



RUSSIA in GLOBAL AFFAIRS

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From Nationalism to Nation

Fyodor Lukyanov, Editor-in-Chief

On the eve of the 15th anniversary of the breakup of the Soviet Union, it has become particularly obvious that Russia has not only failed to overcome the consequences of that dramatic event, but has even failed to rethink them. Russia's task of forming a new national identity reveals a never-ending road of pitfalls, ranging from its search for a place in the world, to its attitude to neighboring countries, to exacerbated interethnic and inter-cultural problems in Russian society. In this issue, our authors summarize some of the results of those turbulent 15 years.

In an article contributed to our journal, **Roderic Lyne**, **Strobe Talbott** and **Koji Watanabe**, members of the Trilateral Commission, write that "the traumatic effect of the collapse of the Soviet Union tends to be underestimated." The breakup of the once unified geopolitical and cultural space, coupled with an acute economic crisis, caused many citizens of the Russian Federation to actually believe it was the end of the world. Today, the country is finally recovering from that state of shock, although it is still undecided

as to what direction it should take now. Historian **Dmitry Furman** argues that Russia's leaders, having failed to achieve stable democratic development, have instinctively begun to build what they were accustomed to before — a system of personal rule. President Putin hesitates to make the final step toward full authoritarianism, Furman believes, although that would be the logical completion of the process.

Leonid Grigoriev and **Marsel Salikhov** in their joint article emphasize what they describe as the main problem of a majority of the post-Soviet countries: the loss or drastic worsening of the quality of human capital. They insist it is this factor, rather than formal growth figures, that must be the main criterion in assessing the state of the newly independent countries. This subject is followed up by demographer **Serguey Ivanov**, who concludes that Russia will inevitably face the need for mass labor immigration. He warns, though, that this process will entail another very acute problem — the growth of xenophobia and intolerance in the country. **Modest Kolerov**, the head of the Russian President's Department for

Inter-Regional and Cultural Ties with Foreign Countries, writes that nationalism is the basis of independent development of all the states in the former Soviet Union. Philosopher **Alexander Dugin**, reflecting on the tragic events in Russia's Karelia region in September, which showed that the potential of aggressiveness against people of other nationalities has reached a dangerous point in Russia as well, offers his solutions to confronting this problem. Along similar lines, sociologist **Nikolai Mitrokhin** analyzes various kinds of non-Islamic extremism in Russia, while Orientalist **Alexei Malashenko** writes about the image of Islam as seen through the eyes of Russian society. Diplomat and politician **Mikhail Demurin** argues that Russia must return to its national roots.

State Duma deputy **Andrei Kokoshin**, an advocate of the popular Russian theory of "sovereign democracy," analyzes the political aspects of the formation of the Russian state. He insists this concept will enable Russia to overcome the aftermath of the cataclysms it has suffered in the last 15 years, and to take the road of stable democratic development. Professor **Robert Legvold** offers his view on how the United States should treat Russia, which habitually turns a deaf ear to recommendations from the West.

It is impossible for Russia to strengthen its sovereignty without a

clearly formulated economic strategy, the core of which is the energy sector. In this issue, three economists argue over priorities for Russia's official energy policy. **Mikhail Dmitriev** draws the readers' attention to the rapidly developing Asian markets; **Vladimir Milov** insists that Russia must consolidate its ties with the European Union; while **Mikhail Delyagin** offers a concept of "energy egotism" as a necessary element for the country's modernization.

This issue also carries an article by scholar **Farkhod Tolipov** of Uzbekistan, who analyzes the geopolitical dilemma faced by Central Asia, and an essay by outstanding Cuban author **Carlos Alberto Montaner** concerning the last period in Fidel Castro's rule and the prospects for his country.

Next year, *Russia in Global Affairs* will closely follow developments in the rapidly approaching elections to the State Duma, as well as preparations for the next presidential race. Certainly, the struggle for power will have an impact on Russia's foreign policy and relations with its major partners. We will attempt to shed some light for our readers on what actually happens inside the arena of Russian politics, which is an exciting and, at the same time, incomprehensible area even for many of its active players.

Russia – A Divided Nation?



Kazan, the capital of the Republic of Tatarstan

“ There is no education system that would teach the Russian people – especially the youth – to live in society together with peoples of different ethnicities. The rhetoric about tolerance is meaningless, since the term ‘tolerance’ is obscure and does not belong to any legal categories. So why should the authorities demand that the people act in accordance with certain rules? ”

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Kondopoga: A Warning Bell

Alexander Dugin

It seems that the tragic events that rocked the small town of Kondopoga in Russia's northwest region of Karelia began as a spontaneous bar brawl with an ensuing murder, but later acquired all the dimensions of an ethnic clash. That social conflict in late August and early September 2006 flared up like gasoline, as a moment of ethnic strife quickly spiraled out of control and revealed an ugly dilemma: "Are you with us or with them?"

This country typically veils issues of ethnic policy in silence. There is no clear understanding of what is considered to be a nation, an ethnos, a people, or a nationality. Instead of bringing clarity into this confusion, we confine ourselves to meaningless platitudes about "universal equality," as well as a "multi-ethnic and multicultural society." The in-depth elements of human psychology that are linked to everyone's ethnic identity have traditionally been cast aside in Russia; they have never been discussed openly in society, but have always been stigmatized.

The problem of ethnoses does exist in contemporary Russia. Thus, if descendants from the Caucasus travel to a northern town with a Russian-Karelian population and start engaging in a specific business based on ethnic connections, the situation will eventually aggravate social tensions. The events in Kondopoga took the form of an ethnic pogrom, where neither culprits nor victims

Alexander Dugin, a philosopher and cultural expert, is the Chairman of the Eurasia political party, leader of the international Eurasia movement. This article was originally published in Russian in the *Vremya Novostei* newspaper.

Kondopoga: A Warning Bell



Ethnic riots in the Karelian town of Kondopoga. September 2006

could be identified, even theoretically. Such conflicts never have clear victims and clear aggressors, and it is impossible to find and punish the true instigators in such a situation. When a conflict involves the ethnic domain, the notions of the innocent and the guilty, the victim and the butcher, or the instigator and the sufferer simply vanish. The participants, however, of this sort of clash naturally feel a sort of collective responsibility. They start to act tough against one's perceived foe, since the 'other side' acquires the status of an ethnic enemy. That is why the events in Kondopoga meant a large-scale – by Russian standards – ethnic collision, as this country has not seen anything of this kind of late.

The Russian government lacks a consistent ethnic policy based on a clear understanding of what 'Russian identity' really is. There is no education system that would teach the Russian people – especially the youth – to live in society together with peoples of different ethnicities. The rhetoric about tolerance is meaningless, since the term 'tolerance' is obscure and does not belong to any legal categories. So why should the authorities demand that the people act in accordance with certain rules? They do not know them, as no one has formulated them. In absence of an unambiguous ethnic policy, anyone is free to build extravagant concepts, including those that demonize other ethnic groups and justify any sort of actions in one's own eyes or in the eyes of kindred people.

We must examine more closely the differences between the ethnic self-consciousness of the local Russian population and

the ethnic minorities, who emerge – without historical prerequisites – in traditionally Russian areas of residence as new ethnic and social groups. With regard to civil rights, Russian nationals, as well as those people who have the necessary legal documents for living and working in Russia, enjoy the freedom of movement around the country. The legal side of the matter is impeccable, but members of small ethnic communities maintain much stronger cohesion with one another and have a stronger sense of mutual support and assistance than the indigenous communities. Moreover, they continue to organize their business activity and social life along their ethnic cultural archetypes. No one teaches them how to behave in the environment of the indigenous population.

When the Russian people, who comprise the majority of the population in this country, was at the point of a spiritual and cultural rise, the assimilation of small ethnic groups or their mere adaptation to new conditions progressed on its own. Now the Russians have problems with their own self-identity, as the Russian idea has become an object of derision, and a kind of complex has been imposed on the people with Russian identity. The very fact that there is ethnic association with Great Russia [historically Great Russia used to be opposed to Little Russia, or Ukraine, and White Russia, or Belarus – Ed.] is viewed as something shameful. Intimidated members of the ethnic Russian majority lose points to the boisterous and dynamic ethnic minorities that decide to settle in neighborhoods with heavy concentrations of Russians. From the legislative viewpoint, this is a normal and understandable situation, but from the socio-cultural viewpoint, it is fraught with a surge of psychological tensions that will sooner or later grow into violent ethnic pogroms.

All of these factors were present in Kondopoga. A drunken scuffle with an ethnic Azerbaijani bartender exploded into a mass brawl involving armed ethnic Chechens. The fighting claimed the lives of two men and left many others severely injured. Rumors about cutoff ears and shouts of “Allah Akbar” snowballed rapidly around the story, creating a show of solidarity with the “friends”

who had been victimized, and a demonstration of hatred for the “foes” who had acted as aggressors. The abhorrent corruption latent among the officials in local government and the police who preferred not to interfere, only added fuel to the flames.

Such a situation compelled the Russians to develop solidarity with those who had been victimized. All ethnic conflicts have this underlying danger: one can ignite them, but it is very hard to put out the fire. Rumors based on hatred quickly get wrapped in a multitude of episodes and striking details. In the end, collective blame was apportioned to all the ethnic Caucasians.

The Kondopoga drama did not stop there, as radical nationalist organizations, which wasted no time pouring fuel into the fire, quickly politicized the situation. It is very unlikely, however, that nationalist radicals acted of their own will only – even lunatics cannot seriously argue that “Bash the aliens!” slogans are pure manifestations of the national idea. At the same time, Russia’s enemies revel in positioning patriotic forces as a “gang of pogromniks.”

Appeals for ethnic strife serve exclusively the objectives of destabilizing the social situation and driving the country into chaos. Unfortunately, the tactic of fomenting that strife and whipping up a chain reaction of ethnic conflicts has a good chance of confronting the authorities with grave problems and dealing a blow to relations between government and the people that is taking shape right before our eyes. This is especially tarnishing on the eve of elections due in 2007 and 2008.

The latter factor is the most vulnerable point, since the authorities are not ready to declare a clearly shaped ethnic policy, or to harmonize the aspirations of the different ethnic groups that inhabit this country’s territory.

The Kondopoga story reveals, most importantly, the presence of objective inter-ethnic variances that arise from the depleting cultural identity of the Great Russians against the background of a persisting and growing self-identity of minority ethnoses. This creates a critical situation and naturally provokes xenophobic tendencies in the grassroots. In the meantime, grassroots chauvinism

and xenophobia are far more dangerous than the well-defined ideological forms of nationalism, since they are scattered amongst the population and it is all but impossible to localize them. Household xenophobia is growing visibly. This growth has several objective factors, which play into the hands of marginal political forces trying to gain more political weight.

It is necessary to reconcile the Great Russian identity with the legitimate and justified self-expression on the part of other ethnos living in this country. In my view, only the Eurasian ideology offers a chance to bring to rights the revival of the geopolitical power of the state with the aspirations of ethnic minorities. The time has come for moving Eurasianism from merely a public movement or school of thought to an actual official government policy.

The Eurasianist response to the events in Kondopoga would consist in lifting taboos and bans from the dissemination of the Great Russian national self-identity. This is bound to produce an immediate positive result, since an individual who knows his or her traditions well and loves them cannot by the very virtue of this love despise or hate the traditions of other peoples. The crux of the matter is that in a situation where the Russian identity is evaporating, attempts to maintain the identities by other peoples naturally incites prejudice, irritation and even hatred.

It so happened in history that most Russians have been torn away from their roots and traditions. We were prohibited to raise the very issue of our ethnic legacy, while those who attempted to bring up the subject more often than not perished under the millstones of repressions. Now it is time to lift those bans and legitimately retrieve the feeling of national pride of the Great Russians.

At the same time, this feeling must combine with it a profound knowledge of the culture and history of other ethnos inhabiting Russia and countries of the Near Abroad. We must be able to distinguish a Chechen from an Azerbaijani, an Armenian from an Avarian, a Lezghin from a Yakut, and a Tajik from an Uzbek. These are entirely different peoples with entirely different histories. Some of them reside in Russia and have every right to do so.

Today, the representatives of other nations – the Chinese, for instance – live in this country too. And each of them, as well as the behavior typical for them, requires special treatment on the part of the Great Russians. On the other hand, members of those ethnoses now living in Russia should also study the basics of Russian culture and follow our traditions and customs. However, this is what the guests of our urban and rural areas are usually reluctant to do.

Ethnic culture is a subtle thing. It does not manifest itself in appearance only. The modes of behavior, looks, gestures and intonation have significance, too. And if the guests to our cities and villages want to be received with a broad Russian embrace and hospitality, they should adjust themselves to local morals and manners. Likewise, those Russians who move to traditional neighborhoods of foreign nationalities are obliged to study the local lore and customs and reconcile with them.

To sum up, our only salvation will come from the love we have for our ethnic roots and from a persistent, harmonious, and well-defined ethnic policy.

The story of Kondopoga shows that the time has come and we can no longer procrastinate. The events that exploded to the surface in that small microcosm of Russian society reflect the country's situation on the ethnic, professional and psychological plane. Kondopoga may blaze a trail into the abyss for all of us, as the road of interethnic tensions will only lead to Russia's collapse, to a finale where it will lose its leading positions in global geopolitics.

Non-Islamic Extremism in Today's Russia

Nikolai Mitrokhin

Extremism is a vague term. Even the Russian Law on Counteraction to Extremist Activities fails to clarify it, and therefore the legislation is rightly criticized by human rights organizations. My personal opinion is that extremism per se is a socio-political ideology that declares the right of non-state organizations or private individuals to resort to physical violence against particular segments of the population, whether in their own country or on foreign territory, as well as destroy physical (cultural) facilities. If we exclude the Islamic factor, which is not discussed in this article, then violence committed in Russia for socio-political motives (including ethnic and religious ones) is represented by three groups of phenomena.

Rightists and the National Bolshevik Party. The first group comprises right-wing extremism, which is now waving the banner “Russia for the Russians.” In Russia, there are now hundreds of organizations and periodicals propagating Russian nationalism in its classical “black-hundredist” [derived from the Black Hundred, a reactionary movement in Russia in the early 20th century – Ed.] or “Communist-patriotic” interpretations. Some of these organizations publicly declare their extremist slogans. At the same time, there is a considerable gap between these appeals and the desire to translate them into reality.

Nikolai Mitrokhin is a historian. This article is based on the author's report at the conference «Roots and Routes of Democracy and Extremism» (Porvoo, Finland, October 11, 2005) organized by the U.S. National Academies, the Aleksanteri Institute and the Russian Academy of Sciences). The article was originally published in Russian in the *Neprikosnovenny Zapas* magazine, No. 1(45), 2006.

Since contemporary Russia became an independent state in 1991, right-wing extremism has undergone some essential changes. In the period between 1991 and 1996, rightist radicals clung to the hope that they would take over power from the seemingly weak government of Boris Yeltsin. To this end, they undertook preparatory actions; specifically, they formed and trained paramilitary groups, which took part in the abortive coup attempt in October 1993. Their main targets at that time were Jews and democrats. After the 1996 presidential elections, however, the right-wing organizations suffered an internal crisis. They realized that the “anti-people” regime would remain in power for a long time and that the authorities had even successfully borrowed some of the slogans of the Russian nationalists. The rightist revolution would have to be postponed.

A characteristic example of this crisis was the breakup in 1999-2000 of the largest and best-known black-hundredist organization – the Russian National Unity (RNU). Presently, the RNU, which once had about 15,000 members, is split into several competing organizations with a total membership of not more than 4,000.

After 1996, the new generation of right-wing extremists began to attack primarily those with a “non-Slavic appearance” (for example, labor migrants and foreign students). Nationalists implemented various methods to oust these people from “traditionally Russian” cities. Since then, the level of direct violence done to foreigners has sharply increased. Pogroms and serial killings based on racial hatred – an absolutely new phenomenon in the Russian cities – are now widespread.

Apart from a large number of skinhead groups (not to mention sport hooligans, particularly connected to the game of football, a subject that will be discussed below), other major categories of right-wing extremists include Cossack groups and small terrorist affiliations made up of veterans of the “Slavic” wars of the first half of the 1990s (in Transdnistria, Abkhazia and Serbia), as well as participants of the coup attempt in Moscow in October 1993 and their followers. The most notorious actions of the latter included grenade attacks on the U.S. Embassy in Moscow in 1995 and 1999, an assassination attempt on Anatoly Chubais, former Chief of Staff of the Russian president

and now Chief Executive Officer of Russia's Unified Energy Systems, and an explosion on a Grozny-Moscow train near Moscow in 2005.

The Cossacks, who declared in the 1990s extremist ideas and participated in acts of violence, have now largely abandoned these activities. The movement itself has split into numerous groups. In order to continue enjoying benefits received from the government or regional authorities, they refrain from making extremist statements, such as promises to flog "bad" journalists, a comment issued in 1992. At the same time, many individuals from this movement still hold xenophobic views, especially with regard to migrants. However, the translation of extremist views embraced by some Cossack organizations into life is now possible only if approved by the local authorities and at the rural level. The Krasnodar Region is a characteristic example in this respect – the actions of Cossack organizations into life there add to police pressure on Meskhetian Turks and Caucasians.

Between the rightist and leftist extremists there is a peculiar political phenomenon known as the National Bolshevik Party led by Eduard Limonov. Apart from proclaiming social slogans, it now defends the rights (interpreted in its own specific way) of Russian-speaking populations in other former Soviet republics and advocates the restoration of the Soviet Union. The party has undergone various stages in its development. From clamoring for a "national revolution" its members occasionally found it necessary to switch to more practical actions, such as the preparation of a Cossack uprising in North Kazakhstan. The party's loud statements had long drawn the attention of the Federal Security Service (FSB). As a result of an FSB provocation (which involved RNU members), the NBP leader and several of his supporters were arrested in 2001. In early 2003, they were sentenced up to four years imprisonment for the purchase of assault rifles and munitions. In early 2005, they were all released.

Now the party implements the tactics of token resistance, borrowing methods employed by some leftists in Western Europe, such as throwing cake and oranges at politicians and public figures it opposes, or smacking them in the face with a bunch of flowers. There have also been temporary seizures of administrative or other state buildings by party activists. Considering Limonov's struggle

for retaining the party's legal status, such a transformation of the methods of the struggle can be considered a positive outcome – although it was brought about by pressure from the state.

Leftists. There are many organizations, although their numbers are quite small, that dream of carrying out another Communist revolution in Russia. Their ideologies may differ essentially in details and in what models to follow – from restoring the Soviet Union (with characteristic Communist-patriotic rhetoric) to the construction of a “truly” socialist state (be it anarchic, Communist, or the people's) as planned by Pyotr Kropotkin or Leon Trotsky (with anti-Nazi slogans). Yet their passionate desire to “fight the bourgeois” and socialize private property attests to their ideological kinship. Many of these organizations use extremist rhetoric in their public statements, but only a few have tried to translate these ideas into life. In the past, such left-wing extremists committed acts of terror against state institutions or monuments in Moscow and its surroundings. In all the cases, the perpetrators used explosives.

Following an investigation of these crimes, police arrested members of two (possibly interrelated) groups: RSFSR Revolutionary Military Council and New Revolutionary Alternative. A member of another organization, Vanguard of the Red Youth (AKM) – which is possibly the largest and best-known leftist extremist organization with up to 500 members – was also arrested and sent to a mental institution for treatment. The organization officially denies it resorts to terrorist tactics but is ready to defend left-wing terrorists after their arrest.

Activists of the AKM and other leftist organizations occasionally clash with police during demonstrations and are arrested. Generally speaking, it is only insufficient membership that prevents these organizations from repeating the mass disorders that took place in Russia in the mid-1990s. At that time, the leftist radicals (for example, the Student Defense organization) provoked three serious conflicts between participants in antigovernment rallies and police. So, for the time being, the AKM and other leftist radicals use mainly peaceful methods to publicize their views, such as organizing pickets, participating in rallies and demonstrating the seriousness of their intentions – for example, by covering their faces with kerchiefs.

The coming decade in Russia will see growth in the number of leftist extremists for the following reasons:

- the continuing social stratification of society;
- reforms in the social sphere;
- the “capitalist” image of the existing social system;
- the increased influence of religious organizations, above all the Russian Orthodox Church, on the educational system, which provokes interest in atheistic concepts in their radical interpretations;
- racism and other forms of ethnic discrimination by law enforcement officers and by skinheads;
- the ongoing dissemination of extremist propaganda in leftist circles, in particular the “historic” experience of Germany’s Red Army Faction (also commonly known as the Baader-Meinhof Group, or simply RAF), Italy’s Red Brigades, and the Latin American insurgent movements led by Che Guevara and Subcomandante Marcos.

Non-Islamic religious extremists. Unlike some other newly established states in the former Soviet Union (Ukraine, Georgia, Moldova), Russia has not witnessed incidences of physical violence on religious grounds. This may be explained by Russia’s relatively undeveloped religious culture (the majority of people who regularly attend church services are elderly people and women), and by the relatively high level of tolerance as compared with the above states.

At the same time, vandals often damage religious structures that belong to the Russian Orthodox Church or religious minorities. The damage is usually committed by arson, window breaking, crude graffiti and the desecration of tombstones. The latter three types of vandalism occur nearly every day in this huge country, which has some 24,000 officially registered religious organizations and tens of thousands of cemeteries.

These activities are not part of some organized plan, except for cases of arson, synagogue attacks, and occasional incidences at Protestant houses of prayer. For the most part, however, these acts are the work of groups of local teenagers who have failed to find a better way to express themselves.

The few exceptions in the sphere of religious extremism include the activities of the Committee for Spiritual and Moral Revival of

the Fatherland, led by Russian Orthodox priest Alexander Shargunov. Activists of this organization, who are also staff members of a Moscow church, in 2003 destroyed an exhibition called "Beware: Religion!" at the Andrei Sakharov Museum in Moscow. The attackers claimed the exhibition insulted their religious beliefs. This group is also suspected of damaging or painting over "immodest" advertising boards.

In another case that could be attributed to religious extremism, a group destroyed an unfinished Orthodox church in the city of Naberezhniye Chelny, Tatarstan, which was being built at the site of a wooden chapel that had been destroyed by arson. Three elderly women from the region, who are members of a radical ethnic nationalist group called Tatar Public Center, were found guilty of the crime and forced to pay fines.

According to the Russian Orthodox clergy, some teenagers that attack religious sites call themselves Satanists or Neo-Pagans. Russian contemporary history knows at least one case when a Satanist (an Afghan War veteran) killed three monks in a large monastery, was detained and declared insane. The majority of vandalism cases against religious buildings and cemeteries remain unsolved and insufficiently documented by the victims themselves. Oftentimes the latter are not interested in a full investigation because it may reveal conflicts between the religious community and local residents who are not always happy about the construction of a new church or monastery (or a mosque or a house of prayer). For example, the incident in Naberezhniye Chelny involved not less than 30 World War II veterans and pensioners who did not want to see a religious structure in their park. The public nature of their actions (the destruction of the church continued for an hour and a half and took place in the daytime) did not allow the local authorities to hush up the incident. Eventually, the authorities decided to build the church elsewhere.

Blaming such incidents on elusive and "bad" Satanists makes it possible to maintain an outward appearance of support of the "church of the majority" by "the people." This is why it is impossible to estimate the real scope of danger posed by the activities of Satanists or Neo-Pagans with regard to Christian religious communities.

MASS MANIFESTATIONS OF VIOLENCE

Both rightist and leftist extremist groups pose a certain danger. In moments of political instability, their forces and influence can rapidly multiply. As mentioned before, they are capable of committing acts of terrorism and provoking mass disorders. Yet this is to speak of a potentiality that is only occasionally implemented. Although the extremist groups declare their “permanent readiness for a revolutionary situation,” they are very small and disunited. Special service agents have infiltrated these groups, and the law enforcement bodies easily suppress them when they switch from radical statements to acts of violence. And even when they resort to acts of violence, buildings and structures become their primary targets as opposed to people.

Presently, the real danger derives from two closely interrelated communities that belong to the right-wing flank of the political spectrum. These are the so-called skinheads and sport hooligans (or *fanaty* – “hard-core fans”). These extremist movements are the largest (experts estimate the number of Russian skinheads alone at 50,000 people) and the most violence-prone. In 2004 alone, the SOVA analytical center registered at least 45 killings committed by skinheads (compared with at least 20 killings in 2003), although the actual number of such crimes is certainly much higher. The law enforcement agencies prefer not to link the crimes of violence they investigate to extremist groups. At the same time, the cases against specific skinhead affiliations (for example, in Arkhangelsk, Perm, the Moscow Region, St. Petersburg, and Tyumen) often reveal that members of these groups committed serial killings on racial or “social” (e.g., against vagrants) grounds.

In Russia, the number of people attacked and injured by skinheads is very high and beyond estimation. Since the late 1990s, the foreign embassies in Moscow have repeatedly asked – collectively and separately – the Moscow and federal authorities to protect their citizens, but these requests have produced little result.

The skinhead movement has spread to all large and medium-size cities in the Russian Federation. In 2001-2002, for the first time since the beginning of the 20th century, Moscow and several other cities actually witnessed once again ethnic pogroms. Groups con-

sisting of several hundred people smashed several street markets, assaulting and killing people with a dark complexion.

Sports hooligans are no less aggressive. Many soccer or ice hockey events — especially in the premier leagues — end in riots between the supporters of the rival teams. Very often, the fans will attack dark-skinned passers-by or street vendors. Many of such attacks result in deaths or serious injuries.

Sports-related violence has acquired such a scale that it is now perceived as the norm in Russia. News reports frequently cover the trial of the latest group of teenagers (usually between the ages of 16 to 18) who beat to death people to “cleanse the town,” or another clash between several hundred fans, which ended in two deaths and a dozen injured. Although such stories are routinely presented among other crime reports, in Western Europe or the United States they would be front-page national news.

The recognition of such developments as the norm in Russia, after the authorities were reluctant to pay attention to the growth of large-scale extremist affiliations for so long, is a source of serious concern. The municipal authorities began to take measures to curb skinhead activities only after skinheads and soccer fans organized mass disorders in downtown Moscow in June 2002. Skinheads were suddenly counted amongst “negative social types,” and the authorities proceeded to launch “preventive measures,” promising trouble for skinhead teenagers and their parents. Skinheads, dressed according to the fashion of their subculture, began to experience difficulties moving about the city after police, patrolling all major junction points of the municipal transport, began to stop and frisk such noticeable characters and conduct “pedagogical work” with them. The lack of adequate statistics for the previous period of skinhead activity, together with the reluctance of Moscow’s police chiefs to officially recognize the existence of skinheads in the city, makes it difficult to estimate the efficiency of this crime prevention tactic. Yet the number of “canonically” dressed skinheads has markedly decreased. Over the last two years, they have not organized a single large pogrom, while the organizers of some of the former pogroms have been

brought to trial – although they have been sentenced to minimum terms or even acquitted.

The authorities in other Russian cities, where skinheads failed to provoke mass riots, do not engage in regular counteraction operations against them. The Kremlin continues to ignore the problem, although it resorts to anti-Nazi rhetoric in denouncing countries that once were part of the Soviet bloc. The federal and regional authorities still cherish the illusion that they can organize and control a mass youth patriotic movement. Such a movement must “prepare young people for the Army” (that is, foster sporting skills, tenacity and controlled aggressiveness) and teach them to “love their Motherland” (that is, support their state implicitly).

This particular Russian illusion has a long history. In the late 1950s and the 1960s, the authorities organized “brigades of assistance to the police,” which were subordinate to the Interior Ministry and regional committees of the Young Communist League. Brigade members beat and humiliated *stilyagi* (Soviet bohemian types interested in Western fashions and music) and “hooligans” (members of street gangs) to force them to give up their asocial appearance and behavior. The same brigades used punitive measures against females who socialized with foreigners. In the 1980s, a group of teenagers from underground weight-training clubs in Moscow surroundings, known as *lyubery*, took on a similar role and ideology under the auspices of the local police. In a span of no less than three years, this group beat and robbed members of the “pro-Western” youth subculture, yet not a single case was investigated to the end. Later, *lyubery* became one of the strongest criminal communities in the Moscow area.

In the early and mid-1990s, aggressive teenagers from working-class neighborhoods successfully integrated into numerous criminal groups, releasing their aggression in mutual feuds. Characteristically, the number of soccer fans sharply decreased at that time: even matches between the most popular soccer teams regularly attracted a mere 2,000 to 3,000 fans. Yet, as criminal groups turned into legal or semi-legal business structures and yielded zones of their influence to the law enforcement bodies (which

became the largest protection racket), the younger generation from the working-class neighborhoods and poor suburbs had less opportunities for “bandit socialization.” At the same time, these young people could not join the law enforcement bodies due to their age and because they did not have the required military service record.

The beginning of Vladimir Putin’s presidency was marked by an effort to reinvigorate a youth patriotic movement. They chose the realm of sports as an essential feature of a new state ideology, especially since the new president had the image of a sporting and even tough man. The government boosted funding for athletes and launched a nationwide campaign to enhance the image of sports in the state-controlled mass media. The exaggerated rivalry between Russian and foreign athletes, characteristic of Soviet times, rose to the surface once again. Russian victories and defeats began to be described in terms of state achievements and anti-Russian conspiracies.

Sports clubs, bought by strategic investors in the second half of the 1990s, were highly interested in boosting the number of their fans, which brought them more profits. Putin’s desire to popularize sports in the country provided them with additional political support. Against this background, the Interior Ministry and the Federal Security Service (FSB) took no notice of the mass altercations and attacks on dark-skinned or Asian-looking people, which took place after almost every match. As a rule, the instigators of those attacks remained unpunished – that is, as long as they did not inflict serious damage on the law enforcement officers, of course.

Official fans’ organizations supported by sports clubs are now actually part of the sports business. However, they are unable to control the behavior of what they call “quasi-sports hooligans,” just as they have failed to control the consumption of alcoholic drinks by minors at the stadium. On the contrary, they are highly interested in increasing the number of supporters of their team, regardless who these supporters are – even though some groups of fans have for at least a decade declared themselves to be “fighting units” specially set up to organize brawls. The only requirement for the fans is that they refrain from any display of aggression in the stands, which may result in the termination of the match and penalties for the club.

The rampant proliferation of sports propaganda was curbed only after thousands of drunken soccer fans rampaged through downtown Moscow on June 9, 2002, following Russia's defeat by Japan in the World Cup finals. Many soccer fans were watching the match on a giant outdoor screen on Manezhnaya Square near the Kremlin. Angered by the defeat, they damaged and set fire to dozens of cars, smashed shop windows and even tried to break into the State Duma building. Yet support for the fans' movement continued, including through the efforts of state propaganda.

It is difficult to organize rank-and-file fans for political demonstrations; they seem to be only capable of engaging in post-match disturbances or hunting down members of rival groups. However, the rallying point of the movement, above all amongst the groups of "street fighters," made it possible to involve them (along with "young sportsmen") in newly established pro-presidential anti-democratic organizations, such as *Idushchiye Vmeste* ("Going Together") and their tougher variant, *Nashi* ("Ours"), sponsored by the presidential administration. The movement's organizers planned *Nashi* to prevent by force all possible mass demonstrations by the "pro-Western" opposition.

There is no doubt that *Nashi* actively cooperates with the Interior Ministry in this issue, which follows, for example, from the coordination of actions between the Interior Ministry and fan groups in suppressing the National Bolshevik Party in 2005. At present, the authorities view the NBP as part of extra-system opposition and a potential organizing element of an "orange revolution." This is why it is being consistently destroyed by administrative and extrajudicial methods (such as the expulsion of NBP organizations from headquarters buildings, or the inspection and seizure of party documents), taken by the Interior Ministry, and by criminal actions, such as the beating of NBP activists by unknown people using baseball bats and stun guns. NBP activists and journalists who investigated the attacks found out, however, that members of the *Gladiators* group – fans of the *Spartak* Moscow soccer club – carried out some of the attacks in 2005. Meanwhile, the individual who organized the attacks is known not only as an ardent soccer fan, but also as the head of the *Nashi*

movement's regional development program. Furthermore, agents of the Russian Communist Party allegedly spotted several of the Gladiators in the summer of 2005, wearing guns, among members of a private security agency employed to protect a Nashi congress on Lake Seliger. But even there they continued to hunt down and beat members of rival fan groups, which caused a scandal. Then there are reports that Alexei Mitryushin, the leader of another radical fan group, Gallant Steeds, which supports the CSKA sports club and whose magazine in the early 2000s published pro-Nazi articles, was discovered by a journalist of a quasi-government newspaper as the actual head of the Nashi movement's Moscow organization.

MEASURES TO REDUCE EXTREMISM

The lenience displayed by the federal and local political leadership and law enforcement bodies toward mass extremist movements – skinheads and sports fans – prevents them from taking specific measures to localize and suppress asocial and often criminal extremist activities.

Despite the mass character of the aforementioned movements, there are only a few staunch supporters of outright violence, ready to operate in unfavorable conditions and “sacrifice” themselves. Attempts by Russian nationalists of the “black-hundredist” type to enlist the many thousands of members of the skinhead movement, sharing their hatred toward Jews and “blacks,” have failed. Likewise, the hopes of the skinhead ideologists that the sports fans would embrace their ideology, thereby replenishing the skinhead movement, have not been fulfilled. The reason is that participation in street gangs and especially in street violence has a socializing effect, as it lets an aggressive teenager grow in the estimation of his friends, who give him the privilege to join their “yard games.” When he grows up and moves from his yard company to another social cell, the former skinhead, as a rule, will lose the motivation to participate in a radical movement, although he preserves some of his former convictions. But since mythologies supporting these convictions are so primitive and poorly grounded ideologically, the political views of the former skinheads (not to mention sports fans) could always change.

Therefore, it is possible that manifestations of extremism and physical violence will decrease, although factors arousing such manifestations are expected to persist in the medium term. These factors include social stratification, intensive migration, and the isolationist and even xenophobic rhetoric of the federal center. The authorities in a large number of regions, as well as the mass media, which often use the “language of enmity” on their own initiative, are other contributing factors.

The first set of measures that must be taken is obvious: the observance of the existing legislation, which calls for the consistent punishment of those who commit physical violence for “socio-political” motives, as well as those who propagandize extremism.

However, one can hardly expect a consistent policy in this sphere while a significant number of law enforcement officers support extremist views. Society as a whole, together with a large part of the political elite, admits that the degree of corruption and inefficiency of the security agencies has reached intolerable proportions. Measures for the medium term must include the re-certification of members of the law enforcement and security agencies, fighting corruption within these organizations and reducing their personnel. This long-awaited reform must reveal those officers who support extremist groups or are guided by extremist views in their work. These officers must be dismissed, together with their views (for example, their attitude to migrants). This must be achieved through harsher administrative control inside the law enforcement agencies, together with the retraining of active officers. Finally, there must be a change in the ideological content of the cadet-training process.

Another set of measures must target the educational system in the country as a whole, and secondary schools in particular. According to the Law on Education, the educational system of Russia rests on a humanistic ideology, but neither teachers nor pupils understand what this means when the country lacks a clearly formulated state ideology. The surviving generation of Soviet teachers maintains humanistic traditions (such as “friendship among peoples” and the protection of and assistance to the weak),

although they teach these ideas in rather outdated forms. However, the younger generation of teachers does not receive a regular humanistic education and, therefore, is unable to share it with their pupils. On the other hand, young teachers and public sector staff with a higher education are susceptible to embrace and propagandize leftist ideas, which will inevitably grow stronger among the opponents of “capitalist society.” Therefore, strengthening the humanistic content of a pedagogical education, thereby ensuring its conveyance from teachers to pupils, is now a major strategic task.

PROSPECTS

There are doubts, however, that these measures can be implemented in the current political situation. After the dramatic events of autumn 2004 (the terrorist attack on a school in Beslan, and the Orange Revolution in Ukraine), the Russian elite has made a choice in favor of a right-wing conservative and isolationist ideology and policy, which is reminiscent of the era of McCarthyism in the United States. The authorities and large national capital defend their property and domestic market from strangers and occasionally expand, if need be. The middle class, after a long period of relative poverty, now consumes with pleasure ever new kinds of goods and services and, therefore, prefers not to pay attention to social conflicts and even violations of democratic freedoms. Internal and external migrants with a dark complexion risk falling victim to Ku-Klux-Clan-type organizations or racist police, yet this risk is compensated for by their ability to find a “promising and payable” job in Russia, such as a construction worker or a streetcar driver.

If the present situation in the Russian economy persists, then the backwardness and unsettled social conflicts inside the country, a contributor to growing extremist activity, can continue for at least another decade until well-fed and dauntless children of the middle class and colored *gastarbeiters* receive a higher education, thus providing all the necessary conditions for another explosive 1968.

Islam, the Way We See It

Alexei Malashenko

Russian society holds two contradictory attitudes to Islam. On the one hand, according to Nikolai Silayev, “the myth about the ‘mysterious East,’ characteristic of Western Europe, never really materialized in Russia: the East has always been considered endemic to Russia.”

On the other hand, notions of the “mysterious East” do exist in the Russian mindset, and it is only necessary to consider the many Arab fairy tales, the harems, and the India of Afanasy Nikitin, not to mention Japan and China. And if the Tatars did not pose a mystery, the peoples of the Caucasus and Central Asia posed it. The Muslim East has always been exotic, even if in close proximity to Russia.

Islam has at all times been perceived as something alien to Russia on the subconscious level: Muslims live primarily abroad – in the arid Middle East, Afghanistan and Central Asia.

This alienated view of Islam was largely promoted by official Soviet propaganda that divided Islam into “foreign,” that is, aggressive, politicized, and occasionally used as a slogan (jihad) in the liberation movement, and “Soviet Islam,” which was related to “backward old men” and “weak women,” and seen as a feudal relic. Needless to say, even then, some intelligent functionaries in the party apparatus and especially in the State Security Committee

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(KGB) realized that Islam in the Soviet Union had proved to be extremely resilient, retaining its functions as a regulator of social relations. But to reiterate, “Soviet Islam” was not identical to “their Islam,” while the religious identity of Soviet Muslims was regarded as marginal, doomed to extinction.

In the late 20th century, following the disintegration of the Soviet Union and under the impact of growing contradictions amongst the Muslim world, Europe and the United States, as well as internal conflicts in Russia, “Russian” Islam began to be increasingly identified with the Muslim world, with all of its strengths and weaknesses. This holds true especially for the North Caucasus – a border area that is a part of Russia and a part of the Muslim world at the same time.

The Muslims are perceived as alien or friendly depending on the specific political situation. The war in Chechnya caused the North Caucasus, in the public mindset, to move further away from Russia and closer to the Islamic world. Tatarstan, with its thousand mosques, Islamic University and resolve to adopt the Latin script, is also shifting closer to the world of Islam. Boris Yeltsin’s famous slogan, “Take as much sovereignty as you can swallow,” became a strong incentive for the Muslims to turn away from Russia.

