Between reform and restoration: Putin on the eve of his second term

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Veröffentlichungsversion / Published Version
Arbeitspapier / working paper

Zur Verfügung gestellt in Kooperation mit / provided in cooperation with:
SSG Sozialwissenschaften, USB Köln

CIS-Barometer

Published by Körber Department

Joint Venture of the Körber Foundation, Hamburg and
the Research Institute of the German Council on Foreign Relations, Berlin

No. 35, February 2004

The Duma elections of last December marked the beginning of a new period in recent Russian history. Communism suffered its historic defeat. Furthermore, the end of the Western democratic model has been heralded. A one-party system has emerged in the Duma. President Vladimir Putin says that he needs this newly sustained power in order to overcome the barriers on the path to establishing a constitutional state and a market economy. Critics claim that Putin is striving to establish a personal authoritarian rule. Conflicts between Russia and the West are again the daily norm. Both sides need new concepts of partnership, else the current idea of 'common spaces' could regress back to the principle of 'peaceful coexistence' of the Cold War in the past century.

Between Reform and Restoration: Putin on the eve of his second term

The most significant historic event of the second half of the 20th century was undoubtedly the peaceful collapse of the superpower Soviet Union, the disintegration of communist ideology and Russia's turn towards democracy and the market economy. The strategic partnership between Russia and the West became an integral part of the new world order. The new Russia began a difficult three-dimensional process of transformation, from dictatorship to democracy, from a centralized planned economy to a market economy, and from an Empire to a normal European state.

In the 90's, while traversing this three-dimensional transformation process, Russia came off track. An absence of liberal traditions led to misguided political expectations. Two economic crises (1991, 1998), the war in Chechnya, power struggles between the executive and the legislative, Communists and democrats, as well as the emergence of a corrupt oligarchic regime, all served to damage the fragile democratic system, which was believed to already have been constituted in Russia. In the end, a tattered and sick President Boris Yeltsin saw no viable option other than to put the stabilization of Russia into the hands of the secret services which he had tried to abolish before.

Liberal Politics without liberals

The current developments are full of contradictions. President Putin is riding a wave of patriotic sympathy without end. His popularity remains unabated at 80 percent, the Russians trust him more than they do their orthodox church. Surveys show that the majority of Russians are in favour of Putin's 'dictatorship of law'. The majority of the population perceive the economic model put forward by the liberal parties in the 90's as socially unfair and reject it. The early democrats are being equated with the oligarch regime, which from the perspective of the Russian population are responsible for plundering Russia's natural resources in the 90's.

80% of Russians asked are in favour of revising the results of the privatization of the 90's, disappropriating the billionaires, and censuring the press. The arrest of Mikhail Khodorkovsky, the CEO of Yukos, had the effect of strengthening the Kremlin's position, while the liberals, who sided with the multi-billionaire, lost out. If it were up to the majority, elections, parliament and parties could all be abolished. The majority of Russians desire a culturally homogenous area with collectivist and patriarchical traits,

independent 'Russian' values and consequently its own autonomous national interests. Putin's foreign policy that led to Russia no longer being perceived as the loser of the Cold War in world politics enjoys broad popular support.

Putin has reduced the three-dimensional transformation process to one strategically important track: the economic modernization of the country. The other two transformation processes, democratization and decolonization have been put on hold. During a trilateral American-Russian-German held at the German Council on Foreign Relations conference in November 2003, the Russian expert Gleb Pavlovsky said that Russia had lost its statehood twice in the course of the 20th Century (in 1917 and 1991), and that Putin had sworn, that there would not be a third revolution in Russia.

This attitude became apparent during the Duma elections in December. Russia experienced a push to the right. In the Duma elections of 2003, intellectuals and representatives of the technical intelligence gave national-conservative movements precedence over the liberal parties. The latter were thrown out of parliament, and the communists, who had previously provided the strongest opposition, lost half of their voters. Even the oligarchs, who had influenced and misused the executive and legislative with their own lobbyists, lost their positions of power.

There is also some positive news. In 2001 Russia adopted the most liberal economic reform plan in its history. At its core lies the legitimizing of private ownership of land and property. The reform is already showing results: The economy is reporting stable growth, state finances have been sanitized, and the dependence on western loans has been reduced. The IMF no longer comes to Moscow to give the government instructions on how to implement reforms. Russia has surpassed Saudi Arabia as the world's largest oil exporter, and has caught up to the US as the world's largest weapons producer. There is a tremendous construction boom in Moscow and other large cities, huge commercial areas are being constructed with international supermarkets, over a third of Russians possess an expensive mobile phone, the world's best vacation destinations are being flooded by Russian tourists, and foreign investors are again clambering to get into the Russian market. Russia's government sees good chances of catching up to the middle EU countries, such as Portugal or Greece, economically by 2010.

A system of 'guided democracy' has emerged in Russia. The state has become the focal point of all decision-making processes. The market economy is to develop under the supervision of the state. Large corporations are being forced to subordinate themselves to national and state interests. There is to be no government takeover of the industrial and financial groups of the oligarchs, the state will however attempt to replace the directors of the oligarchs' corporations with loyal managers. In the energy sector, the state will also secure the largest part of the profits from the export business. A kind of state-capitalism is emerging in Russia. Only in this manner does Putin think he can master the problem of corruption, develop social programs to protect the poor, secure long-term economic growth and strengthen the country towards the outside. The failure of Western democracy is a price he is willing to pay. Without civil society and the adoption of European value systems Russia will however remain non-eligible as an integration partner to the West.

