hence, the ruling elite will be able to cling on to its prerogatives and fortunes, and the sovereignty of the Russian state remain unchallenged – at least in the short term.

Returning to the implications of an integrative approach towards Russia and its consequences, it is clear that international integration has had a positive overall impact on Russia and there is really no turning back. New communities are being created, borders are open, and information flows constantly across borders. But more importantly, international relations theorists and policy-makers have failed to take into consideration to a sufficient degree the effects that the integrative approach towards Russia has had on regional organizations such as the OSCE and the Council of Europe themselves. Both organizations have been used as arenas for statements that served mainly purposes of domestic Russian consumption, in combination with very concrete actions taken by Russian state officials to undermine these organizations, their legitimacy and trustworthiness. In order for Europe to remain a legitimate and credible actor within the field of democracy, human rights and rule of law, serious consideration of how to deal with Russia's violations of democratic and rule of law principles is needed. The cost of disregarding the harm that the Russian state can potentially cause the OSCE and the Council of Europe, for example by refusing to interact with election observation missions or by failing to ratify protocol no. 14, which would help ease the burden on the European Court of Human Rights in Strasbourg, might be unexpectedly high.

The OSCE and the Council of Europe should stand above domestic politics; they are founded upon democratic principles, and their very *raison d'être* is to safeguard regional security, democracy, human rights and rule of law. When Russia was accepted as a member of the Council of Europe in 1996, critical voices were raised, claiming that the Council would lose its legitimacy and credibility. It was argued that the Council, which was founded as an organization whose main purpose was to uphold democracy and rule of law, had become too politicized to be able to live up to such ideals. It is time to prove these critics wrong, but time is running out. And the implications of failure will not only affect the organizations and Russia's democratic future; but it will have repercussions for the whole European project, including the European integration of countries such as Ukraine, Moldova and Georgia.

# Power Struggles in Kremlin – How Stable is the New Regime?

Stephen Blank\*

Vladimir Putin's self-proclaimed mission was to strengthen the Russian state. But as he leaves the presidency, it is an open question if he has strengthened the state or merely a particular regime. Considerable evidence suggests that the Russian state still suffers from profound dysfunctionalities.

## The Muscovite Paradigm

The contemporary Russian model resembles in many ways a feudal society and state and especially the Muscovite model postulated by many Western writers, including this author. Succession, for which there is no established legal procedure, duly remains a source of this model's weakness. Every post-Soviet succession has been accompanied by force, electoral fraud on a grand scale, and a steady narrowing of democratic and public political participation. The most recent succession struggle is no different, featuring gross electoral manipulation, arrests and murders of high-ranking officials, etc. These coups, arrests, and murders are also accompanied by large-scale transfers of property to one or another faction, indicating again that the basis of Russian political affiliation remains the faction or "clan," not one of kinship but of political patronage and clientelism which is based, like medieval feudalism, on the principle of *nul homme sans seigneur*.

The succession struggle, culminating in Dmitri Medvedev's appointment as Putin's successor and Putin's foreseen return as prime minister, suggests, as Nikolai Petrov called it, "regency", not a succession. Other analysts label this succession, like Putin's of Boris Yeltsin, as signifying an "adoption"

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process, in which the outgoing leader adopts his protégé as successor. Both terms suggest the pre-modern condition and immature development of the Russian state.

The analogy of a regency corresponds to Vladimir Shlapentokh's recent analysis suggesting that contemporary Russia in many ways is a feudal state or society. The monarchic aspect of the current succession also underscores how Putin, like his Soviet and Tsarist predecessors, views the state, namely as his "votchina," i.e. patrimony that he can hand out like property to any designated successor. In this respect, too, Shlapentokh sees the feudal analogy between the royal domain, i.e. the king's private property which often feudal kings sought to expand into the state to erase distinctions between their property and the state as a whole.

The continuing propensity to violence and unrestricted political warfare that is inherent in this system is reminiscent of those episodes in Tsarist and Soviet Russia where no discernible or legitimate heir was clearly apparent. Russia thus remains a risk factor in world affairs on account of its internal realities. Many observers also question the durability of the Putin-Medvedev arrangement. Either they fear Medvedev is too weak to assume the real powers of the presidency and discipline the rival factions or that Putin will not let go of the powers he has accrued, especially as there are signs, discussed below, that he is already angling to increase the prime minister's powers at the expense of the president. Thus the state's foundation becomes ever narrower as rival factions, "clans," and bureaucratic patronage networks fight for power.

Moreover, absent any authoritative legal mechanism or accountability, ultimately the only way a Tsar can rule,—and this applies to Yeltsin, Putin, and their Tsarist and Soviet predecessors as well—is by constant "checks and balances" among the elite, i.e. a constant balancing act among rival factions. The Tsar checks and balances each group by the other while remaining in some sense above the fray, not least through the mystique of Tsardom and the popular cult of personality as Putin, pace Stalin, has done. One example of this is the youth group Nashi. Its members are financed opaquely but clearly from pro-Kremlin oligarchs and probably from the state. Its main function is to conduct ideological indoctrination of a cult of personality for

Putin, and of fanatical loyalty to his regime and hatred for its opponents, domestic and foreign. This includes systematic anti-Western indoctrination. The idea was to create an ideology based on a total devotion to the president and his course.

As many scholars have come to understand, Russia has regressed to what can be called the Muscovite paradigm. What characterizes this paradigm is the government's or the Tsar's control, even ownership of the national economy; the absence of enforceable property rights, as well as public, legal, or parliamentary controls on the government; the absence of the rule of law, a strong tendency towards emphasizing the military or martial aspects of national security policy over other dimensions, and an accompanying great power and imperial mystique as well as reality that aims to translate these domestic factors into international factors to ensure the security of this inherently insecure and illegitimate (in contemporary European and Western terms) regime.

The state in this paradigm was also, as was the Tsarist and Stalinist state, a service state in which everyone was bound to serve the state and power, while income, especially at the top of society, only came from the rewards of service. Just as the "Boyars" must serve in order to gain control over the rents coming from the state and are thus a rent-seeking elite, so too the state grants them these rents on condition that they serve the Tsar well (even if corruptly). The feudal principle of *nul homme sans seigneur* still governs the mores of Russian politics. And without a democratic transfer of power, the system's basis of legitimization constantly narrows, making the prospect of systemic crisis ever more grave and likely.

### **Succession and the Intensity of Political Infighting**

In other words, we see multiple signs of regression to past Soviet and Tsarist practices. And the regularity of succession crises only reinforces that trend. It is not for nothing that Vladimir Furman has observed that "managed democracies are actually a soft variant of the Soviet system." The resort to violence and to the "adoption model" not only reinforces Russia's paternalistic and patrimonial tradition, it also enhances the role of the special services and power structures (*Silovye Struktury*, whence the term *Siloviki*) who possess a monopoly over compromising information on the various elite

players, the means of force, and proximity to the center of power.