The division of Islam into “alien” and “native” remains to the present time, which is especially characteristic of the new official ideology, although today there is a somewhat different emphasis: the qualifier “alien” is applied to Islamic fundamentalism (Wahhabism), as opposed to “native,” or traditional Islam, which maintains a separation of religion from politics and is absorbed into purely religious affairs.

The great majority of Russians judge Islam by:

- actions of religious extremists;
- conflicts with the involvement of Muslims;
- radical statements by Muslim politicians and spiritual leaders;
- an influx of immigrants.

Very few people have opened the Koran, but yet practically everybody reads newspapers and watches television where Muslims are involved in bomb attacks, wars, and special operations in the

North Caucasus, while in news reports, Muslim spiritual leaders are saying uttering banalities.

There are several common stereotypes associated with a Muslim: a head-shaven, bearded man with an automatic rifle; a terrorist wearing a facemask; a crooked businessman. It is noteworthy, however, that none of these negative stereotypes are associated with the Tatars, who, in their majority, especially in urban areas, are either close to or indistinguishable from the Slavs by their lifestyle and mentality. The Russian man on the street apparently ignores the Tatars' Muslim identity: they are just neighbors that everyone has long become used to. "Scratch a Russian, find a Tatar," as the saying goes. But no matter how hard you may scratch an Orthodox Russian, you will never find a Muslim.

The perception of the Islamic world has been aggravated by the 9/11 tragedy, terrorist attacks in Russia and in Europe, and the bellicose phraseology of Muslim politicians. There have been other "incidents" as well, such as the destruction of ancient Buddha statues by the Afghan Taliban (2001), the murder of Dutch film director Theo Van Gogh (2005), the prosecution of an Afghan citizen for conversion from Islam to Christianity, and so on.

PRO ET CONTRA

In Russia, as everywhere, public opinion is influenced, above all, by crimes committed by Muslims, which are played up in the media. But while criticizing the media, politicians and other public figures for their negative image, it should be noted that Muslims themselves provide cause for their negative perception in the public mind.

Even without the benefit of a magnifying glass, it is obvious that Russians have ample grounds for complaints against immigrants from Muslim countries and regions. Meanwhile, attempts by Muslim spiritual leaders to cast Islam as a "world religion" are treated skeptically. First, imams and muftis are usually not eloquent enough to convince the public that they are right. Second, as freedom of expression is suppressed, judgments made in the media receive little credence, as was the case with Soviet propa-

ganda. Third, the deeds of Islamic radicals belie Islam's purported peace-loving nature in the public eye.

Furthermore, Russia has been fighting against Muslims for almost two decades now with little break. Thus, the enemy in the Russian mindset is associated with the Afghan *mujaheddin* and the Caucasus militant. The present generation of war veterans can rightfully call themselves the "veterans of Muslim wars."

Russia's attitude to Islam and Muslims also fits into the general context of xenophobia that in the first half of the 1990s was considered to be a hangover of post-totalitarian thinking; 10 years later, however, it has turned into a core element of the public consciousness. Whereas in 1989, some 20 percent of the population showed signs of xenophobia, by 2001 the share rose to 50 percent. According to Lev Gudkov, a well-known philosopher and social scientist, judging by its level of xenophobia, Russia had surpassed even Austria, the most xenophobic country in Europe.

A poll conducted by the All-Russia Center for the Study of Public Opinion on Social and Economic Questions (VTsIOM) in March 2002 showed that Russian levels of xenophobia were the highest against people from the North Caucasus (43.3 percent), followed by Central Asia (38.7 percent), and then the Arab countries (30.3 percent). The percentage dropped to 12.6 percent for Belarusians, Moldovans, and Ukrainians. Some 73 percent of Interior Ministry officers were biased against non-Russian immigrants.

It would seem that on the issue of immigrants Russia is in the same league with most European countries. For example, according to *The Wall Street Journal* (December 10-12, 2004), Europeans expressed discontent with the presence of Muslims in their countries (75 percent of Swedes, 72 percent of Dutch, 67 percent of Danes and Swiss, 65 percent of Austrians and Belgians, 61 percent of Germans, 56 percent of Finns, 48 percent of Spaniards, 44 percent of Italians, 39 percent of Britons, and 35 percent of Greeks). Yet it should be borne in mind that in the not so distant past, Muslim immigrants in Russia were Soviet citizens or are still Russian citizens; they speak Russian and can easily

adapt to Russia's cultural environment. Muslims in Russia are "strangers among their own," while the older generation of immigrants share the same mentality with the Russians. This may bring them closer to the "host nation," but it can also be an additional source of irritation: "We used to be in the same boat," some Russians seem to be saying, "but now you are crowding us out, living off us, and getting rich in the process."

Whereas in the past xenophobia was mostly dominated by anti-Semitism, now its principal target are people from the south – 70 percent of them being Muslims. Alexei Levinson has noted that "Caucasus-phobia" sometimes affects as much as two-thirds of the population.

According to a recent poll conducted by the Yuri Levada Center, Chechens evoked a negative reaction from 52.3 percent of respondents, Azeris from 29.2 percent, whereas Jews from only 11 percent.

Jews fought anti-Semitism mainly by leaving the Soviet Union and Russia or, contrary to xenophobic expectations, while preserving their ethnic/religious identity, they integrated into Russian culture, asserting themselves as part of Russia's new elite. Muslims are not leaving or integrating. Rather, they painstakingly guard their religious identity, and they have extensive experience in resistance, including armed resistance.

So, cautious and even negative attitudes toward Islam have a strong base. When asked the question, "Which religion is more alien (hostile) toward Russian Christian Orthodoxy, Islam or Catholicism," 50.1 percent of respondents mentioned Islam, whereas only 12.3 percent cited Catholicism (Levada Center, 2002). It may be recalled that in a 1994 poll, only 16.5 percent of respondents said they held a negative opinion toward Islam.

A negative view of Islam is also cultivated through the dissemination of biased comments by Islamic politicians and spiritual figures. These individuals talk about the inevitable Islamization of Russia, in addition to prospects for creating an Islamic state, which oppose marriages between Muslims and "infidels," and so on.

Xenophobia toward internal enemies is inseparable from xenophobia toward external enemies, but "Americanophobia" is fun-

damentally different from Islamophobia. The Americans are not feared — they are envied and their lifestyle is imitated. I would describe this as a national inferiority complex because it affects one nation, which in the not-so-distant past was a superpower, in relation to another nation, which is still a superpower. There is no inferiority complex in relation to the Muslim world, although there is a certain measure of irritation over the fact that the former little brothers in need of assistance — Arabs, Afghans, Indonesians, and Central Asians — suddenly grew up and started acting independently. This is incomprehensible, and it inspires fear. Military experts and advisers who worked in the Near East find it hard to understand how the Algerians, Egyptians, Iraqis, Saudis, Yemenis, and others, who had great difficulty studying the military art, were able to produce such a large number of professional fighters (*mujaheddin*) that caused so much trouble for their former Western and Soviet mentors.

To the majority of Russians, however, relations with the Islamic world rank as a very low priority. When asked the question, “What countries should have priority for Russia in the long term,” only 1.8 percent of respondents mentioned Muslim countries, with 40.2 percent giving priority to the CIS countries, 26.2 percent to Western Europe, and 7 percent to China.

On the other hand, Russians do not view Muslim countries as a threat to Russia. In a poll conducted in the late 1990s, when pollsters asked people to name states hostile to Russia, respondents in the 17-26 age group mentioned the United States (16.9 percent), Chechnya (13.1 percent), Japan (8.1 percent), Afghanistan (5.7 percent), Iraq (2.9 percent), Turkey (2.6 percent), and Iran (2.1 percent); respondents in the 40-60 age group gave the following answers: the United States (24 percent), Chechnya (8.5 percent), Japan (10.1 percent), Afghanistan (8 percent), Iraq (1 percent), Turkey (1.6 percent), and Iran (2.1 percent).

ISLAM IN PRINT AND ELECTRONIC MEDIA

At the end of last century and the start of this century, media outlets substantially contributed to a religious revival. They

helped increase the ranks of believers, shaping their religious identity and encouraging them to observe religious rites. Although this mostly applied to Russian Christian Orthodoxy, Islam was also given some support, but in a rather cautious manner. ***Whereas the revival of Orthodoxy was encouraged by the state, Islamic revival was permitted.***

The relatively rapid formation of Islam's negative media image in the 1990s was due to a rise in nationalism among the Muslims and the ethnic/political conflicts that erupted in the late 1980s, with the conflicting sides often invoking Islam to justify their cause. From the 1990s, Islamic slogans started to be exploited by terrorists. These factors could be described as objective.

The main subjective factor was that the difficulties that had arisen in relations with the Muslims quickly evolved into an "Islam scare." The Islamic factor was blown out of proportion (in the mid-1990s, the war in Chechnya was often referred to as a "conflict of civilizations"); the fundamental concepts of Islam (especially jihad) were distorted; and extremist ideology was extrapolated (purposely or through ignorance) to the entire Muslim tradition. Many Islam-related publications were linked to wars, terror attacks, and armed conflicts.

Here are just a few typical newspaper headlines: *Islamic Wolves Kill Russian Soldiers; Muslims Besiege the Kremlin; Chechen Whores Blow Up Moscow; The Sword of Islamic Revolution Forged in London.*

Here is an example of a "model" text: "In the theater center on Dubrovka, not only terrorists and commandos but also Allah and Christ came to blows. Both suffered a devastating defeat" (*Moskovskiye Novosti*, No. 45, 2002).

Russian television also contributed to Islamophobia, and more specifically to Caucasus-phobia. Individuals with a clearly non-Russian appearance are principal actors in such television shows as *Criminal Russia*, *Man and Law*, and *Emergency Report*. A comparison of Russian-made films with European and U.S. films shows that among those who stand up to evil in the Western productions, there are many non-European faces – Africans, Arabs, Chinese, and Southeast Asians, for example. However, in Russian

films, exclusively “blond fellows with a Nordic character” fight against the enemy.

The Islamophobia component in crime reports and thrillers is not the result of malicious intent, but rather an attempt to assess the global situation, adapt to the public mindset, and boost ratings. On the other hand, cultivation of the enemy stereotype has long been part of the government’s political agenda, even if implicitly. In the past decade, this enemy image has become associated with the international terrorist (i.e., the “evil Muslim”). This was followed, at the start of the 21st century, by restoration of the archetype of U.S. imperialist, allegedly linked with the Islamic extremist.

What is even more worrying is that there are virtually no shows on Russian television that provide an honest and truthful account of Islam outside of politics, the “conflict of civilizations,” and so forth. There is a pressing need for objective information.

It is also remarkable that in the wake of high-profile terrorist attacks in Russia, no attempt has been made to check the rise of negative perceptions toward Islam. After the bomb attacks in Spain and France, local authorities repeatedly warned the public that anti-Islamism was unacceptable. U.S. President George W. Bush, who in the wake of 9/11 had inadvertently used the word “crusade,” deployed an extensive damage-control effort, talking in favorable terms about Islam and emphasizing the need to distinguish between terrorists and Muslims.

Almost nothing of the kind happened in Russia. While I do not think that Russian politicians and media outlets should slavishly copy European and U.S. experience, the fact that Islam remains terra incognita for Russian television must cause some concern: this vacuum tends to be filled with crudely apologetic or, on the contrary, provocative Islamophobic material.

ISLAM IN FICTION

The Russian people do not only receive their impressions by watching television and reading newspapers; they also learn something about Islam from books. The problem is that the noble characters in the works of Pushkin, Lermontov and



Tolstoy have been replaced in Russian pop culture by thugs and sadists.

The Russian classics did not idealize “persons of Caucasian extraction,” but they did not turn them into beasts justifying their deeds by references to Islam. Those old books aroused genuine interest in Islam and in its followers; there was no Islamophobia there. According to Yakov Gordin, “the classics and their contemporaries did not see an inseparable wall between two apparently irreconcilable worlds.” The general attitude at that time was: Russia as a great empire was “doomed” to victory, while its adversary was doomed to submit and adapt to it. The empire can afford to be magnanimous toward its new future subjects. This prospect looked fairly optimistic from the 19th century.

Today, by contrast, the situation looks murky, to put it mildly. Alexei Yermolov, Pavel Tsitsianov and Mikhail Vorontsov were the past conquerors of the Caucasus. However, considering the tactics being employed by army and police generals today, the word “thug” would seem somehow more appropriate.

Meanwhile, *an insurmountable wall represents the differences between the Russian and the Caucasus Muslim tradition.*

Public opinion is becoming increasingly aware of this wall. And pop literature, above all thrillers, provides ample evidence of this awareness. There are series of works where anti-heroes are represented by “persons of Caucasian origin” and where their religious identity is described with references to “jihad,” “Koran,” “infidels,” “Allah,” etc. “Wahit will avenge us,” he said in a hoarse voice. ‘The whole of Russia will be shaken by the hand of Allah!’” (Daniil Koretsky. *Kod vozvrashcheniya* (The Code of Return), Moscow, 2006, p. 26). This is a good example of the “clash of civilizations” made simple.

Actually, thrillers only touch on Islam superficially, as though to remind the reader yet again that murderers and sadists profess this particular religion. Islam is a *de rigueur* characteristic of anti-heroes. It is noteworthy that more and more often standing behind the backs of Islamic terrorists and extremists are Western secret services, but as of lately, also Georgians and Ukrainians.

A case in point is *Dzhakhannam*, a thriller novel by Yulia Latynina, a political journalist. Judging from the book's cover, which details a split crescent and a Muslim rosary, with one of its beads shaped in the form of a bullet, it bears all the hallmarks of Islamophobia. The novel attempts to make a separation between the Chechen and Russian criminal underworlds, which live according to their own distinct laws, even though they occasionally cooperate.

In these various fictional tales, the Islamic, Caucasian/Islamic, and Western/Islamic threats are primitive but at the same time multifaceted. There are recurring storylines in the Russian version, but also in U.S. and European variety. There is an attempt to initiate a terrorist attack with the use of nuclear weapons (e.g., Daniil Koretsky's *Kod Vozvrashcheniya*). In yet another doomsday scenario, Chechen Wahid, a character from Alexander Prokhanov's book *Mr. Hexogen* (Moscow, 2002, p. 196), also threatens to blow up nuclear power stations, missile silos and chemical plants. Yulia Latynina is only slightly less bloodthirsty than her contemporaries: the terrorists in her thriller only want to blow up a storage facility with 3,500 metric tons of hydrogen sulfide.

The threat of a nuclear apocalypse is present not only in fiction, but is constantly discussed by serious experts, many of whom are convinced that terrorist access to nuclear weapons is only a matter of time. This is a Catch-22 situation: the danger of



“Islamic apocalypse” is taken for granted; it is reflected in pulp literature, which inspires the fear of Islam. This shreds the fabric of interreligious accord, which in turn affects the global political situation. In the end, all of these factors can serve to justify preparations for a no-holds-barred, “ultimate” war.

Unlike the 19th century, modern literature generally caters to people with “a passive mind,” who are tired and stressed out. They take everything they read for granted. Few readers will take the time to analyze a thriller. This is fertile soil for cultivating a Caucasian/Muslim enemy stereotype.

The Islamic theme, however, is not limited to thrillers. In the past few years it has also entered sci-fi literature with an element of political philosophy. All story lines here evolve against the backdrop of total Islamic expansion that some authors see as an apocalypse, while others as geopolitical intrigue, possibly with a favorable outcome for Russia.

A “classic” Islamophobic novel in this category is *Mechet Parizhskoi Bogomateri* (Notre-Dam de Paris Mosque) by Yelena Chudinova.

Chudinova describes the triumph of Islam in Paris in the middle of the 21st century. In “Sharia France,” women have to wear the *hijab*. One street is called Osama. Those who have refused to convert to Islam live in five ghettos, while practicing Christians are forced to recite their prayers in catacombs, and if discovered face death by stoning. When they learn that the French Muslim authorities are going to destroy the ghettos, the “non-Muslim” survivors revolt and in the end blow themselves up in the Notre-Dam de Paris Cathedral, which in the last few hours before the destruction regains its Christian identity.

The Muslim community ostracized Chudinova’s novel, but the critics missed one important passage that proves the author cannot be dismissed as a “zoological Islamophobe.” She believes that one of the causes of what happened in France, as well as in entire Western Europe, was that the enlightened Muslims who settled down in the Old World were caught unawares by their wild and fanatical religious brethren. It is this fear of “wild Islam” that

breeds Islamophobia, sustaining the concept concerning the clash of civilizations.

In Chudinova's novel, Russia survived because it had just barely managed to close its borders to "Euro-Islam." Following this logic, Russian (Tatar) Islam also saved Russia by its strong immunity to "wild Islam." But for the average reader, *The Notre-Dam de Paris Mosque* will only strengthen hostility and hatred of Islam, while a more enlightened reader will replace Paris with Moscow and tremble in horror.

Mikhail Veller, Chudinova's ideological soul mate, sends a disturbing message that the Muslims' ultimate objective is to destroy the Christian world. "They [Muslims] are stronger in spirit. They are ready to sacrifice more. They sacrifice themselves every day, destroying all those that they consider to be their enemies. They are ready to destroy all of us... They are ready to destroy our culture" (Mikhail Veller, *Cassandra*, St. Petersburg, 2002, p. 169).

Veller's plan to fight terror is impressive: "All terrorists are Arab Muslims. So if all Arab Muslims are destroyed, there will be no terrorism. Its technological capacity today enables the white civilization to start and win an all-out war with no holds barred." This passage needs no commentary, except that the author might be reminded that in addition to Arabs, Avars, Dargins, Kabardins, Russians, Tajiks, Uzbeks, Uighurs, Chechens, Americans, and many other nationalities carry out terrorist attacks.

Vladimir Mikhailov's *Variant-I* (Moscow, 1999) rolls out a whole landscape of a futuristic world. Its storyline is phantasmagoric: Tsarevitch Alexei survives the 1917 execution of the tsarist family and ends up in Iran where he and his offspring succumb to the charms of Islam. In 2045, some international forces (primarily Muslim, but also Israeli) attempt to restore the monarchy and bring it to power in the hope of making Russia an Islamic state.

The concept of the future is represented through the eyes of Mikhailov's characters. Here are some of their judgments:

a) "Russia needed money and allies to compensate for what it had lost at the first stage after the disintegration, and it found even more than it looked for – in the Islamic world;"

b) “there is a pressing need for a consensus with the Persian Gulf countries by establishing an international monopoly on oil;”

c) “nuclear weapons may be transferred to some of our Muslim allies;”

d) “Islam unites everything; it is more comprehensible to the average believer than the Holy Scripture is;” and

e) “soldiers professing Islam will never waver.”

What impact will this book have on the average reader? Mikhailov uses a potent word in reference to the Islamic world — “Islamida,” apparently to emphasize the omnipotence of this world. But this “Islamophilia” spooks the Russian reader, eventually turning it into Islamophobia.

Yuri Nikitin builds a similar concept into his books, *Anger* and *The Evil Empire*. According to art critic Leonid Fishman, they present an “Islamic project” that can be summed up as “ideological revenge.” A union with Islam is proffered as the only way of saving Russia. Thus, Russians become the “new shakhids” (martyrs, those who suffer for the sake of principle) and ultimately defeat the West.

It is noteworthy that both Mikhailov and Nikitin wrote their novels before 9/11. Presumably, after the tragedy, the idea of Russia forming a united front with Islam can no longer evoke an unequivocally positive response from the reader. Nevertheless, such views remain, and, amid growing anti-American sentiments, are still relevant.

Most of the books with an Islamic theme that I have read have one thing in common: today, the Russian state is unable to protect its citizens against violence. It is corrupt and weak, while its officials collaborate with the adversary and are part of the mafia. Needless to say, the aforementioned books are ephemeral with plots and heroes that are easily forgotten. But their judgments, which shape the reader’s image of Islam and Muslims, remain in memory.

* * *

The main cause of Islamophobia lies in reality, in the events that are unfolding both in Russia and in the world at large: conflicts in

the North Caucasus, the rise of nationalism in Russia's "Muslim republics," migration, and international and domestic terrorism. The main sources of fear are largely personified in the "evil Chechen" and the "evil Arab."

But the "Islamic threat" is not so much reality as the perception of reality. Cultivated in the media, reflected in artistic forms, and blown up by politicians and clerics, it has become part of the Russian mass consciousness. This refers to *the Islamic, not Islamist threat*, which *really exists*. The difference between these two concepts did not begin to be appreciated until recently – due to the efforts of certain politicians, experts, and journalists. As for Muslim immigrants, the general irritation at their presence has little to do with religion. Against this backdrop, books like *The Notre-Dam de Paris Mosque* look especially provocative.

This article has placed an emphasis on the negative perception of Islam. Yet I would like to draw the reader's attention to the fact that some of the aforementioned figures could have a different interpretation: *only 26 percent of respondents said that Islam was an alien religion, while about one-half did not see it as an aggressive religion.*

We must face the fact, however, that it is unlikely that the negative perception of Islam in Russia will be reversed in the foreseeable future, especially since many factors outside Russia influence this attitude. Everyone is interested in stopping the rise of Islamophobia, not least the Muslim themselves, who should also be more cautious and circumspect, and not speak, for example, about the inevitable "Islamization" of Russia.

The Conflict of Civilizations: What Is in Store for Russia?

Mikhail Demurin

Much has been said and written about the conflict of civilizations, to the point where it seems that nothing new can be added to the subject. Yet, a brief perusing of those “things long forgotten” — works of Russia’s religious philosophers of the past — evokes the realization that many aspects of Russia’s development remain half-understood; many conclusions about this country have been formulated rather superficially, and petty self-serving political considerations prevail over strategic vision.

This view is open to criticism, since questions may arise about citing reflections voiced a century ago and built upon extremely idealistic paradigms as clues to resolving modern problems. This approach can be criticized from another angle, as well. It is an open secret that the oeuvre of Russian religious philosophers of the late 19th and early 20th centuries represented more of a deviation from the Eastern Orthodox tradition than a reunion with it. And still, if a person takes the time to examine the works of Fyodor Dostoyevsky and Vladimir Solovyov, for example, or the writings of philosophers Nikolai Berdiayev, Semyon Frank, Ivan Ilyin and their intellectual contemporaries, many aspects about Russia’s policy at this abrupt turning point in its development amidst the turbulent conflict of civilizations get more clarity. The same goes for the imperatives concerning Russia’s future.

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Old Russia. Mikhail Nesterov

HISTORIC INTUITIONS

In 1877, Vladimir Solovyov neatly presented the main thrust of the global civilizational conflict, which became graphically apparent only in the last thirty or so years of the 20th century, in a public lecture titled “The Three Forces” that he delivered at the Society of Connoisseurs of Russian Literature and later in his monumental work entitled *Philosophical Principles of Integral Knowledge*. Solovyov defined the global phenomenon as a conflict between the world of the Orient, in which the individual and society are entirely subjugated by the Supreme Cause, and Western civilization, which places emphasis on private interests, the freedom (or, more precisely, egotism) of the individual. Solovyov’s reflections, written in the manner of the 19th-century tradition, still contained the hope that these dual global forces would develop along the path of “dialectic inter-influence” rather than along the path of struggle with the ultimate objective being the annihilation of the opposing power. He believed that a third force of some kind would arise “to furnish the former two forces with positive content, relieve them of their exclusiveness, and reconcile the Supreme Cause with the assemblage of individual forms and elements, thus creating an integral organism for mankind.”

Unfortunately, that third force was not destined to appear during the 20th century, or at least it did not materialize in the manner proposed. More than that, the two global forces of the Orient

and Western civilization chose the path of – in Solovyov’s words – “full implementation.” The brunt of responsibility for this state of affairs rests with the West, although not simply for the fact that it chose to forcibly impose its civilizational model on others, but also due to its inherent feebleness, ideological inconsistency and general instability, which the world of the Orient, including the Moslem world, perceives and uses as an extra motive for expansion. As a result, the standoff intensifies and acquires increasingly harsh and even violent forms of persuasion that attempt to discredit both sides of the historical process. Solovyov believed that this scenario would lead the peoples involved in this struggle to a spiritual death that would eventually mark the end of History. However, Solovyov mentioned another possibility in this conflict, and this was the rise of a Third Force, “the only possible carrier of which is the Slavic world and the Russian people.”

Let us now jump ahead some 50 years and consider the work by Ivan Ilyin entitled *The Path of Spiritual Revival*. It is a real eye-opener to another very sensitive problem, which involves patriotism and nationalism. “A love for one’s own nation does not inevitably imply hatred for other peoples, as self-assertion is not synonymous with a sure attack, and defense of what is one’s own does not mean expropriation of what is not,” writes Ilyin, a notable philosopher and lawyer. “This makes nationalism and patriotism manifestations of an elevated spirit, rather than waves of self-conceit, egotism and bloody barbarism, as some of today’s journalists, who do not remember their forefathers and have squandered their national spirit, attempt to explain it.”

And here yet another bit of advice to posterity, and an especially topical one in light of the approaching election battles due in 2007 and 2008: “Faith in the false principle of ‘autocracy of the people’ may propel to the top a demagogue capable of flattering the masses and winning their trust as the caretaker and servant of their needs, instead of a real master with a much higher spiritual or intellectual level. In the meantime, the authority and therefore hierarchically higher status of this person are rooted in his charisma, which allows for his lordly rise due to objec-

tive divine choice, as opposed to arbitrary human will, and in his predestination for a guiding role in society.” (Semyon Frank, *The Spiritual Foundations of Society*.)

One can endlessly site quotes from our educated, sincere and faithful ancestors – who took to heart the concerns of their homeland – and ponder over their warnings, but the rules of the genre demand a certain amount of self-limitation. Nevertheless, here is the political quintessence of their intuitions: these thinkers anticipated Russia’s global historic role; they viewed Russia as a living organism and hence they rebutted the idea of its partitioning. They supported its universal unity, while calling for independence from the Occident and caution toward the Orient. They espoused Sobornost [the principle of social organization based on common voluntary decision-making and universal concord – Ed.], but at the same time denied the ethics of collectivism and individualism. They realized the importance for the Russian people to “discipline themselves for the sake of culture.” They firmly believed in the good of Orthodoxy and supported the imperative of overcoming physical death (recall that they did it at a time when the Russians actively produced offspring). They insisted that the interests of public unity must restrict private ownership. They denied bourgeois thinking and its lifestyle and viewed the Apocalypse as a warning to mankind rather than a prophecy. Let us consider all of this as a foundation and go back to the problem of the conflict (standoff) between civilizations and look at how it is developing today and how it will affect Russia in the future.

THE PERSISTING STANDOFF

This conflict has worsened due to the inability of the United States to enforce its role as a global leader, which it has commandeered since the end of the Cold War. Washington has shown a reckless stance on the risks of further escalation of the standoff and has evaded earnest steps toward any kind of a compromise. At this moment, it continues to instigate the most destructive actions of the parties involved in the conflict. As never before, the current situation requires a reasonable moderator whose actions would

rely to a greater degree on cultural tradition and political wisdom than on material or military might.

Recently, the conflict of civilizations hit a new level when newspapers in West Europe published cartoons depicting the Prophet Mohammed. This provoked a strong negative reaction by many Islamic countries. However, nothing of the kind was evidenced – at least in the Russian media – after painful physical encounters, such as the attack on the World Trade Center in New York or American aggression against Iraq. This indicates that, strange as it might seem, the collision of perspectives involves more than just combat operations. Many people tend to view the present conflict as a collision between the “Christian West” and the “Islamic East.”

Yet I would call such claims rather groundless. On the civilizational plane, the Islamic East, or broadly speaking, the God-fearing Orient, confronts strong pressure – and in some cases, overt aggression – from a post-Christian, godless West. It is noteworthy that the Russian Orthodox Church, the Roman Catholic Church, Christian politicians, and Jewish religious and public associations in many countries condemned the offensive material by the Western media on the holy personality of the Prophet.

An attempt to answer whether it is permissible to publish such inflammatory cartoons provides extra arguments in a discussion about the parties to the standoff. More specifically, if the West can be identified as Christian, then the publication of cartoons offending anyone’s religious feelings is inadmissible. A Christian cannot have any doubts that, apart from the inadmissibility of insulting anyone’s religious figures, to deliberately inflame animosity is a greater sin than the display of that animosity. But such publications are possible if the civilization is godless, although I doubt that anyone in Denmark would publish cartoons featuring Queen Margrethe II, for example. Anyway, it is totally absurd to think that cartoons that depict a personality that is holy for many nations can be admissible, while cartoons targeting a separate secular person or ethnic minorities are objectionable.

As for the military and political dimension, we are witnessing a

collision of two ideologies that differ in content but resemble each other in methods, since Anglo-Saxon emissaries of “democracy” are as totalitarian in what concerns their vision of the world and desire to impose it upon others as the adepts of Islamism. But the latter outstrip the Anglo-Saxons in their readiness to sacrifice themselves in the name of the ideals of their society. In this sense, contemporary Western civilization, which draws mostly on liberal values, has few chances of emerging victorious if this conflict changes into a full-blown war; it is equally doomed to a “gradual defeat” if today’s status quo is maintained. The West has renounced its Christian roots and is pulled from one ideology to another. Thus, problems like social enmities, demographic and ecological problems, and other conundrums, will quietly do their work.

VAST POTENTIAL

What place does Russia have in this conflict? Obviously, we are turning into an object for the expansion of the most powerful civilizations – the Western, the Islamic, and the Chinese. Now the Russian nation is faced with a task bigger than preserving its identity and that is to avoid any sort of recruitment by either side of the conflict (for its efforts, Russia will predictably receive exclusively subsidiary political roles, and will be forced to the forefront of physical confrontation – with predictable consequences). The task is to facilitate the harmonization of the opposing sides’ interests wherever possible. Russia’s Eastern Orthodox religious tradition, together with the unique traditions of its community, as well as its entire history, where the Russian people demonstrated openness to the assimilation of neighboring cultures, as well as religious tolerance, must lay the groundwork for this mediating potential. Common Christian roots unite us with the West, while Russia’s deep-seated rejection of liberalism gives it something in common with Oriental nations.

Needless to say, this will prove to be an extremely complex task. The problem of attaining mutual understanding is complicated by the deficit of veritable information about each other and the phobias this causes, on the one hand, and a decline of the

quality of leadership, on the other hand. But while the former factor can be eliminated through dialog (for example, the “Russia and the Islamic World” forum initiated by Dr. Yevgeny Primakov), the latter factor is far more difficult. A search for compromise solutions, so necessary in conflict situations, depends to a great extent on the personal qualities of the leaders, their influence and confidence as regards their personal positions for free dialog, and the assumption of certain responsibilities. But does this influence or confidence really exist? Note that in Europe the quality of leadership is declining in step with the decaying authority of the state (for example, recall the conduct of the Danish state during the cartoon scandal).

Russia has an additional vice in that sense, as the “elite” that arose after the Soviet Union’s breakup maintains predominantly anti-national and anti-popular views. The strong bonds those people have with the West, which work to predetermine their thinking, partially explain this phenomenon. As the economy analyst Mikhail Delyagin said in one of his interviews, “The universal criterion of patriotism among the elite is the form of the critically important part of its assets – the influence, status, reputation, and material benefits. If those assets are controlled by strategic competitors, the elite begins to serve them.”

Nonetheless, since we are making claims to an independent role in a multipolar world, we must act in the vein of Russian cultural tradition and seek a pillar to rely on within ourselves.

VITAL CONDITIONS

To survive as an independent and effective actor in the conflict of civilizations, Russia should save and multiply its vital force, which are the ethnic Russians and other peoples who make up this country, many of whom are heading for extinction. All other things lose their meaning if that task remains unresolved. For more than a decade, patriotically minded forces have been pressing forward with calls to stimulate birthrates in this country and to reduce the mortality rates, but the authorities’ ears have apparently been too busy with other things. More than that, the United Russia party that

dominates in the State Duma of this convocation has not given the go-ahead since the last election to any of the opposition's initiatives for boosting birthrates. Nor has it offered any possible solutions of its own. This goes far at explaining why the feasibility of projected government measures arouses doubts even when the top echelons have expressed their approval. One may be astonished, for example, by the inconsistency over the question of how much government support should be allocated for stimulating new births, as mentioned in President Vladimir Putin's state-of-the-nation address, with regard to the real scale of the problem, or the underrated importance of recognizing the need for different regional approaches to the issue, and many other things. The main dilemma, however, lurks in the mindset that prevails in United Russia. In spite of numerous statements, monthly child benefits for children up to the age of 18 years old still do not exceed 70 rubles [one U.S. dollar equals about 27 rubles – Ed.]. Now, was there any obstacle for making this figure look a bit less immoral a year, or three, or even five years ago?

The problem of migration is also closely linked to Russia's demographic situation. In today's world, the intensification of migration processes is somewhat natural, but the positive effects the receiving countries get from accepting immigrants are directly connected to how confident and affluent their indigenous peoples feel. This is the only case where the melting pot principle works. As the U.S. example shows, however, even there the process does not proceed without its faults.

In light of this, the problem concerning the millions of "compatriots" living in other former Soviet republics, which President Putin brought attention to recently in a proposal to ease up regulations for their resettlement to Russia, evokes special interest. We can only hope that this good beginning will not result in another bureaucratic trick with regard to those who went through unjustified sufferings after the Soviet Union's disintegration. There must be special conditions for this resettlement, however, while the word "compatriot" shall be applied to people brought up in the traditions of Russian culture, who have a good command of the Russian language and connections with Russia.

It would be better to avoid any more labor migrants, whose inflow has reached a scale likely to jeopardize the ethnic and cultural balance in Russia's major cities and in the Russian Federation on the whole. Furthermore, their presence serves to provoke an increase of tensions between different ethnic groups. After all, the European Union forbids the employment of foreigners at jobs where native citizens can be employed. Thus it stands to reason that businesses that violate respective laws must face tough sanctions. It is our duty to provide jobs most of all to millions of our fellow citizens in numerous Russian towns and villages where the upheavals of the 1990s swept away employment, together with plants, agricultural facilities, schools, and hospitals. This is a costly and labor-intensive undertaking, and yet the destiny of the country and its people depend on our choice.

Another condition for resettlement is to safeguard and build up Russia's political and moral foundations. Most importantly, these include the Eastern Orthodox creed, Russian culture, and the nation-state tradition that formed over centuries. Their loss would result in a dangerous destabilization of inter-civilizational balances in Eurasia, which would have unpredictable consequences. We have already seen the first attempts to upset that balance through proposals to remove any mention of God from the national anthem and Orthodox Christian symbols from the national emblem. Russia must refrain from giving others a pretext to test our strength again. Otherwise the future of this part of the planet – and much more – will witness the re-carving of the territories of this great country instead of a search for mutual understanding and interaction. We should not forget that, from Russia's position, the conflict of civilizations develops not only on a global scale; it operates on the level of our own state and society. It is developing on the spaces of the former Soviet Union, which Russia bears special responsibility for. Given this situation, Russia must set for itself the task for expanding its geopolitical influences, together with strengthening the state-forming national core. The alternative will be deeper fragmentation and instability that will lead to increased attempts at control from abroad.

ENCOURAGING FAITH

There are individuals who will claim there is a contradiction between the task of expanding the influence of Russian civilization, which is traditionally defined in an imperial rather than national paradigm, and specific guidelines for reviving the national feelings of people with Russian ethnicity. This contradiction is superficial, however. The ethnic balance in Russia was upset twice in the 20th century – first by the Bolsheviks in order to destroy the czarist Russian state, and then by the “neo-Westernizers” in the 1990s, when the purposeful suppression of Russia’s ethnic spirit proceeded at a reckless pace, while the fanning of nationalistic passions occurred amongst virtually all other ethnic groups of the former Soviet Union. Today, we have to rectify the deplorable aftermath of those events, and the fostering of a national spirit amongst ethnic Russians is an inevitable aspect of forming solid Russian patriotism, the absence of which will not let us survive in the struggle with the West and the Orient. After all, if you take the root ‘nation’ out of ‘internationalism,’ the word will cease to exist.

As for the critics of the thesis that asserts the Russian people’s particular role in this country’s development, let us ask them if there is any other nationality in Russia that would be ready, or able, to assume responsibility for everything that is happening or will yet happen in our homeland, a nationality that perceives this responsibility as natural and self-evident? And responsibility does not exist without rights. This is exactly the situation of “an objectively necessary social function in the cause of serving the truth,” which Semyon Frank viewed as “the foundation for any privilege, any special rights, any superior position of a person or social group or class.” This is a fact of life and it must be accepted and reckoned with.

To restore internal integrity, the state and society must reinstate the attractiveness of national ideals. This is precisely the area where we must imitate Western examples, since the West has always realized the significance of interpreting history as an instrument of patriotic growth, psychological impact, and domestic and

foreign policy making. The leadership of the Soviet Union recognized this fact, too. But beginning in the mid-1980s, the Russian people became eyewitnesses to and participants in an adverse motion, an endless castigation of our own past, and not just the recent past. Russians will easily recall the television appearances of particular historians of some sort who forwarded a revision of Russia's history beginning in the Middle Ages. No one doubts the need for a critical outlook on history. This is important for adjusting national ideals and goals and for eyeing the limits of a country's power and capabilities. Yet a criticism of that kind should not wash away the values of the elite and its society. Moreover, allusions to history have an important personal aspect. Numerous outstanding heroes, trailblazers, or simply decent and honorable individuals from among our ancestors live on today – in human memory, if one is an atheist, and in more religious ways, if one is a believer. For the living, we have a simple goal of knowing about our ancestors and measuring up to them.

Thus far, however, with each new step we continue to stumble over the flaws in our national and state self-identification. Take the foreign-policy concept, for example, that confines Russia's historical options to "building a rule-of-law state, democratic society and a socially-oriented market economy." Russia's foreign policy strategy as such has become strictly subjugated to these objectives. In the meantime, devoid of national substance as they are, such objectives might be set forth by any government or nation, even if one believes that these abstract objectives will be filled with real content. Or take, for example, the new triad of national priorities – "sovereign democracy, strong economy and military might" –declared by First Deputy Prime Minister and Defense Minister Sergei Ivanov. Where is there mention of the "special ideological project" that would make it possible to "compete for the right to formulate the global agenda and prospects for mankind's development?" If such an ideological project did exist, there would also exist an understanding that the tasks Russia sets for itself in the international arena are an essential or even substantive factor of its development as a unified great nation.