The drive for power, status, fortune, and position, as well as fear of losing it all are common attributes of these people, but they are a slippery foundation for effective state action. At the same time, all the elites seek either to become president and/or bind the incoming president to the supposed norms of “collective authority” while the ruler, like Yeltsin in 1999 and Putin now, are determined to rule unfettered as autocrats.

All these succession struggles render Russia a more obstructive and unpredictable partner in world politics due to its internal instability, since ideological mobilization against all enemies—domestic and foreign—is needed to create a political bloc in society and to some degree outside of the bureaucracy for a candidate or for a president. Thus Vladimir Shlapentokh has shown that an essential component of the Kremlin’s ideological campaign to maintain the Putin regime in power and extend it (albeit under new leadership) past the elections of 2008 is tantamount to anti-Americanism. As he wrote:

The core of the Kremlin’s ideological strategy is to convince the public that any revolution in Russia will be sponsored by the United States. Putin is presented as a bulwark of Russian patriotism, as the single leader able to confront America’s intervention in Russian domestic life and protect what is left of the imperial heritage. This propaganda is addressed mostly to the elites, particularly elites in the military and FSB) who sizzle with hatred and envy of America.

Meanwhile, as succession approaches, political infighting becomes ever more intense, just like what happened with the arrests of members of Russia’s Federal anti-narcotics agency and the aforementioned shootouts of 2007. But those incidents were part of a recurrent pattern. The Yukos takeover, the imprisonment of its owner Mikhail Khodorkovskii in 2003-04, the ousting of the remnants of the Yeltsin family at the same time as part of the same process, the scandals, bombings, and war of 1999, Yeltsin’s threatened coup, and arrests of rival factions in the Kremlin in 1996, etc., all fall in the same category.

Given the nature of inter-elite rivalries, their struggles are almost invariably zero-sum games. Those who lose, lose everything, and vice versa. Coming to power, Russia's current leaders sought to convert power into property to acquire those assets and utilized state agencies under their control to deprive owners of energy firms or of mineral deposits of their ownership and control. All these groups, having divided up the spoils, currently enjoy Putin's protection. But as he is leaving, everything they own is now at risk from whomever might win the succession sweepstakes.

Once again, law cannot restrain the appetites of individuals and short-term political considerations. As Lilia Shevtsova suggests, the bureaucracy is again consolidating itself, or being consolidated from above, because whoever succeeds Putin will inevitably have no choice but to consolidate his power by forcing Putin's team to step aside and bringing in his own team. In other words, since 2004 Russian politics has been gripped by the issue of what comes after Putin, and the regime has tried in every way possible to ensure its control and ability to determine every step of the process leading to that succession lest it be overwhelmed or torn apart by its own fragility and internal rivalries. This reflects the ruling elite's awareness of its own illegitimacy and the fragile conditionality of its own tenure and access to power, perks, and property. This elite's panic about the succession therefore underscores the Russian state's essential weakness and illegitimacy.

### **Institutional Changes Leading to Succession**

As several analysts predicted already then, Putin and his circle clearly began preparing the current succession in 2004. Domestic reforms undertaken in 2004-05, the termination of the election of governors that ended any pretense of federalism, the creation of new party rules that minimized the potential for the emergence of opposition parties, tightening control and repression of critical media and reporters, the increasing mobilization of the country against internal and external enemies, the creation of groups like the Nashi youth group, intensified rivalry with the West (particularly in the CIS) were all part of the process. Similarly the regime then launched both covert and overt efforts to find supposedly legal and constitutional ways of arranging for Putin's continuing tenure, ultimately settling on Medvedev as president and Putin as prime minister.

Indeed, one element was the transformation – in the name of counter-terrorism – of interior and security forces to become more mobile, more able to project power rapidly throughout Russia’s expanse; which could allow politicians in the future to complete the transformation of the forces into primarily domestic counter-insurgency forces along Latin American or more general Third World lines whereby domestic security is the Army’s main function. Another trend has been the creation of new, often extra-legal organizations that seek to ensure ideological and political compliance and are backed up either by the resort to extra-legal and even paramilitary uses of force. The Nashi youth group, already put to use to intimidate domestic opponents and foreign diplomats for actions that displeased the Kremlin, is one example. A third trend has been consolidating control over and intimidation of the media. Aside from violence against and unsolved murders of anti-Kremlin journalists and the climate of fear it has created, administrative reforms have been undertaken to ease control over media and remove contradictions in the mandates of various governing bodies.

On a broader level, the growing control of the security services over society – and not least its supervision of the armed forces – have also prevented any challenge to the succession. One of the most sinister innovations, and clearly a more important one in this context of elite rivalry in a succession, is the creation of a new committee to take over investigations from the General Prosecutor’s office, the “Investigations Committee” (Sledstvennyi Komitet or SK). The SK essentially bypasses the General Prosecutor’s office and is utterly independent of it. It is directly subordinated to the president, removing the whole sphere of investigation and prosecution of political and business figures from the purview of the regular government. As Putin appointed a classmate and close confidant to head the SK, it seems clear that Putin is manipulating the “power vertical” to ensure that he and his appointments hold on to power into the Medvedev period by upholding the threat of investigation and prosecution over all officials and politically interested personages.

This is particularly relevant given the strong connections between the state and crime. The state is resorting to more open uses of political violence against oppositionists, including the Brezhnev era action of forcible conscription, incarceration in mental institutions, and political assassinations. The most favorable explanation for these acts is that alleged

“rogue elements” of the FSB are trying to impose one or another political scenario upon Russia to destabilize the regime. That would hardly furnish evidence of Russia’s reliability in world politics. And if the state committed those assassinations, then we are dealing with what truly is a criminalized and rogue state. This last charge is not as surprising as it may seem, for Russian and foreign observers have long pointed to the integration of criminal elements with the energy, intelligence, and defense industrial sectors of the economy and as an instrument of Russian foreign policy in Eastern Europe.

The most obvious example is the firm chosen to move gas from Turkmenistan to Russia and Ukraine, Eural Trans Gas. Chartered in a Hungarian village, it is headed, through an intricate maze of shell companies, by one of Russia’s most notorious organized crime lords, Semyon Mogilevich.<sup>1</sup> This raises the most disturbing implications, as it displays the commingling of government, major energy corporations, and criminal enterprises in Russia and their mutual enrichment at the expense of citizens. Such firms contributed significant sums to President Putin’s reelection, implying he and his colleagues cannot pretend ignorance of Eural Trans Gas’ background. There is hence graphic evidence of the criminalization of Russian energy policy – the most vital sector of the economy and one controlled by the state and the special services.

## Conclusions

Succession struggles remain the Achilles heel of the Russian system because they force an ever-clearer exposure of its fault lines and inherent fragilities for all of Putin’s undoubted successes. Close examination of these fault lines reveals the growing pathology of the regime’s politics even as it advances economically and fiscally. As this system reproduces the paradigm of past Russian experiments in state building, we can predict the destination with reasonable accuracy, especially as Russia has tragically been there before.