Or consider the much-acclaimed “ideological” speech that the deputy chief of Putin’s Administration staff, Vladislav Surkov, delivered to the top activists of the United Russia party in February. It testified to an increasing vogue for “projects” in our political life. Meanwhile, these deadening “projects” run counter to Russia’s broadly stated European choice and, on a more general plane, to our Christian roots. In general, Christianity is equivalent to a respect for man as a subject of faith, life and creation. But the electoral or party-construction schemes imposed on us from above in recent years are little more than a profound and Jesuitical mockery of human dignity, as they turn the Russians from the subjects of a political process into its objects, while the process itself is unscrupulously manipulated. The logic and methods of party “wars of elimination,” too, contradict the Russian tradition — in the narrow ethnic and broad national sense. Marxism and Leninism brought them to Russia. But the Russian tradition that budded among the Slavophiles and was later synthesized by Vladimir Solovyov and brilliantly manifested in Alexei Losev’s dialectics embodies a willingness to attain unity, mutual understanding and interaction.

Government and society have a task of paramount importance to generate an encouraging treatment of faith: the revitalization of nation and state. There is no doubt that a multitude of mistakes, errors, and crimes of the recent past — the oligarchic deviations in politics, economic abuses, manipulation of the Russian people, as well as the elite’s inability to respond to the challenges of our time — take root in the climate of private ownership with all of its destructive potential in a largely godless country. This is more than a mere statement of fact; it is a sentence — unless the Russian Orthodox Creed is reinstated in full scope in Russia. It is no accident that historically the institution of private property grew in step with the formation of the world religions, and most noticeably with Christianity. When a person is convinced of his or her material superiority, he or she continues to be guided by higher motivations, even though he or she may live in the most efficient state with an efficacious system of law.

* * *

Many quarters are constantly reminding Russia that its future depends to a great degree on how much it integrates into the global economy, which was forced upon the entire planet, and gains admission into the prestigious international clubs. But my personal conviction is that the global economy in its current form will not survive without a profound reform. At the same time, our engagement in these international mechanisms, which are largely dominated by Western influences, will furnish our opponents with greater opportunities to control us than our own opportunities to influence their policies. This does not mean that we must cease all activity in either direction. However, it is important to realize that we will lose our competitiveness, sovereignty, and the country itself if we do not enact a revival of our culture and our traditional faith, and stimulate the viability of our indigenous nations and ethnic groups, among which the Russian nation comes first. In other words, there will be no historical subject whose calling is to play, with God's help, a role in the extremely complex process of molding the new parameters of coexistence amongst world civilizations.

We know from Holy Scriptures that the one who takes the road of genuine resurrection – and this is what Russia has on the agenda today – must avoid three temptations. The first is the “temptation of bread,” which places material well-being at the top of the desires of human beings. Then there is the “temptation of force,” which represents the desire to stagger people's imagination and suppress their will with the aid of PR tricks. Finally, the “temptation of power” is the striving for endless control and the arbitrary use of power. If we manage to overcome all three of these temptations, then a road to eternal life will open for Russia, and even those who chose the path of betrayal at the moment of their – and our – greatest weakness will follow us.

The question remains: what if Russia succumbs to the temptations?

The Soviet Union 15 Years After



Geography class at a Soviet school, 1948

“ In the overwhelming majority of the post-Soviet states, including those that have joined the European Union or seek its membership, there have been established clan politics and a clan economy, which are much harsher than in Russia. Even the various kinds of “colored revolutions” in some of those countries have not changed the essence of clan politics and economy. ”

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President Putin as Prince Hamlet

A Political Leader Afraid of Taking Decisions

Dmitry Furman

An epoch of full-blown antidemocratic ideologies has become a thing of the past. Today, it is difficult to find people who would oppose democracy out of principle, like the monarchists or fascists did in the past. Everyone is in support of democracy and human rights today. Even the Soviet leadership did not oppose democracy – it opposed those moments when “anti-Socialist forces raise their heads under the cover of pro-democracy slogans.” Nor did it object to the freedom of speech – it only objected to using free speech for “spreading libel against Socialism.” So there can be no doubt that President Putin and his associates are advocates of democracy as well, to say nothing of Putin’s predecessor who stood at the helm of a democratic revolution.

And yet the distance between recognizing the benefits of democracy and the actual establishment of democracy per se may be greater than the distance between the recognition that smoking and drinking are unwholesome habits and the practical abstinence from them. Today’s Russian society does not have any feasible alternatives to democracy or any integral ideology that offers an alternative method of social organization. On the other hand, Russia lacks the specific culture or psychological capability for nurturing a democracy – a feature that is not at all uniquely Russian, since nations of this mold spread across approximately half of the

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globe. What we have instead is a habit of being subordinated, which formed over the course of many centuries, and a fear of independent decisions and being left without a strong guiding arm.

A society that lacks the ability to live in a democracy, as well as having no alternatives to it, produces the sort of political system that has taken shape in this country. This phenomenon has parallels in many other countries: it is a system of presidential power disguised in the vestments of democracy. Yet such a system does not stem from malevolent intent, but rather emerges on its own. Both Yeltsin and Putin were pushed into building this system both by society and the circumstances of history itself, and little actually depended on their personalities along the way. One may even say they did not have other options.

FRUITS OF SIMPLE DESIRES

The task of building democracy cannot be a task for the president as the head of state, since setting forth this objective would naturally create a political opposition, which would eventually replace him later. He would thus shackle his own hands and fuel criticism against himself. Thus, such an objective is unnatural and contradicts normal human instincts. Mikhail Gorbachev did something in that vein, but he is a bit of an anomaly. A man in power, even if he is totally committed to democracy, cannot help forcing others to obey him, and avoid meddling with his work or from putting spokes in his wheels. He will necessarily wish to prevent the rise of individuals who may spoil the fruits of his own efforts. He will want to see key positions filled by people whom he finds easy to work with, and he will want to see particular scoundrels get what they deserve. As he implements these normal human desires, he creates an authoritarian system, if society is unable to restrict his powers and ready to obey him.

Neither Yeltsin nor Putin had any plan for “undermining democratic freedoms;” these values vanished on their own as the two presidents were forced to solve specific problems.

Yeltsin, for example, did not fight against democracy by ordering tanks to open fire on the building of the rebellious parliament.

Certainly, he thought at that moment that he was fighting for democracy. He simply did not want to give power over to the audacious parliament speaker Ruslan Khasbulatov, the ungrateful former vice-president Alexander Rutskoi, or the Communists and nationalists. As he created his Constitution, he had no wish of restricting democracy either. Yeltsin just sought to deny the oppositionists a chance to hamper the reforms that he believed were vital for this country.

Nor did Putin seek to curtail the freedom of speech as he liquidated independent television. In reality, he wanted to snatch it out of the hands of the oligarchs and prevent them from showing the *Kukly* puppet show, which he found personally insulting. Putin did not want to “de facto dismantle Russia’s federated structure,” but rather eliminate loopholes for electing incompetent – and sometime even criminal – regional governors, while he could not do anything about it as president. He did not purposefully create “a lawless environment and an unfriendly investment climate for business” – he merely wanted to remove the ambitious oligarchs, who overrated their importance and were always getting underfoot. So he placed a single individual, Mikhail Khodorkovsky, behind bars. Nor did Putin wish to “de facto liquidate parliamentary system,” rather, he sought to prevent parliament from obstructing him in his efforts to “revive Russia and redouble its Gross Domestic Product.” All of these are normal and legitimate human desires, since a president naturally has egotistic and private motives along with idealistic and businesslike ones.

The huge machinery that services Putin does not set itself the task of stifling democracy either. Very simply, each governor wants his region to look as good as the others; they want to prevent elections for the demagogues or foes of the respected president. Each prosecutor wants to be an outstanding and watchful “eye of the Caesar.” And naturally, each of them cares just as much for his career and well-being at the same time.

If a society is incapable of maintaining any sort of democratic self-organization, if the very idea that a new president can be elected from persons not chosen by the current president seems

frightening and revolutionary, then trying to resolve each specific problem that Yelstin, or Putin, or their appointees confront would only lead us away from democracy and introduce a system that replicates the contours of the old Soviet system. Yeltsin and Putin perhaps even believed that their course of actions was consistent with the construction of democracy under the very specific conditions that Russia found itself in, since Western standards cannot be applied here, at least for the time being. If a person walks along a path that is circular, he may get the illusion of moving forward, but after some time he will start to notice to his astonishment that he has returned almost to the exact point where he started.

In our present situation, we have traveled the greater part of the way, with only a small distance left to go.

TWO STEPS TOWARD THE GOAL

So what is all that is needed now? First, we could always lift the constitutional restriction that prohibits an individual from occupying the presidential office for more than two terms in succession. This goal is natural for Russia's current system and is not necessarily linked to a craving for power on the part of the president. Indeed, why on earth should a popular president, who has managed to achieve so much, search for a successor (and will he find a worthy one?) while he is in the full bloom of life? Why should he look for some obscure future job just because his predecessor composed the Constitution, thinking that eight years would be long enough a term and it would be an accomplishment just to survive through to its end? Why should the president interrupt work on his various plans and hand them over to some other person? Moreover, Russian society does not want Putin to depart from power and cannot even imagine the president stepping down from his position.

Second, we could declare the United Russia party the pro-presidential party once and for all, and rule out any alternative to it as much as to the president himself. This seems to be a natural and necessary thing to do considering Russia's very special conditions. If this step is achieved, the authorities will get extra levers

of power, be able to define the circle of loyal people committed to the common cause, and pool together a reserve of human resources. It will save us a lot of energy formerly wasted for projects like setting up the leftwing Rodina party, then splitting it and, finally, utilizing its fragments. Thus, elections will cease driving society into frenzy. There are no obstacles in the way of implementing this project; actually, it is almost realized already.

Of course, Putin's hypothetical decision to amend the Constitution will produce uproar in the West, but should this bother us, after all? Our reserves of oil and gas and the Western demand for fuel makes the West depend on us — not vice versa. Even pushing us out of the Group of Eight is scarcely a feasible task. And do we even need the G8?

A PROTRACTED PAUSE

In the meantime, something strange is happening. The building of a new Russian state, made up entirely of the decrees of our presidents, is almost complete. Just a bit more effort is required, but the authorities suddenly appear apprehensive. More than that, they are beginning to do strange things, threatening the stability of the entire construction.

Putin says he has no plans for amending the Constitution and will quit the scene in 2008. He said this on one occasion and then repeated it; such statements are normal in terms of respect for etiquette. You must make a pause and wait until someone repeats the question, and that is what everyone expected to happen (some are still expecting). But the pause becomes protracted over time and the impression that Putin is really set to leave the scene is growing. No one can tell why.

It has been said that the United Russia party would stay in power for three dozen years or so, but all of a sudden the president issues a new order, forcing the very same people who made their predictions to start hastily conjuring up a second party. Of course, no real party can be set up this way, yet the format of "managed democracy" enables one to create a second or even a ninth party in that manner. Recall the former East Germany that

had about ten parties. Uzbekistan has four, and each of them is more dedicated to President Karimov than the other three.

We are heading into an anxious period now that Putin said that he would leave office, we start thinking hard about whom the successor will be. Will this individual be a real master or will Putin retain that function while the new president drops out after four years? And what is to be done with Putin's portraits decorating virtually every office? Take them away or keep them together with the new ones? And should the new portraits be larger than Putin's, or should they be the same size? The president's decision to quit and the appointment of a successor will create much confusion in the public mindset. And do we need more confusion at a time when there is so much anxiety? Do we need more confusion over which party to vote into power?

The third symptom of indecision is smaller in scale by equally fitting to the picture. Putin's Administration staff boss, Vladislav Surkov, has invented the notion of "sovereign democracy" that brings to mind the "people's democracy" and "socialist democracy" of the Communist era. The terms are devoid of meaning but they perfectly match today's situation ("The West is no model for us, we're sovereign, and let our presidents have ten terms of office if we want them to"). But all of a sudden, First Deputy Prime Minister Dmitry Medvedev disclaims the term in public, saying democracy has universal principles.

WHAT IS THE IMPORT OF IT ALL?

It looks like the following explanation may be valid. Both Yeltsin and Putin made great efforts to build a new Russia without giving much thought to how the general plan and façade of this state would look. They built it by parts as new needs emerged, and now it is almost finished. It has a clear shape, contour and image, which are plainly visible – as plainly as the fact that they do not resemble the democracy proclaimed in 1991. But they certainly resemble the old Soviet system. "Whatever party we build here, we always get a CPSU," former prime minister Chernomyrdin once said.

Only a few final touches and steps are left, and they cannot be made as unconsciously as before. We can see with our own eyes what we have arrived at. We must either admit that we wanted a different destination (and this is almost impossible psychologically) or that we have found the place we need, although everything contrasts with the West in a typically Russian manner (frankly speaking, not so much Russian but equally Uzbek, Kazakh or Egyptian). The latter realization, however, will require an ideological grounding of some sort, and where can we take it? It is no accident that Putin has so much interest in the conservative émigré philosopher Ivan Ilyin, who wrote that Russia would need “a Christian dictator after the overthrow of Communism.”

The leaders must summon their courage and take the last steps, but they are frightened. This is not a fear in the face of the West, the people or the opposition. The fear stems from the necessity of reappraising the path we have gone — a circular path — and the necessity of summing up. It seems that the president is standing motionless before these last steps and cannot venture to take them, while society is waiting for a decision, since it has long stopped making decisions on its own. And the clock is ticking and time is running out. Next year, the decision will become unavoidable.

Uncompleted Transition

Leonid Grigoriev, Marsel Salikhov

Fifteen new states emerged in the post-Soviet area after the break up of the Soviet Union and the achievement of independence in 1991. Since then their development has been largely influenced by both political and economic factors. Political factors often determined the economic progress, as key decisions concerning market reform were made by the political elites. As a result, political processes had a critical effect on the legal and economic environment in the FSU during the transition period.

All of the former Soviet states were challenged by a “triple transition:” politically – from a Soviet state to a democracy; economically – from a planned economy to a market economy; and structurally – from a republic as part of a large country to an independent state.

The difficulties of this transition were enormous, even if they were not aggravated by internal conflicts.

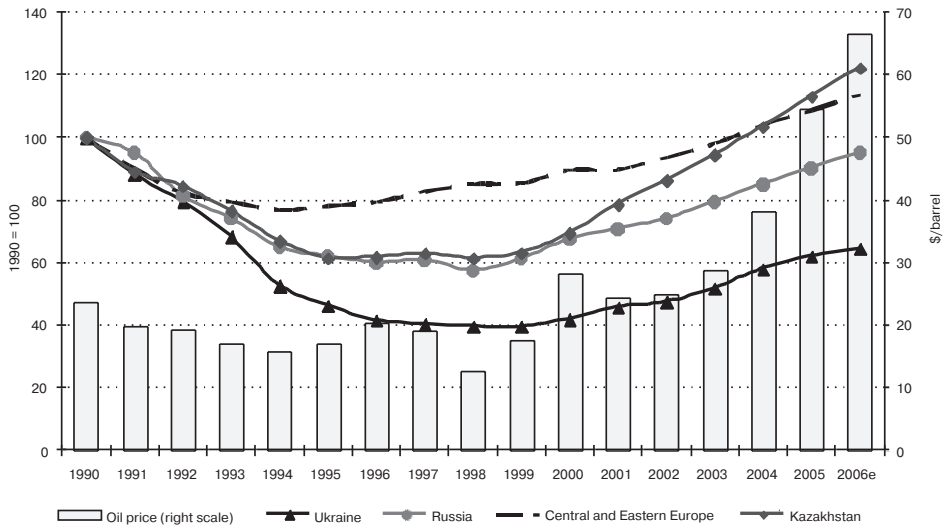
THE TRANSITION CRISIS

All FSU countries were confronted with the pressing need of creating complex mechanisms of regulatory rules, property rights and corporate governance – formidable tasks for the new elites. Within a brief time span (1991-1993), several destructive processes occurred simultaneously: the rupture of “old planned” links between business enterprises, which came as a second

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shock after the disintegration of the Council for Mutual Economic Assistance (CMEA, also known as Comecon) a year before. Furthermore, there was an acute budgetary crisis: Russian budget deficit in 1992 was close to 43 percent of the GDP, accompanied by a CPI surge at 40 times a year. In the other newly independent states the picture was similar. The economic crisis was accompanied by hyperinflation, chaos, and the confusion and disorientation of economic managers whose lack of vision forced them to establish control over enterprises out of self-interest and the logic of survival. Against this backdrop, and with passions running high over the issue of independence and the formation of new political elites, armed conflicts broke out in several countries. It was at this time that the first refugees and labor migrants began to appear.

Graph 1. GDP Changes, 1990 = 100 (constant prices)



Source: UNSD, IMF (GDP estimate), EIA (oil price estimate)

At first glance, it may seem that the shock caused by the breakup of the Soviet Union was similar for all newly independent states both in intensity and in form. Yet the outcome much depended

on the assets structure and the quality of policies. Even within the Russian Federation, the impact of the disintegration differed substantially by regions. The Central and East European countries had experienced an economic crisis in 1990, therefore in Graph 1 the intensity level is somewhat reduced for this region. The post-Soviet countries experienced a deeper crisis than their European neighbors. Judging by GDP fluctuations in the period 1990 through 2005, the three Baltic republics are closer to the Central and East European countries, while Russia, with its large influence in the post-Soviet area, occupies an intermediary position with huge regional differences.

Despite the fact that the start of the 21st century was marked by economic growth in the majority of these countries, not all of the post-Soviet countries have completely overcome the severe transition crisis (see Table 1). GDP declined the most steeply in Georgia, which was apparently caused by the country's economic policy and territorial conflict though it had very good start-up resources.

Table 1. GDP and Electricity Generation in FSU Countries, 1990-2006, 1990=100.

Economy profile	GDP (1990 = 100)				Electricity Generation (1992 = 100)	
	1994	1999	2005	2006	1999	2005
Services						
Estonia	65.1	80.7	125.6	135.5	91	74
Latvia	49.3	57.1	91.3	99.5	105	95
Lithuania	56.1	65.8	99.2	105.7	96	79
Industrial						
Russia	60.4	57.8	87.8	93.1	89	94
Belarus	72.0	82.8	125.4	132.3	79	72
Resources						
Kazakhstan	66.9	63.0	113.0	122.1	61	82
Turkmenistan	66.0	50.7	126.0	134.2	70	101
Azerbaijan	47.4	54.8	101.2	127.8	95	115

Migration

Ukraine	49.1	36.9	56.6	57.9	74	73
Georgia	29.0	38.6	55.2	58.7	76	81
Armenia	37.6	48.5	91.2	98.0	91	84
Moldova	39.4	32.1	45.8	48.6	40	24
Uzbekistan	82.8	92.0	118.9	127.5	93	93
Kyrgyzstan	53.6	63.1	79.7	83.7	117	77
Tajikistan	46.2	42.9	72.6	78.4	89	98

Source: CIS Statistics Committee, IMF, Euromonitor

The newly independent states had to rely on their own natural and acquired competitive advantages. After the industrial crash, the basic factors were geographic position, accumulated productive assets (a country's specialization), human capital, and the quality of market institutions. The last factor has taken center stage in studies over the past decade, since it became clear that simple dissection of production growth into labor and capital growth does not explain the huge disparity in the level of effectiveness regarding the use of national (regional) resources. Needless to say, the existence of specific competitive factors, such as natural resources (oil in Azerbaijan, or gas in Turkmenistan) or geography (transit in the Baltic countries), is conducive to national development, although it is also essential for every state to make a sensible use of its competitive advantages and to seek consensus in dealing with outstanding problems.

Methods for assessing economic effectiveness coexist with a huge number of prejudices and myths about economic effectiveness per se. At the time of the breakdown of the Soviet Union, the Soviet republics generally believed that they were sustaining enormous losses, caused by centralized price controls, as well as by their status as constituent republics. There is no question that all economic agents sustained heavy losses due to rigid, non-market price mechanisms, especially in the late 1980s when the planned economy experienced a profound crisis. However, the massive system of internal subsidies often benefited certain regions that had either a better array of valuable resources or better opportunities to lobby the government for more subsidies and investment.

The economic legacy that the newly independent states inherited from the Soviet Union had several aspects. First, almost all of the republics had a fairly high level of literacy, education and health-care. Even after a decade of chronic under-financing in the social sphere, for example, their education and mortality levels are considerably better than in most developing countries although they are still behind the more developed democracies. It is hardly surprising that although the quality of universities and research centers varied considerably in different republics, relatively high secondary education standards were provided in all of them. Characteristically, the 2002 study of the social security standards of eight CIS countries made by the UN Committee for Development Policy showed that none of these countries corresponded to the status of a “less developed” country. However, in terms of their per capita GDP (which is less than \$800) and composite Economic Vulnerability Index, almost all of these countries could be included into the “less developed” group (which enjoys certain trade privileges on the U.S. and EU markets).

Second, the Soviet system that controlled the redistribution of resources through prices and capital investment was designed to even out the levels of development. For example, Georgia as a Soviet republic received economic preferences, the loss of which affected the country’s prosperity in the subsequent period. In the 1980s, Moldavia used centralized funds to build a large complex of research centers for the Academy of Sciences, which later fell into disrepair. Under the Soviet system, the flow of energy resources, the prices of which were considerably undervalued in a planned economy, also played an essential role. The changes in relative prices, which occurred during the first decade of the transition period and which became a major development factor, occurred almost spontaneously, bringing them more or less in line with world prices. Some countries (for example, Ukraine) would have never built energy-consuming industries if it had not been for low energy prices in the Soviet Union.

Third, the problems those countries confronted after the breakup of a common planned economic space involved the dis-

integration of economic links, the institution of customs borders, and the disappearance of guaranteed demand for the goods that they produced. The less diversified a region's economy was, the stronger was the trade shock.

The present status of the CIS countries is the result not so much of startup opportunities, or external impacts, as of the level of stability and performance by new ruling elites. Generally, 15 years is enough time for a state to create the basic institutions of statehood, property rights and governance, and a free market (and all countries had a substantial external technical assistance for building the institutions). It is enough time to define the goals and lines of development. It is also enough time for business players to form local investment models, taking into account all of the profitability and risk factors. The character of the economic process in each country was to a very large degree predetermined by the ability of the national elite to ensure social peace, stability and the predictability of macroeconomic policy, establish effective legal institutions and guarantee property rights – in other words, reduce the internal political costs of reform and development.

The character of the transition crisis was largely dependent on the original branch structure of the economy. Thus, the manufacturing industry (especially the defense sector) was hurt the most. Naturally, the raw materials sectors were less affected, which contributed to low commodity prices in the 1990s. Predictably, the main victims of the budgetary crisis were the realms of education, healthcare and science. Amid fierce competition on the global markets, the agricultural sector did not show much progress. However, there was growth in domestic trade, transport, communications, and housing construction segments. The transition period saw a drastic change in the economic structure: viable sectors of the economy, especially the services industry, were crucial for overcoming the crisis.

During the 1990-94 period, all FSU countries experienced a sharp decline in economic performance indicators, which was accompanied by hyperinflation, unemployment, the loss of certain industries, and an abrupt change in the structure of property rights. In 1995-97, the first signs of economic stabilization

emerged in almost all post-Soviet countries. An essential factor in the development of export to Russia during this period was the overvalued rate of the ruble in Russia, which was supposed to serve the “magic” goal of macro-stabilization. Traditional exports to Russia were sustained by the disparity both in the level of wages and in the exchange rates of national currencies. Russia’s macroeconomic policy provided some vital space for neighboring economies. Meanwhile, the decline continued in almost all countries, but was less severe as compared with the first stage. This growth period proved to be short-lived, and its end was marked by the collapse of the “ruble corridor” that had been established, and a financial meltdown in Russia.

Today, the events of 1996-99 have more or less been forgotten, especially considering the good condition of many performance indicators. The Russian economy survived the consequences of the fluctuation band, the GKO (T-bill) pyramid investment scheme, and the macroeconomic policy of that time. But in trade relations with the CIS, Baltic and CMEA countries, traditional exporters to Russia, the consequences were extremely serious. The artificially “strong” ruble in 1996-98 gave some respite to these countries’ exports, but this made the second export shock for the FSU countries all the worse. Financial upheavals and a four-times nominal (50-percent real) devaluation of the ruble put the neighboring countries in a very difficult position. Major Western exporters (e.g., meat exporters) were only able to preserve their hold on the Russian market by drastically cutting their prices. Russia’s share in regional trade plummeted.

This marked a turning point in trade relations between Russia and Ukraine and some other countries which turned to the EU markets. The decline in import demand in Russia accelerated the development of Russia’s domestic industry; it also forced the weaker enterprises in Ukraine and other countries to reorient themselves toward other markets, especially in the EU. This period was marked by the rapid expansion of the Russian economy and its import capacity both due to general growth and the appreciation of the ruble (in 2006, it surpassed the July 1998 level).

Rapid economic growth in 2000-05 created a new situation: there was suddenly a high demand for a labor force in Russia, as well as a search for investment opportunities for Russian capital outside the country. Likewise, in the EU, economic stagnation in 2001-2003 was followed by an upturn, growth in export, and increasing demand for foreign labor, which consolidated the reorientation of economic relations. In 2004, the admission of 10 Central and East European countries to the EU changed the conditions for development, since it gave some of these countries better opportunities to compete on EU markets. However, former FSU countries still export most finished goods to Russia.

Growth in the FSU countries resumed at different periods. The three Baltic States achieved a growth phase together with the Central and East European countries back in the mid-1990s, whereas Russia and the majority of other FSU countries did not see growth until the turn of the millennium. At the same time, robust political developments occurred in these countries, impacting on their economic policy with regard to the EU and Russia. The governments of these countries were confronted with a conflict between the actual state of the economy and the people's aspirations. Whereas during the first decade of the transition period the general economic crisis did not give much hope for the future, at the start of the 21st century the situation changed — principally due to the economic upturn in Russia and the EU, as well as due to the EU's eastward expansion. The upturn in the region, the large number of foreign labor in EU countries and in Russia, and the invigoration of Russian business stand in marked contrast with the situation in neighboring countries. This calls into question the results of the first few years of independence, as well as their development goals, means of achieving these goals, and ways of improving living standards.

TRANSITIONAL DEVELOPMENT MODELS

After the severe transition crisis, the post-Soviet countries could not integrate into the global economy within a short period. Their approaches to this integration can be classified into four development models:

- Model A: migration model (“starting over”);
- Model B: industrial model (attempt to preserve assets);
- Model C: resources model (oil and gas);
- Model D: services model (restructuring and services).

Model A is connected with de-industrialization, increased competition with foreign imports, impoverishment of the population, and people border-crossing in search of employment. In Russia, this model is present as well, and the movement of citizens is directed, as a rule, to the capital or southern regions of the country (i.e. the Krasnodar Region). This model has several characteristic features: workers’ remittances go directly to their families, bypassing the state budget. Large countries have more levers for redistributing budgetary resources in favor of governance and general state tasks, whereas small countries need external donors (grants and loans). The attraction of capital, given the cheap labor force, is limited due to the difficulties associated with organizing a business climate, as well as by the outflow of highly skilled specialists.

Model B presupposes a higher previous level of industrialization and attempts to preserve the industrial sector for the future. This model also presupposes more stable markets and the preservation of firms where Soviet industrial assets were once concentrated. This is the most difficult model for a country or region with regard to economic policy, but it does provide the opportunity amidst global competition to retain a high level of competitiveness in the field of human capital instead of exporting it. This model, however, is characterized by particularly acute problems pertaining to privatization, property rights and the collection of taxes from enterprises. It is also plagued by huge difficulties in formulating a realistic industrial policy, as well as preserving scientific and educational potential.

Model C offers advantages of its own, including high incomes for the state and some industries. On the other hand, it creates institutional problems for the development of other industries (and regions). Also, it depends on the global price cycle for raw-material exports. The difficulties of using oil revenues for development are well known and only a few countries – especially the devel-

oped countries with strong market institutions (e.g. Norway, Great Britain, and the Netherlands) – have managed to successfully deal with such a strategy.

Model D characterizes countries that had a comparatively high level of economic development at the time of the Soviet Union's break-up. It also includes countries that had natural competitive advantages, most importantly of a geographical nature, which enabled them to develop their services sector and attract foreign capital. This group includes all Baltic States.

It should be noted that the suggested classification is an approximation: Belarus, Uzbekistan and Turkmenistan, for example, had a lot of specifics. Russia has passed through all the transitional models: throughout the last 15 years it has been a major market of goods, a source of raw materials and energy, a provider of surplus labor force, and an important source of private capital investment for a majority of the post-Soviet countries. Russia has had a strong impact on neighboring economies through fluctuations in prices and ruble rates and its inconsistent economic policy. In particular, these factors caused economic decline in a majority of the CIS states, which continued until 1998-1999, and a second trade shock after the collapse of the ruble during the financial crash. Since 2000, there has been a parallel and largely shared improvement of the economic situation and economic growth in those countries. Processes in the energy sector played a special role in those developments, although we believe that role was overexaggerated. Naturally, skyrocketing energy prices in 2004-2006 were advantageous for countries with hydrocarbon resources, such as Azerbaijan, as regards their budget revenues and production costs (as a result of a difference between internal and export prices).

The CIS countries largely implement three approaches to their further development: the migration (“starting over”), industrial (preserving assets), and resources (oil and gas) ones, while the Baltic States had their rather different way of development.

We believe that the nature of market institutions and political aspects of the transformation correspond to the basic industrial assets and financial sources of development. This refers both to the post-

Table 2. Social and Economic Indices of Post-Soviet Countries, Grouped According to the Transitional Development Models (2004, if not specified otherwise)

Models	Per capita GDP (U.S.\$), 2005	% of services in GDP	% of services in employment	% of industry in GDP	Oil and gas output, mln tons of oil equivalent	% of population employed in agriculture	Industrial dynamics (2004/1990)
Services							
Estonia	9,700	67	60	19	-	6	95
Latvia	7,200	73	59	8	-	13	46
Lithuania	7,500	60	56	22	-	16	104
Industrial							
Russia*	5,400	60	61	28	1,008	9	68
Belarus	3,000	49	55	32	2	11	133
Resources							
Kazakhstan	3,700	52	49	33	108	34	69
Turkmenistan	3,500	34	34	27	121	48	98
		(2003)				(1998)	
Azerbaijan	1,400	32	49	42	32	39	93
Migration							
Ukraine**	1,700	51	56	37	40	20	45
Georgia	1,500	57	38	17	0	54	36
			(2000)				
Armenia	1,100	40	38	20	-	47	48
Moldova	800	55	43	16	-	40	30
Uzbekistan	500	44	46	15	111	34	85
			(2000)			(2000)	
Kyrgyzstan	500	42	38	18	-	52.5	41
						(2002)	
Tajikistan	400	45	26	22	-	66	54

Source: ILO, CIS Statistics Committee, WDI, WEO IMF, Eurostat, estimates by the Institute for Energy and Finance.

* Russia also belongs to the resources model of development.

** Ukraine also belongs to the industrial model of development.

Soviet countries and groups of regions in Russia. The Baltic States, for example, have preserved and effectively use their old assets, such as the Tallinn port and the Ignalinskaya nuclear power plant. Georgia and Moldova have failed to use much of their industrial assets. Investments made in these countries' industries over the last 15 years have been insignificant, and their main revenues come from the agrarian sector, services, transit, and other spheres. The program for these countries' integration into the global economy for the last two to three years has been rather simple (Model A). First of all, it provides for maintaining the stability of state expenditures (and the ruling elite) by means of transit revenues, grants and loans. Second, these countries seek to develop the primary sector, services, primary processing, and small businesses. They also work to attract foreign capital, and gradually improve the business climate in the hope for medium investors and the re-investment of money transfers from labor migrants. Naturally, it is difficult to expect high-value-added goods from this program, nor the development of research on a major scale. Actually, economic growth in these countries brings only a gradual increase in the standard of living and a reduction in the poverty level, but it does not restore their development level.

Transdnistria, a break-away part of Moldova and an industrial enclave between agrarian regions of Moldova and Ukraine, provides an example of an attempt to survive according to Model B, although in highly unfavorable conditions. It is very important to note in this respect the similarity between the Russian and Ukrainian industrial regions that found themselves in a difficult situation: the opening of the economy and reductions in state orders revealed the low competitiveness of Soviet industry.

In the medium term, however, factors that must have greater influence on the development of business include privatization, the competitive environment, and the guarantee of property rights by the state. Attempts to rely on productive assets and human capital provide for the establishment of competitive firms in countries in transition. Effectiveness of these firms depends not only on production costs, product quality and the execution of contracts, but also on understanding of global markets, strategies for the development of industries,

the logic of financing, mergers and amalgamations. In other words, they compete with firms with experience that are gained over decades. New firms are large in size and they by far exceed the boundaries of local markets and must survive full-scale and ruthless global competition – no allowances are made here for the “transition period.”

In those sectors of the economy that have retained the potential for development, universal conditions are necessary, such as stability of property rights, execution of contracts, and acceptable macroeconomic conditions. Also important is the predictability of state policy, taxes, and economic policy in a broad sense of the word. Preservation of more advanced sectors of the economy (clusters, including special education) makes it possible to consolidate the educational level achieved earlier, together with a more qualified labor force, and this creates prerequisites for improving the country's place in the international division of labor. Countries' efforts in this respect are usually connected with competition on export markets and are intended to turn export revenues into a national development resource.

Countries that have to use revenues from oil exports and transit fees include Azerbaijan, which has a chance for integration into the global economy on the basis of its oil exports. Kazakhstan is making strenuous efforts to preserve its scientific and industrial sectors, and to wisely use its oil revenues to enter the global economy as a developed country rather than an oil enclave (Strategies B and C). From the point of view of the global market, Azerbaijan and Kazakhstan represent another “oil space” that is necessary for maintaining the global balance. (These countries must decide for themselves how to avoid the “Dutch disease” and what will be left for the generations to come after the oil boom.) These countries use their vast hydrocarbon resources both to maintain consumption and resolve various state tasks (turning these revenues into a source of funding modernization projects poses a more difficult problem).

MIGRATION AND DEMOGRAPHY

The main factor in the social realm during this period has been mass impoverishment and the resultant migration. The first

upheaval came with the crisis, which led to unemployment and a drastic decline in income levels. The second, and more telling blow came with migration; this involved separation of millions of people from their families, motherlands, and the native language and culture. At this time, the migrants saw a decline in their social status and a loss in their cultural identity. As a general rule migrants were unable to use their education to work in jobs they had been trained for. Thus, vast amounts of human capital were lost on par with production assets.

The transition crisis of the 1990s evolved as the majority of the FSU states saw a dramatic decline in births. This holds true for the demographic situation throughout Europe. Demographics played a key factor in the development of the labor market, labor migration, and an economically active population. Populations in the majority of European countries shrank in the 1990-2005 period.

Predictably, the Central Asian countries saw their populations grow rapidly. Russia was able to maintain a stable population level due to immigration, although its demographics were “as bad as in Italy.” By 2005, the absolute decline in Russia’s population was a little higher than in Ukraine (5.5 mln as compared with 4.9 mln, respectively). Within 15 years, Ukraine had lost one in every 10 citizens, while Georgia lost one in every five. Although this means that these countries are a little better placed to restore the pre-crisis per capita GDP level, this is small consolation. Needless to say, shrinking populations somewhat alleviated the unemployment problem, but it also increased the pressure on those who are employed, especially considering that large numbers of working-age people, including young people, have emigrated.

The dynamics of an economically active population points to a more complex employment structure. On this point, it would be useful to provide statistics on three categories of the population: those working at home, in the EU, and in Russia (as in the case of financial flows with regard to net recipient and net donor countries). Russia has generally maintained its employment level: the loss of 2 mln people (according to the census) has been compensated by ille-

gal immigration. Moldova, Ukraine (especially its agricultural regions), Azerbaijan, and Georgia lost huge amounts of their workforce. While Moldova's labor migration moves to Russia and through Romania to the EU, Georgian migration is more oriented toward Russia. In Ukraine, the labor migration flow moves from the country's western (relatively poor) regions into the EU, and from its central and (more developed) eastern parts into Russia.

Table 3. Economically Active Population, Employed Population, and the Level of Unemployment in FSU Countries (1990-2005), mln people

	Economically active population		Employed population		Unemployment level, %	
	1990	2005	1990	2005	1992	2005
Services						
Estonia	0.80	0.65	0.79	0.6	3.7	8.1
Latvia	1.4	1.1	1.1	1.0	22.9	9.6
Lithuania	1.9	1.6	1.6	1.5	14.2	8.3
Industrial						
Russia	75.3	73.4	73.8	67.8	5.2	7.6
Belarus	5.3	4.4	5.0	4.3	0.1	1.7
Resources						
Kazakhstan	7.8	8.0	7.7	7.4	0.5	8.1
Turkmenistan	1.5	2.3	1.5	1.5 (1998)	n/a	n/a
Azerbaijan	3.8	1.1	3.7	3.8	0.4	1.4
Migration						
Ukraine	26.0	22.5	25.0	20.7	3.7	7.7
Georgia	2.5	2.0	2.5	1.7	0.4	13.1
Armenia	1.7	1.1	1.7	1.0	3.4	9.6
Moldova	2.1	1.4	2.1	1.2	0.7	8.1 (2004)
Uzbekistan	8.3	9.4	7.9	6.7 (2000)	4.0	n/a
Kyrgyzstan	1.8	2.4	1.8	2.3	0.1	2.4
Tajikistan	2.0	2.1	1.4	0.9	28.9	3.8

Source: ILO, Euromonitor, CIS Statistics Committee, estimates by the Institute for Energy and Finance

As evident from the figures, there is a marked difference between labor migration to Russia and the EU countries. In the EU, people from the FSU countries have to compete with Polish and Lithuanian workforce, as well as with migrants from the Balkans, Africa, and so on. Wages are higher, but the language barrier and the difficulties of cultural assimilation are also greater. At the same time, labor migrants from the FSU countries have a better chance of acquiring a permanent residence status. This is beneficial for the EU, since this workforce is cheaper than hiring “natives.” As for the “donor” country, it loses its human capital forever.

The situation in Russia is different. Language does not present a problem since most immigrants from the FSU already speak Russian and their adaptation is much easier than in the EU. Meanwhile, the local authorities are not particularly friendly to outsiders. With open borders, there is no much difficulty for workers’ remittances to reach their families.

While for some CIS countries labor migration has a positive effect, the macroeconomic consequences of labor migration are moot. This view seemed validated in 2003 when IMF experts identified the negative impact of migrant money transfers on economic growth. We believe that workers’ remittances played an outstanding role in the region during the transition crisis by maintaining personal consumption, compensating for the lack of social security, etc. in many CIS countries. Russia has made a valuable contribution to the stabilization of the economic situation in those countries and their economic growth through these small yet numerous migrant money transfers, rather than by financial aid for their governments or even by investments made by businesses. In this respect, Russia served as a source of incomes for these countries in the same way as the United States did for Latin America, Germany for the Balkans and Turkey, France for North Africa, and Saudi Arabia and other oil exporters did for Egypt, Pakistan, Palestine and other countries.