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<sup>1</sup> “Ukraine’s Financial Woes, *Jane’s Intelligence Digest*, 31 January 2003; Catherine Belton, “Mobster Casts Shadow on Gazprom Partner”, *St. Petersburg Times*, 2 December 2003; “Armed Police Arrest Mogilevich”, *St. Petersburg Times*, 29 January 2008.

# Medvedev's Economic Plan: A Liberal Economist in the Making?

Jan Leijonhielm\*

The world got the first hint of Vladimir Putin's choice of heir at the orthodox Easter ceremony in the Saviour's Cathedral in Moscow last year, where he, at the centre of Russian Christianity and viewed by millions, appeared at the high altar at the side of the patriarch, with Medvedev at his side. The pair presented the church with a newly bought Russian icon in the west and received magnificent Easter eggs in return, where after Putin disappeared behind the iconostas with the patriarch, a highly symbolic gesture in itself. The anointed Medvedev remained outside, biding his time to advance into the holiest sanctuary.

## Medvedev's Economic Agenda: A Tall Order

The new president might surprise the Russians and the world, as his predecessor repeatedly has done, and try to carry through his own agenda. That would be a surprise: he is by many supposed to be a puppet of his old mentor, lacking the necessary network within the *siloviki*, the Russian power structures. Putin would be his protector, his "krysha", as he must take it upon himself to guard his back, possibly as prime minister. Medvedev has himself stated that we will see the most effective sharing of power the world has so far seen in Russia, if he and Putin are elected to the presumed posts. In this, he might be correct. History shows very few examples of Russian power-sharing, perhaps apart from the Brezhnev-Kosygin model, which lasted for a decade, and where economic and political management of the country to a large extent was separated. He has also said that there can be only one centre of power in Russia, a very precise and conscious statement, indicating that he

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has the king-makers' promise that he will at least appear as the sole *vozd.*

In fact, Medvedev has already outlined what he aims to accomplish as president, at least concerning economic policy. In recent speeches, apparently meant to replace genuine election debates – which Medvedev considers useless or too time-consuming – he has stressed a number of goals: a limited role for the Kremlin in the big corporations Putin has successfully gained control of; intensified fight against corruption; better use of agricultural and unused forest capacity; a more independent judiciary; modernization of the economy to make it a financial centre with a reformed banking system; reforming institutions; increasing investments; update infrastructure; and promote innovation. Apart from this, he intends to carry through his ideas on the four national projects: a modernization of the health care system, a reconstruction of Russian education, etc. In sum, this amounts to a very tall order.

This laundry list triggers a battery of questions. The first reflection is that Medvedev has indeed put his finger on some sore points in the Russian economy, and seems to better understand what has to be done, or it may be that he has read and understood the analyses conducted by the OECD and similar institutions in recent years. A further question is from which platform the economy will be managed. During Putin's tenure, the government was to a great extent left to handle the economy, even though the presidential administration had oversight. If Putin is to have a decisive role, that would be a cause of concern. He does not understand economics in a deeper sense, but had the great fortune to be handed positive development and growth for the whole of his reign, thanks to high raw material prices. The only remaining liberal economist in the government, finance minister Alexei Kudrin, seems to be under pressure, with a deputy minister in jail. Other liberals like German Gref, and former presidential advisor Andrey Illarionov, have limited or no influence. Medvedev would no doubt be the better economic helmsman, but his hands are tied, not only due to the sharing of responsibilities, but also in practical terms up to 2011, as the Duma has decided on a three-year state budget, including some extra funding for the military.

Scrutinizing some of Medvedev's undertakings, regardless of his ability to actually fulfill them, they seem indeed pertinent. The increasing state control

of enterprises and natural resources, clearly demonstrated in its increasing share of GDP, has triggered the concern of international analysts. Furthermore, the creation of new state industrial clusters in vital sectors, Goskorporatsya, has been accused of performing as fig-leaves for skimming profits and the further concentration of state control. History shows that state-run companies are less productive – not only in Russia – and a higher productivity is a must if Russia intends to export anything but raw materials in the future.

This measure will however cause some concern among the new state oligarchs, who have enriched themselves substantially during the past eight years. It is also intimately tied to another of Medvedev's promises: to deal seriously with corruption. This is a familiar promise: Putin has repeatedly stated that the time has come for harsher methods, and some limited action has been taken. Corruption still seems to be growing at an alarming speed, and it is well documented that it will not lose its grip on society until people can live decently on their wages and feel trust in societal institutions. This will take a considerable time in Russia. On top of that, it is evident that corruption is endemic in leading circles, at the centre as well as in the regions. The Russian proverb "The fish rots from the head" is often and correctly used in this context. Medvedev is obviously treading on very thin ice here, and will probably start with combating corruption in the legal system, and focus on the independence of the executive and legislative branches of power. To separate the political and judicial spheres remains one of the fundamental tasks, and one of the requisites for development towards a genuine Russian market economy.

Another interesting factor that Medvedev has recently mentioned is unused capacity in forestry and agriculture. This could to the suspicious listener sound like Soviet think, thrilled as they were in those days by megaprojects and extensive growth. However, after 12 years in the pulp business, Medvedev has some expertise in the field, and knows very well that Russia has an abundance of mature forests. There is thus an impressive capacity for export growth beyond the 3-4 per cent of total Russian exports seen today, even if this share will grow in 2009, when Russia will boost timber export tariffs by 80 per cent.

Likewise, we find in agriculture a staggering unused potential, perhaps involving as much as 80 percent of arable land. The explanation is partly that new private and small farmers experience great problems in getting sufficient loans for mechanization and fertilizers. Productivity in the sense of yield per hectare, average milk production per cow etc., is still far below western standards. In some areas, like potato production, Russia has an impressive production, but it is almost entirely produced by small private plots.

Furthermore, large areas of farmland were bought by investors for speculation when the law permitted free trade in 2001. These areas are mostly unused or slowly being turned into building sites, vacation villages etc. A curious fact is that a large part of this land belongs to the Russian Ministry of Defense in the form of used or unused exercise fields, testing ranges and areas for other uncertain purposes. Compared to the size of cultivated land in 1992, this area had by 2006 shrunk to almost half. Even if Russia is experiencing a dramatic population decrease, and thus should need less food production, the figures are alarming and partly also an explanation of increasing basic food prices today.

Medvedev has also, as mentioned, drawn attention to the need for increased investments and innovation. It is true that investments have risen relatively rapidly in the past five years, but investment levels in critical areas like research, technical development and modernization of infrastructure are still below requirements and in international comparison often very low. Studies have shown that Russia lacks export competitiveness in the most important areas, if compared to the other BRIC-countries. It in fact lags behind them all, with the exception of nuclear power plants and certain weapons systems. Investments in higher education remain low, or less than half of the OECD average. Recent decisions on emphasizing nanotechnology and aerospace seem right, but will take some time to produce results.

The four national projects on agriculture, construction, health care and education have been rather of a political nature, and positive results thus far have been few. New investments in these areas amount to less than 1 per cent of GDP so far.

Putin's economic heritage consists of a seemingly prosperous eight-year period – which could be termed authoritarian modernization without deeper

reforms, but has nevertheless led to a stronger Russia without international debts of a disturbing size; they amount to some 3 per cent of GDP. It has also brought about a wealthier population, large stabilization funds and some years ahead of guaranteed high growth, due to the world market price of oil. The darker side of this picture consists of high inflation, rampant corruption, weak innovation capacity, some 20 per cent of the population impoverished, negative demographic trends, large companies' foreign debts equal in size with the stabilization funds, as well as several other factors of concern. Russia is not the success story that government propaganda has told the people: among the CIS countries, it holds ninth place out of 15, when measuring progress in GDP growth between 1999 and 2006.

### **Structural Difficulties: Putin's Inheritance**

Medvedev now has the less than grateful task of accomplishing what Putin has not managed during his presidency. What he must do in the short time perspective is to handle inflation, or rather avoid its possible social consequences. Given that inflation on basic food products grew by 25-30 per cent last year, before prices were frozen, vulnerable groups will not be able to handle a further increase, which will be the inevitable result when prices are set free again. The combined efforts of the institutions concerned have not yet led to a comprehensive policy. The problem craves a solution in the near future, as there were signs of hoarding and empty shelves in November in the regions. It will be a difficult task, given regional oligopolies and pressure from international price hikes, as well as the fact that careless use of the stabilization funds will immediately speed up inflation. So far, the government has been very cautious to use its hoarded gold, and Medvedev is known to be an unwilling risk-taker, and might decide not to free prices and instead postpone the problem, a frequently-used method during Putin's tenure.

In a longer perspective, Medvedev will have to deal with the above mentioned problems. The overriding concern is probably to separate politics from the economy and create the true foundations for a civil state and rule of law. This will be much easier during good times and a generally rising standard of living. Another problem is the increasing segregation between

larger cities and the regions. Only a quarter of the population lives in areas which lie above the minimum levels of the UNDP's Human Development Index.

As Medvedev, like Putin, has realized, Russia cannot live on exports of raw materials in the long run. Furthermore, in a few years time, Russian oil production will peak, and gas is already in short supply. Russian estimates speak of a shortage of gas at the rate of 300 billion cubic meters in 2010, and the country already needs imported gas to cover its own consumption, as well as exports. It will be a difficult choice between these two categories, when supplies get scarcer, and the use of the energy weapon is likely to become more tempting.

Around 2010-12, the HIV epidemic will probably explode, thanks to many years of neglect and other forms of HIV/TB gaining strength. Given the bad demographic situation, illustrated by the fact that Russia loses around 800,000-900,000 people per year, in spite of massive immigration, Russia will have to import more labor. This will be a difficult task as it would have to come from Muslim-dominated parts of the former empire, and xenophobia has grown markedly under Putin, partly as a result of his policy towards Caucasians and especially Georgians. A positive sign is that births went up last year for the first time since 1990, but experts are divided on the sustainability of this trend.

Medvedev's mission, in other words, is to implement a number of promises which will take considerable time, will-power and resources. Whether he has the strength, the support from the right circles, and the means to do this, is too early to say. Time will tell, but time is also running out.

# Russia and the 'Near Abroad' in a Medvedev Presidency

James Sherr\*

We are entering a period in which Lenin's warning about the impossibility of separating foreign from internal policy is once again becoming apposite. Russia's presidential elections are focusing minds on this connection, but it has been evolving and sharpening over at least the past year. The contradictions in Putin's 'vertical' system of governance always made this connection worth watching. The approach of succession and the weakening of this vertical should have brought it into focus. Those who have focused upon it, Russia's post-Soviet neighbours, have not always drawn adequate conclusions or found adequate capacity to act on the conclusions they have drawn. Those who have the capacity to act, the members of the EU and NATO, have glanced at the problem rather than focused upon it.

In order to have a paradigm of the future, it is important to have a paradigm of the past. Shifts of paradigm between 1991 and 2008 entitle us to speak of Yeltsin and Putin eras rather than simply Yeltsin and Putin years. Not surprisingly, these paradigm shifts accompanied shifts in Russia's approach to the newly independent states, still referred to as the 'near abroad'.

## The Yeltsin Paradigm

In the folklore of Putin's PR establishment, the essence of the Yeltsin paradigm was chaos. The reality was less apocalyptic: lack of clarity. The key themes of Yeltsin's presidency were 'multi-voicedness' (*mnogogolosiye*) in authority, chronic dissonances between 'policy' and practice, an absence of

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rules of the game in economic relations and a widespread, ambivalent confusion about where the interests of Russia ended and the interests of neighbours and Western 'partners' began. In the folklore of Western ideologists of 'transition', the collapse of a totalitarian state would, with nurture, assistance and time, lead to the emergence of a 'normal country' with democratic mechanisms, a rights-based political culture, responsible and accountable institutions and correct, equitable relations with entities that hitherto had been dependencies and subjects. Instead, the dynamics of collapse and 'reform' consummated a process of systemic mutation underway since the time of Brezhnevite 'stagnation': the transfer of real power from the structures of 'command-administration' to the illicit and often criminal networks that had come to exercise *de facto* control over resources and their distribution. To find out who had real power in Russia, one had to ask who had money in Russia, and the question invariably unearthed individuals with no public position or responsibility. Thus, it is no exaggeration to say that the Russian Federation functioned less as a state than as an arena upon which powerful interests competed for power and wealth, often at the expense of state and society alike.

This post-Soviet dispensation was never a purely internal matter. Key sectors of the state and economy – the fuel and energy complex, the security and intelligence services, the armed forces and the defense-industrial complex – always operated on an 'all Union' basis, and although these structures were unsettled by the upheaval, they were intact. The fuel and energy complex was a direct beneficiary of the transition from bureaucratic to financial power, the security and intelligence services played an instrumental part in that transition and Russia's emerging banking and financial sector was also swift to find that it had interests and ambitions abroad. In these conditions, newly independent states, which had acquired juridical independence (*nezavisimost'*) but not necessarily the means to 'stand independently' (*samostoyatel'nost'*) found themselves extremely vulnerable. Unbalanced patterns of interdependence, sovietized elites and administrative cultures, convoluted legal systems and clannish, opaque modes of business created a web of transnational connections with similar institutions in Russia and a mountain of obstacles to European integration. Obviously, vulnerabilities that existed were vulnerabilities that could be exploited.