One notable element of the migration process has been the movement of ethnic Russians and Russian-speakers (as well as mixed families) to Russia. Large numbers of ethnic Germans,

Greeks, and Jews also left many CIS republics, leading to a decline in population and skilled workforce. Russian-speakers were primarily squeezed out of government positions, industry, and education, especially if the new political elites saw Russian culture as a threat to the formation of their titular nation. Not surprisingly, non-titular minorities in the FSU were fully or partially excluded from the privatization of Soviet assets.

The exact scale of migration from the FSU countries to Russia is unknown. For example, according to the 2002 Russian census, there were 621,000 ethnic Azerbaijanis in Russia, but considering that a large number are in Russia illegally, their actual number must be much higher. According to Azerbaijan's Foreign Ministry, the number of Azerbaijanis working in Russia is as high as 1 mln, which means that their total number may be between 1.5 mln and 2 mln. There is no visa regime between Russia and Azerbaijan, so a large proportion of migrants only arrive as seasonal labor.

Labor losses are bound to affect the countries' future economic growth, especially in new dynamic sectors of industry. Table 4 shows population fluctuations in the FSU countries.

Table 4. Total Population Forecast for the FSU Countries, million, 1990-2030

	1990	2000	2005	2010	2020	2030	2030/ 1990, %	2030/ 2005, %
Services								
Estonia	1.6	1.4	1.3	1.3	1.3	1.2	77	92
Latvia	2.7	2.4	2.3	2.2	2.1	2.0	73	86
Lithuania	3.7	3.5	3.4	3.4	3.2	3.0	82	88
Industrial								
Russia	148.4	146.6	143.2	140.0	133.1	125.3	84	88
Belarus	10.3	10.0	9.8	9.5	8.9	8.3	81	85
Resources								
Kazakhstan	16.5	15.0	14.8	14.8	14.9	14.6	88	98
Turkmenistan	3.7	4.5	4.8	5.2	5.8	6.3	171	130
Azerbaijan	7.2	8.1	8.4	8.7	9.4	9.7	135	115

Migration

Ukraine	51.9	49.1	46.5	44.1	39.6	35.1	68	75
Georgia	5.5	4.7	4.5	4.3	4.1	3.8	69	84
Armenia	3.5	3.1	3.0	3.0	3.0	2.8	80	94
Moldova	4.4	4.3	4.2	4.2	4.1	3.9	88	92
Uzbekistan	20.5	24.7	26.6	28.6	32.5	35.3	172	133
Kyrgyzstan	4.4	5.0	5.3	5.6	6.1	6.4	146	122
Tajikistan	5.3	6.2	6.5	7.0	8.2	9.2	174	142

Source: UN Population Forecast (2004 revision)

World economic and social sciences have been rather heartless in the treatment of the millions of people who had to leave their homes in the wake of the collapse of the Soviet system and its member states. Whereas the situation of ethnic minorities in their “natural habitat” is a subject of close scrutiny by the international community, as reflected in international conventions and national loan agreements, the many millions of displaced people are only considered as labor migrants. It should be noted that the education and qualification levels of migrants from the FSU countries to the EU and Russia are higher than average.

In closing, it should be pointed out that Russia’s demographic prospects through 2030 do not look very bright, but they are not entirely hopeless, considering its ability to attract labor with a temporary or permanent residence status. It is important to provide workforces from neighboring countries with respectable (cultural and administrative) conditions, despite the fact that Russia will not be in a position in the foreseeable future to pay labor migrants as much as they can make in any of the EU-15 countries.

INTEGRATION AMIDST GLOBALIZATION

The 15-year development of countries in the post-Soviet space and in Central Europe has shown how the reserve and structure of production and human capital influences the means and costs of integration into the global economy. The transitional crisis has removed many barriers to integration; on the other hand, it has

complicated adaptation to global competition. Today, when dreams and disappointments are in the past, countries have to decide anew what to do about integration under the modern conditions of globalization.

During the first few years of the transitional period, the transformation of society, the state and economy was a top priority. Later, these issues became intertwined with efforts to overcome the social, economic and political consequences of the transition crisis. The need to keep society in a stable condition and to complete the formation of new democratic and market-economy institutions for a long time overshadowed what usually is the focus of economic and social activity of any government: the solution of acute problems pertaining to economic development, poverty, modernization, regional and social inequality, international competitiveness, etc. Insufficient attention, together with a lack of funds, has aggravated the social and economic conditions (education, public health, the position of children, jobs for educated young people, etc.) in Russia and elsewhere.

Today, there have emerged new, although imperfect, market institutions in the CIS space, and economic growth has begun. Thus, there are really no grounds for postponing the solution of serious economic problems “until later, after the reforms are over.” Therefore, the choice for a way out of the transition crisis for the post-Soviet countries is also a choice of ways for modernization, and determining the role of society, businesses and the state within the global economy.

The initial five-year crisis (1990-1994) cost the more advanced and homogeneous countries of Central Europe a good part of their heavy industry. However, structural changes in favor of services and increased foreign investment have helped these countries to restore their pre-crisis GDP level. The more difficult a country, that is, the lower its starting level, and the less homogeneous it is, the more difficult will be its integration. Poland, for example, is experiencing fierce competition against its domestic agriculture; it is still unable to solve budgetary problems; its debts continue to grow, even though part of its debts was written-off in the early 1990s.

Inherent weaknesses of the newly independent countries include not only high social costs and poor product quality, but also a shortage of managerial capital with the experience and abilities required to successfully compete on the global market. The most difficult problems confronting Russia are the highly uneven development of its regions, the loss of some industries, and the acute shortage of investment in infrastructure. Russian economists still argue whether the country's oil and gas wealth is a gift or a curse, tending more and more to agree with the latter variant. On the other hand, this wealth gives Russia more room for maneuver (although creating some problems), which a majority of other countries do not have.

Countries of the former Soviet Union have to adapt to global competition with large starting production and human capital, but a deficit of managerial capital. They also have undeveloped financial sectors, and suffer from gaps in regional development. Although states and regions may employ different instruments in their economic policy, the nature of their development at the first stage of market-economy formation always stems from their resources and geographical location. Whether it is a country, a part of the country, or a territory within a larger region, each seeks to improve its economic situation. They achieve this objective by relying on its assets, economic policy, or the frameworks of international economic organizations or associations.

Different models of economic development operate side by side, interacting with the broad transitional space of the former Soviet Union and the huge European Union market. Even when general economic growth rates of countries and regions increase and eventually even out, the initial levels of development, structure of production assets, human and managerial capital, and actual developments during the transition period have an impact on the objectives and methods of addressing economic problems associated with modernization.

In a way, overcoming the transition crisis involves the elite and society's objectives and aspirations. Some countries may set for themselves the task of developing on the basis of an agrarian econ-

omy, money transfers from labor migrants, some revenues from transit and tourism, while entertaining dreams about industry, universities and science. Russia and other countries set themselves the goal of transforming themselves in order to effectively use their accumulated human capitals and other assets. This would help them become full-fledged members of global civilization known for their scientists, sportsmen and authors, who produce something important for the world. Certainly, the second option is very difficult to implement after sustaining huge losses from the transition crisis. Finally, a country may use its oil revenues to achieve a higher level of development through a raw-material economy, which usually takes a long period.

From the standpoint of economic growth and development, for some FSU countries, fifteen years have been lost. After transition to a market economy, most countries have started growing, although far from all have achieved their pre-transition GDP levels. Some countries have achieved high production and consumption rates, but are still falling behind by structural changes in the economy. Sustainable economic development has not been reached so far in the FSU. Yet it is perhaps too early to judge the long-term results of the transition period.

Labor Migration – Factors and Alternatives

Serguey Ivanov

International migration may become a major phenomenon of the 21st century, yet it is not unprecedented; suffice it to recall the invasion of the Roman Empire by barbarians in the 4th-5th centuries, the mass re-settlements in the Middle Ages, and the movement of millions of migrants from Europe to America and Russia in the 19th-early 20th century.

In the decades that saw the United States rise into a world power (between the Civil War and World War I), 13 to 15 percent of its population was comprised of immigrants from other nations. At the turn of the 20th century, every fifth American was a native of another country; immigrants comprised more than half of the manpower resources in major cities. Although the nation and the government were not always enthusiastic about immigrants, the U.S. is generally associated with an open doors policy. Between the 1920s and the 1960s, immigration into the U.S. sharply decreased, while the percentage of foreign-born Americans fell to 5 percent by 1970. By 2004, however, this figure rose to 12 percent, almost reaching the record high of 100 years ago.

MOTIVES BEHIND MIGRATION

The search for material well-being has always been the main motive behind the largest and most stable migration flows.

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Actually, legal immigration is as easy to control as imports are regulated by means of bans, privileges and preferences. This does not mean, however, that the number of non-residents will necessarily decrease since immigration may take illegal forms.

It would be reasonable to assume that potential migrants compare the expected income utility in the destination country with that in the exit country. This assumption makes sense only if one takes into account the great variety of individual expectations, which differ considerably according to a person's age, education, qualification, and property status. Even comparatively simple assumptions – where potential migrants compare discounted real incomes and the accessibility of their sources at home and abroad – may significantly differ from the reality which is usually characterized by shortage of information and the inability to interpret it.

However, income differential alone may not be a sufficient motive for labor migration. After all, people are not guided by economic considerations only. An individual's native cultural environment, especially the native tongue, and the way of life known since childhood that includes family ties and friends, are very important factors of restraint that cannot be expressed in figures. These factors may counterbalance economic reasons for emigration. This is why migration flows between countries often come to an end after some absolute economic threshold has been achieved, and long before the economic development levels of the sending and receiving countries even out.

Empirical studies have shown that the flow of labor migrants from Southern Europe to Western Europe, for example, came to a halt in the 1980s when the gross domestic product (GDP) in Italy, Spain, Portugal and Greece reached U.S. \$4,000 per capita. It has also been observed that the levels of net migration between the member countries of the Organization for Economic Cooperation and Development (OECD) decreases when the difference in per capita GDP between them falls to 50 percent.

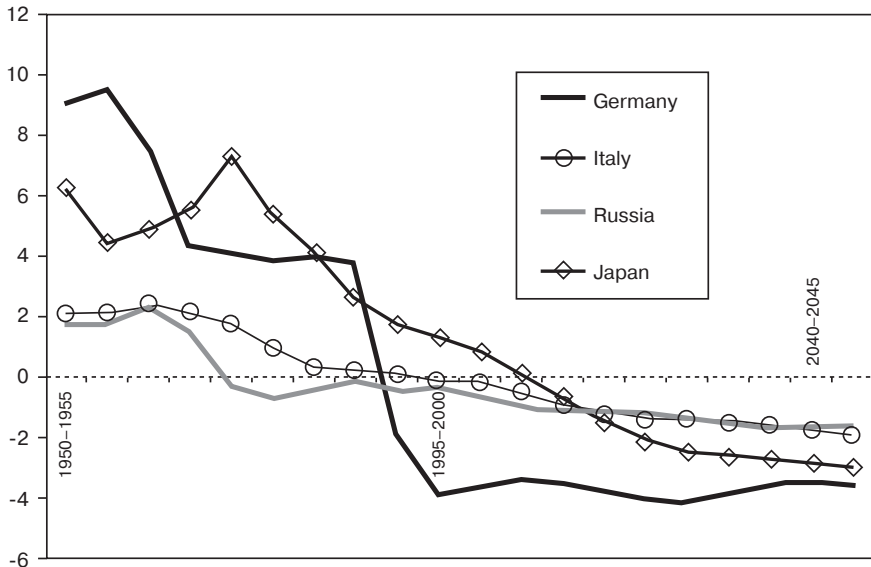
At the same time, the sum of migration flows on a global scale shows no sign of decreasing. The huge difference in economic, political and social conditions still prompts very many people to move to

where life is better. Although the geographical locations of “points of departure” and “centers of gravity” for migrants tend to change, it is difficult to imagine in the foreseeable future that economic conditions in the world will even out to a point where labor migration will cease completely. On the contrary, the unevenness in economic development will increase, while the global accessibility of information will shape motivations to migrate in a more consistent way.

In the receiving countries, immigration helps meet the labor demand, promotes the upward social mobility of the indigenous population by filling the lower level of the social pyramid, and increases the profitability of business. Finally, immigration typically increases the competitiveness of the national economy by reducing the price of labor.

The demographic situation in the developed countries that are the main centers of gravitation for migrants is a fundamentally new factor, and one that will determine the dynamics of international labor migration in the decades to come. But before analyzing this factor, it is appropriate to mention two other features of contemporary migration whose significance has drastically increased.

Graph 1. Natural Population Growth (million), 1950-2050



Source: United Nations (2005). *World Population Prospects. The 2004 Revision. Comprehensive Dataset. Sales No. E.05.XIII. 12*

First, modern means of transportation and communication greatly facilitate migration. In particular, they create opportunities, formerly unknown, for temporary (return) migration over large distances (for example, from the Philippines to the United States or the Persian Gulf states).

Second, labor migration is becoming increasingly intertwined with the multifaceted globalization process. The prevailing concept of globalization proclaims the essential significance of greater freedom for the international movement of capitals, goods, services, information and ideas. It would be logical to provide as much freedom for the movement of people as well. However, not everybody supports this idea.

Illegal (more precisely, irregular or undocumented) labor migration has many negative attributes. In particular, it violates a country's national sovereignty and can even pose a threat to public safety, especially when labor migration is linked with corruption and organized crime. At the same time, it serves as a kind of useful lubricant for inflexible state machinery, removing conflicts between the globalization of the labor market and the traditionally restrictive-prohibitive nature of national migration policies.

DEMOGRAPHIC DEMAND FOR IMMIGRATION

The demographic situation in the developed countries – low fertility and increased life expectancy, which result in aging and depopulation – creates a historically unprecedented demand for mass immigration. Therefore, selective immigration (in terms of age) is the only practical way to “slow down” population aging. Attempts to bring about this change by “controlling” fertility or mortality are fruitless for the following reasons.

Mortality. In the second half of the 20th century, the potential for infant and child mortality decreases was exhausted and further increase in life expectancy resulted from health improvements at older ages, leading to demographic aging. As a result, the last few decades of the 20th century were marked by the growth of the crude death rate, which naturally had negative effects on population growth.

It happens, albeit rarely, that infant and child mortality corresponds to standards of the advanced nations, whereas adult death rates exceed those of many developing countries. Russia provides a deplorable example. Male life expectancy in this country stands at only 59 years, which is 20 years less than in Japan, 15 years less than in Germany, and 11 years less than in China (the situation with female life expectancy in Russia is somewhat better). Even if fertility increases by half in Russia, the population will still decrease by 20 percent by the year 2050, provided there is no immigration into the country (or by 25 percent if high mortality remains stable).

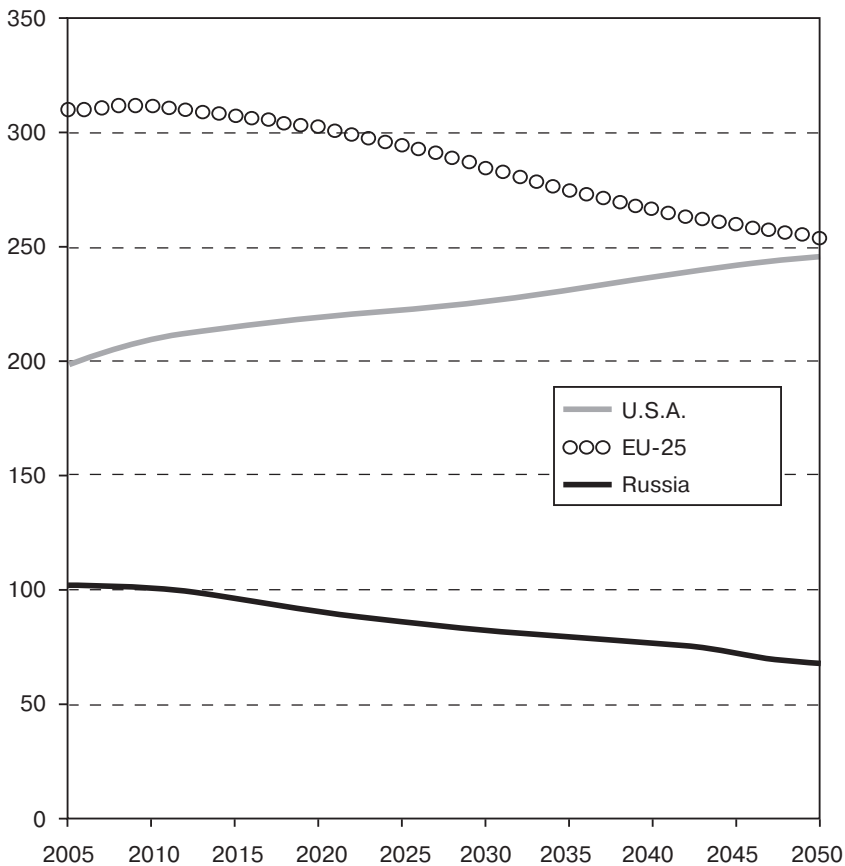
Fertility. Meanwhile, the natural population decline is mainly caused by fertility decrease below the level of simple reproduction, that is, two children per woman. In the 19th-20th centuries, the universal and largely spontaneous transition from large to small families, which proceeded without state interference, was both a consequence and a factor of the modernization of European societies. Developing nations followed suit after World War II. Many states, with the support of international organizations, assumed the role of catalysts to reduce fertility and achieved outstanding successes. It should be remembered that the radical fertility decline not only promoted the national development of third world countries (the most vivid examples are the Asian “tigers” and “tiger cubs”), but also curbed the global population explosion that might have had dangerous consequences for all mankind. Nevertheless, the population of the developing countries will keep growing for several more decades.

Yet, contrary to the formerly dominant opinion, decreasing birth rates failed to stabilize at the level of simple reproduction. In all industrialized countries (except for the U.S.) and in an increasing number of developing countries (including China) they fell below this critical level; in about twenty countries (including Russia) they dropped far below this level. Although experts are debating the specific reasons for the “super low” birth rates, it is obvious that the nature and fabric of industrialized, or rather post-industrialized, democratic societies create a

system of motivations and possibilities that is incompatible with simple reproduction.

This contradiction has a systemic nature, which several countries have tried but failed to overcome by means of various and expensive measures. There are no grounds to believe that the reasons for the lowest-low fertility in Russia are any different. Therefore, in working out an approach to migration problems, one should proceed from the assumption, recently accepted by the European Union, that the demographic regime of very low birth rates will persist for the medium term (20 to 30 years).

Graph 2. Projection of Population Aged 15-64 (million), 2005-2050



Source: United Nations (2005). *World Population Prospects. The 2004 Revision. Comprehensive Dataset. Sales No. E.05.XIII. 12*

In Germany, Italy, and all of the European countries located on the territory of the former Soviet Union, the working-age population has been decreasing for several years now. If there is no substantial increase of inflow of migrants (in some countries, including Russia, Italy and Ukraine – by several hundred percent), in the next few years the labor markets will start shrinking in all developed countries (except the United Kingdom and the United States). In 2005, the working-age population of the European Union exceeded that in the United States by 55 percent. If migration into Europe does not increase, this gap will close by the middle of the century. American demographic health is due to high fertility (about two children per woman) and a steady migration inflow (about one million legal immigrants alone), as well as by the interaction of these factors, since birth rates among immigrants are higher than those among the indigenous population.

As distinct from a majority of other developed countries, depopulation in Russia – a huge and sparsely populated country – poses a potential threat to its security and territorial integrity, impedes the growth of markets for consumer goods and services, prevents the expansion of transportation networks, and complicates the development of the eastern and northern regions that are rich in natural resources.

A LABOR SUPPLY

WITHOUT ADDITIONAL IMMIGRATION?

Potential labor supply is formed by demographic dynamics and the intensity of labor utilization. The dynamics of the working-age population for the next 15 to 20 years has been set by past fertility. The level of economic activity (that is, the level of participation in the labor market), employment rates, and real working time per employed person determine the overall intensity of labor utilization. This indicator varies amongst the Western countries. In Great Britain and the United States, the total number of hours worked annually per person in the working age exceeds that in France by 50 and 100 percent, respectively.

Employment. The most obvious way to use labor resources more intensively is to reduce unemployment, but the European experience in this respect is not very encouraging. In terms of unemployment rates, Russia is close to the EU countries. One must bear in mind that the reduction of unemployment results in appreciation of labor and, more importantly, it puts workers in a better position to uphold other interests, especially in what concerns the length of the working day (week), vacations and holidays.

Economic activity. The intensity of labor utilization has increased in many EU countries over the last decade largely due to one of the three aforementioned factors, namely the level of economic activity, primarily among women. On the other hand, the growth of women's economic activity has played a role in the fertility decline.

At the same time, it would be reasonable to increase the employment rates of older citizens, as the expectancy of healthy life in all countries (except for Russia and Ukraine) has by far exceeded the statutory retirement age. The expanding service economy better meets the physical abilities of older people than “material production.” This seems to be a promising idea because the number of such people is great and will continue to expand rapidly.

European countries differ greatly in the level of involvement of elderly people in the labor market. For example, the level of economic activity among people aged 60 to 69 varies from less than 10 percent in Austria and Belgium to over 30 percent in Denmark and Portugal. Russia (with about 20 percent) occupies an intermediate position.

Increasing the real working time per employed person. A higher intensity of labor utilization, achieved in various ways, can considerably offset shortages in the labor supply. However, even heroic efforts to intensify labor utilization are unable to counterbalance the accumulated effect of low birth rates, in particular in Germany, Italy, Japan, Russia, Spain, and Ukraine. The problem can only be solved by boosting labor immigration, which Italy and Spain have already started to do.

The alternative is to dramatically increase labor productivity; otherwise, a decline in production is inevitable. On this point, some may suggest arguments in favor of negative economic growth: for example, the reduction of production in a country with declining population is compatible with the growth of well-being, contributing at the same to global sustainable development.

However, a shrinking economy is a theoretical *terra incognita*. Besides, it is not easy for a country to become reconciled to a decrease of its economic and geopolitical might, especially in comparison with countries that do not suffer from a demographic decline.

Some economists say that a redeployment of industries and agriculture to labor-rich developing countries will let developed countries release enough manpower resources for the services sector. Theoretically, extrapolating the existing trend and using it for restoring the balance on the labor market may seem attractive. Indeed, the outsourcing strategy can mitigate the situation in the medium term (for example, until 2020, that is, at the early stage of depopulation), increase the efficiency of the global economy and promote the development of recipient countries. However, this strategy cannot compensate for the shortage of labor in developed countries, specifically to provide medium-size and small businesses with personnel.

By way of illustration, let's do some simple math concerning the situation in the European Union. Suppose we are provided with total employment and the share of industry and agriculture in 2004, as well as the working-age population in the years 2020 and 2050. The demographic projection assumes moderately decreasing mortality, medium-level fertility (that is, higher than today but lower than simple reproduction) and stable net migration (at the current level). Now we must determine how much industrial and agricultural employment should be reduced in comparison with 2004 in order to compensate for the reduction of the working-age population and thus prevent a decrease in the number of employed in other sectors (essentially in services).

The answer is as follows: to achieve this goal, the number of employed in industry and agriculture in the European Union in

2020 should be 8 percent less, and 2050 it should be 63 percent less, than in 2004. Since industry includes sectors that cannot be outsourced, such as construction, the required reduction in the sectors that can be outsourced will be even higher.

The aggregated data for the EU average varied demographic situations in the member States. For example, relatively high fertility in France makes the above hypothetical restructuring of the economy unnecessary in the next few decades. Yet, by the year 2050, the number of employed in industry and agriculture will have to be reduced by 30 percent if immigration does not increase. In Britain, relatively high fertility (although lower than in France), combined with steadily high (at the current level) immigration, stabilize the working-age population.

The situation is different in Germany, Italy and Spain – the EU countries where fertility is at lowest-low levels. In Germany, keeping immigration at its present high level will not prevent working-age population from shrinking. Therefore, in order to preserve the services sector, employment in industry and agriculture will have to be cut by 18 percent by the year 2020, and by 90 percent by 2050. The situation in Italy is extreme. The demographically determined reduction of employment in industry must reach 36 percent by 2020, and by 2050 employment in industry, agriculture, and almost half (44 percent) of the services will be eliminated. Since pertinent demographic features of Russia are very close to those in Italy, prospects for the supply of labor for the Russian economy are equally gloomy.

These examples illustrate the far-reaching consequences of demographic changes and indicate the scale of the required increase in immigration.

REGULATION OF MIGRATIONS

Many governments of the industrialized countries agree with economic (and now also demographic) arguments in favor of a more liberal approach to international migration. At the same time they are concerned about the growing number of foreigners in their country (even those who have come to stay temporarily) as they

think it poses a threat to national security. Such position prevails almost everywhere.

Resettlement. Permanent immigration (resettlement) is a reliable way to develop unpopulated or sparsely populated territories and to fill demographic lacunas. The adaptation of immigrants to a new society and, ultimately, their integration are seldom conflict-free. However, the experience of the United States, Canada and Australia shows that successful integration of immigrants is possible if they recognize the rules of behavior and social values of the country that has accepted them, and if the receiving country ensures the legitimate rights of immigrants and a tolerant attitude toward them. Some countries pursue an immigration policy of full assimilation. The most vivid example is probably France dominated by the idea of a uniform national identity based on cultural homogeneity. The choice between coexistence and assimilation does not necessarily guarantee success.

It is a mistake to think that Russia is not prepared for a mass permanent immigration of a non-Russian population. During its expansion in previous centuries, the Russian state integrated many ethnic and confessional groups. The Russian Empire purposefully invited immigrants from Europe in the 18th century, creating for them preferential regimes of landownership, taxation and military conscription. Later, in the period between the reforms of the 1860s and the Revolution of 1917, Russia became a country of mass immigration: net migration accumulated in those years reached 4.5 million people; before World War I, the average annual migration turnover reached 500,000 people.

Unfortunately, in recent years, Russia has not been successful in absorbing even Russian-speaking immigrants. Although Moscow has repeatedly declared that it views ethnic Russians in the ex-Soviet Union as the main reserve of immigrants into Russia, it still does not have an intelligible strategy for attracting and assimilating these groups, while the existing rules for granting Russian citizenship remain highly restrictive.

At the same time, the emphasis on “ethnic reunification” is dangerous in two respects. First, the division of immigrants into

“ours and others” feeds discrimination, as well as inter-ethnic and inter-religion conflicts. Second, viable Russian-speaking diasporas in other countries of the Commonwealth of Independent States, as well as in the Baltic States, meet Russia’s regional and geopolitical interests. Besides, one should not overestimate the numerical potential of such immigration. Therefore, strategically speaking, the main potential reserves of immigrants into Russia are members of the titular nationalities of labor-surplus countries south of Russia.

Stereotyped perceptions of “aliens” and the boundaries for acceptable behavior may have historical and cultural roots, but they are also largely influenced by the mass media. At the community level, the specific projects of local administrations and the degree of maturity of civil society are most important. Yet, the federal government remains passive and this may sow the seeds of dissension. The basic function of the state is to create legal mechanisms that would help implement economic and other interests of the parties while corresponding to the law of the land.

On a more positive note, the government and municipalities occasionally implement special housing programs for immigrants. Some of these programs provide subsidized housing for low-income people irrespective of their citizenship (immigration) status. Formerly, the authorities built special complexes of apartment houses (called “projects” in the U.S. or HLM – *habitations à loyer modéré* – in France), neighborhoods, and satellite towns, which later turned into marginalized ghettos. A more promising variant for large cities, even though more complicated, is helping immigrants to take root in the local milieu. This does not mean, however, that a compact settlement of immigrants is always unacceptable. In the mid-1990s, for example, an interesting idea called the ‘Silver Ring Project’ (later forgotten) was proposed in Russia to attract immigrants to settle in small towns in the northwest of the country, where the population was shrinking.

Return migration. Return (temporary) labor migration can be spontaneous or organized in joint programs between the sending and receiving states. Spontaneous temporary migration can be

legal or illegal; organized return migration is legal by definition. In Russia, *gastarbeiters* are equated with illegal immigrants, although in German this word means ‘guest workers,’ referring essentially to foreign workers who have legally entered the country.

The main advantage of spontaneous return migration is that labor, housing and other markets regulate its flows. In particular, this means the absence of the need for risky large-scale and long-term public programs. At the same time, the effectiveness of this form of migration directly depends on the state.

First, it is necessary to simplify immigration formalities in order to adequately react to an increased demand for labor. Meanwhile, administrative obstacles that hamper the movement of immigrants have become more stringent in the last few years, thus boosting levels of illegal immigration in many countries.

Second, the state can influence migrants to return back to their homelands. There have been intensive efforts in the last few years to find economic incentives in offsetting pension savings or partial compensating social taxes.

The organized recruitment of labor migrants was widely practiced in postwar Europe. In the 1950s-1960s, there were large-scale interstate programs to temporarily attract unskilled labor into Germany from Italy and Turkey, and into France from Algeria. The programs succeeded in attracting the required number of labor migrants, but the large majority of them stayed indefinitely. Moreover, in the early 1970s the decisions to terminate labor immigration from beyond the Common Market discouraged even more labor migrants from returning home and increased the flows of immigrants entering a country on the grounds of family reunification. At the same time, an industrial crisis and the restructuring of the economy made a large part of the unskilled labor redundant.

As the *gastarbeiters*, as a rule, were segregated territorially, there emerged conditions for their large-scale marginalization and this has become something of a hereditary trait. Yet, the main problem was rooted not in the cultural or confessional alienation of the immigrants, but in the primary goal pursued by the gov-

ernments of the receiving countries: the filling of the lower strata of the socio-occupational pyramid. Despite serious difficulties in some Western countries in the past due to the organized recruitment of labor migrants, temporary migration programs are still widely discussed around the world in various contexts. For example, the Philippines, in cooperation with the migrant-receiving countries (i.e., Persian Gulf states and the U.S.) have created an efficient system for the rotation of their citizens working abroad.

The encouragement of return migration meets the economic and political interests of the CIS countries, and is largely facilitated by their still viable common cultural space. In reality, this must translate into the creation of a single labor market in the CIS, for which there are many historical, economic and demographic prerequisites. Besides, there is no need to erect an insurmountable wall between resettlement and return migration – let the economy, marital ties, the socio-cultural environment and people's own choice decide where they should settle and for how long.

But this does not mean that the state should keep aloof from these problems. When non-citizens enter a country it is not a right but a privilege, and the state can and must establish criteria for granting this privilege. These criteria must meet national and international law and be reasonable. When taking into account these considerations, we must remember that population aging combined with negative natural population growth will for a long time be crucial factors in the development of many countries, including Russia.

What We Know About Post-Soviet Countries

Modest Kolerov

There is an abundance of various institutions in Russia set up to study the post-Soviet space, yet we still lack whole branches of knowledge and even firsthand information about this region. Below, I will describe our knowledge of the post-Soviet space, in which we will consider the Commonwealth of Independent States and the Baltic States in 13 points. The following may seem obvious and perhaps even banal, but they are not obvious to the mass media and even to many of our analysts.

Point One. Recently, a booklet was published, entitled *Integration in Eurasia*, which was based on the results of public opinion polls. Its main conclusion, which seems a bit scandalous and contradictory to its title, is that the sociological research in Kazakhstan, Ukraine and Russia has revealed a trend opposite to integration. Countries with a growing population and a steadily improving education system view *possible integration as a secondary objective after sovereignization*. Imperial sentiments or complaints by 'red directors' [Soviet-style general managers — Ed.] that it is time to restore Soviet-era economic ties in the ex-Soviet Union fail to take into account a fait accompli: societies do not want integration prior to sovereignization or in place of it. They view any integration as a freedom of choice after they are

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able to “stand on our own feet.” It is an interesting conclusion, and it equally applies to the four states covered by the Single Economic Space [Russia, Ukraine, Kazakhstan and Belarus – Ed.].

Point Two. There is also another variety of sovereignization in the post-Soviet space that exists in other states, among them the Baltics, Georgia, Moldova and some Central Asian countries. They view sovereignization not as the construction of a bona-fide sovereign state, but speaking in rather rough and primitive terms, as the reception of a right to life. In other words, they interpret sovereignization solely as a result of international legitimacy. In this kind of sovereignization, a country’s constitution cannot open with the words: “We the people.” Theoretically, such a document should open with the words: “We have been allowed.” Strangely enough, this kind of sovereignization, which drastically limits economic, social, ecological and other types of sovereignty, has become the closest objective of the Baltic States and the “European Union neighbors,” which are not really much welcome in the EU. Figuratively speaking, these countries are being offered very long “passenger loading bridges” in order that their “boarding” the EU be delayed as much as possible. This is really surprising, because we all remember the sincere enthusiasm with which these states struggled for their freedom and independence. They discarded any intermediary stages and mythologies and immediately set themselves down to the task of building new and stringent frameworks – sometimes even more stringent frameworks than those that could be found in the Soviet Union

Point Three. Every day one can hear the widespread myth that there are “pro-Russian forces” in the post-Soviet countries, or that Russia is constantly busy creating such forces in those territories. ***There are no pro-Russian forces in the post-Soviet space whatsoever.*** Even those parties that demonstrate and declare their close ties with Russian politicians, parliament deputies and authorities are only part of a much more extensive pattern, and they are certainly not voluntary suicides, ready to pin the “pro-Russian” label on themselves. In the meantime, even in the Baltic States there are significant electoral forces that would be ready to voluntarily call themselves pro-Russian or, in some cases, even pro-Soviet. And these are not an insignificant number of

people; they number 9, 10 or possibly up to 12 percent of the population, and they uphold obscurantist pro-Russian positions. In other states this electorate may reach 40 or even 60 percent, but it is not represented among the political forces. I repeat, there are no political entities representing these numbers; there is nobody planning such entities or reacting to such myths. By force of habit, some “compatriots” still come to Russia to say that they are “pro-Russian,” but they inspire no trust and, to a greater or lesser extent, they are on the fringes of society. When people in Georgia, for example, bring up the question, “Does Russia not need a pro-Russian force in Georgia, like the pro-American one in this country,” each time I reply: “Under no circumstances. God grant there appears a pro-Georgian force in Georgia one day, and then everything will be OK.” From the point of view of the aforementioned kinds of sovereignty which I describe as “We the people,” in contrast to the “We-have-been-allowed” variety, we would like to see people among our neighbors, who would say “We the Georgian people” and so on. There is an obvious lack of pro-national forces like that in the post-Soviet space.

Point Four, however paradoxical this may sound after Point Three, states that throughout the post-Soviet space, *at the helm of political, spiritual and all other kinds of power, there comes nationalism*. It is a reality. Nationalism may vary from soft political to rigid ethnocratic, but one way or another, states that have seen the rise of their statehood, regard their national idea not as something shameful but as a long-formulated ideology. And whoever describes the eternal race of our neighbors to progress and prosperity, everywhere nationalism is at the helm. In the first five years since gaining their independence, these states pushed forward an all-out, successful and irreversible “cleansing” of textbooks, official histories, and official ideology. This kind of state, nationalist ideology – in the Western or Russian meaning of the word (all these gradations can be taken into account) – has emerged victorious. And over the last 10 years, new generations of people have grown up in those countries, who live with this ideology and who view us from this point of view. Russia has not seen developments of that kind.

Point Five, in my opinion, is not that obvious, and I would like to illustrate it with fresh statistics. These are figures provided by Swedish

analysts; they have already been published, yet I would like to draw your attention to them once again. Over the last year, defense spending in Armenia increased by more than 20 percent; in Azerbaijan by 51 percent; and in Georgia by 137 percent. These are direct budget allocations, which do not include serious aid from Turkey, the United States and other countries. It is noteworthy that this rearmament is taking place in conflict areas, to which our esteemed third parties, naturally, shut their eyes. So Point Five stresses that *the post-Soviet space* (with rare and historically justified exceptions) *is a zone of accelerated and intensive militarization*. This fact is often ignored.

Point Six. As distinct from what we see around us, in very many post-Soviet states, most of all in the Baltics, Moldova and Ukraine, *there has been established, as fact, a special political, extrajudicial role of the special services*. No one denies this, and all participants in the political process point to this factor in their activities. Officials from the State Security Department or the Security Service of Ukraine, for example, or the Security Service in Moldova openly admit this issue – even if only at a café table; these are active and very serious political players. By way of example, I can cite the special services of Lithuania that have in the last few years been the main driving force of governmental reshufflings. All this happens amidst democratic rhetoric and democratic appearances.

Point Seven is, perhaps, more obvious to those who visit post-Soviet states, yet few can see its real scope. In those countries there has happened, irreversibly and irreparably, an absolute *de-internationalization of society*. First of all, it is seen in the departure of the democratic majority in the application of the Russian language, while no other language is used on such a comparable scale, as well. This is an irreparable factor because it aggravates a natural decline in the quality of education under crisis conditions. In some cases, the reduction of the use of Russian stems from the governments' policies in the last 15 years. However, this is a fait accompli and the choice of the nations themselves, which Russia must accept. At the same time, while the democratic majority has been ousted from the international sphere via the Russian language, the same majority often votes with their feet, and migrate to Russia as labor migrants, thus dooming themselves to work

in low-paid occupations. As regards the elites, we have not lost common language with them; *the elites are all well educated and have preserved their knowledge of Russian*. Russia is interested in having direct dialogue with representatives of post-Soviet states. This de-internationalization is rather of social nature and does not pose any threat.

Point Eight. In the overwhelming majority of the post-Soviet states, including those that have joined the European Union or seek its membership, there have been established *clan politics and a clan economy, which are much harsher than in Russia*. Ukraine, for example, has easily recognizable oligarchic politics and economy, like we had in the 1990s. But this kind of politics and economy is not called into question. Even the various kinds of “colored revolutions” in some of those countries have not changed the essence of clan politics and economy.

Point Nine. I have repeatedly pointed out that *Russia is the only federation in the post-Soviet space*. The others remain rigid unitary states, despite the challenges of the times, and pressure to comply with European standards, U.S. benefactors, etc. Moreover, the benefactors themselves choose unitarism – and rigid unitarism – as the national model. I am not a lawyer, yet it makes me laugh when someone criticizes Russia for abolishing the free elections of governors, describing this decision as undemocratic. This accusation flies from one province to another, where people repeat it uncritically, not realizing that they fall into a trap, because in exemplary Ukraine, for example, all the officials through the entire chain of command, from top to bottom, are simply appointed, and no one criticizes anyone for that. These are the fruits of direct, primitive, rigidly controlled unitarism, spiced with tight policing control over the political situation.

Point Ten. In all the post-Soviet states there is an *acute shortage of political parties proper*. The parties that now dominate there are built according to a fuehrer-, clan- or mafia-type principle. In the post-Soviet space there are no true, traditional political parties, such as we know from the European or even Turkish experience. The few true parties are those that stem from the local Communist parties, be it in Lithuania or Moldova.