For these reasons, Russian policy towards the near abroad was belated and, initially, complacent. The ‘Russia first’ policy prevalent in Washington and other Western capitals until 1994 strengthened the conviction of Russian ‘democrats’ that ‘the West will not take them’ and that ‘a logic...would bring the former republics back again our way’. Yet the Kremlin was soon to question this complacency. In May 1994, Yeltsin warned the Foreign Intelligence Service that ‘ideological confrontation has been replaced by a struggle for spheres of influence in geopolitics’.<sup>2</sup> These remarks coincided with the shift from ‘romanticism’ to ‘centrism’. Yet it made little difference. In the absence of effective state authority and usable policy instruments, Russia continued to lose influence.

Thus, for the newly independent states, the *leitmotif* of the Yeltsin years was also an absence of clarity. Pressures were constant, but the real protagonists could rarely be found. The norm was that agreements were reached, and nothing was settled. In that configuration of power—so vastly different from today’s—it was the West that appeared to be coherent and stable.

### The Putin Paradigm

The essence of the Putin paradigm is clarity. Putin restored the state. In contrast to Gorbachev and Yeltsin, focused on domestic change, Putin reverted to an older pattern established by Stalin: restoring the ‘vertical of power’ as a way of returning Russia to its rightful position on the world stage. By the time Yeltsin stood down, the revival of the state had a *prima facie* legitimacy in Russia. In social terms, Putin represented the coming of age of a new post-Soviet class: moneyed, self-confident, impressed by the virtues of a strong Russia, uncowed by the West and totally without nostalgia for Communism. In geopolitical terms, Putin represented the revival of Russia as a ‘great state’ that would make history rather than be at the mercy of it. This required the crushing of *de facto* autonomy in the centres of power which, under Yeltsin, had become laws unto themselves. As in Stalin’s time, this enterprise had a strong economic component. Yet Putin’s enterprise had also been predicated on the conviction that times have

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<sup>2</sup> In closed conferences of senior staffs of the Foreign Intelligence Service in *Rossiyskaya Gazeta*, 30 May, 1994.

changed. Prosperity and the market economy was seen as inseparable. The globalization of the world economy was seen as a fact of life. Privatization should be reversed only where the assets in question are deemed important to the state. Elsewhere, the motto should be *'enriches vous'*. This synergy between authority and money not only made the state an effective power, but a magnet of attraction to the 'best and brightest' in Russia.

Abroad, this change was swiftly felt, but in grossly dissimilar ways. According to the (2000) *Concepts of Foreign Policy*, foreign policy should 'conform to the general capabilities and resources of this country'.<sup>3</sup> Where these capabilities and resources were weak (as initially they were in comparison with the West), the leadership sought new openings and common ground; where they were strong (as in Ukraine and Georgia), policy became, in the words of its Kremlin adherents, 'cold', 'harsh' and 'much tougher'. The obsession with 'pragmatism' – defined as the 'strict promotion of national interests' – led to retreats on the first front and advances on the second. In December 1999, when Prime Minister Putin was only days from becoming Acting President, Russia cut the supply of oil to Ukraine for the fifth time since 1991. The ensuing crisis swiftly persuaded Ukraine's security establishment that the rules had changed. Russia was no longer a problem, but a power. That crisis proved as damaging in political terms as the gas crisis of 2005-6. But because the damage was confined to Ukraine (and Moldova), few inside the EU grasped what a potent instrument energy would become.

Well before the rise in energy prices made the Putin project a matter of wider European concern, it had furnished policy in the near abroad with usable instruments. Those instruments injected fibre into an older strategy designed to enlist the services of local elites 'that have swiftly acquired wealth and dominance but feel insufficiently self-confident' and, by these means, 'secure political loyalty from the CIS countries'.<sup>4</sup> Moreover, in the wake of the

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<sup>3</sup> Sergei Ivanov (then Secretary of the Russian Federation Security Council) outlining the Russian Federation's new 'Concepts of Foreign Policy', approved by the President on 28 June 2000.

<sup>4</sup> As he went on to add, '[t]he principal instrument for realizing the "CIS project" will be the achievement of understandings with the governing elites of the CIS. This will demand long-term and painstaking work to create and promote in neighbouring countries groups of influence orientated towards Moscow and a gradual weakening and

events of 9/11, Putin assumed that the West, now in need of Russia in the ‘war on terror’, would acquiesce in this strategy. The Rose and the Orange revolutions demonstrated that the West would not, but ominously, few other lessons were drawn.

### The Unravelling of the Putin Paradigm

As Putin’s project advanced, it planted the seeds of its own destruction. With Khodorkovskiy disposed of, the fusion of property with state power entered a narcotic phase. By 2006, one third of national wealth was controlled by companies chaired by five Kremlin officials. But by concentrating power and wealth in the Kremlin, Putin also concentrated rivalry there. The Kremlin power brokers – who have at their disposal the machinery of monitoring, surveillance, criminal investigation, tax inspection, regulatory/licensing authority and armed force – are not only motivated by collective interests, but their own. A president as respected, skilful and harsh as Putin could keep these rivalries in bounds, but his replacement by any one of these rivals had implications for the others. It would be outlandishly complacent to assume that a pliant successor and a constitutional sleight of hand will heal these divisions or even patch them.

It would also be complacent not to ask how *mezhdousobitsa* [internecine struggle] will evolve in an increasingly acrid international context. When we wrote in September 2004 that ‘the worst scenario for Ukraine is not that Yushchenko loses the election [but that] he wins and then fails’, we had international as well as domestic consequences in mind. At the end of 2004, it appeared that the art of the possible was about to change in Eurasia. Fatefully, between the collapse of the Orange coalition in September 2005 and the shabby ‘resolution’ of the gas crisis in January 2006, that confidence collapsed.<sup>5</sup>

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neutralisation of pro-Western circles’. The CIS Project – The New Priority of Russian Foreign Policy? [“‘Proyekt SNG’ – novyy prioritet rossiyskoy vneshney politiki?”], February 2004.

<sup>5</sup> Some Russian experts understood the reality of what had happened in Ukraine. Dmitri Trenin saw that Yushchenko’s victory was not ‘scripted in the White House’ but ‘grew up on home ground’. (‘International Interference in Ukraine and Relations between Russia and the West’, Moscow Carnegie Centre, December 2004). So did the

The impact of the ‘colored revolutions’ on Russia is therefore contradictory, but thanks to these contradictions, potent. First, they have strengthened the authoritarian impulse. In 2004 the Kremlin perceived that Yushchenko’s victory would threaten the very existence of a system that afforded Russia dominance in the CIS and a ‘vertical of power’ inside the country. Since 2004, the Putin project has acquired a more militantly self-righteous edge than it had in the past, and Yushchenko’s perceived failures – and the Kremlin’s success at exploiting his very real weaknesses – have not diminished this self-righteousness. Second, the colored revolutions have transformed disillusionment towards the West into antagonism. To circles schooled to believe that *samostoyatel’naya Ukraina nikogda ne budet* [Ukraine will never be able to stand by itself], the Orange Revolution was a Western ‘special operation’ from beginning to end. After the post-9/11 partnership and years of cultivating the EU, this was seen as nothing short of betrayal. Third, betrayal is now accompanied by a sense of vindication. Russia today is not only resentful but self-confident. The United States is estranged from many of its European partners and up against the limits of its own power. The EU is divisible and divided. Even if the ‘right steps’ in energy policy are taken, Europe will remain dependent on Russian gas for the foreseeable future, and Russia’s neighbours will remain hostage to it. The message from the Kremlin, *pace* Putin, is that ‘Russia has earned a right to be self-interested’ and others can take it or leave it.

How will internal rivalries play into this mood and disposition of forces? Three questions need to be considered. First, when the ‘question of power’ is once again uppermost at home, and Russia is once again ‘respected’ abroad, who if anyone will be thinking about foreign policy in a careful and systematic way? There are already signs that methodology – reinforcing weakness wherever it can be found, emasculating potential partners through bribery and *kompromat*; *provokatsia* and the setting of traps; mendacity, brutality and threats – has taken the place of strategy, the tailoring of means to ends and an assessment of the longer-term effects of the successes that

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editor of *Russia in Global Affairs*, Fyodor Lukyanov: ‘of course [Soros] has invested money, but this is not what matters. Money does not decide. The work with people yields results...’ [interview on ‘Special Opinion’ programme on Radio Russia, 25 November 2004, cited in *BBC Summary of World Broadcasts: Former Soviet Union* [hereafter SWB].

one's unpleasantness achieves today. In its own neighborhood, Russia has always had the ability to make life more difficult than it already is and antagonize those who never felt antagonistic. But it has not always profited. If *mezhdousobitsa* strengthens these tendencies, the risks to Russia's neighbours are obvious. But, to pose the second question posed by Russians themselves, are these tendencies not also self-destructive, and are they not launching Russia 'once again on the path to isolation'? If so, those determined to find opportunities for 'engagement' might find themselves walking in circles. Maxim Litvinov's comment to Averell Harriman at the end of 1945 is once again pertinent. Asked 'what can my government possibly do to allay suspicions of our intentions?' Litvinov instantly replied, 'nothing!'. The third question is no less ominous: are neighbouring countries at risk of becoming theatres of internal Russian rivalry? Should they and countries further afield expect new tough and demonstrative actions (e.g. in Estonia, Ukraine, Georgia or even the UK) to mobilize nationalist sentiment in Russia, distract attention from a swelling agenda of internal problems, compromise insufficiently tough rivals or engineer the 'extraordinary circumstances' needed to strengthen the coercive components of the political system? Surely, we are at the point where these questions must be asked, but that does not mean they will be.

### **The Crucible of Energy**

The first paragraph of the official *Energy Strategy of Russia to 2020* states that Russia's 'powerful energy sector' is 'an instrument for the conduct of internal and external policy' and that 'the role of the country in world energy markets to a large extent determines its geopolitical influence'. Were Russian energy simply a geopolitical instrument, the problems faced by Russia's neighbours would be simpler than they are.

They are difficult for three additional reasons. First, whilst Russia's reserves of gas are abundant, in practice the greater portion of new reserves are undeveloped. Already, there are ample indications that supplies will not emerge in a timely way to meet rising demand at acceptable cost. Second, this is alarming news for Russia's rapidly growing economy and the Russian consumer, who has come to regard the provision of affordable energy as a

primary function of the state. Third, *Gazprom's* model – the regulation from a single centre of regimes of extraction, transport, underground storage and sales' – has brought stability at the expense of market responsiveness and, thus, poses one of the greatest obstacles to meeting this rising demand. Yet, fourth, this state-dominated model has become an important prop for the authority of a Kremlin congenitally distrustful of decentralization, beset by demographic crisis and increasingly conscious of China's power. Thus, it will be modified with extreme reluctance and against multiple points of resistance. In sum, economic necessity, geopolitical ambition and 'subjective' clan interest will combine to produce a cocktail more unhealthy than the sum of its parts.

The conclusions dictated by this picture are clear, but uncommonly difficult to accept or act upon. First, in Ukraine, Belarus, Moldova and other chronically dependent states, Russia's economic imperatives and political goals will combine to ensure that the squeeze continues and that spasms between stability and crisis grow shorter and sharper. Second, countries like Ukraine which have resources of their own will not escape from this cycle until they become masters of their own energy sectors and confront its ills: opacity, venality and barriers to honest, urgently needed investment. Third, in order to do so, they will need to confront some of the most powerful figures and forces in their own countries. As in the past, necessity might be the mother of invention in the newly independent states, but it is difficult to see how these inventions will emerge without crisis and turbulence.

### **Succession or Interregnum?**

Unless appearances deceive entirely, Russia is headed for a weak presidency and a constitutional mess. This is likely to create as many problems for Russia's neighbours as opportunities. In one respect, the post-Putin paradigm could be like the Yeltsin paradigm. *Mnogogolosiye* could return to the political lexicon and political stage. But these multiple voices will be far stronger than they were in the 1990s, and they will be heard across Europe. The question is how neighbours will respond to them.

Here there are some grounds for optimism. Russia's power is growing, but Russia is ceasing to be a magnet. Even in Kazakhstan, Kyrgyzstan and Turkmenistan, Russia's authoritarian drift has aroused discomfort. In the

European parts of the former USSR, it has aroused apprehension. Despite their litany of criteria and standards, NATO and the EU are not mirages, but genuine poles of attraction, and they have provided Ukraine, Georgia (and even Moldova and Azerbaijan) with prospects. It has become clear that, whereas these entities are interested in strengthening the capacity of partners, Russia is interested in reinforcing weakness and creating, in place of genuine partnership, subservience.<sup>6</sup> Moreover, asymmetries between national political cultures and Russian political culture – long masked by Soviet political culture – have become more pronounced. Within recent years, Russians have recovered pride in their own traditions and values: values which, increasingly, are defined in opposition not only to those of the West, but those of the liberal democratic order that has become synonymous with Europe in practice. During the same period, Ukraine has experienced a rite of passage from virtual democracy to immature democracy. Confusing and maddening as Ukraine's democracy is to its citizens and international partners, there is no authoritarian alternative to it on offer and none with any foreseeable legitimacy. There is no Russian alternative either. Even if it is still the case that 'no one is waiting for Ukraine in the West', threats to adopt another model of integration ring hollow. Those who oppose integration with NATO dare not oppose the 'European course'. Those who warn that Ukraine will not be 'turned against' Russia dare not allow the Russian vector to become the determinant vector of their policy. With its own distinct patterns of upheaval and risk, Georgia has undertaken a similar rite of passage. The Georgian sense of national identity is indestructible. To the pro-Russian part of Ukraine's elite, Russian conduct frequently brings to mind the question '*protiv kogo viy druzhite?*' [against whom are you waging

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<sup>6</sup> As Ukraine's recent First Deputy Defence Minister stated in 2001, 'So far, Russian officials, unlike NATO's, have never voiced their concern about the weakness of Ukraine's defence or the slow pace of its military reform. One might infer that Ukraine's problems in building its Armed Forces are simply more acceptable to Moscow than Ukraine's success in that area'. Leonid Polyakov, 'The Russian Factor in Ukraine's Relations with NATO: Possible Outcomes and Policy Implications for Ukraine and NATO', *National Security and Defence* (Ukrainian Centre of Economic and Political Studies, Kyiv, September 2001).

friendship?]. In Georgia, Russia's conduct has eviscerated this elite and made a pro-Russian stance untenable.