Point Eleven. We often forget about it or prefer not to mention it, but *between the post-Soviet states, and between them and Russia,*

there is an acute and constantly growing economic competition. There are even examples of an emerging competition for labor migrants. So far, Russia has been winning this competition; on the other hand, Russia and Kazakhstan, for example, have niches of their own: the urban intelligentsia from Kyrgyzstan is moving to Russia, while the Kyrgyz rural intelligentsia moves to Kazakhstan, replacing rural doctors and teachers who move into the towns. At the same time, there is serious competition for highly qualified engineering personnel. This competition is deliberate, and in some cases it even breaks inter-regional and cross-border ties, which are so much welcome in Russia. All regions in South Russia, except perhaps Rostov, lose a lot to the neighboring Ukrainian regions as regards the number of vacancies and the level of remuneration. In previous years, the capital reserves of Donetsk simply trampled businesses in Rostov and adjacent Russian regions, because it was invincible. This kind of competition is an obvious fact, although not always admitted.

Point Twelve. In the post-Soviet space, despite progress and the growing variety of ties, *there is emerging new geo-economic dependence*, which is as painful as that which existed in the past. This dependence can be divided into two kinds: first, the dependence of economies, societies and political classes on communications and transit systems in the Baltics, Moldova, Belarus, Ukraine and the Caucasus, that is, in Eastern Europe; second, there is a large-scale geo-economic dependence on water and energy resources in Central Asia and Kazakhstan. Prospects for solving the latter problem remain obscure because the largest water and energy resources in the region belong to the poorest states — Tajikistan and Kyrgyzstan, while the most populated and strongest countries of the region — Kazakhstan and Uzbekistan — are consumers of these resources. Thus, there is now a difficult and unclear search for a solution; one option is to attract Russian investors. Uzbekistan has recently made attempts to balance its dependence on Kyrgyzstan's water resources by bargaining over the gas issue, since Uzbekistan has a monopoly on gas supplied to Kyrgyzstan. This problem still remains unsolved, however, as the four sovereign states have not yet even agreed as to whether water can

be considered a commodity. Until they make such a decision, the problem will remain unsolved.

And, finally, *Point Thirteen*. Throughout the 1990s, all partisan observers were wary by the activeness of other states in the post-Soviet space: Norway and Finland in the Baltics, Turkey in Azerbaijan and Central Asia, etc. Now, equally energetic in the region are China, Iran, and Poland, which has appointed itself patron of Ukraine and Belarus (similar to non-Polish territories that once were part of the Rzeczpospolita). But these attempts by outside regional leaders to break the post-Soviet ring have failed. The issue of Turkey's influence provides the most illustrative example. Turkey was the first to enter the Transcaucasian and Central Asian space in the early 1990s; it began with projects for attaining political influence. But what has transpired now? Turkey has voluntarily left the sphere of political influence and remains in the sphere of education as a strong player. In Kyrgyzstan, for example, Turkish education is an absolute leader beyond any competition. But Turkey's decision to remove itself from political influence in Kyrgyzstan, and limit itself to the realm of education, was a voluntary decision. I could mention joint efforts by Iran and Tajikistan to work out an ideology between the two Persian states, although they do not share a common border. Thus, it must be understood that *attempts by outside regional powers to break the post-Soviet ring and enter the post-Soviet space as leading actors would cause the post-Soviet states to increasingly reject these nations*. For example, although the Chinese are huge consumers of Kazakh oil, there is a national consensus of fear and mistrust toward China in Kazakhstan, as well as in Kyrgyzstan. I would say this is a unanimous attitude, registered from about 97 percent of all polled in either country.

There is a dilemma here: Kazakhstan, in order to diversify sales of its energy resources (not only to Russia or Transcaucasia, but also to China), will have to increase its energy supplies to China. This will increase the threat (real or mythical) of the neighboring Chinese province of Xinjiang. Thus, the more the Central Asian states give to China for the sake of diversifying their relations and incomes, the greater and more dominant role China will play near their borders.

Real Sovereignty and Sovereign Democracy

Andrei Kokoshin

Today, global politics and the global economy are characterized by a struggle between two tendencies: “de-sovereignization” on the one hand, and strengthening real sovereignty on the other. The latter choice promotes much success in the economic, cultural and social development of a country, and it is within this paradigm that Russia wants to establish a worthy place for itself in global politics.

Russia’s past achievements in the realms of culture, science, education and technology strongly suggest that it will continue to be a vital contributor to global civilization. Russia, which boasts a thousand-year tradition of statehood and outstanding achievements in upholding national independence and territorial integrity, has more than enough prerequisites for ensuring its real sovereignty. It must be remembered that Russian citizens are accustomed to viewing their country as an influential, authoritative power in world politics.

REAL SOVEREIGNTY

Real sovereignty is valuable per se and as a major prerequisite for achieving national competitiveness in the increasingly competitive conditions of the globalizing economy.

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In the last few years, Russia has taken important steps at achieving real sovereignty: it has restored its sovereignty in the Chechen Republic and stopped separatist actions in other regions; in Russian regions, legislation has been put into line with the Russian Constitution; the country has paid off much of its foreign debt, which just several years ago was a heavy burden; it has diversified its foreign policy and established mutually advantageous cooperation with the leading states of the world, including China and India; important measures have been taken to strengthen the country's defense capability, including its nuclear deterrence potential, the development of its space defenses and the restoration of combat training in the general purpose forces. Among the larger part of Russian society, and among our friends abroad, both in the former Soviet republics and beyond, these initiatives were greeted with understanding and approval. Yet, Russia's efforts to achieve real sovereignty have come up against active opposition by forces that are not interested in Russia becoming an independent "center of force." As Russian political scientist Alexei Bogaturov wrote, "however hard Moscow and Washington may declare their common and parallel interests, the United States is interested in principle in Russia's geopolitical disintegration."

Russia's efforts to achieve real sovereignty have yielded fruit, yet, to follow up on these successes and to correct the mistakes of the past Russia must make major new moves in this field. Without a democratic political system in the classical understanding of the term — with all its attributes, including strong and influential political parties — Russia will not be able to gain a worthy place in the world, nor acquire the status of a modern great power.

In his 2005 Address to the Federal Assembly of the Russian Federation, President Vladimir Putin analyzed Russia's efforts to build a democracy and stressed the need to preserve national values and indisputable achievements and confirm the viability of Russian democracy. The president emphasized: "We had to find our own path in order to build a democratic, free and just society and state."

The Russian people must have a profound feeling of enlightened patriotism and national self-esteem in order to maintain real sovereignty and develop sovereign democracy. Russian citizens, including young people, displayed these valuable qualities once again during the celebrations of the 60th anniversary of victory in World War II.

SOVEREIGN DEMOCRACY

Sovereign democracy should not be a matter of faith, but a form of government that would ensure a higher degree of governance and self-regulation within society and the state. A democratic tradition is not something that can be introduced to Russia from abroad; rather, it is a value hard won by our people, who view it on par with such values as freedom and justice.

However, rational and realistic views of democracy as a system of governance that ensures greater efficiency are not yet widespread in Russian society. Obviously, Russians pinned too much hope on democracy as an ideology, especially in the late 1980s-early 1990s, and idealized its attributes. No doubt those sentiments flourished under strong external influences of various kinds.

The current decade has revealed another problem with the democratic experiment: a large part of society has expressed a negative attitude toward the “democratic ideology.” Again, opposition between the notions of “democracy” and “non-democracy” is taking place in the public consciousness on a more emotional plane than on the basis of criteria regarding efficiency.

A major task of a democracy is to ensure a stable feedback: impulses governing the functioning and development of the system must move in two directions — from top to bottom in the hierarchy of state and political government, and from below. The weakness and, often, actual absence of such feedback was a major factor behind the degradation of a significant part of the Soviet economy and social sphere in the 1970s-1980s.

The presence of sovereign democracy in Russia (just as in many other countries) is an important prerequisite for democracy in international and interstate relations. Real sovereignty and

sovereign democracy are two pillars of Russia's political and economic development, which can secure for it a worthy place in the international community.

THE ROLE OF THE STATE

Russian business must be national, operating in partnership with the state. This partnership will ensure its internal and external competitiveness in the face of formidable external rivals (many of whom dream of marginalizing Russian business). There is no contradiction between the desire to work in a modern and highly effective market economy and feeling a sense of patriotism. Many American businessmen, for example, are ardent patriots, which they emphasize by displaying their national flag – a symbol of American statehood – at their enterprises and in their offices.

Russia faces many vital national tasks, including overcoming its heavy economic dependence on energy exports, which may be beneficial only for a few economic centers of force in the world.

The Russian government must provide active support in projects for developing the domestic high-tech industry, based on intense and multi-faceted state-business partnerships. It will take a long time before private capital is able to independently operate in this field on a large scale. By the time this moment arrives, a huge part of Russia's research and technological potential, created by the strenuous efforts of several generations, may be lost, and in many respects irretrievably.

Therefore the state must intensify investment not only in infrastructure (which is a classical obligation of the state), but also in high-tech and capital-intensive industries on the basis of long-term scenario forecasts. This will serve the development of the global, regional and national economy, as well as specific long-term programs of action.

The state must also play an active role in the formation of a knowledge economy. The government's involvement in economic processes and a state-business partnership are a necessary condition for developing a "new economy" of the 21st century.

The state-business partnership will create new jobs in corresponding industries, as well as in the services and infrastructure

sectors. This, in turn, will help reduce or even overcome the huge gap that emerged between the rich and the poor in Russia in the 1990s. This income disparity may pose a threat to our national security. Unless this gap is reduced, there can be no talk of stability, however attractive the macroeconomic indices may be. To this end, among other measures, Russia can take avail of its position as a growing “energy superpower,” whose energy supplies are vital for all the main “centers of force” of the global economy – the United States, the European Union, Japan, China and India. In the meantime, Russia’s fuel/energy sector continues to have serious problems of its own, which need to be solved in order for Russia to become a leading force in this area. These include environmental problems, which have grown particularly acute in many regions.

We must proceed from the assumption that the demand for Russian hydrocarbons in the world will continue to grow in the foreseeable future, thus permitting Russia to set increasingly packaged terms for their supply, proceeding from its supreme national interests.

China and India are becoming increasingly important factors in the global demand for energy supplies, and they have been conducting aggressive policies for securing long-term oil and natural gas supplies.

To this end, China, for example, provides economic assistance to energy suppliers by helping them build roads, ports and stadiums, for example, while increasing its imports of other goods from these countries.

As a long-term strategy, Russia’s economic growth must be ensured, above all, by the high-tech industry, high-tech services, and the comprehensive development of its “human capital.” We must capitalize on the possibilities of domestic consumption, conquering again and retaining Russia’s markets, while also pursuing a consistent policy for promoting Russian products on international markets.

Until recently, the state conducted such a policy primarily in the realm of Russian arms supplies. These policies yielded positive

results, helping some sectors of the Russian defense industry survive and even further develop.

Of major importance is the development of a national IT sector and a certain range of biotechnologies (President Putin's ruling of 2005 to significantly raise salaries for research officers of the Russian Academy of Sciences must play a major role in these efforts). The strengthening of the state's role in the Russian economy, specifically by increasing the state's involvement in strategic industries, is a natural process for the present stage in Russia's development, and extremely important for ensuring Russia's national competitiveness.

The way the market economy is developing in Russia is reminiscent of the conditions in which some West European states developed in the 1950s – France, Italy, Great Britain, the Netherlands and others.

In France, for example, the state played a central role that was not limited to the left-wing parties: state intervention was particularly pronounced when the country was ruled by Charles de Gaulle and the Gaullists who held predominantly right-centrist and right-conservative positions. Amidst tough competition, this policy helped France save its aircraft and car-making industries and create its own nuclear power engineering, electronic, and space-rocket industries, which ensured the country's high economic growth rates until the 1990s, thereby allowing it to rejoin the family of great powers.

The globalizing economy confronts Russia with an urgent need to establish powerful national companies, capable of ensuring the nation's competitiveness on the European, Asian and global markets. Few private businesspeople can create such "locomotives of national success" without the active and strong support of the state.

The state also has an important role to play in building transnational companies on the post-Soviet space, which is vital for meeting the common competitive interests of Russia and its friends and partners. In establishing such transnational companies, it is very important to pay due account to the interests and opinions of representatives of the member countries of the Commonwealth of Independent States involved in this process.

However, increased state involvement in the economy should not take the form of direct business management from government offices. State-controlled companies must operate as real autonomous players in the market economy, according to market laws, while seeking to make themselves profitable and efficient. The advantage of such companies is that they can and must estimate their profitability on a long-term basis, as well as forecast their prospects, promote research and development, and constantly upgrade their technological facilities and management systems. These efforts require adequate mechanisms of control over the operation of state companies by executive and legislative bodies.

National businesses can be made effective only on the basis of a strong intellectual basis, together with a comprehensive analysis of issues pertaining to the development of all basic segments of the global and regional markets.

These intellectual efforts (to be made by both governmental and non-state research centers with active support from the “political class” and the business elite) are a major condition for Russia’s success in global competitiveness. Examples of state-business success stories were found in many European countries (especially in the 1950s-1960s), Japan (up to the early 1990s), Singapore, Taiwan and South Korea. Meanwhile, research of this kind is actively conducted by various research centers in China and India.

Unfortunately, the Russian business community and the political class underestimate the need for such intellectual efforts in their strategic decision-making (these efforts include search of effective methods, data, and data reliability, which are labor-consuming and require an extensive scientific, economic, econometric and sociological base). Therefore, there is a lack of motivation for costly interdisciplinary research and regular exchanges of ideas, opinions, results of research, etc. among the academic community, the branches of power and businesses.

The absence of a strategic vision, as well as strategic projects, in the government seriously complicates the development of any busi-

ness in this country. Russian companies, when comparing their resources with those of the major Western companies, understand their smallness and insignificance. Obviously, the availability of state resources would increase the resources and “fighting stability” of Russian companies in the face of their formidable rivals.

ENERGY POLICY AND SOVEREIGNTY

In the long term, Russia can achieve stable economic growth by using the competitive advantages found in its research and industrial potential. A reliance on trade in raw materials – even considering that almost 30 percent of global reserves belong to Russia – will not bring about acceptable economic growth. However, this huge potential of natural resources must be used to stimulate other areas of Russia’s economic development.

In the last few years, Russia’s dependence on raw-material exports has reached a critical level, jeopardizing the country’s security and sovereignty; Russia’s interests could be seriously threatened by a possible radical fall in world energy prices.

Without reducing its energy exports (and in some cases even increasing them), Russia should purposefully begin to change the structure of its exports in favor of industrial goods and services, most importantly in the development of high-tech products. Simultaneously, it must further develop the processing of raw materials and improve the structure of the import-export ratio. The policies of individual companies should be increasingly subordinated to national interests and to the state’s policy for achieving real sovereignty.

Within the framework of its energy policy proper, Russia should increase electricity production by nuclear power plants. This requires, above all, safe nuclear power engineering on the basis of fast reactors. At a press conference on January 31, 2006, President Putin set the goal of increasing the contribution of nuclear power plants to the country’s electricity production from 16-17 percent in 2005 to 25 percent in 2030. Energy producers must turn into “global actors,” ensuring in many cases the fulfillment of not only economic but also political tasks,

thus meeting Russia's national interests in the international political system.

Energy producers must be among the locomotives of the national economy, supporting the development of Russia's myriad machine-building sectors on the basis of medium and high technologies. Russia's giant gas company Gazprom, together with several oil-and-gas companies, have already helped dozens of defense enterprises to diversify their production and preserve at least part of their research and technological potential.

As President Putin said at a December 22, 2005 meeting of Russia's Security Council, Russia's economic development in 2004-2005 convincingly showed that the country is entering a new level of influence and capabilities in global power engineering, and is turning into a leading force in this most important sphere.

The peculiarity of Russia's position in ensuring international energy security is that it is a member of the G8 (where world energy problems are discussed together with the most advanced net importers of energy resources) and simultaneously belongs to the group of the leading net exporters of energy resources that are interested in stable revenues from energy exports at fair prices. Russia has managed to establish stable constructive relations both with Western net importers of hydrocarbons (the United States and the EU countries) and with Eastern net importers (China, India, Japan, South Korea, etc.).

A special comment should be made about the unique role that China and India play as fast-growing consumers of energy resources and actors in the sphere of international energy security. Russia interacts with India and China on energy issues on a bilateral basis and within the framework of the Shanghai Cooperation Organization. In January 2006, the SCO set up a special body to work out a common position of the member countries on world energy issues.

If within the next ten years Russia increases its contribution to the international high-tech market from 0.3 percent to at least 3 percent, this will exceed the potential volume of its oil and gas export.

BUILDING UP RESEARCH POTENTIAL

Among Russia's national distinctions is its ability to develop and put into operation large sophisticated technical systems based on the achievements of exact sciences. This refers to civilian and combat spacecraft and missiles, nuclear power plants, large surface ships and submarines, civilian and combat aircraft, command and control systems of the strategic nuclear forces, missile warning systems, thermonuclear reactors, and so on. Today, Russian enterprises are displaying their ability to master the production of platforms for the extraction of offshore oil and gas, ships for transporting liquefied gas, etc. Also, Russia has a large potential for producing supercomputers and corresponding software.

Russian businesses and the political class have not yet recognized this national distinction. But this is vital, because this potential must be taken into account when developing and modernizing Russia's educational system.

Apart from Russia and the U.S., only two or three other countries have the ability to carry out cutting-edge research. So, the development of the basic sciences across the spectrum is a much more rare phenomenon than commonly believed. Russia must preserve and intensify this ability, while reorienting its achievements in the military-technical sphere to applications in the consumer economy. At the same time, it must remember one of the main lessons from the history of the Soviet Union: an independent defense industry cannot exist for long and without excessive expenditures as an isolated enclave; in order to be successful, it must be an organic part of a high-tech industry (with a highly profitable civilian segment prevailing).

For Russia to preserve and build up its research potential, science must take center stage, and this can be achieved through the development of high-tech industries.

The fulfillment of this task requires greater attention and high-priority funding from the state and private business. A symbiotic relationship amongst fundamental and applied science and industry, together with an efficient educational system, is a major requirement for maintaining Russia's competitiveness in the glob-

al political, economic and technological competition. It is also paramount for ensuring its national security and a worthy quality of life for its citizens.

Scientific knowledge, together with the ability to create new scientific knowledge, is acquiring the greatest importance under the present conditions. Today, technologies for developing the most profitable products are mostly created on the basis of new scientific knowledge, as well as from the discovery of new physical, chemical, biological and other laws. Therefore, the integration of education and science, together with the involvement of both teachers and students in the process of professional scientific work, is yet another critical factor for Russia's future progress.

Unfortunately, over the years of reforms, fundamental and applied science in Russia found itself in a most difficult situation. This was largely provoked by sharp reductions in funding, a loss of prestige in research activity, and a reduced demand for scientific achievements on the part of businesses and the state. For a long time, the amount of funds allocated for fundamental science in Russia was much less than in the U.S. and other developed countries. Just recently, there have emerged signs of a change for the better in this sphere. The reduced funding has caused many highly qualified scientists to seek employment in the most prestigious universities and scientific centers in the U.S., Britain, Germany and other countries – a factor attesting to the high level of excellence in Soviet and Russian science. According to some estimates, 30 percent of the top mathematicians and 50 percent of theoretical physicists in the United States hail from the ex-Soviet Union; the number of Russian molecular biologists working in the leading American laboratories has been increasing in absolute and relative terms as well. Apart from the developed Western countries, Russia's educational system, as well as its fundamental and applied science departments, in many respects also works for China and some countries in Southeast Asia. At the same time, however, Russian science and education are becoming increasingly dependent on foreign donors – according to some estimates, to the tune of 75 to 80 percent. The results of the most valuable

research by Russian scientists (including several potential Nobel Prize winners) are increasingly acquired as intellectual property by foreign companies, foundations and universities, which in the long term translate into billions of dollars in losses for the Russian economy. Often this happens because Russian research centers and design offices lack funds, whereas the state does not provide them adequate support to protect their intellectual property in the global economy.

The disappearance of fundamental science, which may take place within the next few years in a majority of branches of research, will have far more serious consequences for Russia than the disappearance of certain industries. History teaches that, unlike many industries, fundamental science, if lost, can be restored only by the efforts of several generations, if at all – even if the state allocates sufficient funds for this purpose.

Another important way for Russia to achieve economic might and real sovereignty would be to enact radical initiatives to nurture a modern agricultural industry. Russia's large tracts of fertile land remain one of its big advantages over other states. The more far-sighted strategic analysts in China and India, for example, understand that these two states will soon find themselves unable to provide for their populations; therefore they assign a key role to Russia's resources in this respect.

MAINTAINING NATIONAL DEFENSES

Russia's real sovereignty is also provided by its national defenses, whose cornerstone must be independent national forces and nuclear deterrence forces, complemented with a "pre-nuclear deterrence" system.

Nuclear weapons now play a special political and defensive role for Russia. Today and in the foreseeable future, they will be almost the only visible factor ensuring superpower status for this country. Importantly, the significance of the nuclear factor in the hierarchy of world politics is beginning to grow again (although largely in other forms than in the first few decades after World War II) – first of all, as a result of the emergence of two new

nuclear states – India and Pakistan, whose populations exceed one billion people in total.

Assessing the status role of nuclear weapons for Russia, one must also bear in mind the nuclear deterrence economy. Russia keeps a nuclear arsenal and other elements of the nuclear deterrence system that are commensurable with those of the United States, although Russia's GDP is 10 to 12 times smaller, according to some authoritative estimates, than that in the U.S. Furthermore, each of the three other members of the UN Security Council – Britain, France and China – have gross domestic products several times larger than Russia's GDP, while their nuclear arsenals are much smaller than Russia's. Obviously, without a major breakthrough in the economy, it is possible that within the next few years Russia will be unable to maintain its nuclear potential, and therefore its status, on the present scale.

In light of these conditions, Russia must enhance the political, military and strategic efficiency of its nuclear deterrence system and the potential for multiple-choice actions (especially asymmetric actions) for the top state leadership in crisis conditions.

Meanwhile, Russia's nuclear forces are not only a means of ensuring national security for the country, but also a major factor in guaranteeing global strategic stability. This conclusion is based on the lessons of the last 50 years and on a forecast for the development of global politics until at least 2025-2030.

At the same time, nuclear deterrence alone is insufficient for rebuffing all the military threats to Russia's security. Global and Russian experience shows that nuclear weapons are not an effective political instrument for preventing or winning limited wars and conflicts, especially low-intensity conflicts. Meanwhile, it is the latter type of conflicts that a majority of experts believe to be the most probable threat to Russia's military security.

Russia needs modern, well-equipped and compact general-purpose forces capable of carrying out operations, first of all on the Eurasian space, including operations to ensure security for its friends and allies. Such actions may also prove necessary for saving the lives and health of Russian citizens living in foreign countries.

To this end, Russia must bolster both the strategic and tactical mobility of the corresponding components of the general-purpose forces, together with their backup informational and analytical support systems. Special attention must be given to practicing the employment of network control systems that integrate reconnaissance and targeting data processing, command transmission and control over command execution, and precision weapon control.

Russia also requires a worthy naval might capable of ensuring its political, defensive and economic interests in various regions of the world, on land and sea (the Navy has always been one of the most flexible multi-purpose military instruments for seeing through policy).

Another major task for Russia is to organize the rapid and qualitative re-equipment of its Armed Forces and other security organizations. Besides fortifying the defense of the country, this move will help to preserve and develop the domestic high-tech industry.

The Armed Forces and other components of the military must develop according to a deep understanding of the laws and peculiarities of the ongoing “revolution in military affairs” (certainly not the first one in world history). This phenomenon has common and individual features for specific states that are developing their defense might within the framework of a policy for ensuring real sovereignty.

Military might can also serve to protect economic interests; this is why, in the present conditions, it must be viewed also as a means to increase capitalization of the national economy.

* * *

Russia’s political and business elite and academic community must work for the long term: what does not pay back today or tomorrow may be in demand the day after tomorrow. A greater level of intellectual and organizational effort must be put into secondary and higher education. There can never be “too many educated people” in society. The higher the educational level of the population, the more chances the country will have for achieving great success in the global economy.

The Energy Superpower



Gas extraction in Siberia

“ In developing natural resources, priority should be given to Russian capital, both private and state-controlled. Russia has enough money to implement projects on any scale independently; foreign companies should only be allowed into the country as providers of technological know-how that is unavailable here and, as far as possible, on the condition of its transfer to Russia. ”

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Russia's "Energy Key" Strategy

Mikhail Dmitriev

Commenting on the results of the G8 summit in St. Petersburg, many analysts point to Russia's tactical successes, which include its winning PR campaign, as well as its effectiveness in dialog with its G8 partners. Concerning the setbacks, the analysts mention, first of all, the demonstrative refusal by the United States to sign an agreement with Russia on its accession to the World Trade Organization. However, Russia's most acute strategic problems concern its economic relations with the European Union. Unfortunately, Russia has failed to take advantage of its G8 presidency to solve these problems.

For Russia, Europe is not just an important, but dominant trading partner. Greater Europe accounts for 75 percent of Russia's foreign trade, and of this amount the EU accounts for over 60 percent. Meanwhile, the Partnership and Cooperation Agreement between Russia and the EU, which set the frameworks for economic relations between the two partners, expires in 2007. This event coincides with the enlargement of the EU up to the borders of Russia and Belarus, and the obvious failure of integration processes within the Commonwealth of Independent States, which Russia is gradually losing as a possible market for non-energy exports. The loss of CIS markets and the need to conclude a new agreement with the EU causes Russia to ponder what foreign-economic strategy it should choose to achieve high economic growth rates.

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THE "EUROPEAN CHOICE" TRAP

Tendencies in the world economy over the last decade show that global trade has been growing 50 to 100 percent faster than global GDP. At the same time, energy consumption has been growing 50 percent slower than global GDP. This means that if Russia wants to maintain growth rates at the average world level or higher, it must increase its exports and sell more high-value-added goods. However, if Russia fails to leave the group of energy exporters, it will, like many of the OPEC countries in the last 30 years, develop slower than the world's average; this is the objective reality of global energy demand.

Presently, in the international division of labor, Russia occupies the niche as an exporter of energy, raw materials, and low-value-added goods. Meanwhile, the unit GDP of power consumption in Europe has been decreasing, while GDP itself has been growing at a very slow rate: in 2003-2005, Europe ranked last among all regions of the world in terms of growth rates, and analysts are pessimistic about the prospects for reversing this trend.

As Russia pegs itself to the European energy market, it dooms itself to very low growth rates. In the last few years, Russia has been growing faster than Europe due to growing oil prices. However, the effect of this factor is coming to an end, and the contribution of energy industries to the Russian GDP's growth has been sharply decreasing. In 2005, the direct contribution of hydrocarbon and energy production to Russia's economic growth was slightly over one-tenth of the entire GDP growth rate, while in 2004 the contribution of exports to this growth decreased from almost 90 percent to 42 percent.

EUROPE OR ASIA?

Russia will be able to maintain high growth rates only if it increases the export of high-value-added goods. Russia's competitive advantages in this sphere are in industries that support power generation and the raw-material sectors. These industries include power and transport machine building, and energy-intensive raw-material processing industries, for example, the production of fer-

tilizers and oil products. Other potentially competitive areas include the defense, aerospace and telecommunications industries. All of these sectors have one common feature: their successful development requires capacious external markets.

With the exception of the raw-material processing industries, the competitiveness of Russia's high-value-added exports is not high and even has a tendency to decrease. It is much easier for Russia to offer these goods on rising markets where new consumers do not yet have stable suppliers that have to be forced out of their niches. With global GDP growing an average of 3 percent per year, the added value produced in the world has been growing by about U.S. \$2 trillion a year. According to BP estimates based on purchasing power parity, in 2005, China accounted for 32 percent of that growth and India accounted for another 10 percent, and their shares will most likely grow. These two countries are precisely the new markets, for which Russia can compete.

European markets are more problematic for Russia from the point of view of high-value-added exports; in 2005, Europe accounted for only 7 percent of the global growth in this market. Should Russia really attempt to adjust itself to this 7 percent share? After all, companies with much higher reputations, more sophisticated technologies and well-proven marketing channels already occupy the European market; it would be almost impossible or very difficult to compete with them. Therefore, in the long term it may turn out to be a disadvantageous strategy for Russia to continue to concentrate its exports solely on Europe, which would doom it to the role of a European energy appendage with growth rates slower than the world average.

RUSSIA'S "ENERGY KEY" TO NEW MARKETS

If Russia wants to develop high-value-added exports, it has not been proven that Europe is a promising vector. However, if Russia plans to offer its exports to China, this must have an immediate effect on Russia's negotiations with the EU concerning a new format for Russia-EU trade agreements. Europe is interested in Russian energy, but if we concentrate our energy exports solely on

Europe, we would do so without receiving markets for our high-value-added exports in exchange. We may just not find such markets in Europe. But if we want to receive promising markets in China and India, we must understand that the "energy key" is the easiest way to open them.

This reasoning suggests a new look at the results of the G8 summit. The ongoing discussions in the world about nuclear power engineering and energy security emphasize Russia's role as a guarantor of energy stability; however, this does not solve our strategic problem: Where will Russia export its energy and high-value-added exports? Russia's present strategy with the EU provides for Russian investments in the European energy infrastructure and secures markets in the European energy sector for Russia, without opening up European markets to Russian high-value-added exports.

Given the acute shortage of time for working out new approaches, there is a high probability that within the framework of new agreements with the European Union, Russia will duly follow European energy priorities and thus diminish its chances to enter new markets for non-raw-material exports and to maintain high economic growth rates.

Neo-Con Plans and the Sober Reality

Vladimir Milov

Russian neo-conservatives, presently intoxicated with an influx of petrodollars, and obsessed with separating Russia from the natural Euro-Atlantic vector of development, are moving from general speculation to concrete ideas, which may have practical implications. One of these ideas involves the expansion of Russia's energy cooperation with the youngest "Asian tigers" – China and India.

Needless to say, there is sound logic behind Russia's interaction with Asian countries in the energy sphere. Despite its unique energy potential, Russia has yet to become a global supplier of energy resources. Thus far it only plays a regional role: about 95 percent of its crude oil and 100 percent of its natural gas is exported to Greater Europe (including Turkey). The European energy market is almost sated, whereas Russia has no presence on the U.S. or Asia-Pacific energy markets.

For Russian neo-cons, the idea of entering the energy markets of the largest Asian powers – China and India – is cast almost as an economic basis for a global geopolitical revolution: Russia will restructure its energy supply system away from Europe, leaving it with an acute energy shortage, while providing economic underpinnings to the BRIC [a group of emerging world leaders – Brazil, Russia, India and China] as a global geopolitical alternative to the West. Sometimes such ideas are embraced not only by diehard neo-cons, but also by some prominent economists (e.g., Mikhail

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Dmitriev, see p. 120 of this issue) who see Asian markets as an alternative to Russia's status as a "European energy appendage."

This reasoning may be naïve, but the question is a potent one: What is the outlook for Russia's "economic breakthrough" in the East?

CHINA

At first glance, there are ample grounds for large-scale cooperation between Russia and China. Russia is a stable net exporter of energy resources, while China is emerging as a net importer of energy: by 2010, China's net energy imports may reach an estimated 180 mln to 200 mln tons of oil and 20 bln to 25 bln cu m of natural gas. Experts were especially impressed by the 2004 figures, when China's oil demand rose by 15.8 percent, gas by 19 percent, and coal by 14.6 percent. Many came to the conclusion that the growth trend will continue and that China has a virtually unlimited potential as an importer of energy resources.

But such a conclusion would be hasty. Those in favor of greater energy exports to China should ask: Why has this potential not been realized yet? Could there be some natural obstacles obstructing such cooperation? After all, despite its geographic proximity to Russia, China imports most of its oil from the Middle East, Southeast Asia and Western Africa (more than 80 percent of its total oil imports). Meanwhile, China's energy imports from Russia are negligible: Russia exports about 15 mln tons of crude oil and petroleum products to China annually, which is less than 5 percent of its total exports. At the same time, Russia exports virtually no natural gas or electricity to China. Why?

There are three intractable problems that cast a dark shadow over the apparently rosy prospects for a future Russian-Chinese energy alliance.

First, China has traditionally prioritized the development of its own energy capacity, and presently its only serious energy shortage involves oil. However, an intergovernmental agreement on oil supplies from Russia to China has just been signed (by 2010, Russian oil exports to China are to hit 30 mln tons a year). This

is the only energy agreement between the two countries, which is not surprising, not only because China heavily depends on oil imports, but also because oil is a globally traded commodity: producers (in this case, Russian oil-producing companies) can always sell oil on any markets, which usually makes buyers cooperative enough over price arrangements.

Concerning natural gas and electrical power, the situation is fundamentally different. One of the essential principles of the Chinese Communist Party's energy policy is reliance on national energy resources for "security" considerations. For example, China has just implemented a 4,000-km gas pipeline project ("West-East") from the Tarim and Changqing gas fields in the Xinjiang Province, with proven gas reserves in the region at a mere 700 bln cu m, to the country's main gas consuming areas. At the same time, China refused to sign a contract with Russia to import gas from the Kovykta deposit in the Irkutsk Region, arguing that the gas reserves there are purportedly insufficient (Kovykta's proven gas reserves are 1.2 trillion cu m).

So China will continue to place great emphasis on developing its own gas production and power-generating capacities. Furthermore, since it has substantial reserves of coal and a large hydroelectric energy potential, the country is in the position to develop power-generating capacities that do not depend on gas imports. China will not have a serious gas shortage in the foreseeable future, while electricity supplies can be fulfilled in the medium term.

Traditionally, Russia's gas and power imports to China have been impeded by price disputes. One key project (Kovykta), which has the potential to become a main channel for the export of natural gas from Russia to China, has been effectively frozen due to price disagreements. The Chinese side has long time refused to buy Russian gas for more than \$30-\$35 per 1,000 cu m at point of delivery on the Russian-Chinese border, although the break-even level for the Kovykta project is \$75 to \$120 per 1,000 cu m. China said it was unreasonable for it to buy gas at prices above \$40: at this level, it would be cheaper to use its own coal as fuel at electric power stations.

In July 2002, the Russian government issued a decree entrusting energy giant Gazprom with coordinating negotiations on Russian gas exports to East Asia. Four years have passed since then, but little progress has been made on the price issue. Gazprom has proposed various plans for organizing Russian gas exports to China (deliveries from the Chayanda gas field in Yakutia, for example, or building a bypass gas pipeline via North and South Korea), but all of them have proved unviable.

Agreements on gas and electricity supplies, which were signed amid great pomp in March 2006 during a meeting between Vladimir Putin and Hu Jintao, are but good intentions on possible delivery volumes. The agreements make no provision for prices, which remain the main stumbling block to any progress in this area.

The situation in the power generation sector is equally difficult. China clearly prioritizes the development of its domestic generating capacities. By 2010, the aggregate capacity of China's power plants is expected to reach about 660 mln KW. To this end, in the 2004-2010 period, more than 37 mln KW capacities are to be brought on line each year: that is to say, annual growth in the country's generating capacities should average 7.8 percent. By 2025, an additional 171 GW of coal-fired generating capacities will be built in China (at the start of 2001, such capacities generated an aggregate of 232 GW). In this context, China's demand for electrical power imports from Russia can at best be only temporary. Not surprisingly, the price issue has also stymied negotiations on electricity exports from Russia: the Chinese side insists on a price at or below the cost of energy generation.

Second, China's estimated oil demand should mislead no one: about one-half of the surging demand for oil in China, as well as in other Asian countries, was caused by an electricity shortage (the sluggish power sector usually lags behind a rapidly growing economy), together with the massive use of diesel generators. Obviously, the situation will not last forever, and additional generating capacities (gas, coal or nuclear) will eventually be built, so there is every reason to expect that further economic growth in China and other Asian countries will not be accompanied by an

astronomical surge in oil demand. For example, already in 2005, oil consumption in China rose by a mere 3.1 percent. Clearly, rising demand for coal and electricity will be met mainly by developing national production capacities: China accounts for 12.6 percent of the world's coal reserves and is still a net exporter of coal.

The third problem involves the uneven economic development of the Chinese regions. The surge in energy demand is mainly observed in the industrially developed southeastern parts of China where deliveries of Russian energy via network infrastructure (pipelines, power transmission lines) are hindered by large distances and high costs. These regions will meet their gas demand mainly through the construction of liquefied natural gas (LNG) terminals, while this gas will not come from Russia. Future deliveries from Russia's only LNG project, Sakhalin-2, have been fully contracted for the next 20-25 years to Japan, the United States, and Korea. Apart from Sakhalin-2, Russia is not planning to further develop LNG production, and even the limited volumes that may be produced in the Baltic region in a decade will most likely be sold in Europe.

The fact that China does not have any long-term problems with natural gas and electricity supplies creates certain difficulties for Russian exporters on the Chinese market over import prices, while the availability of gas-substituting energy resources, which can be used as fuel at electrical power stations (primarily coal), makes China rather a tough market in terms of price competition.

So the outlook for energy cooperation between Russia and China is not as positive as Russia's policy-obsessed neo-cons suggest. The Chinese market so far offers far lower delivery prices than Ukraine did prior to 2005. As for Russian investment in China, it is treated just as suspiciously as Chinese investment is in Russia: in addition to the controversy surrounding the privatization of the Russian oil company Slavneft, I would also like to mention that the "Chinese factor" was the key factor in the introduction of limitations on foreign direct investment in Russia's natural resources sector (the Law on Production Sharing Agreements).

Incidentally, the first experience with Russian businesses on China's energy market – Gazprom's participation in building a West-East gas pipeline, and the involvement of Atomstroieexport [Russia's nuclear power equipment and service export monopoly] in building the Tianwan nuclear power plant – has been far from smooth. In the first instance, Gazprom lost its contract, whereas in the second, delays in building the nuclear power plant and providing supplies and equipment affected Russia's image as a country that can provide expeditious and good-quality construction services.

INDIA

The situation with India is even more complicated. On the one hand, India's dependence on the import of energy resources is also high and will continue to grow. India itself produces very little oil (about 40 mln tons a year), and oil production is likely to fall, whereas demand for oil will grow rapidly, forcing India to import about 200 mln tons of oil a year by 2020 and about 250 mln tons a year by 2030 (at present it imports over 80 mln tons a year). Today, India imports almost 70 percent of oil from the Middle East; other imports come from Africa and Southeast Asia. As for natural gas, its domestic production, which currently stands at about 30 bln cu m a year, is expected to rise substantially in the future, primarily by developing Indian shelf deposits (up to 50 bln cu m by 2020 and 66 bln cu m by 2030), but this will not be enough to meet its growing domestic demand for natural gas. In this context, net import is expected to grow from almost zero to 28 bln cu m a year by 2020 and 44 bln cu m by 2030. Gas will be imported mainly in liquefied form: India has approved a plan to build 12 new LNG terminals in the country (Russian companies are not involved in any of these projects).