The Russia factor is changing for another reason. Everyone senses that Russia's future is uncertain. For the EU, the obvious conclusion is to watch Russia, but put one's own house in order. For Russia's neighbors, it is the same. The big question is how adequately these things will be done before Russia's interregnum ends, as it almost certainly will.

# Russia and the EU – New, Old Leadership, New Possibilities

Carolina Vendil Pallin\*

Disillusion with the way that EU-Russia relations have developed during the last few years is manifestly present both in Brussels and in Europe. In 2007, neither Russia nor the EU really tried to put on a brave face in comments after the summits. Earlier summits tended to produce equally meager results, but were always lauded as having been instrumental in reaching a new level of partnership and cooperation.

The EU appears to have entered a period of re-evaluation, or at the very least uneasy contemplation, of its relations with Russia. EU Trade Commissioner Peter Mandelson's speech in April 2007 was indicative of this – although he was rebuffed in some quarters for having been overly pessimistic.<sup>7</sup> If anything, the controlled transfer of power from Vladimir Putin to Dmitrii Medvedev on March 2, 2008, illustrates that any aspirations that the EU might have harbored as to being able to democratize Russia were unrealistic. The EU will, at least initially, be faced by a new version of Putin's leadership. Paradoxically, this could entail new possibilities since it will make it obvious that the EU needs to adopt a new toolbox for analyzing and dealing with Russia.

## Russia is not the Soviet Union Reborn

First of all, the EU needs to make a rational analysis of Russia in 2008. Going back to a Cold War terminology and to a containment policy would not only complicate any future Western attempts to build new relations with Russia;

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<sup>7</sup> Peter Mandelsson, 'The EU and Russia: Our Joint Political Challenge', Speech in Bologna, 20 April 2007, [http://ec.europa.eu/commission\\_barroso/mandelson/speeches\\_articles/sppm147\\_en.htm](http://ec.europa.eu/commission_barroso/mandelson/speeches_articles/sppm147_en.htm).

it would seriously cripple Europe when it tries to analyze the Russia that it will have to deal with. In spite of Russian nostalgia for Soviet might and leverage in world affairs, Russia is not a new Soviet Union. Russia is not ruled by a party; United Russia will not play the role that the Communist Party of the Soviet Union did, since it does not promote an ideology at home or worldwide. Russia cannot and will not reintroduce a planned economy, however flawed its present market economy sometimes appears, and it can never achieve the level of isolation of its population that characterized the Soviet era. Russians travel to the West on an unprecedented scale; the elite send their children to the U.S. and to Europe to study; and access to the Internet is increasing on an impressive scale, although so far mainly in the urban areas and among the younger population.

Nor is the international scene similar to that during the Cold War. There are new contenders for influence, most notably China, and a number of states have acquired their own nuclear arsenal since the end of the Cold War. Other threats than a nuclear showdown between two superpowers have come to the fore not least as a result of globalization, such as terrorist networks that stretch over continents rather than remain the isolated concern for a state in a specific region. In short, Cold War stereotypes will not provide the necessary insights that we need in order to build new relations with Russia and to properly understand the goals and driving motives behind its domestic and foreign policy choices.

### **Medvedev: Not a Quick Fix for EU-Russia Relations**

It would be erroneous or at the very least premature to believe that Dmitrii Medvedev as President of Russia will represent a radically new domestic or foreign policy. Whether he is vested with all the powers of the presidency or mainly acts as Putin's obedient front in the Kremlin, his initial policy orientation is bound to be heavily influenced by Putin's. He has repeatedly pledged loyalty to Putin and his policies in interviews and public speeches and this places him firmly in what is usually described as the 'technocrat' camp in Russian politics rather than in the 'liberal' one.<sup>8</sup> Nor does he represent the much-demonized *siloviki* faction, which mainly consists of

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<sup>8</sup> Ian Bremmer and Samuel Charap (2007) 'The Siloviki in Putin's Russia: Who Are They and What They Want', *The Washington Quarterly*, Vol. 30, No. 1, p. 85.

people with strong ties to the so-called power structures, such as the security and intelligence services.

Medvedev does not support the creation of large state-owned holding companies – the favored solution of the *siloviki* – except as a temporary solution, but he holds out Gazprom as an example of a well-run company.<sup>9</sup> This is usually not the view in EU business circles. He sees possibilities to improve relations with Georgia in the near future and desires international dialogue, but is also in favor of Russia adopting a tough position on the international scene and clings to the thought of Russia preserving its national sovereignty at all costs as a fundamental tenet. He defends, for example, the actions taken against the British Council, dismisses accusations that Russia has used its so-called ‘energy weapon’ to influence politics in Ukraine, and believes that Russian intentions are usually misinterpreted in the West, which he accuses of applying double standards.

Medvedev talks of ‘legal nihilism’ as one of the main problems in Russia today and of the need to make sure that judges and courts are independent of state structures and business interests, but does not, for example, even raise the idea of applying the division of powers between the executive, legislative and legal branch, which is stipulated in the constitution, as an efficient way of achieving scrutiny of the executive. Indeed, Medvedev, who was baptized into the Russian Orthodox Church in 2003, appears to deplore the lack of ‘moral imperatives’ to strengthen the respect for the law in society and regrets the disappearance of ‘moral-religious values’ that existed in Russia in the 19<sup>th</sup> century. So far, there has been little evidence of Medvedev including the state and the top political leadership showing a greater respect for the law.

His views of democracy echo familiarly of Putin’s ‘imitation democracy’.<sup>10</sup> Medvedev talks of civil society as the main instrument to achieve democracy, but it must be a civil society that is ‘structured’ in order to

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<sup>9</sup> The analysis here and below of Medvedev’s policy is based on programme speeches and interviews available at Dmitrii Medvedev’s election Website in February 2008, <http://www.medvedev2008.ru/>.

<sup>10</sup> Lilia Shevtsova (2007) *Lost in Transition: The Yeltsin and Putin Legacies*, Washington D.C., Carnegie Endowment of International Peace.

represent correctly all interests in the society and it falls upon the state to ensure this. His view of how elections should be run also coincides with Putin's. For example, Medvedev will not participate in any debates with his opponents before the election. In his view, there is no need for him to underline his advantage over those who 'have never been behind the wheel of the state machinery, whose programmes obviously become dated and has no chances of ever being realized'.

In other words, it would appear that under Medvedev, there will be little prospect for rapid movement towards rule of law, democracy, or radical reform of the economy and state companies such as Gazprom. Nor do his foreign policy instincts appear to be radically different from those of Putin's. What possibilities could there then possibly be for the EU to build new relations with Russia under Medvedev's new, and simultaneously old leadership?

### **EU Possibilities in 2008**

In the same way that it would be detrimental to base the EU's relations with Russia on the assumption that it is an incarnation of the Soviet Union, it would be unproductive for Brussels to expect imminent changes in Russian policy that will make it more amenable to EU values and ready to adopt EU rules and regulations. Instead, the EU should base its policy on a sober appreciation of what Russia is today and what kind of country it is likely to turn into in a five-year perspective given underlying forces in society. But it should also base its policies on a realistic expectation of how much unity the EU itself will be able to muster in its dealings with Russia.

The first possibility is that the EU should make use of is to take the opportunity of Russia's controlled transfer of power to leave old unsuccessful approaches behind. Even rather frosty relations could be better than ones built on entirely unrealistic appreciations of the goals and driving motives of the other side. Although there is sometimes a patent nostalgia for the EU-Russia relations of the 1990s, those relations were not built on a solid foundation and were just as – and possibly more – devoid of practical content as the relationship that frustrates the EU and Russia today. Realism is a much better basis for building a new EU-Russia relationship than unfounded optimism and closing one's eyes to the very real problems and grievances

that exist on both sides. As the EU is unlikely to agree on anything but a very watered down united Russia policy, it is better to build relations on shared principles that the EU applies to all third countries. The EU should not implement anything approaching a containment policy towards Russia, but it should be strict on insisting on Russia and the EU meeting halfway. If Russia wants two summits a year in the new Partnership and Cooperation Agreement as a symbolic recognition of its special great power status, there is a price to pay for it. Russia understands hard talk very well and if there is one thing it hates more than being demonized or 'contained', it is being ignored.

At a time when relations are unpromising on the political level, it is easy to forget the very real progress made on a practical level, which constitutes a second possibility for the EU to make use of. The degree of practical cooperation between EU member states and Russia today is incomparably higher than in the early 1990s. There is every reason to stimulate this kind of exchange on a people-to-people level and on an expert level. In other words, instead of fretting about the lack of common values, take advantage of the progress made on the practical level and work towards improving it even further. Furthermore, in the past several years, Russia has significantly increased its diplomatic mission to the EU to include experts from more or less all the ministries and government agencies involved in cooperation with the EU. This is a very promising sign, and will lead to a greater degree of knowledge on EU affairs in Moscow, as these officials are rotated home to their respective ministries.

The EU should do everything to stimulate practical exchange at lower levels, for example through exchange programmes between institutions, at the municipal level, between business networks, schools and universities. Realistically, the EU member states will never *all* develop an equal degree of interest in deepening people-to-people exchanges and cross-border-cooperation. To all intent and purposes, this will remain a priority for the member states with close interaction with Russia, and not least those that share a border with it. Therefore, programmes that promote regional cooperation are a good way forward inside the EU, since it primarily engages those with a vested interest in better regional relations. The challenge is to interest Russia in devolving more decision-making authority to the regional

level. It could, however, be the case that Moscow is more likely to do so simply because it believes it now has achieved a greater degree of control over the regions through the federal districts, introduced in 2000 as a matrix which all regions are divided into, and through its control over the appointment of governors.

Medvedev's emphasis on adherence to law creates a third possibility. The EU should not be under the illusion that Medvedev's background as a lawyer will make him an automatic proponent of rule of law, as the concept is known in the West. It would, for example, be naïve to believe that he would not use law selectively to control elections, civil society and party formation in the same manner Putin has. There is furthermore every possibility that Medvedev will use selective judicial procedures to deal blows to his rivals for power in the same way the Russian courts were used to take Yukos away from its independent principal owner, Mikhail Khodorkovskii. Although Medvedev's way of interpreting legality and respect for law is very much reminiscent of Putin's approach, the fact that he will be a new man in office opens up for a renewed dialogue on these questions. Emphasis on rule of law is furthermore an approach that could unite most EU member states if not all. However, it is also an approach that requires careful thinking and discipline inside the EU. It is essential for the EU to promote legal frameworks, adherence to international agreements and contracts in unison and in a coherent manner. Otherwise it will immediately become a target for Russian criticism of applying double standards, and the rule of law approach would likely backfire or at least become as inefficient as earlier attempts to influence Russia even marginally.

Finally, there is every reason to take into account that Russia is not a monolith, in spite of its own emphasis on a strong executive vertical. It could become even less of a monolith under Medvedev, partly because he is simply not Putin, partly because of the long-term trends in Russian society. In other words, with Medvedev's rise to power it is high time for the EU and the West not to fall for the myth that Putin – or Medvedev after him – represents all of Russia, and that we had better bet on him in order to avoid chaos or worse.<sup>11</sup> While it is true that the president has a towering role in the

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<sup>11</sup> See also Andrew Wilson, 'Meeting Medvedev: The Politics of the Putin Succession', *Policy Brief*, ECFR/05, European Council of Foreign Relations, February 2008.

Russian political system, Putin has always had to rely on different coalitions, elites and alliances to exercise his power. And in spite of the substantial formal powers of the presidency and the obsession with gathering all the reins of control to the executive, Putin failed to implement many of his reform programmes – usually because of the powerful and largely impassive bureaucracy that is tasked with implementing them. His grand plan to combat corruption, for example, through an administrative reform petered out a couple of years after it was launched. In short, even a powerful president needs allies and elites.

As a result of long-term trends, Russian society is also developing. Although few would talk of a powerful, politically active middle class in Russia today, wealth from oil and gas revenues has nevertheless trickled down in society.<sup>12</sup> Meanwhile, an increasing number of people come into regular close contact with the West on holidays or through business contacts. There will also be medium-large and large companies that become more and more aware of the benefits that a predictable business climate can offer, as well as how mutual transparency and good corporate governance can promote business relations and growth in a long-term perspective.

## Conclusion

To conclude, Dmitrii Medvedev will not offer a quick fix to EU-Russia relations. Instead, the new possibilities for the EU lie in internalizing that it needs to discard some of the unrealistic expectations it has had earlier as to its possibilities to influence Russia significantly through polite statements about shared values, but also in the EU's ability to resist calls for a new containment policy. There are a number of possibilities to build new relations, but these will take time and effort to develop as well as discipline inside the EU. But trying to influence Russia on a practical level, through a multitude of channels and not falling for the temptation to focus exclusively on the Kremlin intrigues, could yield real results in a medium-term perspective.

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<sup>12</sup> Dmitri Trenin (2007) *Getting Russia Right*, Washington D.C., Carnegie Endowment for International Peace.