On the other hand, there are objective circumstances impeding the development of Russian-Indian trade in the energy sphere. These are, above all, infrastructure limitations:

– the continental transportation of oil and natural gas via new oil and gas pipelines would be virtually impossible due to the

insurmountable physical and political difficulties. Regarding the former, India and Russia are separated by impassable mountain ranges; the latter consideration presents equally troubling problems since sections where oil and gas pipelines could in theory be built are areas of political and military instability or hotbeds of unresolved conflicts – Afghanistan, Pakistan, the Caspian with its unsettled legal status, etc.;

– the limited competitiveness of oil shipments from Russia to India by sea, compared with the export of Russian oil to Europe, given the existing structure of Russia's oil export terminals (problems with the Suez Canal and the Bab el Mandeb Strait and a lack of capacity to handle supertankers loaded down with over 200,000 tons at the Russian ports of Novorossiisk, Tuapse, and Primorsk); and

– Russia's lack of capacities to produce enough LNG to be transported by sea, and the priority that Russian exporters give to other markets for LNG that is to be produced in a number of new projects (Sakhalin-2 and the Shtokman field).

India, therefore, is one of the most hard-to-access markets for Russian energy resources. It is difficult to imagine a sensible businessman who, given so many opportunities of selling oil in Europe at a very good profit, would want to risk transporting supplies through Suez and Bab el Mandeb where he stands the possibility, at the very least, of losing a lot of money due to tanker delays caused by jams at these transport bottlenecks. Even if Russia expands oil exports through Far Eastern ports, the transportation of oil to India will be the least attractive prospect, compared with its shipment to China, Japan, Korea and the West Coast of the United States, due to traffic problems in the Strait of Malacca. So, infrastructure limitations reduce the possibilities of expanding two-way trade in energy resources between Russia and India to almost zero.

Furthermore, India, like China, gives priority above all to its own energy resources. The relatively low levels of oil and gas consumption growth are mainly due to the availability of substantial reserves of coal, which is a key source of electricity production (81 percent, compared with 7 percent for gas and 4 percent for oil). India accounts for 10 percent of the world's coal reserves. Based on

current production levels, the country has enough coal for the next 220 years. According to some forecasts, India could raise coal output from 364 mln tons a year in 2002 to 705 mln tons by 2030, which will make it possible to fully meet domestic demand for coal.

Geopoliticians of course know better: give them a fulcrum, and they will build a gas pipeline across the Pamir and Hindu Kush. It is clear, however, that in economic terms, the Chinese and Indian markets hold little appeal to Russia.

E U R O P E

All of this only goes to show that in the case of Russia's energy strategy, the saying "old friends are best" is highly relevant and has a very strong pragmatic subtext. Europe is the closest and most lucrative energy market for Russia. There is a diversified transport infrastructure for the delivery of Russian energy resources to Europe (3,000 to 4,000 km, as compared to at least 5,000 to 6,000 km in Asia). Price-wise, this market has always been the most profitable (concerning oil and LNG, only the U.S. market is more attractive). While Russia uses European prices as a basis for making its quasi-market price demands to the post-Soviet countries, China proposes a price for natural gas that is 60 percent below what Ukraine currently pays for Russian gas. Throughout the years, Europe has been generously reimbursing us for our oil and natural gas, and these profits have given us a modicum of prosperity. Now, Europe is ready to increase the import of energy resources from Russia in the future on terms that are highly favorable for Russia.

It is true that there is a certain measure of misunderstanding between Russian and European politicians. But when you get down to brass tacks, this has little influence over commercial relations between Russian and European companies. These relations are developing very, very successfully, while Russian energy supplies to Europe continue to grow. Last year, the volume of Russian oil and natural gas deliveries to the European market hit a record 400 mln tons in oil equivalent, or one-third of the oil and gas consumption in the EU-25. Fortunately, the differences

between politicians over the Energy Charter and other virtual things have not as yet transformed into real bilateral problems.

* * *

So, is it necessary for Russia to turn away from its natural lucrative partner and – to use a Chinese metaphor – try to catch a black cat in a dark room where there is no cat? When several years ago, some people – this author included – called for diversification of Russian energy exports, we meant something entirely different: the European market does not provide growth opportunities. Due to the energy-efficient character of the European economy, there is almost no growth in energy demand. So if Russia wants to increase its energy exports (and if it is able to increase them, since the economic course of the past few years casts doubt on this), it will simply have to enter new markets.

This applies above all to the United States and Japan, no matter how blasphemous this might sound to the architects of Russia's new geopolitical doctrine. This is where the terms for energy sales are the best. Exports to China and India may also hold some potential – or they may not, depending on the situation. Objective economic interests in this case could happily coincide with Russia's natural Euro-Atlantic vector of development.

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Assessing Russia's Energy Doctrine

Mikhail Delyagin

In order to adequately assess the global energy market it is essential to understand that the rise in energy prices, which began in the spring of 1999, has some very basic causes. However, this price increase cannot continue forever.

“ENERGY HOLIDAYS”

In addition to current market fluctuations, high energy prices reflect a general shortage of energy that, given the current rates of development, could confront mankind in the next 10 to 15 years.

However, a global energy shortage is not an inevitable scenario even with the existing level of extracting technology. For example, the United States and Canada can immediately begin developing the tar sands in Alberta, an operation that is profitable even when the price of oil is at \$30 per barrel.

Nevertheless, the United States and Canada have yet to take advantage of this opportunity, while the world is not using alternative energy sources (above all, biomass technologies) on a large scale.

The reason for this is simple. On the one hand, expensive oil brings super-profits to the global oil and gas corporations, primarily in the U.S., as well as to influential Arab countries. Naturally, these parties are interested in impeding the development of alternative technologies, not least through intellectual property protec-

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tion mechanisms that have long turned into mechanisms for protecting monopolistic abuses.

On the other hand, high oil prices act as a deterrent against strategic rivals of the U.S. — the EU, Japan, and most importantly, China. But unlike these countries, the U.S. not only has its own substantial oil deposits (which serve as a kind of strategic reserves), it is also the issuer of the world's reserve currency that serves, among other things, the world energy market.

Today, high energy prices, together with its global monopolies, are about the only instruments of the U.S. administration for containing their main strategic rival, China. It seems that the aggravation of the Near East crisis and its spillover into the Middle East is also conducive to this goal.

Israel's invasion of Lebanon looks like a classic operation to preemptively destroy the infrastructure of an insurgent movement. But since this movement arose as a result of socio-economic and demographic factors, its infrastructure will soon be restored; its destruction will make sense only in the event of some global developments that could dramatically invigorate the battered movement.

Therefore, the war against Hamas and Hezbollah — and anybody else who happened to be in the wrong place at the wrong time — which Israel started in Lebanon, shows that the situation in the Near East is bound to intensify in the fall of 2006. In this scenario, the U.S. could possibly launch an air strike against Iran in an effort to wipe out its nuclear program.

Apart from the obvious internal and external political dividends for the governments of the two countries, such a hypothetical strike would drive oil prices even higher — to about \$100 per barrel for Brent crude. Needless to say, the blockade of the Strait of Hormuz would be purely symbolic, given the U.S. Sixth Fleet specially built to deal with such threats. In the event of higher oil prices, the global financial system would certainly not collapse, although it could be shaken, while the impact on the global economy would be rather painful.

First, higher oil prices would aggravate economic stagnation in the EU and Japan, accompanied by the scaling down of social

guarantees, declining production (in the developed EU member countries), and an escalation of ethnic and communal conflicts.

China's development will also slow down, but it will not be destabilized because last year it shifted the focus of state policy from encouraging private enterprise to promoting social justice and closing the income gap, which will have a positive impact on the stability of Chinese society. Another factor to be reckoned with here is the Spartan discipline of the Chinese and their ability to live amid an acute shortage of mineral resources, including energy and water.

Furthermore, in the past few years, China has been successfully implementing a global energy strategy that has already produced tangible results. In particular, by renouncing the exploitation of African territories in favor of their comprehensive development, Chinese companies have put the squeeze on multinational monopolies on their own turf, including Nigeria. Meanwhile, this year Angola has become China's largest supplier of oil, ahead of Saudi Arabia. Therefore, although higher oil prices could create problems for the Chinese economy, they will not cause its collapse.

The most significant consequences of higher oil prices will be relatively unexpected. These will include a change in the organizational principles of the global energy markets, involving a transition from their liberal to a more segmented structure. In this case, the energy majors will sell energy resources primarily to their privileged consumers, while supplying energy to the open, liberalized market on the leftover principle.

This type of segmentation has traditionally been a fundamental approach of U.S. strategy planners, while in 2000-2002 it also became the core of China's global policy. A new spike in energy prices could precipitate the extension of this approach to the practical organization of specific global markets. The key to energy market segmentation will be the strategic choice that Kazakhstan – the real heartland of the Eurasian continent – will have to make between Western and Chinese consumers on the one hand, and energy transit routes through Russia on the other.

Rising oil prices will make liquefied natural gas (LNG) more affordable, thereby expediting the development of the LNG mar-

ket. By unfastening the gas market from capital-intensive gas pipelines, LNG development will precipitate not only the liberalization of the existing regional gas markets (above all the European market), but also their gradual integration into a single global gas market where long-term supplies through gas pipelines will first be supplemented by LNG supplies, and then limited to them.

Paradoxically, this liberalization and formation of a global market will not destroy the general segmentation of global energy markets, but will conveniently fit into them. Global political barriers will to a very large degree neutralize the consequences of gas market liberalization, while LNG will be sold primarily to strategic, friendly consumers – in the same way as oil and oil products are today.

Segmentation of the global energy market will intensify through the nationalization of the oil and gas sector in less developed and developing countries; this process will further increase by the transfer of oil and gas deposits under the control of Western monopolies to national state control. Obviously, this will deal a crippling blow to global monopolies in the developed countries – not only because they will lose some of their existing resources, but also because they will lose the prospect of further expanding their spheres of influence and operation. Since stock markets are more oriented toward the actual status of real prospects as opposed to business per se, the loss of prospects will in the short term deal a harsh blow against global energy monopolies.

Technological progress is yet another factor that will create even more serious problems for the global monopolies.

Although the segmentation of global energy markets will alleviate China's situation, it will definitely not resolve all of its problems (at the same time, segmentation will seriously exacerbate problems for the EU and Japan). As a result, it will intensify the search for energy saving technologies, as well as for new energy sources.

In principle, the existing technologies are sufficient for allowing the global economy to become much less dependent on oil and gas, but it is quite possible that new, more effective solutions are yet to be discovered. The problem is that global monopolies and certain energy-exporting countries are hindering the growth of

such technologies. Nevertheless, growing energy prices will increase the need for reducing energy dependence to such an extent that it will serve to remove the existing constraints and ensure the rapid development of super-productive technologies that have the potential to destroy the global monopolies.

The principal outcome of such a scenario will be a dramatic fall in energy prices. By 2020, mankind will possibly enter an era of “energy surplus” that would herald in a fundamentally new world order.

Once again, this development seems to be the most beneficial for China, which has the best chances of emerging as a technology powerhouse. As far as Russia is concerned, it is important to remember that the remarkably favorable external conditions for its rapid economic development, which are directly related to high energy prices, will not last forever.

On the one hand, the unprecedented growth of energy prices (which began in mid-1999) will continue in the foreseeable future, thus making Russian oil, gas, and coal go from being commercial commodities to strategic and geopolitical assets. On the other hand, it would be utterly reckless and irresponsible to expect that this price growth will continue in the long term. It would be reasonable to act on the assumption that the “energy holiday” that Russia is now enjoying will continue for no more than another decade.

This assumption requires a drastic review of the principles and mechanisms of using energy resources.

Before we begin this topic, it is important to understand that the attacks on Yugoslavia in 1999 and Iraq in 2003 by the U.S. and its allies essentially destroyed international law as it had been organized in the past, turning it into little more than a cover for the use of brutal force. Therefore, in order to secure the necessary level of defense capabilities (including in the information sphere), Russia should respond to U.S. military strength with its energy strength.

The elaboration and implementation of a fundamentally new *Energy Doctrine of Russia*, presently impeded by Russia’s deplorable condition and the ongoing degradation of its statehood, makes this a pressing need.

RESTORING ENERGY SOVEREIGNTY

The most critical step for Russia is to resolutely denounce the colonial-style agreements with the global monopolies that were signed in the first half of the 1990s, which either directly violate Russian laws (e.g., the Caspian Pipe Consortium) or cause unacceptable damage to Russia. The latter include production-sharing agreements (PCA) whereby foreign investors receive almost all the profits from Russian oil and natural gas. Meanwhile, Russia not only fully compensates their overblown production costs, but owes them money as well.

A legal basis for annulling these agreements is possible through a careful and impartial examination of the circumstances that led to their adoption: e.g., if any illegal motives for these agreements are exposed (it is difficult to imagine any other reason for signing such disadvantageous agreements, even amid the general chaos of the first half of the 1990s), under international law, this will provide sufficient grounds for deeming these agreements null and void.

On the legislative level, production-sharing agreements with strategic competitors should be banned as a colonial method of developing Russia's mineral resources. Such agreements are utterly unacceptable to Russia.

In developing natural resources, *priority should be given to Russian capital*, both private and state-controlled. Russia has enough money to implement projects on any scale independently; foreign companies should only be allowed into the country as providers of technological know-how that is unavailable in Russia and, as far as possible, on the condition of its transfer to Russia.

Russia should focus on attracting advanced technology, above all on the level of individual specialists and teams; should this prove unfeasible, then the state must attract specialized firms working on specific technological tasks (including the development of investment projects). As a last resort, when the development of a particular energy deposit in Russia proves difficult, foreign capital may be tapped as part of a managing company for an associated investment project.

Still, all projects must remain under state control. Major pipelines, for example, due to their strategic importance, must

remain the exclusive property of the state or companies where the state holds at least 75 percent +1 share.

Access to pipelines should be equal and free for all Russian state and private entities, but foreign capital, as Russia's strategic competitor, must not have access to these objects. The EU's perseverance in attempting to deprive Russia of its natural competitive advantage (which was created through the efforts of several generations of Soviet people), not least by forcing it to accede to the Energy Charter Treaty, which ensures free access to our pipeline system for everybody, is reminiscent of the aspiration by the most rabid revolutionaries of the early 20th century to "nationalize" women.

HARMONIZING BUSINESS AND SOCIAL INTERESTS

The second most important strategic goal for modern Russia is *to strike a balance between the interests of business and society*. The experience of the more developed countries proves that the most effective method for achieving this goal is to divide the said interests on a regional basis.

The production and export of raw materials (above all energy), which generates super-profits, should be aimed primarily at meeting Russia's public interests. This sector should, therefore, be controlled either by state-owned companies or by Russian private capital under close state supervision.

Meanwhile, private business should channel its commercial enterprise and robust aggressiveness not toward Russian citizens, who in fact need protection against unscrupulous business operators, but toward neighboring countries, primarily in the post-Soviet space. This region should be completely controlled by Russian business, at least in the strategic energy sector.

Each ton of oil and each cubic meter of natural gas produced in the post-Soviet area (not to mention in Russia itself) by any company with a significant share of foreign capital (let alone foreign companies) is a disgrace for Russia, humiliating its national interests and damaging its economic and political sovereignty.

Objectively, Russia's strategic goal is to gain full control over the gas and oil pipeline network across the post-Soviet space. Presently, the main priority of Russia's energy strategy should be to block — at any cost and by any means — the implementation of a gas pipeline project from Kazakhstan to Turkey bypassing Russia, as well as all other projects that threaten to cut Russia off from vital gas sources in Turkmenistan and Uzbekistan. It is necessary to devise and implement measures to ensure that the very idea of such projects is taboo for all elites without exception, be it in Central Asia or in the rest of the world.

The state should organize, direct, and *promote the expansion of private Russian business into foreign countries*. The basic principle of this expansion should be the provision of relatively cheap Russian energy resources in exchange for strategic assets in these countries. The most natural and practical mechanism of this expansion should be the pro-Russian lobbies created with the assistance of “energy money.” However, this should not entail, of course, any form of energy blackmail, not to mention the counterproductive “gas wars” and other conflicts that are downright destructive for Russia.

Due to the high level of protectionism in the developed countries, together with the density of their political space, the development of strategic Russian businesses there is only possible on a rather limited scale. Therefore, it should be aimed at boosting revenues by increasing the share of downstream operations and better meeting consumer demand.

A top priority in the foreseeable future is *Gazprom's penetration into the EU countries' distribution networks*. The setbacks that Russia suffered in the EU in 2006 should not discourage this goal, but rather compel the state to move in this direction.

An effective tool for interacting with the EU in the energy sphere involves the potential partial redistribution of Russia's exports to the East. The first try along this strategy was Russia's preparedness to rechannel 28 million tons of oil a year — now supplied from Western Siberia to Western Europe — to the Pacific oil pipeline, with a simultaneous increase of supplies under the substitution program of the Caspian Pipeline Consortium. However, in the future such substitu-

tion programs should be first considered by the customer countries (as opposed to the supplier) as the most interested parties.

In Russia's global competition with major energy importing countries, its important strategic assets involve the strengthening of relations with Iran, Kazakhstan, and China. It is also important to create a formal association that would finalize the segmentation of the global energy market. In this context, Russia's bargaining chip with the West should not be the redistribution of energy supplies per se, but rather the speed and the degree to which the interests of Western consumers will be taken into account. Should they renounce long-term contracts (especially gas contracts with the EU), Russia must be prepared to reorient supplies toward more cooperative EU clients, as well as China.

Aside from the UK and Germany, Gazprom's priority targets in accessing the European distribution networks should be through the Netherlands (as a gateway to France, which remains off limits to access as a distribution network due to protectionism), Italy, and Greece.

RESTRUCTURING RUSSIA'S ENERGY SECTOR

An effective way of restructuring Russia's energy sector is by *increasing the share of its downstream operations*. In 2005, Russia's energy companies suddenly began to substitute the export of crude by rail with the export of petroleum products: the former fell 5 percent, while the latter rose 16 percent. This trend should be formalized by state policy whereby Russia expedites the construction of oil refineries to end the export of crude by rail and tanker shipment, replacing it with the export of petroleum products.

It is essential for Russia to thoroughly develop its oil, gas and coal chemistry industry in order to substitute crude exports with the more profitable export of refined products.

The intensive development of the fuel and energy sector does not eliminate the need for *developing new deposits*, primarily on the Yamal Peninsula (in West Siberia), and expanding geological prospecting, to ensure sustainable development of the fuel and energy complex in the long term.

It is vital for Russia to initiate large-scale **energy economizing**, and this cannot be done without systemic efforts by the state. For example, losses in the housing and utilities sector can only be reduced through its technological modernization, financial and economic prosperity, and the elimination of monopoly abuses.

Development of the electric power industry should be based on technological effectiveness, as opposed to trying to squeeze the maximum possible profit from separate sectors of the unified energy system. Such a strategy only leads to its general degradation. Priorities for ensuring the success of this program include: stimulating the use of cheaper energy that is generated by the hydropower stations (today, preference is being given to the consumption of more expensive energy generated by thermal power plants, which increases the domestic consumption of natural gas that is a valuable export product), and restoring the so-called energy bridges with hydropower stations in Siberia.

This requires an **in-depth analysis of the export obligations** that have been assumed not only by Russia as a state but also by all of its companies, including private entities. These obligations should correspond with the actual capabilities of Russia's fuel and energy complex. Without this, Russia's export obligations would have to be met at the expense of supplies to the domestic market and even at the risk of destabilizing the national economy. A forewarning of this scenario happened in the summer of 2006, when electric power stations in some parts of Russia experienced serious shortages of natural gas supplies.

Domestic energy prices should be linked to level of living standards in Russia, as opposed to the most developed countries of the world (which reflect world prices). Energy prices should only be increased if living standards increase commensurably — not just the living standards of the richest 12-15 percent of the population, as has been the case recently, but of the entire population, above all the lower income groups.

Obligations to increase domestic gas prices, which Russia assumed in the course of its negotiations with the EU on the accession to the WTO under pressure from the Russian gas lobby

(and formalized in the Energy Strategy until 2020), should be immediately renounced as damaging to the nation's competitiveness. There are many formal grounds for breaching this agreement, such as America's obstructionist position to Russia's WTO accession, the EU's de facto withdrawal of consent to Russia's membership in the WTO, and the unilateral advancement of new demands that were not discussed earlier – specifically, free flights over Siberia and ratification of the Energy Charter Treaty.

Even in the event that these issues are resolved, maintaining the competitiveness of the Russian economy should take precedence over the interests of Russia's strategic competitors.

One way to ensure the competitiveness of the Russian economy is to demand that contracts for the export of energy and other raw materials are negotiated in rubles. This is a strategic goal that will not simply enhance the country's importance in the global economy, but will also transform the global financial and economic system in Russia's national interests. Finally, such a move will create prerequisites for making the ruble a world reserve currency.

Another step toward greater Russian competitiveness in the global economy is to ensure that *profits from the export of raw materials be channeled into modernizing the country* – reviving its managerial, human and productive capital on a fundamentally advanced technological basis.

The comprehensive modernization of the many diverse elements that make up the Russian economy is vital because it is dangerous to depend on increasing revenues from the export of raw materials. Incidentally, the subsequent change in the balance of global financial flows in Russia's favor will cause the developed countries to attempt to restore the status quo – i.e., to continue exploiting Russia's mineral wealth – through the use of force.

In conclusion, Russia's modernization is crucial for guaranteeing the country's defense capabilities and safety of its leadership. Concurrently, these guarantees are an indispensable precondition for the successful implementation of the aforementioned Energy Doctrine.

Global Agenda



“Russia’s reinvigoration has not led to the flowering of the partnership which the West hoped to establish. Instead, in 2005/6 relations between Russian and the West, at least as measured in political rhetoric, have sunk to their lowest point since the demise of the Soviet Union; and in the view of many commentators are set to deteriorate further.”

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Growing Pains or a Paradigm Shift?

A Trilateral View of a Changing Relationship
with Russia

Roderic Lyne, Strobe Talbott and Koji Watanabe

In the spring of 2005, the Trilateral Commission asked the co-authors of this article to write a report on Russia and her relationships with the Trilateral area. The last report on Russia to the Commission was in 1995: much had changed since then. (The Trilateral Commission, founded in 1973, has about 400 members, who are leading politicians, businessmen and opinion-formers from North America, Europe, and Pacific Asia – predominantly Japan and South Korea.) The Commission debated our report at its annual conference in April 2006 in Tokyo, and published it in June under the title “Engaging with Russia: The Next Phase”. (The report can be found on the Trilateral Commission’s website at www.trilateral.org/library/stacks/Engaging With Russia.pdf).

Writing the report presented a number of challenges. One was whether three authors – from the U.S.A., Japan and UK, all of whom had lived in Russia at different periods, had served for varying lengths of time in their respective governments, and were now

Sir **Roderic Lyne** was British Ambassador to the Russian Federation, 2000-04. He is now a company director, business consultant and lecturer. **Strobe Talbott** served from 1993 to 2001 in the U.S. Department of State, first as Ambassador at Large and Special Adviser to the Secretary of State for the new independent states of the former Soviet Union, and then for seven years as Deputy Secretary of State. Since 2002 he has been President of the Brookings Institution in Washington. **Koji Watanabe** was Japanese Ambassador to the Russian Federation, 1993-96. He is now President of the Japan Forum and a Senior Fellow at the Japan Centre for International Exchange.

enjoying the independence of retirement from government – would be able to form a single view on this complex subject. We wanted a view that was not shaped simply by a national or regional interest. After extensive consultations in our regions and a joint visit to Moscow, we were able fairly easily to agree on the report.

A larger challenge for any outsider writing about Russia is fairness and objectivity. If we are to make sense of our relationships in the 21st century, we certainly need to avoid the “prism of past prejudices” (to use President Putin’s phrase) through which many in the older and middle generations in both Russia and the West view each other. This is not to say that history should be ignored: it is vital to a proper understanding of the current situation, as we shall argue. But we must not be the prisoners of the past. The three co-authors were conscious that writing about Russia takes one into an emotionally charged environment in which all too often the voice of reason and moderation is drowned by more extreme and polemical attitudes infected by prejudice, suspicion and intolerance of critical or dissenting views. Our aim, we said, was to contribute to public debate “not by downplaying problems, but by assessing them in context, in a candid and balanced way, and by looking for constructive ways forward”. Whether we have achieved this is for others to judge.

The past two years have exposed a paradox in Russia’s relations with the countries of the Trilateral area. (This area comprises the industrially advanced democracies of Europe, North America and Pacific Asia. We allow ourselves to use “the West” as a term of politico-economic shorthand, but with the understanding that some important “Western”-type countries, including Japan and South Korea, are far to the East of the Greenwich meridian). In the early 1990s, the worst nightmare of Western governments was that Russia might fall apart, leaving a vast and important area of the world in a state of disorder and economic collapse, without secure control of her arsenal of weapons of mass destruction. Insofar as they were able, bilaterally and multilaterally, Western countries and Japan sought to promote stability in Russia and the CIS and to assist the transition to a democratic system and a market economy. They wanted Russia not to be weak but to be strong, orderly and pros-

perous – in their own interests, and for very obvious reasons. They were relieved when, early in the new century, Russia moved across the international agenda from being one of the problems on the list to being part of the solution – one of the countries working in partnership to deal with global and regional problems.

Now Russia is strong again – at least by some important measures. Her economy is booming; Russian businesses are playing an increasingly significant role at a global level; Russia holds the chairmanship of the world's most prestigious club of states, the G8, and is acting with renewed self-confidence on the international stage. From the depths of the 1990s she has risen again to the heights. But the paradox is that Russia's reinvigoration has not led to the flowering of the partnership which the West hoped to establish – as did, we are sure, many readers of this journal. Instead, in 2005/6 relations between Russian and the West, at least as measured in political rhetoric, have sunk to their lowest point since the demise of the Soviet Union; and in the view of many commentators are set to deteriorate further. Leon Aron, writing in this journal, forecast that alienation between Washington and Moscow would increase up to 2009 (“U.S.–Russia Relations Through the Prism of Ideology” in *Russia in Global Affairs*, No. 3, 2006). In the same edition Fyodor Shelov-Kovedyaev expressed concern that “we are becoming increasingly paranoid about being encircled by enemies, and we feed our phobias instead of curing them”; he argued that “we should relieve our minds of historical chimeras and stop deluding ourselves with the West's perennial aggressiveness toward Russia” (“Russia, an Engine for Global Development” in *Russia in Global Affairs*, No. 3, 2006). In the parallel edition of *Foreign Affairs*, Dmitry Trenin predicted “serious tension, and even conflict, between Russia and the West, although nothing like a return to the Cold War” (“Russia Leaves the West” in *Foreign Affairs*, Volume 85, No. 4, July/August 2006). And over the past two years leading official figures in Russia have repeatedly accused the West of resenting Russia's new-found strength and of seeking to weaken her.

Trenin argues that “the terms of Western-Russian interaction...have shifted fundamentally”; that the old paradigm of part-

nership is lost and it is time to start looking for a new one. Shelov-Kovedyaev makes the opposite case, arguing that Russia should throw off her inferiority complex and use her strengthened position as a platform for deeper cooperation with the EU and the United States, especially in the face of the challenge of the rising China. Are we looking at a fundamental shift, or only at a downward curve in a long and cyclical process of transition and readjustment? What will determine our future relationships? What is in the best interests both of Russia and of the “West”? These are among the issues which we explored in our report to the Trilateral Commission.

UNDERSTANDING THE TRANSITION

With the benefit of hindsight, a major failure of Western policymakers in their approach to Russia over the past fifteen years (one shared by many modernizers within Russia) was to underestimate the depth and complexity of the transition Russia was undergoing; and of the time it would take for the transitional processes to work through into a settled model. There is no precedent or analogy, at least in peacetime, for a transition on this scale. As we observed in our report, “the Russian Federation is in the throes of not one, but three, simultaneous processes of transition in what is, by land area, by far the world’s largest country: the transition from being the second superpower, an imperial power directly or indirectly ruling 350 million people, to a middling or regional power with a declining population of just over 140 million; the transition from a collapsed autarkic command economy to a market economy integrating into the world economic system; and the transition from Communist dictatorship, ideology and control of society to a new political order, the eventual shape of which remains to be determined.”

There was an over-optimistic belief in the West, born in the euphoria of the end of the Cold War and the collapse of Communism, that, with Western goodwill, encouragement and active assistance, Russia could rapidly develop a market economy and her own model of democracy and take the place in the circle

of advanced democracies appropriate for a country with Russia's cultural, intellectual, scientific and industrial strengths. One of the bigger concerns was that, after seventy years of the command economy, Russia would not have the entrepreneurs necessary to make capitalism work. This, too, was a miscalculation. The skills required to survive and prosper in (or, more accurately, despite) the Communist system left Russia bursting with entrepreneurs. It was not there that the deficit lay, but in the absence or weakness of the institutions and laws to provide a fair environment for business competition. The adjustment to market economics, rough though it has been at times, has been a more rapid process than the development of a workable model of democratic government: on this, one Minister accurately described Russia to us as still being "in search mode". Democracies elsewhere have taken many years, sometimes hundreds of years, to develop. It is a process which, by definition, needs to be "bottom-up" more than "top-down" – the antithesis of the "vertical" tradition in Russia.

Similarly, the traumatic effect of the collapse of the Soviet Union tends to be underestimated. Very large numbers of people in the former U.S.S.R. could rejoice at the demise of the Communist system, which had stifled their individual freedom and had delivered very poor living standards. But for the Russian people to wake up one day to discover that their country had shrunk by two fifths (in population); and that republics which they had considered integral to their country and indivisible from it, especially Ukraine and Belarus, were now separated from Russia, was a shock. It was no less of a shock for the former Soviet republics (with the exception of the three Baltic States) to wake up to find that they had become independent, sovereign states. There had been almost no preparation for this. It was as if people in Washington had woken up one morning to find that a belt of states from Florida through Texas to California had left the U.S.A. When the British and French empires broke up after the Second World War, the process happened incrementally over about a quarter of a century; the case for decolonization had become increasingly obvious to the electorate in the metropolitan powers

(though not universally accepted); and there was a certain amount of time, varying from case to case, to prepare for separation and independence. None of the colonies was contiguous with the motherland (save the Republic of Ireland, which separated from the UK at an earlier stage; the closest French colonies were across the Mediterranean Sea). Nevertheless, it took the better part of half a century – some would say longer – for the decolonizing power and the newly independent ex-colonies to readjust their relationships. For countries like Britain and France (and the same could be said of other ex-empires) coming to terms with the loss of imperial power was a slow and painful process. Britain's failure to join the European Economic Community when it was founded in 1957, for example, was part of the imperial hang-over. In the case of the Russian Federation and the other former Soviet Socialist Republics, the divorce has been vastly more painful and complicated, for obvious reasons: the suddenness; the division of family members and ethnic groupings (including the many Russians who found themselves outside Russia); and the difficulty of dividing up a single, integrated economy and system of defence. Physically sorting out all of the issues bequeathed by the Soviet Union's collapse was bound to take a number of years and remains an unfinished process (the so-called "frozen conflicts" being an example). The psychological readjustment, to judge from the experience of others, will take even longer. What has happened has happened, and cannot be reversed; but coming to terms with the legacy and easing old instincts, suspicions and prejudices – dealing with the emotional rather than the rational – will remain difficult. Outsiders need to recognize this.

When one reviews a decade and a half of transition, as we did in our report, certain points come out very clearly, none of them surprising. One is that it is an erratic process. Periods of rapid change and forward movement, such as 1991-93 and 2000-03, have been followed by periods of retrenchment. President Putin himself reflected this when he reportedly told the "Valdai" group on 9 September that strengthening the multi-party system, establishing real self-government and tackling corruption were issues

that would have to be left for his successor. Another key point is that the first genuinely “post-Soviet” generation of leaders and decision makers has not yet arrived in power. In Russia, as in other countries, top positions tend to be held by people between 45 and 65 years old – that is to say by people who were already well into adulthood and careers by the time the Soviet Union ended, and who had been denied the wide range of opportunities and exposure to information and foreign travel open to the succeeding generation. Business is a partial exception to this: it is no coincidence that many of the most dynamic leaders of new Russian business are in their 30s or early 40s.

Fifteen years of transition therefore do not bring one to a defining moment at which long-term conclusions about Russia’s future internal character or her place in the world can sensibly be drawn. Important choices lie ahead, choices which will shape the relationships Russia builds with the West and with other external powers.

WHAT WILL DETERMINE THE FUTURE RELATIONSHIP?

What lies at the root of the deterioration in relations between Russia and the West which the commentators quoted above (and many others) have described? Cooperation continues in many areas where there are shared interests. Although there have been a number of tactical disagreements – the handling of Iran and of Hamas being two recent examples – these have not, yet at least, provoked a fundamental rift. But the G8 Summit in St. Petersburg, far from setting the seal on the partnership between Russia and the Seven (as had been intended when the decision on Russian chairmanship was taken in Kananaskis in 2002), was a frosty affair which will be remembered less for its meagre results than for some unusually sharp exchanges between the host and his guests. For the past year and more, the air has often been filled with the crackle of polemical fusillades.

There seem to us to be two broad reasons for the estrangement. The clue to the first lies in the Kananaskis G8 communique, which said that the decision on chairmanship “reflects the remark-

able economic and democratic transformation that has occurred in Russia in recent years.” There was an informal understanding that the process of reform and of East-West convergence, which was running strongly in 2002, would continue and would by 2006 have created a very different environment. Likewise the European Union’s hopes of a “strategic partnership founded on common interests and shared values” (articulated in the 1997 EU/Russia Partnership and Cooperation Agreement, though the concept has cropped up in many other places) have been disappointed, leading to disillusionment on all sides. What appeared to be convergence toward shared values of democracy, the rule of law, protection of civil and political rights and so on came to a halt: a growing divergence has been the pattern of the past three years.

The second reason is that, while there remain many important shared or overlapping interests – counter-terrorism, counter-proliferation, trade and investment being high on the list, there has also been a manifest conflict of interests in what is sometimes called “the post-Soviet space” – especially, but not only, in Ukraine, Belarus, Moldova, Georgia and Uzbekistan. No one wants a new dividing line in Europe; but the space between the European Union and Russia has become a fault line and focus of disagreement, just as the Kurile Islands or, to the Japanese, Northern Territories have long been a fault line in Russo/Japanese relations.

There is now uncertainty in the West about the way Russia is heading, and how Russia intends to use the strength she has regained, especially in and from the energy sector. A wary watchfulness has come into the Western approach. Thoughts of deeper partnership are effectively in suspense until Russia’s direction is clearer. This question of direction is of course being asked even more insistently within Russia. In an article recently published in this journal, Arkady Dvorkovich saw the next three years as “a critical period for providing answers to the challenges now confronting the Russian economy” (“The Russian Economy, Today and Tomorrow” in *Russia in Global Affairs*, No. 3, July/September 2006). The immediate challenges he identified were legitimizing private property, reducing inflation and poverty levels, and creat-

ing a competitive environment for economic growth. He saw a need to stimulate investment, improve law enforcement and oppose the unwarranted interference of state bodies in companies' activities, and noted that "the general atmosphere of corruption inflicts serious damage to the investment climate and social relations as a whole." Dvorkovich also defined fundamental long-term challenges: demography, skill levels and modernization of the education system, and the development of high-quality production infrastructure.

Dvorkovich's analysis, from the perspective of the Presidential Administration, is similar to our own. Not for the first time in her history, Russia faces a choice between modernization and retrenchment. Six years of stability and economic growth (assisted by high energy prices, but also by domestic consumption) have lifted the Russian Federation to an unprecedented level of prosperity. The question now is whether, on the one hand, Russia chooses to remain on this plateau, enjoying the sunshine, until the boom ends, and then drifts down again into a valley; or, on the other, uses the plateau as a base camp for an ascent to a much higher peak. The economic boom has taken the pressure off reform, and is masking the challenges which must be faced if Russia is to modernize and achieve her full potential. These include the renewal of structural reforms and steps to achieve a diversified, competitive economy, and to tackle deep-seated social issues, as Dvorkovich argues; and also the development of more diverse, effective and independent institutions, with a clear separation of powers; and, we would argue, the modernization of the defence forces and security apparatus to deal more effectively with the changing nature of threats to security.

WHAT IS TO BE DONE?

As the above analysis will have indicated, we think it too soon to say that the shift in Western-Russian interaction is "fundamental," if by that Dmitry Trenin means permanent. We are more inclined to see the deterioration of the past three years as an episode in a long process of readjustment – the ultimate outcome

of which cannot be predicted with any certainty. It is not surprising that, after the humiliation of the 1990s, Russians are relishing the strength and independence they have regained (as anyone would), and are disinclined simply to dance to a Western tune. It is natural that a degree of hyperbole has crept into statements about “energy superpower” (a term which President Putin has explicitly disowned); but it seems premature to suggest that Russia and her G7 partners are now locked into separate and potentially conflicting orbits, above all because this would correspond neither to their interests nor to the wishes of the majority of their peoples. A striking facet of recent opinion polls in Russia has been the high level of opinion favorable to the EU and the United States – despite the negative rhetoric beamed at television viewers.

We share Trenin’s view that “positive change in Russia can only come from within and that economic realities, rather than democratic ideals, will be the vehicle for that change.” The West’s ability to influence events in Russia is at best marginal, and can be exercised in a positive or a negative sense. The approach which we have advocated is that the West should show patience and deepen its understanding of Russian attitudes, of what is achievable, and of the time it will take. We believe the West should stand by its principles and not ignore the importance of values; but should avoid relapsing into Cold War-style megaphone diplomacy and zero-sum approaches. Name calling or threatening language is entirely counter-productive. It strengthens the hand of extreme elements on the opposite side, does nothing to advance policy, and undermines the advocates of moderation and sensible engagement. The West needs to articulate a long-term vision which underlines that we seek a Russia which is strong, prosperous and successful; that we believe strong, independent neighbors would be to Russia’s advantage, not disadvantage; and that there should be no dividing lines, no closed doors and no exceptionalism. This last point is particularly important. We wrote that:

Russia should be treated according to its merits and judged by its actions – not by negative emotions from the past, nor by wishful thinking about the future. International associations and rela-

tionships should be open to Russia on the same basis as to others, and Russia should abide by the same rules as others.

For those who have invested effort in trying to promote closer partnerships between Russia and the West, the current political atmosphere is disappointingly somber. The conventional wisdom is that the approach of Presidential elections in Russia and the U.S.A. will make matters worse. So it is important to remember that not everything is determined by politics; and that, in the post-Cold War era, personal and business contacts of different kinds do not have to be calibrated according to ideology or inter-governmental relations. The past five years have seen rapid growth in the participation of Western companies in the Russian market, and we are now beginning to see significant outward moves by Russian companies. The Russian private sector is driven by strong competitive urges. It is a force for change, and a force for Russia's closer integration with the most advanced economies. Western countries should welcome the entry into their markets of Russian companies and investors ready to compete by the same rules on a level playing field (WTO membership would help this). Russian businessmen want their country to play in the Premier League, and know that she is capable of doing so if modernization prevails.

There is no denying that the Cold War left a legacy of suspicion which can all too easily, albeit irrationally, be reawakened. (The Trilateral Commission spans countries which have had to strive, not always successfully, to bury the much more distant legacy of the Second World War: it takes a long time and real statesmanship.) Responsible leaders should refrain from playing on that legacy and reopening old wounds. Paranoia makes bad policy. If, as it seems, we have entered a period of turbulence, there will be a need to exercise restraint, build on the many things which bind us together, and focus clearly on our long-term goals and best interests. To the authors of this article, the interests of Russia and of her G8 partners from Europe, the United States and Japan must rationally lie, not in drifting further apart, but in renewing the drive for a closer and modernized engagement, when it becomes possible to do so.

U.S.-Russian Relations: An American Perspective

Robert Legvold

Gone is the talk of “strategic partnership, not to mention the fanciful vision of a genuine Russo-American alliance held by some, including the former U.S. ambassador in Moscow, not so long ago. Gone is the aura of camaraderie created by Russia’s instant support for the United States after September 11 and then the joint effort in winning the Afghan war. Gone are the benevolent winds stirred by Russia’s mild response to the U.S. abrogation of the ABM agreement, tolerance of U.S. bases in Central Asia, offer of energy partnership, acceptance of a new Russia-NATO Council, and enthusiastic talk of U.S.-Russian cooperation at the May 2002 Moscow summit.

Instead, the U.S. vice-president speaks of a Russia whose government “has unfairly and improperly restricted the rights of her people,” threatening religion, a free media, political parties, and civic organizations, and which uses oil and gas “as tools of intimidation or blackmail.” On the other side, the soul-plumbed eyes now see a “wolf” who knows “whom to eat,” and it “is not about to listen to anyone.” Voices in both countries again discuss the prospect of a “new Cold War.”

What happened? How could a relationship that seemed so promising less than half a decade ago have so soured? That is the first question, but there is a second and third: What should hap-

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pen (or should have happened)? And what could happen? The “should” question is about stakes: What, assuming each country managed to rise above today’s distractions, are the deeper and more enduring interests each has in the relationship? The “could” question is about possibilities: What, given the drift of events, the circumstances constraining each country’s foreign policy, and the pull of other priorities, can one expect of U.S.-Russian relations during Presidents Bush and Putin’s remaining time in office?

WHAT HAPPENED?

Ask most informed Russians and you will get a different answer from that of most informed Americans, granted Russians differ in their judgments and so do Americans. The contrast is itself a reflection of what has gone wrong. Three or five years ago, the key divide would not have been between countries but between groups, with some Americans seeing the relationship as some Russians, and other Americans a mirror image of other Russians. Now, however, mainstream views in the two countries favor distinctly different narratives.

In the United States, most policymakers, politicians, and pundits believe that the increased rockiness owes to the Putin leadership’s steady movement away from democratic norms, eagerness to centralize power, including control over important economic sectors, and readiness to wield this power ruthlessly in order to have its way with weaker but unbowed neighbors. To add to the unease, many perceive Russia’s past obstruction of a firm response to Iran, extended hand to Hamas and readiness to embrace neighborhood authoritarians as a bad reminder of the old habit of fishing in troubled waters. True, there are Americans who either see Russia’s evolution as predictable and within bounds or the residue of an overly insensitive U.S. policy — a United States happy to see Russia weak, thrusting its power to Russia’s borders, and demanding cooperation on its terms. At the other end of the spectrum, there are those ready to write Russia off as already in the authoritarian camp, basically hostile to U.S. purposes and bent on re-imposing its sway over the lands on its borders. But the bulk of opinion lies in between.



Bill Clinton argued that Russia “must be a first-order concern”

In contrast, the mainstream view around Putin and far beyond offers a very different narrative. The problem, most Russians believe, arises because Russia has recovered its self-confidence, no longer cares to tolerate, in the words of one of them, a “pedagogical relationship,” has its own notion of what political forms will preserve national security and the country’s way forward, and intends to pursue its interests in the outside world by its own light. Having grown comfortable with a Russia whose weakness deprived it of options and perhaps still harboring a desire to put Russia in a box and keep it there, the United States, or, at least, powerful elements within it, cannot adjust. True, as in the United States, the spectrum of Russian views is broader: frustrated democrats, while scarcely sympathetic with many aspects of general U.S. policy, have an equally harsh, albeit more sophisticated, view of trends at home, and, while supportive of a self-confident Russian foreign policy, think Putin and his people have gone about it ham-handedly. At the other extreme, cruder types believe Russia is at last coming to its senses and recognizing U.S. enmity for what it is. But as in the United States, the center of gravity is elsewhere — and scarcely more helpful in reducing the gap in perceptions.

To describe the deterioration in relations, however, is not to explain it. The dueling narratives, of course, represent explanations, but, even if one is thought more right than the other, neither leads very far. They, in many respects, are more symptomatic than a genuine source of insight. For example, Russian bravado that U.S. politicians and leaders are simply surprised and uncomfortable with a resurgent and self-possessed Russia seems to be the thin skin over three deeper sore points. First and oldest, the neuralgic sense that the United States never appreciated the contribution the Soviet Union made to and the price Russia paid for ending the Cold War, and instead treated the outcome as the spoils of victory. The chance to intrude a no-longer hapless Russia on the U.S. consciousness provides emotional satisfaction. Second, and in a way following directly on the first, past U.S. policy toward Russia has for some time been judged along a spectrum ranging from well-meaning condescension (the Clinton administration's tutoring, overblown promises, and ultimate insensitivity to Russian concerns on issues such as NATO enlargement) to ambiguous indifference (the Bush administration's initial lack of interest in the relationship, readiness to act when and how it chose on a host of issues of concern to Russians, and later inclination to take Russian cooperation for granted). If the Americans do not like what they are getting, then they have a better sense of what life has been like for them. Third, recently and more directly, Russians, including Putin himself, are angered by U.S. criticism of Russian domestic and foreign policy, because they tell themselves that it is designed to serve other purposes (for example, domestic U.S. politics in the case of Cheney's Vilnius speech, a competitive edge in the maneuvering over oil and gas in censuring Gazprom's hardball diplomacy, and a wedge intended to check Russian influence by questioning its role in the so-called "frozen" conflicts in Moldova and Georgia). This in turn feeds a widespread feeling that the United States has no compunction about practicing double standards — pillorying anti-democratic regimes when they identify with Russia, looking the other way when they serve U.S. interests; raising a hue and cry when Russia

acts forcefully to defend its interests, allowing itself to do as it pleases when and where it wants.

Similarly, the blame Americans place on Russia for damaging the relationship by veering from democracy and behaving badly toward neighbors seems, in part, an echo of more complex impulses. For many, although perhaps only semi-consciously, the disenchantment stems from disappointment. It is not so much that the Russian leadership's fall from grace measures up to the excesses of other regimes, including several among post-Soviet states or for that matter China, or that Putin does not command broad popular support. It is that Russia was not expected to backtrack. Russia, however slowly or tortuously, was expected to make its way toward democracy, not yield again to the authoritarian temptation. Since Clinton bought and Bush buys the so-called "democratic peace theory" — in Bush's version, "Democracy leads to justice within a nation, and the advance of democracy leads to greater security among nations" — losing Russia or even such a prospect grates on the way many on the American side want the world to work. Nor, with the Soviet Union gone, did they imagine that U.S.-Russian relations could soon be clouded by genuine adversarial strains.

A deeper explanation, however, moves in three directions. First, behavior on both sides reflects a damaging ambiguity: Is the source of the challenge Russia's renewed strength or its continuing weakness? There is no confusion among those at the outer edge of the spectrum. Americans, who fault the United States for carelessly letting the relationship unravel, see Russia as still dangerously weak and so do Russians who condemn the policy failures flowing from Putin's embrace of "bureaucratic authoritarianism" and "bureaucratic capitalism." At the other end, Americans ready to write Russia off or swing a hammer believe Russia has or is acquiring too many tools aiding an aggressive agenda; Russians, who are convinced of the United States' ill intentions, underscore Russia's capacity to stand up for itself or, with much the same effect, the United States' inability to do much to Russia.

The problem is the large middle who cannot decide whether Russia is (or soon will be) too strong or too weak. In fact, Russia is

both. Demographic trends, corroded institutions, uneven economic development, ethnic tensions, and the leadership's lack of a coherent, long-term strategic vision keep Russia weak. High oil prices, great natural wealth, a monopoly over key power and transport grids, a large and partially restored military, nuclear weapons, the UN veto, and China as a natural soulmate on many critical foreign policy issues render Russia strong. The tendency of leadership in both countries to waver inconsistently between the two images, rather than deal candidly and carefully with the way the two are conjoined, gives to narrow, near-term irritants a heightened resonance.

Second, trouble also results from a conceptual failure. U.S. presidents, from Bush Sr. to Bush Jr., have wanted Russia to "choose" the West – to emulate its democratic institutions, adopt its economic order, and join in a common foreign policy agenda. And Russian presidents, from Yeltsin to Putin, have wanted Russia to think of itself and be thought of as European (hence, as part of the West). The problem is that neither leadership nor for that matter European leaders have ever seriously wrestled with the underlying conceptual challenge: viz., how to integrate Russia with the West, when it cannot be integrated into the West, that is, into the institutions that are at the core of Europe (the EU) and the Euro-Atlantic alliance (NATO). U.S. leaders, particularly in the Clinton era, assumed the problem would fade naturally as Russia democratized, modernized, and identified with the West. When this proved false, no one labored to confront the underlying conundrum. Washington's response has been inertia and modest institutional fixes, such as the 1997 Final Act, the Russia-NATO Council, and an expanded G-7. The Russians, for their part, counted on the United States and its European partners to solve the problem, caught as they were between their own sense of being unwanted and ambivalence over how much a price they were willing to pay to be wanted. Without this deeper strategic ballast, when the everyday wear and tear of international politics took its toll, nothing kept the two countries from dwelling on the things each questioned or resented in the other.

Third, and in the end, what most added to the relationship's vulnerability arose from the two sides' underestimation of the stakes

that they had in it. For all the florid talk of each country's importance to the other and the special responsibilities they shared, in truth, no U.S. administration and no Russian leadership since the collapse of the Soviet Union has been able to convince their parliamentarians, media and public – in no small measure because they have never convinced themselves, and, as the negatives mount, they are less inclined to try. Neither some important stakes, such as securing Russia's nuclear weapons and material or collaborating against catastrophic, including nuclear, terrorism, nor Russia's perishable stake in Western economic assistance or the dubious notion that trouble in the Middle East has the power to unify them provides the basis for a deeper and more durable U.S.-Russian partnership. This leads us to the second question.

WHAT SHOULD HAVE HAPPENED?

On his way to meet Boris Yeltsin for the first time, Bill Clinton at the Naval Academy on April 1, 1993, argued that Russia “must be a first-order concern” because “... the world cannot afford the strife of the former Yugoslavia replicated in a nation as big as Russia, spanning eleven time zones with an armed arsenal of nuclear weapons that is still very vast.” Unless the United States and the rest of the West acted, he said, four historic opportunities might well be squandered: first, a chance to enhance national security and avoid the danger of Russia seized again by tyranny or sunken in chaos; second, a chance to turn Russia from “an adversary in foreign policy” to “a partner in global problem-solving;” third, a chance to enhance the West's economic well-being by turning defense spending to more productive use; and, fourth, a chance to invest in an “inherently rich nation” that, when reformed, can contribute greatly to global economic growth. It was a compelling list, but not one that became the lode star for his or successor administrations.

The agenda for the new Russia-NATO Council (2002) offers a reasonable, more concrete and contemporary version of the stakes: fighting global terrorism, controlling weapons of mass destruction, and working together to limit regional instability. Or one might

add two larger and more fundamental goals: to draw Russia, in mutually beneficial fashion, into a globalized economy and its governing institutions, and to sculpt with Russia and the other major nuclear “haves” an international regime that limits the perils of competitive arming, a destabilizing race toward the weaponization of space, the temptation to destroy the nuclear “firebreak” by making nuclear weapons useable from either a position of weakness (Russia) or a position of strength (the United States), and that puts in place new implicit or formalized rules of the road in a world of multiple nuclear rivalries. In either or both cases, however, worthy as these objectives are, they remain a doughnut with a missing hole.

Had Russia and the United States (Russia and the West), from the start, thought hard about the single over-arching interest uniting them — a concern of comparable scale to that sustaining the post-war alliance between the United States and Western Europe — it would have brought stability and mutual security in and around the Eurasian land mass. Across this great hinterland of the world’s critical strategic theaters (Europe, East Asia, and the turbulent Muslim south), no two powers have a greater stake both in progressive but stable change and in security, mutual as well as national, than the United States and Russia. No two powers, including China and India, are more crucial to the fate of this vast sweep of territory than the United States and Russia. The stakes are immense: not simply preventing new zones of international conflict or ensuring that the violence already present does not bleed into turbulent neighboring regions, especially to the south, or, in reverse, import into the post-Soviet space echoes of the turmoil in Afghanistan, Iraq, and farther to the west; not only avoiding the radicalization of the 65 million Muslims spread across the former Soviet Union; not only guaranteeing that the post-Soviet region’s vast oil and gas wealth is a source of growth, not tension; and not only adding to global welfare the talents, resources and technology of what in the next quarter century could be the world’s second most dynamic region, but managing rather than wrecking the safe and constructive integration of Eurasia’s outer

salients into the larger international setting. The salients are China and the new “lands in between” — Ukraine, Belarus, and Moldova. Had the mutual stake in “stability and mutual security in and around the Eurasian land mass” been made primary and recognized as a genuinely compelling reason for U.S.-Russian partnership, nearly all of the issues that roil U.S.-Russian relations today would either not have emerged or would be to the side. And the approach to the specific stakes listed above would have been predominantly cooperative, not, as we have instead, an approach constantly teetering on the predominantly competitive.

Pie in the sky? So it would seem. If Russian leaders were fated to address the angst they felt and the chaos they had experienced by privileging a strong state over a flourishing democracy, and with popular blessing, while the United States expected any real and reliable major ally to be democratic, what chance did the idea have? If the asymmetries in power and security more or less guaranteed that Russians would react to a U.S. or NATO role in what yesterday had been their empire with mistrust and a spirit of rivalry, and the Americans, in fact, had little desire to make major commitments in the region, what possibility existed of forging an ambitious partnership? And, if Russian weakness and self-preoccupation meant that Washington could safely concentrate on other more immediate problems, what could have moved its leaders to embrace such a broad-visioned but demanding goal, particularly when neither the Congress nor significant political forces wanted it or even let the notion cross their minds?

But the idea need not have been so quixotic nor need it be thought yet so unthinkable. When the U.S. agenda with Russia was primarily to mitigate the effects of its weakness (for example, containing the flight of weapon-grade nuclear materials and guarding against the flow of other contaminants, such as drugs, arms, trafficked humans, and pirated goods), it was easy to compartmentalize these tasks and place them among other second- or third-order priorities. When the United States was in the flush of the “unipolar moment,” confident of its ability to deal with the perils of international politics largely on its own terms and, when necessary,

basically by itself, Russia could be reduced to a useful but part-time friend. Neither condition, however, is any longer true.

Russia counts. It has emerged as a major alternative oil and gas axis, more important for some, such as Europe and potentially China, than the Middle East. Its role on crucial international issues, like Iran and North Korea, particularly in tandem with China's, is no longer marginal. And, for good and ill, its capacity to shape Ukrainian and Belarusian options, as well as to affect Central Asian security, is greater than any other state. Even its potential influence on Chinese policy is far from negligible. The United States, therefore, has reason to rethink the place Russia occupies in its foreign policy. Lest the Russian leadership treat the same considerations as justifying no rethinking on its part, however, it should be mindful of the other side of the coin: the more Russia becomes part of the global economy, as the U.S.-China relationship demonstrates, the more it will encounter the United States. The sooner its oil flows less abundantly (2010), earns a good deal less, or, as is already true, suffers severely constricted export capacity, the sooner it will want Western help and cooperation. The less successful the concentration of power is in containing the country's problems and unleashing its potential, the less easy will the leadership find it to deny society the right to breath. And the day the brittle status quo in the post-Soviet space on which Russia counts begins to crumble, because the hidebound regimes to whom it lends its support falter, will be the day Russia will appreciate more the common ground it has with the United States. In truth, therefore, the failure of both sides to recognize their deeper stakes in the relationship is less because it was an impossible dream than, alas, a path not taken.

WHAT COULD HAPPEN?

So, what paths do lie ahead? Almost surely not one leading to a new Cold War. The animus is missing. The relationship has neither a profound ideological underpinning, nor is it menaced by far-reaching aggressive aims on one or both sides. (Think of a U.S.-Russian version of the current U.S.-Iran relationship.) Neither does it seem likely that the two countries could recreate a "great power rivalry"

along the lines of the 19th-century Russo-British contestation, not at least in the next five to ten years, unless it be by way of a general restoration of strategic rivalry among the major powers. For that to happen, it would require U.S.-China relations to go fundamentally awry, generating force fields in which Russia, as well as Japan, have to make choices. This does not mean that the regional U.S.-Russian rivalry already underway in the post-Soviet space could not deepen, but this belongs to other paths.

More likely, for the next several years, the two leaderships will propel the relationship along one of two paths: either the status quo plus or the status quo minus. In the first case, the uneasy balance between cooperation and discord will continue, from time to time boosted by new enterprises, such as the recent “Global Initiative to Combat Nuclear Terrorism” or the new merger of the U.S. “Global Nuclear Energy Partnership” with the Russian initiative to create multilateral centers for the provision of nuclear fuel cycle service. Perhaps, if each tries to find the positive in the other side’s positions, they could even enlarge the field of their foreign policy cooperation. Handled skillfully, the U.S. commitment to ready Ukraine for NATO membership, given the inevitable delay as Ukraine sorts out its own domestic scene, need not bruise U.S.-Russian relations. Or, if Russia tires further of Belarus’ reactionary regime, it may, for perfectly selfish reasons, knock from under Alexander Lukashenko the support allowing him to thumb his nose at the United States and Europe. Provided neither Russia nor the United States attempts to force fundamental choices on Kazakhstan and given the United States receding security presence in the region, Central Asia seems unlikely to threaten the relationship, and, as a quarter where U.S., Russian, and Chinese concerns over terrorism physically intersect, may even reinforce at least one area of cooperation. In the crucial case of China, the considerable parallelism in Russian and Chinese foreign policy will surely continue, but a full-blown alliance directed against the United States, impossible today – because, even if Moscow wanted it, which it does not, the Chinese have the final say – will remain so, unless the United States brings it about

through a reckless policy toward China. The other rising power, India, seems certain to grow in importance for both countries, but, notwithstanding their already evident efforts to curry favor in Delhi, little either can do is likely to have great resonance in their own bilateral relationship. Finally, the increasing thrusting and parrying over domestic trends within Russia has only limited potential to seriously sour relations, if the Americans continually treat it as a back-burner issue subordinated to other things they want from the Russians – as has been true this summer, including the July G8 meeting – and/or Putin continues to brush the importuning aside with an awkward sense of humor.

This does not mean the deal that Putin's Russian critics think he seeks is to be had: "Tone down your criticism of Russia's domestic course, including the 'police action' (he insists that it is no longer a war) in Chechnya and back off of your aggressive efforts to expand U.S. influence in the post-Soviet space, and you can count on Russia as an energy partner and a supportive party on most other foreign policy issues." Neither *de jure* or *de facto* would either the Bush administration or any other U.S. leadership agree; nor, for that matter, could Putin deliver on the deal. Others suggest that the Russian leadership and much of the political elite have something else in mind: that steadily over the last two years they have given up on the idea of integrating with the West (never mind, into the West), and, in the phrase of Dmitry Trenin, decided to fashion their own "solar system" and place Russia at its center. By gathering a cluster of states, mostly in the post-Soviet space, whose needs, vulnerabilities and preferences parallel Russia's, they mean to create an anchor permitting Russia to cooperate when and on what grounds it wishes with Europe, Japan, China and, not least, the United States. Still, other voices, including an entirely mainstream political figure like Konstanin Kosachev, the chair of the Duma's foreign affairs committee, insist that Russia is and must be a Euro-Atlantic state, but of late this reality has been continually thwarted by counterproductive U.S. and Western policies.

All three portraits are compatible with a path to a status quo plus, albeit each with a different content and implications. So,

however, is each compatible with a status quo minus. Given the pace with which the tone in U.S.-Russian relations has degenerated over the last two years (the best Putin could muster after the July summit was “we remain reliable and mutually interested partners”), the momentum could well continue. Take three fundamental juxtapositions in U.S. and Russian foreign policies: (1) the only thing worse than war with Iran, say the Americans, would be a nuclear Iran; the only thing worse than a nuclear Iran, say the Russians, would be war with Iran, to use Alexei Arbatov’s formulation; (2) we prefer Ukraine in NATO and the EU, say the Americans; we do not, say the Russians; and (3) in any significant instance, the United States must reserve to itself the right to use force, say the Americans; in anything other than a clear case of self-defense, the UN Security Council must sanction the use of force, say the Russians. The three do not exhaust the contrasts, but they are critical and representative. If push comes to shove on any of them or counterpart cleavages, and if either the United States or Russia sticks rigidly to its end of the juxtaposition, U.S.-Russia relations will almost certainly descend another level lower. Or, if Russia were, say, to seize on Western recognition of Kosovo independence to do the same toward Transdnestr, Abkhazia, or South Ossetia, or tensions with Georgia were to spin out of control, more than incremental harm would be done. Or, so too, would the damage mount if the next unexpected international crisis drives the two apart rather than together. And, of course, finally if, despite the silky efforts to put on a good face, Putin’s entourage goes too far in guaranteeing the electoral outcomes they want in 2007 and 2008 and/or Bush feels or is compelled to do more than joust “philosophically” over cognac, trouble will follow.

The difference in outcomes at the end of the two paths is obviously of some consequence, and, therefore, the stakes for each country matter. But in policy terms they are about maximizing minimal opportunities and minimizing modest opportunity costs. They are not about tragedy, about a relationship going over the edge. Alas, for now, neither are they about seizing what was a historic opportunity.

The Strategic Dilemma of Central Asia

Farkhod Tolipov

Central Asia's proximity to regions that pose a challenge to international security, especially in the form of terrorist threats, has introduced a market of security, or antiterrorist, services, which involve the operation of various actors and alliances. In light of this situation, Tashkent is now facing a difficult geopolitical dilemma: which force should it rely on? Uzbekistan's strategic partnerships with the United States and Russia are acquiring special importance under these conditions.

A PARTNERSHIP INTERRUPTED

In general, the geopolitical entry of the U.S. into Central Asia, and more importantly the American-Uzbek rapprochement, were largely due to the increased geopolitical importance of the region. It was also motivated by the global terrorist threat, together with the military operation in Afghanistan, started in October 2001.

As follows from numerous official statements, the United States is pursuing three goals in Central Asia:

- ensuring the development of stable, democratic states, including the settlement of regional conflicts;
- promoting the consolidation of friendly relations between the states of the region, on the one hand, and the U.S. and its allies, on the other;

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– promoting the development of the market economy in the region, while preventing the unfair exploitation of their natural resources.

Washington worked out its Central Asian strategy in a consistent and systemic manner: in 1992, the U.S. Senate passed the Freedom Support Act, which emphasizes the importance of rendering assistance to newly independent states. Then came the Silk Road Strategy Act, passed in 1999. These documents laid the foundation for U.S. involvement in the region's affairs. Military cooperation between the U.S. and Central Asia got off to a quick start, due in large part to the involvement of the U.S. Foreign Military Sales Program, the International Military Education and Training (IMET) program, NATO's Partnership for Peace program, the George C. Marshall European Center for Security Studies, and the formation of the Central Asian Peacekeeping Battalion (CENTRASBAT). One U.S. analyst commented that, although all of the above and other programs pursued specific goals, the cumulative effect was the formation of relations and procedures with these countries, as well as the creation of local military personnel that had a record of working with U.S. servicemen. Those efforts largely made for the deployment of a U.S. military force in Central Asia when it became necessary for combating terrorism [the author is referring to U.S. military bases at Karshi-Khanabad in Uzbekistan and the Manas airport in Kyrgyzstan, deployed to support the military operation in Afghanistan. – Ed.].

In March 2002, the U.S. and Uzbekistan signed the Declaration on the Strategic Partnership and Cooperation Framework. This document confirmed Zbigniew Brzezinski's prediction that there would be the establishment of geopolitical pluralism in the "heartland" of Eurasia, with post-Soviet Uzbekistan playing a key role in Washington's Central Asian policy. In the Declaration, Tashkent reaffirmed its commitment to implement democratic and market-economy reforms, while Washington affirmed that it would assist with these efforts. In Article 2.1, the United States affirmed that it "would regard with grave concern

any external threat to the security and territorial integrity of the Republic of Uzbekistan.” Were this to occur, the two countries would hold bilateral consultations “to develop and implement an appropriate response in accordance with U.S. Constitutional procedures.” In Article 3.5, the Parties reaffirmed “their goal of expanding and intensifying regional cooperation in Central Asia, and the desirability of providing assistance in strengthening friendly and neighborly relations among the countries of the region.”

Following the disorder that erupted in the Uzbek city of Andizhan on May 13, 2005, the United States reduced its presence in Uzbekistan. The U.S., together with other Western states and international organizations, described the measures taken by the Uzbek authorities to suppress the terrorist riot as an “indiscriminate use of force,” which resulted in numerous casualties among the civilian population. The West demanded an international investigation of those events. Tashkent rejected the idea, saying it was an internal affair of a sovereign state. The West reacted by imposing sanctions on Uzbekistan, leaving it in semi-isolation on the international scene, while its relations with the U.S. deteriorated.

The official Uzbek position blamed Washington for inspiring the Andizhan riot. Soon thereafter, Tashkent demanded that the U.S. military force be withdrawn from Uzbekistan by the end of 2005. Washington’s demand for an international investigation has not changed. Meanwhile, all American nongovernmental organizations have had to terminate their activities in Uzbekistan.

To all appearances, U.S.-Uzbek relations will remain frozen until Tashkent changes its policy. In other words, the normalization of relations between the two countries will largely depend on the subjective factors that predetermined their deterioration, namely, the way the Uzbek leaders perceive U.S. strategy in Central Asia, as well as the essence and nature of the geopolitical transformation of the region.

At the same time, despite the diminished status of Uzbek-U.S. relations, which have declined to a level of simple cooperation, neither Party has denounced the Strategic Partnership

Declaration. This leaves room for hope that objective processes will prevail over the more subjective ones.

A NO-ALTERNATIVE FRIEND?

In June 2004, during a visit by Russian President Vladimir Putin to Tashkent, Russia signed a Strategic Partnership Treaty with Uzbekistan.

In the treaty (Article 3), the Parties pledged to coordinate their efforts to build a strong and effective regional security system in Central Asia, and to create bilateral consulting mechanisms to this end (on a permanent basis and if need be).

In a hypothetical situation that is detrimental to their security interests, the Parties, by mutual consent, would enact the corresponding mechanism of consultations to coordinate their positions and moves (Article 4).

The treaty has set priorities for the Parties' military and military-technical cooperation. These priorities include defense supplies from Russia; maintenance and modernization of military equipment in Uzbekistan; the training of Uzbek military officers at Russian military colleges and academies; joint military exercises; and cooperation within the framework of interstate space programs.

To combat threats to security, peace and stability, the signatories to the treaty would allow each other the use of military facilities on their respective territories on the basis of separate agreements (Article 8).

The Uzbek-Russian treaty differs greatly from the one drafted between Tashkent and Washington in the Declaration on the Strategic Partnership. The Declaration is a more systemic, all-embracing document that has the nature of a treaty, whereas the Russian-Uzbek Treaty on Strategic Partnership is more declarative. Finally, the treaty does not quite recognize the modern tendencies in political thought, which link security to democracy. Nor does it raise the issue of democracy as an integral part of the strategic partnership.

The strategic partnership between Uzbekistan and the United States resulted, in particular, in the deployment of an American

military force at the Khanabad air base, whereas the Uzbek-Russian strategic partnership manifested itself, for example, in Russia's membership in the Central Asian Cooperation Organization (CACO). In other words, both strategic partnerships served as an expression and catalyst of the geopolitical transformation of Central Asia.

The new global division must give rise to an independent geopolitical specialization of Central Asia. From this point of view, Russia's CACO membership is undoubtedly an extraordinary geopolitical development, which distorts both the political composition and the geographical configuration of Central Asia. Hypothetically, following this logic, CACO membership could be granted to the United States as well. The awkwardness of Russia's CACO membership was removed following CACO's merger with the Eurasian Economic Community (EurAsEC) in 2005.

The establishment of CACO, which initially was known as the Central Asian Commonwealth, was a natural consequence of the Soviet Union's breakup. It symbolized the restoration of the historical integrity of the region, which was artificially divided at the beginning of the 20th century. Yet, the region still remains disunited due to interstate conflicts, largely brought about by new geopolitical processes. Russia was admitted to CACO by the initiative of Uzbekistan at the organization's Dushanbe summit in October 2004. The move served as recognition of Russia's vital interests in the region and the commonality of interests between Russia and the Central Asian countries. Moreover, the decision to include Russia meant that the member countries had failed to solve numerous regional problems, that tensions or mistrust were growing in their mutual relations, and the Central Asian states needed a mediator.

There is a widespread belief that Moscow will not tolerate a long-term and expansive U.S. military presence in Central Asia and will make every effort to compensate for it or counterbalance it. This opinion rests on a simplified and erroneous view of the role of the Central Asian countries. The invitation of the U.S. military into the region was not an act against Russia, because, at the very

least, any challenge to Moscow from Central Asia would jeopardize the security of the local states themselves: Russian countermeasures to any unfriendly moves by the Central Asian states would be targeted at the latter, rather than at the United States. All three parties understand this very well. Unbalanced interpretations, based on stereotyped thinking, together with Russia's membership in CACO and its efforts to create military bases, simply distort public opinion both in Central Asia and abroad.

The Uzbek-Russian strategic partnership must not be viewed as an alternative to the strategic partnership between Uzbekistan and the U.S. Indeed, Russia is regaining its former strategic positions in Central Asia, whereas the United States operates in the region while having to look over its back at Moscow. But can this be perceived as the restoration of Russia's strategic domination in the region, or is it a responsible effort to strengthen the security of the five Central Asian countries? This remains an open question.

BETWEEN TWO FIRES

The many developments in Central Asia, including Russia's full membership in CACO, the opening of Russian military bases in Tajikistan and Kyrgyzstan, the establishment of allied relations between Uzbekistan and Russia, and the merger of CACO and EurAsEC, are more the result of Central Asia's retreat than Russia's offensive.

On November 14, 2005, Presidents Vladimir Putin and Islam Karimov signed in Moscow the Treaty on Allied Relations between the Russian Federation and the Republic of Uzbekistan. The rapid transition from the Strategic Partnership Treaty of June 2004 to the sealing of allied relations is less symbolic of a new level of bilateral ties and more of a new "defensive" measure taken by Uzbekistan amidst growing pressure from the West.

When we consider the meanings of particular concepts, such as "strategic partnership," "allied relations" and "alliance," it becomes apparent that the Uzbek-Russian relationship corresponds to the "strategic partnership" concept. Actually, the Allied Treaty was drawn up specifically for one new article, saying "an

act of aggression against either of the Parties by a third state or a group of states would be considered as an act of aggression against both Parties.” Thus, relations between the two countries have acquired a bloc nature. But considering the non-bloc approach that Uzbekistan has assumed in its foreign policy, and the absence of a common external enemy, the establishment of allied relations between Tashkent and Moscow looks as one more extraordinary occurrence.

Russia’s active participation in Central Asian affairs was certainly desirable and expected, just as was the Uzbek-Russian rapprochement. Yet, this does not give grounds for distorting the geographical configuration and political composition of CACO, which is intended to unite only those countries from the immediate region. Unfortunately, the latter failed to demonstrate their genuine independence and long-awaited unity. On the contrary, they showed that they needed an intermediary for solving conflictogenic regional problems, thus belittling and ignoring the value of regional integration.

Some analysts argue that the disunity of the newly independent states in the ex-Soviet Union, resulting from their sovereignty, only brought about the disruption of economic ties between them, in addition to their loss of international prestige and control over their borders. Generally speaking, the disunity demonstrated how unprepared the regional states were to adequately respond to new challenges and threats. Now, these analysts argue, the Central Asian countries are coming to understand the present realities and see the advantages of strengthening their relations with Russia. In particular, Uzbekistan has made a foreign policy turnaround toward the Russian Federation at the expense of its relations with the U.S. In fact, however, the existing problems stem not from the sovereignty of the Central Asian countries; rather, the problems stem from the distorted and hypertrophied interpretation of its essence. Otherwise, sovereignty and independence would turn into values that are bargained away or put up for sale.

In the opinion of many experts, Tashkent was guided by the principle “bases in exchange for aid” in its cooperation with the

West. However, this approach quickly turned to disillusionment in Uzbekistan, which received “too little aid and too much criticism.” But this is a very simplified view. Countering terror is a common task and common interest of the participants in the antiterrorist coalition, i.e. a task and interest of independent significance.

The desire to receive benefits that go beyond the counterterrorism struggle will lead to the commercialization of this sphere of international security. It seems that Tashkent itself contributed to the commercialization of participation in the counterterrorism campaign. Meanwhile, the granting of its air space and military base to the international antiterrorist coalition was a specific contribution by Uzbekistan against Afghanistan, a front in the war against terror. The lease of its territory and bases to the coalition was important and advantageous for Uzbekistan. It helped strengthen the security of the country and the whole of Central Asia. Unfortunately, this form of Uzbekistan’s participation in the international antiterrorist coalition has been terminated.

The above prompts the conclusion that the issue of U.S. economic aid to Uzbekistan should be separated from the issue of their joint struggle against terrorism. Furthermore, Uzbekistan’s strategic partnership with the United States should not be interpreted that Tashkent is opposed to a strategic partnership with Russia. Each of these fields of Tashkent’s foreign policy has significance and prospects of its own, and it would be a strategic mistake to sacrifice either of them for the sake of the other. Anyhow, Uzbekistan is now a strategic partner of the two former (or still present?) geopolitical rivals – the United States and the Russian Federation.

Meanwhile, a unique situation is shaping up in the region. Washington and Moscow, traditional rivals in the “big game,” now have a real opportunity for coordinating their Central Asian policies on the basis of their common strategic interests. These certainly include non-proliferation of nuclear weapons in South Asia; the elimination of drug trafficking in the macro region of Central and South Asia; the eradication of religious extremism and international terrorism; the limitation of the conventional arms

race in the region; and the prevention of global ecological disasters, for example, the drying up of the Aral Sea. The goals and policies of the U.S. and Russia in these spheres do not conflict with each other. Moreover, they can be mutually complementary and may unite Central Asia, which was divided as a result of the geopolitical struggle between UK/U.S. and Russia/Soviet Union as they fought to expand their spheres of influence.

One's attitude to the unification of the region is actually a litmus test of the true intentions of the external geopolitical players. The Central Asian countries are now objects of global politics. Their transition from being "objects" to becoming "subjects" is possible only through full-fledged regional integration. Noteworthy in this respect is the Treaty on Eternal Friendship between the Republic of Uzbekistan, the Republic of Kazakhstan and the Kyrgyz Republic, signed on January 10, 1997. This document actually means much more to these countries than any of their separate treaties on strategic partnership with outside powers.

In early 2005, Kazakh President Nursultan Nazarbayev proposed establishing a Union of the Central Asian States. He said that the Treaty on Eternal Friendship between Uzbekistan, Kazakhstan and Kyrgyzstan "can serve as a firm basis for such a union."

Clearly, strategic partnership must be established, above all, between the states of the region themselves. Perhaps, this is the best way to solve the strategic dilemma in Central Asia.

Cuba: The Final Act

Carlos Alberto Montaner

In August 2006, Cuba was preparing to celebrate Fidel Castro's 80th birthday with much pomp and splendor. After all, Castro has been in power for 47 years. Official press releases about the forthcoming celebrations announced the arrival of "thousands of guests from dozens of countries from all over the world." That anniversary was to become the apotheosis (in the original, ancient meaning of the word, that is, a ceremony of elevating a human being to divine status) of the Cuban leader's dramatic life. However, time has taken its toll on Castro — his body reminded him that he was already a very old and ailing man.

Whatever really happens behind the walls of the heavily guarded CIMEQ elite hospital in Havana, at least one thing is obvious: the Fidel epoch is coming to an end. Cuba is in for a difficult transition to a new life.

ACT THREE

As in classic theater, Castroism is a work structured in three acts. The first was relatively short and lasted from Jan. 1, 1959, the day Batista fled and the revolution began, to January 1964, barely 60 days after the assassination of John F. Kennedy, when the newly ascended President of the United States, Lyndon B. Johnson, signed an order that put an end to the plans to overthrow the Communist government installed in the island, barely 140 kilometers from U.S. shores.

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From that time on, and until 1992, with Castro ensconced comfortably in his easy chair, Act Two unfolded, featuring the growing Sovietization of Cuba, a process that accelerated beginning in 1970 after the island's economic collapse amid inflation and shortages, a mess wreaked by the so-called "Guevara model" of the 1960s. Finally, after the disappearance of the U.S.S.R. in 1992, and the concomitant loss of the enormous Soviet subsidies granted for three decades to an unproductive Castro regime (subsidies estimated at more than \$100 billion by Russian historian Irina Zorina), came the third, final and still unfinished act of this long and extravagant episode of history that has been the installation of a Communist regime on the idyllic beaches of the Caribbean.

In effect, we are at the end of the *mise-en-scène* of the longest dictatorship in Latin America's history, although no one knows for sure when the regime's dismantling will begin. The Comandante himself has called this stage the "special period." To Castro, this period is "special" not because it's the last, but because during this long phase, which already has lasted more than 15 years, he has had to resort to the most outlandish tricks to keep the Communist model alive. Those tricks include some minor concessions to his hated capitalist foes, concessions that are tolerated in the economic field because in the political field he has maintained his unbreakable Stalinist controls firm and without cracks.

The 1990s, and even the years into the 21st century, were times when certain private activities were grudgingly encouraged: the shipment of remittances from exile, the free circulation of the dollar, large-scale tourism and joint ventures, the name given to the associations between unscrupulous foreign businessmen and the government, intended to exploit the manual labor — incredibly cheap and docile — of Cuban workers who had no labor unions and could not protest against the confiscation of up to 95 percent of their wages by means of a currency-exchange flimflam: the foreign investors paid the government 400 dollars for the services of each worker, while the government paid each worker 400 Cuban

pesos. The official rate of exchange was approximately 25 to 1; the real salary, then, was 16 dollars a month.

But those minimal openings began to close gradually beginning in 1999, when Castro felt that the regime, after touching bottom, had begun to recover, even though the levels of consumption still remained far below those in 1989. The accounting was very simple: because the government had decreed the most austere poverty, calling it a revolutionary virtue while declaring that consumerism was a crime against humanity, everything the Cubans supposedly needed to achieve total happiness was a minimum of clothing and food, and that could be obtained with a meager combination of the exports of nickel, the revenue raised by tourism, the remittances from the exiles and other minutiae. The revolutionary thing to do, then, was not to live comfortably but to survive as best one could, a commandment that guaranteed the government the existence of an apathetic citizenry bereft of expectations and in the right state of mind to obey without complaining.

THE CHÁVEZ FACTOR

Then came Hugo Chávez. Late in 1998, the lieutenant colonel was elected president of the Venezuelans and wasted no time in establishing the best commercial relations possible with Castro. Right away, a sort of collaboration began between the two countries, based on an exchange of goods for services dreamed up to benefit Cuba economically and give a political boost to a Venezuelan leader who needed to galvanize his political clientele within the old populist tradition in Latin America. Castro furnished doctors and health-care personnel to work in the poor urban neighborhoods and in exchange received crude oil, food and construction materials.

However, the relations between Castro and Chávez were deeper than they seemed on the surface. The Venezuelan arrived in Cuba at the express invitation of Fidel Castro in December 1994 – after being amnestied by President Rafael Caldera after his bloody attempt at a coup d'état in 1992 – to deliver a speech

at the University of Havana. At that moment, Chávez was a confused former paratrooper under the ideological influence of Norberto Ceresole, a fascist Argentine raised in Peronism, and a supporter of the Libyan government, whose Arab military leader used the army as the conveyor belt for his unlimited authority. Ceresole, who died in 2003 at age 60, had convinced the putschist lieutenant colonel of the extraordinary wisdom contained in *The Green Book*, attributed to Qaddafi, which Chávez pompously called “the third universal theory,” a mish-mash of sophisms, socialism, militarism and Islam.

In April 2002, however, something happened that qualitatively modified the links between Castro and Chávez: the strange military coup that put the Venezuelan president in prison for 48 hours. In that brief period, when Castro moved frantically behind the scenes to return his friend and benefactor to power, Chávez understood that he needed more than just doctors from Havana to remain as the chief tenant at Miraflores Palace. He needed all of the repressive machinery, the apparatus of intelligence and the propaganda techniques that would maintain him in power without fear of his enemies evicting him from Government House. In sum, he needed the technique to stay in government that Castro, for his part, had learned from the Russians since the 1960s and ‘70s, when thousands of advisers from the U.S.S.R. and other Eastern bloc countries had totally reformed Cuba’s bureaucracy, making it impervious to its enemies. Leninism, after all, was just that: an implacable fist tightly clenched, an ironclad form of government.

After Chávez miraculously regained power — amid the greatest confusion, his enemies graciously returned the presidency to him — he and Castro, who shared messianic and narcissistic personalities, began to meet frequently to mutually reinforce their most delirious convictions, initiating a process of symbiosis between the two governments based on an essential premise: the “revolution” (both the Venezuelan and the Cuban version) could not be safe in a hostile world dominated by the United States and “neoliberal” ideas. Like Russia in 1917, which had

to face the same dilemma – the dangers of socialism in a single country – both men came to the conclusion that it was necessary to create an international network of collectivist and anti-imperialist states capable of confronting the “aggressive Western regimes” led by Washington.

That point of departure led Castro and Chávez to formulate a new vision of the fate of both nations. Marxism-Leninism, which had been hit hard by the Soviets’ betrayal and the disappearance of Communism in almost all of Europe, was in a phase of frank recovery. Of course, no longer could Russia or the decadent Europe assume the task and glory of being the standard-bearer of the revolutionary struggle. Cuba and Venezuela, fists raised high and singing a salsa version of The Internationale, had been called to replace pre-Gorbachev Moscow as a beacon for humanity in the struggle against capitalism and in defense of the world’s poor. And that task, naturally, began in Latin America, a natural environment for expansion, from which the battle-hardened Havana-Caracas axis would advance toward the annihilation of its enemies.

This time, however, the strategy would be very different from the one imagined by Marx in his days and later perfected by Lenin. The humiliated and impoverished workers, compelled by class consciousness and the certainty of being the great engines of history, would not paralyze the capitalist economy with a definitive strike that would liquidate the bourgeois state. The epic campaigns of Mao and Castro, where a rural guerrilla achieves power by staging an insurrection that overwhelms the cities, would have to be reedited. The method selected to achieve the same objectives was the one practiced by Chávez in late 1998: democratic elections that would lead to a new Constitution, after which the *caudillo* (elevated to president) would dismantle the republican scaffolding, with its system of checks and balances, until he held control of all the institutions. Next to him, escorting the process, armies of Cuban doctors and health givers, paid with Venezuelan petrodollars, would provide free health care in the poorest *barrios*, to try to demon-

strate that “21st-century socialism” was just that: compassion for the unprotected.

Evidently, Castro and Chávez had all the elements for the revolutionary project. First, the alleged need to protect the survival of their governments within an authoritarian collectivist camp. Second, a messianic vision of themselves and their countries replacing the U.S.S.R., a task that would induce them to devote their lives and efforts to the redemption of humanity within the framework of socialism. Third, a methodology, already tested in Venezuela, to carry out that sacred cause. Very soon, in late 2005, Castro and Chávez would gain in Bolivia their first victory with the election of Evo Morales, although a little later, in June 2006, Alan García’s triumph over Ollanta Humala in Peru would rain on their parade. Meanwhile, the indefatigable tribe of the leftist sympathizers, skillfully orchestrated by the Cuban services and the well-known Institutes of Friendship with the Peoples, applauded with delirious enthusiasm. On the poker table lay a trio of aces: Fidel, Hugo and Evo. They were the Three Glorious Stooges of the definitive revolution.

WEAKNESSES AND STRENGTHS OF THAT ALLIANCE

Beginning in 2003, the Castro-Chávez marriage cost Venezuelans a high economic price: about 100,000 barrels per day of refined oil (for which Havana will never pay, as the Russians learned to their chagrin), plus juicy credits that, among other purposes, have the paradoxical (although indirect) objective of funding Cuba’s importation of U.S. foods, an outlay estimated at \$500 million per year. Venezuela, then, not only began to replace the extinct U.S.S.R. in its old role of mother and headquarters of world revolution; it also took up the former metropolis’ task of subsidizing, with suicidal largesse, a tenaciously unproductive Cuban regime that can barely stand up without the solidarity of foreign donors.

Nevertheless, those alms have a hidden cost for Chávez. According to all surveys, Venezuelans (Chavistas included) were

tremendously irritated by those displays of internationalist charity toward Cuba. Why should Venezuelans have to bankroll a substantial part of the sky-high expenditures of a government that was intent on maintaining a clearly inefficient system? After all, 60 percent of Venezuelan society was classified as poor or abjectly poor. It didn't make much sense for Venezuelans to contribute to alleviate the misery of Cubans in exchange for cataract or appendix surgery while the people in their own back yard lived in the starkest indigence. Venezuelans also were not pleased by the preponderant arrogance of the Cuban advisers and diplomats, who appeared much too often in Venezuela's communications media displaying an attitude of political colonizers.

Curiously, from the Cuban perspective, the accords between Castro and Chávez were not appreciated either. Inside the island, people were just as irritated by the forced emigration of thousands of doctors and dentists to Venezuela as the immigration of tens of thousands of Venezuelan and other patients who were treated infinitely better than ordinary Cubans, who were used to being cared for in dilapidated hospitals that lacked medicine and equipment. But the irritation was not limited to the ordinary people. The statement made by the Vice President of the Cuban Council of State, Carlos Lage, in Caracas in December 2005, to the effect that Cuba had two presidents, Fidel Castro and Hugo Chávez, a veiled reference to a hypothetical federation between the two countries, had annoyed a lot of people within the ruling circles who thought the Venezuelan paratrooper was a character neither serious nor trustworthy who would never be accepted by the Cubans as their leader.

Besides, the renewal, without consultation, of the revolutionary vows by Fidel and Hugo at the time they consummated their political marriage and swore to each other ideological fidelity until death had dropped like a cold shower on Gen. Raúl Castro, Minister of the Armed Forces, Fidel's younger brother and heir presumptive — even though he is a cirrhotic 75-year-old geezer who gambles on cockfights and tells vulgar jokes. To Raúl, to his brother-in-law, Lieut. Col. Luis Alberto Rodríguez,

and to generals Julio Casas Regueiro and Abelardo Colomé Ibarra, once Fidel Castro were buried, the nation's economic and political power would be placed under the authority of the Armed Forces they controlled so zealously. Thereafter, reforms would be carried out – in the Chinese or Vietnamese style – aimed at achieving higher levels of efficiency and economic growth, abolishing any fevered project for planetary conquest similar to those that impoverished and bloodied the country in the first three decades of the revolution.

Castro-Chavismo, on the other hand, liquidated that likely political evolution and returned them to the uncertainty of the 1960s and '70s, when Fidel Castro used tens of thousands of soldiers and all of the nation's resources to conquer Angola, Somalia, Ethiopia, Nicaragua and Bolivia, intent as he was on being the spearhead of world revolution.

THE LEADERS DIE, THE PARTY IS IMMORTAL

Who will be in charge of carrying out those revolutionary plans after Fidel's death? Raúl Castro himself, much to his regret, was obliged to reveal that information in a speech he gave in June 2006 before the supreme staff of the Army of the East, one of the nation's three military bodies. On that occasion – curiously protected by an obvious bulletproof vest and matching cap, a strange precaution when one considers he was talking to his comrades in arms – Raúl explained that no human being can inherit Fidel's unlimited authority. That task falls upon the Communist Party of Cuba.

Actually, if that does happen – if, after Castro's burial, the CPC is given the mission to govern and decide the fate of the Cubans – it will be for the first time, because for almost half a century the role Fidel had reserved for the Communists was as executors of his multiple personal initiatives. They were a mere conveyor belt, and he never consulted with them on any of the transcendental issues that substantially affected the lives of Cubans, from the emplacement of Soviet atomic missiles in the

early 1960s, the prolonged African wars of the 1970s, or the attacks on the perestroika and the distancing of the U.S.S.R. during Gorbachev's government. That explains the minimal prestige of the Communist Party among Cubans, the doctrinal weakness of its leading cadres and even the apathy of those who militate in the country's largest mass association. All Cubans know that the leaders and members of the CPC have not been the vanguard of the revolution but a docile instrument in the hands of a caudillo who lacks any scruples.

That explains why, for a decade beginning in 1997, Castro has not bothered to summon a Congress, even after he has expelled from the Central Committee and the Political Bureau – the top governing institution – two of the most conspicuous leaders, former Foreign Minister Roberto Robaina and Juan Carlos Robinson, the youngest leader and one of the few blacks named to the highest chamber of power, a fact that didn't prevent the leadership from sentencing him to 12 years' imprisonment without giving a coherent explanation to his Party comrades.

The lack of effectiveness or prestige is not the only inconvenience facing the CPC. During the entire time Fidel Castro has been at the head of the government, he has exercised power through a never-ending succession of artificially induced conflicts, both national and international. To the old Comandante, to govern is to fight and polemicize. He has done so unceasingly against the United States but also, at various times, against Russia, China, the Organization of American States, the United Nations and numerous Latin American governments: presidents Vicente Fox of Mexico, Eduardo Duhalde of Argentina, Francisco Flores of El Salvador, Mireya Moscoso of Panama, and others. He has charged into the European Union, José María Aznar, the World Bank, the International Monetary Fund and the Catholic Church. The dynamics are always the same. Castro airs a conflict (any conflict) from the speaker's rostrum and right away directs his propaganda apparatus to attack and insult his adversaries. Finally, he drags the weary Cubans to the street to stage massive demonstrations against the enemy of the

day, waving little flags and shouting revolutionary slogans, in the belief (a bit naive) that those exercises will galvanize revolutionary emotion.

Will mass meetings subside in the country after Fidel Castro? Will his younger brother Raúl – or another leader – be able to help the country out of its state of permanent revolutionary upheaval? Paradoxically, Raúl Castro is now the loneliest and most tragic person on the island. After an official (albeit temporary) handover of powers from one brother to the other, neither of them actually rules the country. Fidel is unable to carry out his duties due to illness; meanwhile, Raúl cannot issue a single decree for fear it may conflict with the leader's will. Fidel's brother is politically paralyzed, and this is the only reason for his silence since he formally came to power; he does not care about America's reaction or what his own nation thinks of him. The only thing he fears is his brother Fidel who has scared him all his life. Should Raúl commit a mistake, the Commandante, should he ever overcome his illness, will sack his brother in a most humiliating way.

AFTER CASTRO

In any case, the foreseeable scenario is that Castro will carry his regime to the grave, as Spanish caudillo Francisco Franco did. Why? Because, in Marxist parlance, all the objective and subjective factors are present for the change. In the first place, the whole of society, especially the young people, are tired of a system that doesn't give them even the slightest opportunity to excel. No matter what their talent or their desire to work, the model of state created by Castro, a collectivist and unproductive model, does not permit Cubans to improve the material quality of their lives or build halfway comfortable homes, even if they were provided a good college education.

A system that in half a century has not solved but even worsened the shortages of food, clothing, housing, transportation, drinking water and electricity, cannot be perceived with hope by someone who's beginning life as an adult and wishes to achieve

a better existence than his or her parents had to endure. Add to this imposed wretchedness the impossibility of traveling and the desire of seeing the world, typical of young people (who are not even given access to the Internet), and you'll understand why the dream of the majority is to emigrate. Naturally, the moment that those youngsters can contribute to changing the system, as happened in all the Communist countries in Europe, they will give the first step in that direction.

This pessimistic judgment on the nature of the system doesn't even exclude the cadres and the bases of the Communist Party. After half a century of experimenting with a tropical variant of Stalinism, most of the militants would probably be willing to propitiate some sort of opening that will begin with an open debate within the organization and, either slowly or rapidly, will drift toward a political opening that will include other options by the opposition until, despite the infinite difficulties typical of every transition, a plural democracy and an economic system based on the market and the existence of private property are installed in the country.

As happens in societies dominated by almighty caudillos, very often the real loyalty of the militants is not to the ideology or the institutions but to the person at the apex of authority. Once that person disappears, partisan loyalty disappears as well. When that time comes, a substantial part of the Communist reformers will group in political formations very different from the traditional CPC, although there will always remain a small percentage of people who wax nostalgic about the old political order introduced by Castro into the political life of the nation.

Fortunately, among a majority of the opposition democrats living inside Cuba seek a peaceful change that does not exclude the search for a consensus with the official tendencies willing to initiate the transformation of the totalitarian society. That is evinced by some very wide-ranging and generous proposals such as the "Varela Project" — so called in homage to Félix Varela, an exiled priest who was the precursor of Cuba's independence in the first half of the 20th century — made public by engineer Oswaldo Payá

Sardiñas, winner of the European Parliament's Sakharov Award and a political leader who, for several years now, has insistently propounded an electoral way out of the crisis, a solution that guarantees political survival and dignity to all sectors of society.

Payá, as most of the more sensible and enlightened dissidents, is aware that the changes in Eastern Europe, or in Spain after the death of dictator Franco, were bolstered by an accord between the reformists within the regime and the democrats in the opposition, who came to an agreement on two basic extremes: first, the need to change a system that has ostensibly failed for a long time and, second, to carry out those changes by democratic means agreed to in Parliament, so neither violence nor disorder may ensue.

What will the United States do at that historic moment? No doubt, what best suits its interests, which included those of the appreciable Cuban-American community, a powerful minority that is part of the establishment and includes several members of the House of Representatives, two Senators and enough votes in Florida to swing the elections in one direction or another. And the Americans' interests are, clearly, of two intimately related types. First, they don't want a savage and uncontrolled exodus from the island toward the United States. Second, it is vital that a democratic regime be enthroned in Cuba, an economically sensible and stable regime that is capable of maintaining order and inducing prosperity in a permanent manner. Only that would guarantee the United States a sort of permanent quietude along its Caribbean border. In the past, Washington collaborated with dictatorships that were supposedly friendly to the United States and the results were ghastly. Batista opened the door to Castro and, in Nicaragua, Somoza made way for the Sandinistas. It's unthinkable to fall again into the counterproductive error of "yes, but he's our son of a bitch." In the long run, that policy always turns out badly.

On the other hand, contrary to the version disseminated by the regime, the exiles will be a factor of moderation amid this process. It is not true that thousands of people are eager to take revenge or retrieve their properties by force. Over and again, the principal groups of the external opposition have declared their willingness to not reclaim the confiscated dwellings. I might add, in passing, that those

seizures happened more than 40 years ago, and the generation of property owners who were adversely affected has practically disappeared. It is true that they left children and other descendants, but almost all of them are perfectly integrated into the middle- and upper-class levels of U.S. society and surely will not be particularly interested in trying to regain properties that are in total disrepair thanks to the neglect of socialism. What is probable is that, in the first few years of the transition, very few exiles will want to return to the island to live there permanently, although the desirable outcome would be for the Cubans living abroad and the Cubans living on the island to develop economic and social ties that are increasingly dense and strong.

Lamentably, however, Fidel Castro's physical disappearance and the beginning of the transition does not mean that the moral and material tracks of the Communist era will be suddenly erased. For three generations, Cubans have had to adapt their behavior to the arbitrariness, pressure and abuse of a totalitarian dictatorship and, as with all the other countries that have abandoned Communism, those conditions have created in society some negative habits that will be very difficult to eradicate. Among them are mutual distrust, the frequent recourse to lies, misappropriation of property without a sense of guilt, and a cynical indifference to civic responsibilities or the common good. It will take time before the Cubans discover that life in freedom is different.

The Pragmatic Option?

Fabrizio Tassinari, Marius Vahl

The Partnership and Cooperation Agreement (PCA) – the contractual basis of EU-Russian relations – was concluded for an initial period of ten years. This period ends on 30 November 2007, and the question of the future of EU-Russian contractual relations was raised at the two EU-Russia summits in 2005. The two sides are currently conducting exploratory talks on the issue, and it seems likely (as of spring 2006) that negotiations on a new comprehensive agreement to replace the PCA could be launched in 2007.

Writing in the April-June 2006 issue of *Russia in Global Affairs*, Nadezhda Arbatova and Timofei Bordachev identify three basic options to be considered when thinking about post-2007 perspectives for the PCA:

1. Renew the PCA;
2. Update and/ or upgrade the PCA;

3. Negotiate a new agreement or (package of) document(s) to replace the PCA.

The third option is reflected in Bordachev's proposal and Arbatova seems to favor the second one. The main argument is that the relationship has already developed far beyond the provisions of the PCA and that a fullyfledged 'strategic partnership' requires a comprehensive binding agreement.

While we agree that the EU and Russia are faced with three basic options, ours are not the same three as those identified by Arbatova and Bordachev. First, there is the possibility of 'denunciating' the PCA, without replacing it with any framework agreement, be it upgraded or updated PCA or an entirely new agreement. Secondly, we think that upgrading, updating and a new agree-

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ment are essentially one and the same alternative, as any substantial changes to the PCA would require re-negotiation and re-ratification, as indeed Arbatova acknowledges (p. 110). One is thus left with the following three principal options:

1. No agreement to replace expired PCA;
2. A new comprehensive agreement (including an upgraded or updated PCA);
3. Renew the PCA.

In the following, we will argue in favor of option three, supplemented in due course by a number of sector-specific agreements.

No Agreement to Replace the PCA

As also noted by Bordachev and Arbatova, Article 106 of the PCA makes clear that:

This Agreement is concluded for an initial period of 10 years. The Agreement shall be automatically renewed year by year provided that neither Party gives the other Party written notice of denunciation of the Agreement at least six months before it expires.

Thus, the PCA will continue indefinitely unless either of the Parties decides otherwise before the end of May 2007.

Adherents of an agreement based on 'common values' in practice, as well as

on paper might feel inclined for the first option of letting the PCA expire without any replacement. One might further add that the EU does without a framework agreement in relations with other powers such as the United States and Japan. Here, however, the relationship is based on adherence to 'common values' and complemented and supported by deep economic and societal integration, both of which are currently lacking in EU-Russia relations.

However this scenario has two disadvantages in the case of EU-Russia relations.

First, the PCA today provides the legal base for EU-Russia trade relations, which is necessary given that Russia is not yet a member of the WTO. While Russia may finally accede in 2007, the history of this application has been one of continuous rescheduling and delay. The present legal base should in any case not be scrapped until its successor is in place.

Second, in accordance with Article 106 of the PCA, it would require that one Party gives six months' notice to denounce it, i.e. a deliberate negative act, which would be open to more negative interpretations that were intended. It is one thing for the EU and U.S. not to have a comprehensive treaty, with their affairs having always been managed without one, but quite another one

to scrap an existing treaty. It would still be possible to go ahead with various sector-specific agreements (as detailed under the third scenario) without an overarching treaty, but the act of scrapping the PCA without replacing it would risk signaling or being interpreted as a political rupture, especially in the current uneasy atmosphere between the two parties.

Comprehensive Agreement

At the present, the most likely option is that the EU and Russia negotiate a new comprehensive agreement to replace the PCA, i.e. our option number 2. Any agreement concluded by the EU with Russia must be based on the EU treaties: the Treaty establishing the European Community (EC) and/ or the Treaty on European Union (TEU). International agreements are mentioned in numerous articles in both of the treaties, and the EU is thus faced with several options and choices as to the legal basis of any new agreement with Russia.

While Treaty revisions in recent decades have added to the number of provisions providing for international agreements, the two original provisions – for trade and tariff agreements (Article 133 EC) and association agreements (Article 310 EC) – remain the dominant types of Community

agreements concluded by the EU. The PCA is a trade and tariff agreement (i.e. based on Article 133 EC).

Comprehensive agreements with third countries are increasingly concluded as association agreements, as these are not limited to any particular policy area and are adopted by unanimity in the Council of Ministers, and thus the favored option for the member states. It should here be noted that the assent of the European Parliament is required for association agreements, but not for agreements concluded on the basis of Article 133 EC. Approval by the Parliament is also required when an agreement establishes “a specific institutional framework by organizing cooperation procedures” and/or has budgetary implications for the Community.

Many agreements between the EU and third countries are concluded by both the Community and the Member States. Such ‘mixed agreements’ are mostly negotiated by the Commission and must be ratified by the national parliaments of the 25 member states. The PCA is a mixed agreement, and a new supposedly more ambitious agreement would surely also be a mixed agreement.

Article 24 of the Treaty on European Union provides for international agreements to be concluded by the Union as such in area covered by

the 'Common Foreign and Security Policy' and 'police and judicial cooperation in criminal matters' (the aspects of justice and home affairs covered by the third pillar of the EU). Two of the four Road Maps are dedicated to these two policy areas, which would therefore presumably be included in a new agreement. This agreement would then likely be concluded also between Russia and the Union as such, i.e. based also on Article 24 TEU. However, an alternative would be to leave these areas out of the new 'comprehensive' agreement and conclude separate agreements in these policy areas in parallel.

If the EU and Russia were to embark upon an agreement as outlined above – an association agreement concluded by the Community, the Union and the member states – it would be one of the very first, and most likely the by far most ambitious example of 'crosspillar mixity' in the history of the EU. There are different procedures for the conclusion of Community and Union agreements, set out in Article 300 EC and Article 24 TEU respectively. The treaties provide no clear guidelines as to how such a 'cross-pillar' agreement should be concluded. There are, for instance, no provisions in the Treaties on how the negotiations should be conducted. In order to comply with the Treaties, it would have to

be negotiated by both the Commission (the normal practice for mixed association agreements) and the Presidency (which concludes Union agreements on CFSP and JHA). It seems however clear that, once negotiated, it would be adopted by unanimity in the Council, and require the assent of both the European Parliament and of the national parliaments of the 25 (or by then more) member states.

Ensuring legal continuity is sometimes mooted as an argument in favor of early negotiations of a new agreement. However, it is already much too late to initiate such negotiations. The process that led to the current agreement took almost six years, while it took the two Parties some two years to negotiate the non-legally binding Road Map for the four Common Spaces. This time around, there will be also the complicating, and often underestimated, addition of ten new EU Member States: Russia's still assertive posture toward some Central and Eastern European countries, as well as the overt Russophobia of countries like Estonia or Latvia, is likely to chill negotiations and slow down ratification processes. The two Parties could surely embark in a negotiating process continuing beyond the PCA expiration, but a significant outcome in a negotiation of such magnitude cannot be expected with a November 2007 dead-

line. The process would have had to be initiated several years ago if a new agreement was to enter into force simultaneously with the expiry of the PCA on 30 November 2007.

Furthermore, negotiating a new agreement would draw resources away from other tasks, such as on-going negotiations, dialogs and initiatives, perhaps first and foremost the implementation of the Road Maps.

It took almost six years to conclude the PCA, from the first initiative calling for a new agreement to entry into force. A starting-point could be to assume that a new comprehensive agreement will require the same amount of time. One would thus have a new EU-Russia agreement entering into force in early 2012.

It may be argued that the negotiations will be shorter for a new comprehensive agreement, as the new agreement to a large extent will consist of already agreed provisions, either from the PCA itself or from the Road Maps. The 1,5 year PCA negotiation process could thus possibly be reduced for the new agreement. It might also be possible to reduce the length of the ratification process. In the case of the PCA, this took about 3,5 years, postponed by certain member states parliaments and the European Parliament as a response to the first war in Chechnya. With such 'fast-track'

negotiations and ratification processes, there would be a slight possibility that a new agreement might enter into force before the end of the decade.

Regardless of the speed of negotiation and ratification, it is thus already quite certain that the PCA will indeed be renewed from December 2007 onwards, at least for a few years. The question then is rather if, and possibly when, discussions on a new comprehensive agreement should be concluded. It is clear that a lot will happen in both the EU and Russia in the meantime, which will significantly affect the potential shape and scope of a new comprehensive agreement. In a historical phase, in which both parties are undergoing deep internal changes, the current PCA provides a much-needed reference point of stability and continuity.

In the EU, there is first and foremost the question of the future of the Constitutional Treaty. This would transform the legal foundations on which EU agreements with third countries are based. There is also the question of the eventual shape of the emerging EU energy policy, an area of fundamental importance for its relations with Russia.

Russia currently aims to accede to the WTO in late 2006 or, more likely, in 2007. The provisions on trade and economic issues in a new comprehen-

sive agreement will have to take into account the exact conditions of Russia's WTO entry. This could become a problem if Russia's accession time-table slips again, which has been the rule since the negotiations were launched more than a decade ago. Russia will hold parliamentary elections in December 2007 and presidential elections in March 2008. To the extent that a new agreement should be based on 'common values,' both the manner in which these elections are held and the result of the elections are hugely important.

Prolonging the PCA and Negotiating Sector-Specific Agreements

It is often pointed out that the PCA was signed by two very different geopolitical animals: a less mature and inward-looking EU of twelve Member States and a Russia undergoing profound transformations under Boris Yeltsin. Plainly, the PCA no longer corresponds to the present reality of the EU and Russia as actors and of their bilateral relations. It is further argued that the PCA could be abandoned as some of the key institutions of the agreement – the Cooperation Committee and the sub-committees – are not functioning, and because many of its provisions are not implemented.

While it is true that EU-Russian

relations have been difficult in recent years, none of the problems are due to the PCA, and the PCA has not been an obstacle in the development of the relationship. The fact that the day-to-day practice of the Partnership has already moved well beyond the PCA proves the point that an overhauling of the document might not be what the two parties most urgently need. The PCA has proven itself to be a good and flexible instrument to accommodate the developing EU-Russia relations in areas not provided for in the PCA, such as the various policy dialogs on foreign, security and defense policy and cooperation in the field of justice and home affairs, including through the conclusion of more limited sectoral agreements. Significant changes to the institutional framework – with the transformation of the Cooperation Council into a Permanent Partnership Council – have also been introduced within the framework of the PCA.

In order to accommodate the need to incorporate the bilateral cooperation that currently takes place outside the PCA, prolongation of the PCA (which, as noted, is automatically provided in the agreement) could be then combined with a series of sectoral legally-binding agreements, following the practice in EU-Russia relations over the last years. Besides a free trade

agreement following Russia's WTO accession (which would imply that WTO rules substitute trade-related provisions contained in the PCA) and an agreement in the field of energy, a list of possible topics for such sectoral agreements can be extrapolated from the Road Maps on the Four Common Spaces, as shown below.

Agreements envisaged in the Road Maps on the Four Common Spaces

- Common Economic Space
- Investment-related issues
- Veterinary
- Fisheries
- GALILEO/GLONASS cooperation
- Trade in nuclear materials
- Freedom, security and justice
- Visa-facilitation
- Readmission
- Mutual legal assistance
- Europol-Russia operational agreement
- Eurojust-Russia agreement
- Judicial cooperation in civil matters
- External security
- Framework on legal and financial aspects of crisis management operations
- Information protection

This focus on sector-specific agreements could provide for a more con-

tinuous progress in the relationship and for deeper, or more precisely defined, or more binding commitments. Moreover, as sectoral negotiations evolve into an established practice, particular linkages and complementarities could emerge among the various issues. One of such linkages is notably log-rolling. As sectoral cooperation widens to embrace an ever more diverse range of sectors, the two parties will find it useful to correlate parallel or apparently unconnected issues. A recent major example of log-rolling is provided by the deal with which, on 21 of May 2004, the EU and Russia concluded negotiations on Russia's WTO accession. Only a few months later, Russia unexpectedly ratified the beleaguered Kyoto Protocol on climate change, which needed Russia's approval in order to enter into force. The correlation between these two instances appears self-evident, also in view of the inclusion of both trade and environmental issues in the Common European Economic Space of the Road Map document.

Although this practice would arguably prove effective to sort out the frequent logjams that characterize negotiations, it would also consolidate a practice of cherry-picking issues in a rather utilitarian manner, on the basis of their linkage to related (or unrelated) sectors, and regardless of the actu-

al need and urgency to find agreements in other sectors.

* * *

The EU and Russia need an ordered relationship because they are ever-closer neighbors, and they are Europe's only two major powers, both with aspirations to be global actors as well. Their list of common concerns and interests is extremely long and inescapable. In general terms, the EU wants its big neighbor to be the friendly and reliable partner, both on concrete matters of which energy supplies is the most important, and on matters of political values for both internal and external affairs. Russia wants to confirm and deepen its presence and identity in modern Europe, but without being tied to the EU's all-entangling mass of legal and normative rules and regulations.

The model of the new comprehensive treaty, covering all sectors of mutual interest in legally binding form, ratified by the parliaments of all EU member states, is ill-adapted to the needs of the EU-Russia relationship. The comprehensive treaty model is suited to the case where the partner state wishes to accede to the EU, since in these circumstances the permanent stock of laws of the EU provides a mutually acceptable anchor. However, for Russia, and other cases

such as the United States, this form of agreement has serious disadvantages. It is extremely rigid, given that the process of negotiating across the board on all economic, political and security matters requires that many issues are brought to the point of agreement at the same time. And this has to be followed by the heaviest of ratification procedures on the EU side, which experience shows can come with non-negligible risks that a single member state's parliament might wreck the endeavor right at the end of the laborious process.

In the short-to-medium term, the accent should rather be on preserving the existing PCA and on negotiating pragmatic, tangible, sector-specific agreements. It is clear that the EU and Russia do not need to rush into making a new agreement, since there is automatic extension of the status quo after the tenth anniversary on 1 December 2007, and therefore no problem of a legal void. Not to be underestimated is also that understaffed negotiating teams on both sides will find it cumbersome to combine already complex day-to-day practices of the current partnership with prolonged negotiations on a new comprehensive agreement.

The other, perhaps more controversial, reason for preserving the current arrangement concerns the so-called

values gap. Any new legally-binding document would have to seriously reassess the substance of what the two parties insist on calling 'common values.' Over the past years, issues such as human rights protection, the rule of law, media freedom and transparent economic governance have not been common; in fact, they have been increasingly dividing and inevitably stiffened the bilateral dialog. Brussels' perspective (but not that of some member states) is that Russia's post-Soviet transformation has taken an ever more centralizing and somewhat autocratic turn under President Vladimir Putin's leadership. Moscow's dominant view is that Russia should follow its own path to democracy and that the EU holds an excessively patronizing tone that is not justified by the democratic credentials of the Union's own political project (and of some of its member states).

Lastly, there are several 'known unknowns' which can explain why it would be better not to be hasty.

Besides the future of the

Constitutional Treaty in the EU, Russia's WTO accession and its presidential elections in 2008, there are important discussions currently underway over energy matters, including whether Russia ratifies the Energy Charter, which are key to further developments in this important sector. Moreover, there are very sensitive issues surrounding the 'frozen conflicts,' and that of Transdnestr comes closer now to EU interests with the accession of Romania in 2007 or 2008. Resolution of this irritating anomaly in the neighborhood would be helpful to creating fresh conditions for cooperation.

Put it another way, it might be prudent to wait and see the answers to the 2008 and possibly 2009 questions, before tackling the so-called '2007 question.' These will significantly affect the potential shape and scope of the bilateral relations.

Under these circumstances, the question is if, rather than when, a new comprehensive agreement should be negotiated.

Structural Militarization and Russia's Failed Transition

Steven Rosefielde

After nearly a decade of false claims, the World Bank and International Monetary Fund conceded in 2004 that Russia's transition to democratic free enterprise, or EU social democracy had failed. They now accept that power rests with the president rather than a popularly representative Duma, and that Russia's markets have a feudal character, dominated by insiders, with relatively little competition. Rent-seeking (the pursuit of unearned incomes through insider connections) is in command. The World Bank and International Monetary Fund also acknowledge that the post-Soviet depression was catastrophic, and democratic free enterprise could have been attained.

But they don't explain why transition failed in an effort to deflect attention from their own analytic lapses and sins of commission. Vitaly Shlykov has recently illuminated part of the story they prefer not to tell (*Russia in Global Affairs*, No. 2/2006). He contends that the Yeltsin administration and its for-

eign advisors, although informed about the decisive importance of structural militarization and war mobilization reserves, allowed a golden opportunity slip through their fingers.

The essence of Shlykov's thesis is that transition could have been achieved by eliminating war mobilization entailments on civilian industrial capacities (facilities kept idle for emergency use), and by shifting VPK natural resource reserves from military to civilian production. Under this scheme managers would have obtained the funds for product redesign, retooling and direct marketing needed for expanding consumer goods production, while armaments declined. And there need not have been any depression, or mass unemployment, as shown by America's demobilization experience after the Second World War.

There are no logical flaws in Shlykov's concept, but two conditions were necessary for its successful implementation. First, a mechanism like Gosnab had to be preserved on an

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interim basis to assure that mobilization raw materials were properly allocated to civilian use, with auctioning introduced gradually thereafter. Second, the Yeltsin administration had to vigilantly repress theft of mobilization reserves within the VPK and civilian sector.

Understanding this, Shlykov called for strict measures to prevent capital flight from the outset. He campaigned for structural demilitarization as early as 1992, while serving as deputy chairman of Boris Yeltsin's Russian Security Council, but Yegor Gaidar rejected it. Gaidar himself will have to explain why. There are a variety of possible justifications. Some wanted to destroy every Communist institution, including Gosnab, immediately without considering the optimal sequence, no matter what the cost. Stanislav Shatalin, for example, responding to my question at Duke University in October 1991 said regarding his famous program that it didn't matter if transition took 500 days or 500 years as long as it obliterated Communism. This idea was shared by some in the American security community, but the World Bank and International Monetary Fund had a different motive for rejecting Shlykov's plan. They pressed the Yeltsin administration to open Russia's economy on both merchandise and capital accounts, claiming that integration into the global marketplace would assure democratic

market building. Some of these advocates may have been sincere, others may have had hidden agendas. Whatever their motivation, the World Bank and IMF stubbornly disregarded the linkage between the transfer of mobilization reserves and full employment, spending the next 12 years denying the consequences of their error.

Opening the economy predictably led to the theft and export of Russia's mobilization reserves, as well as new mineral production, much of it exported to Asia via Maizuru. Civilian industrial producers in this way were not only deprived of the intermediate inputs essential for production, but suffered a devastating fall in aggregate demand exacerbated by the substitution of imports for domestic goods by the very people who had stolen the nation's war mobilization reserves in the first place. In short order Russia went from having one of the most equitable income and wealth distributions, to one of the worst.

Needless to say, Shlykov was right and Gaidar wrong. But there are some other factors to consider before rendering a summary judgment. It can be argued that the theft that ravaged Russia began under Gorbachev in 1987 before mobilization reserves were plundered, and before the economy was opened by spontaneous privatization and managerial misappropriation

of enterprise revenues; crimes condoned implicitly by key elements of Gorbachev's government. There is substance to this claim, and the inference that Shlykov's proposal went unheeded precisely because the Yeltsin administration built its power base the Muscovite way by granting rents (lucrative insider contracts, asset gifts, and the right to privately use state property) to loyal rent-seekers. Russia has never had a competitive market with equal opportunity for all under the rule of contract law. From the rise of Muscovy under Ivan the Great to the present, Russia has had a patrimonial system where the Czar (Communist Party head, president, etc.) implicitly owns all productive assets, administered by rent-seeking servitors, who are permitted to enrich themselves in return for loyalty, service and tax. Market regimes of this type may look superficially western to the untrained eye, but display all the perversities known to Russians in their bones. They are intrinsically anti-competitive, inegalitarian, unjust, speculative, and prone to *smuta*.

Shlykov's program viewed from this perspective may never have been politically feasible because it went against the Muscovite cultural tide, in favor of democratic free enterprise. Few insiders were prepared to relinquish their privileges to install a

regime where popular preferences determined public programs, consumer sovereignty determined household production, and there was equal opportunity for all. But Shlykov's plan was technically feasible, revealing a profound secret most Russians don't want to face. Democratic free enterprise and Muscovy are mutually exclusive.

It is impossible for a structurally militarized authoritarian martial police state to have its public programs determined by popular sovereignty (the real meaning of democracy) and private consumption competitively governed by individual preferences under the rule of law (the essence of free enterprise).

And it is exactly in this sense that Shlykov's claim for contemporary transition should be evaluated. Shlykov contends that it isn't too late to de-entail civilian mobilization capacities, and new accumulated mobilization raw materials to restore domestic industrial production. Such an effort, if properly attempted, would necessarily diminish rent granting, rent-seeking, and inegalitarianism, thereby empowering democratic free enterprise and disempowering Muscovy.

Looked at this way, Shlykov's program is a bold effort to save Russia from the cycle of *smuta* that has plagued it since the late 16th century, and deserves the utmost consideration.

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