In August 1999 Yeltsin presented his successor to the world. Putin, according the departing Kremlin chief, would be the ideal leader for a new generation of young politicians, who would finally guide Russia to democracy in the 21st century and anchor the country in Western civilization. However, the famous young reformers of the 90's that Yeltsin referred to, do not belong to the leadership ranks. Instead, young lawyers, businessmen and members of the secret service from St. Petersburg are behind the levers of power. In the early 90's they were all part of the management team of the deceased Mayor and Reformer, Anatoly Sobchak. At the time they jointly reformed the St. Petersburg economy, supervised the privatization of the local state assets of the defunct Soviet Union, founded new private companies, became in some cases entrepreneurs and directors of new corporations themselves, and conducted business with Europe and the US.

Putin was the ideal right-hand man for Sobchak. As deputy mayor he coordinated

economic policy activities and secured them with the help of the secret service. Sobchak was a man of vision; he was the first advocate of the idea of a 'liberal empire'. Sobchak wanted to secure reforms through a strong state as well. Today the team is attempting to implement the tried, tested and also partially failed politics that began in St. Petersburg in all of Russia, without the visionary Sobchak under the pragmatist Putin. After Sobchak was voted out of office and persecuted by the state judiciary in the second half of the 90's, the St. Petersburg team disappeared from the political radar. Today we know that the 'Pitertsy' cunningly burrowed themselves into the presidential administration in Moscow, only to emerge in 1998/99 after the sudden rise of their 'leader' Putin, and in one fell swoop dominate and control virtually all domains of state power.

The manner as well as the speed, with which the new power system was established, appears frightening. Everything began with Putin's startlingly sudden rise in August 1999. In October 1999 the 'Unity' party was created to support him, which in December 1999 at first go won the most votes at the Duma elections. Putin's rise was accompanied by successes in other areas as well: in Chechnya the Russian army managed, to its own surprise, to reconquer the separatist republic within a few months. In March 2000 Putin was elected President already in the first round of voting. The next coup followed shortly after: Putin divided Russia into seven new governmental regions, disempowered the Federation Council and put the process of disintegration that was plaguing the nation to an end.

In the following period Putin neutralized the so-called 'red belt' of communist governors who controlled the provinces surrounding Moscow, and replaced them with his loyal troops. The oligarchic regime was smashed: first Boris Berezovsky and Vladimir Guzinsky were driven into exile and their finance and media empires confiscated by the state. Three years later the Kremlin began a general attack on the oil giant Yukos, its top managers were arrested or driven out of the country.

The campaign continued in late 2003 with the complete obliteration of any opposition from the right or the left in the newly elected parliament. The communist structures in the countryside became marginalized; rivals were disempowered or integrated, like the 'Fatherland' party of Moscow's Mayor Yury Luzhkov. Currently the Kremlin possesses an absolute two-third majority in the legislative, which could easily be expanded to a three-quarter majority. Putin can now make any changes to the constitution that he wishes, be it to redistribute Russia's 89 Regions into bigger districts, to extend the presidential term, or to reunite Russia with Belarus.

Putin's power-machinery works perfectly, it is geared to maximal control and success. In order to secure a victory during the presidential elections in Chechnya in 2003 for Akhmad Kadyrov, the governor loyal to Moscow, all the other candidates were thrown out of the race. The Kremlin is pursuing a similar strategy in the coming presidential elections. A victory for Putin in the first round of votes is not sufficient, the Kremlin wants to achieve a two-thirds majority, like at the Duma elections, as well as surpass the record-breaking results of Georgian president Mikhail Saakashvili, who received 96 percent of the votes in his country.

However, Putin understands the dangers of the power-apparatus becoming too independent. In his first statements after the announcement of the results of the Duma election, Putin made no secret of the fact that he would have rather seen the liberal parties in rather than outside of the parliament. Now he will not fulfill his earlier promise to have the next government be selected by parliamentary majority. Putin cannot run liberal economic policy entirely without liberal politicians. For this reason, the president did not congratulate the victors of the Duma elections for their triumph, but instead called on the liberals to cooperate. Those that placed their bet on the strengthening of the secret service structures were mistaken.

In the presidential administration the emphasis was shifted from the 'siloviki' (the representatives of the power structures) to Putin's civilian advisors (Dmitry Medvedev, Dmitry Kozak). Putin also knows exactly what signals he has to send the West, in order to receive the necessary investments for his modernization policy. Grigory Javlinsky, who was defeated in the election, stated in Berlin: 'Putin is the last dam against the rising nationalism'.

Conflicts with the West

Putin's domestic politics of order are raising suspicions in the West, which is affecting foreign policy as well. Observers forecast a conflict-laden year for the relations between Russia and the West. At the beginning of Putin's first term in office, it appeared as though Russia had returned to the foreign policy of Andrei Kozyrev (1990-95). Putin declared the integration of his country into the world economy to be the priority of his politics. In the German Bundestag, shortly after 9/11, he explained Russia's intention to fuse its Siberian natural resource reservoir with the European economic area. In return the EU was to provide the technical know-how for the modernization of the Russian economy. The EU and Russia would have to unite, in order to guarantee Europe's position as a superpower in the 21st century.

However, the West responded with reservation to such proposals of a more profound partnership. The reform process in Russia was raising too many puzzling questions. The path to a truly joint European house leads from the establishment of a common canon of values, to the reconciliation of Russia with the former Warsaw Pact states (the new EU members), to a radical reform of the Russian industrial and service sectors, the establishment of mid-tier enterprises, and a functioning banking sector. Europe will never and can never define itself in opposition to the United States. Moreover, if Russia desires to become an integral part of Europe, it must be prepared to transfer sovereignty rights to Brussels, which is completely out of the question for the current Russian elite.

Relations between Russia and the West have deteriorated in the years 2002/2003. Russian diplomacy resembles once more that of Evgeny Primakov (1996-98), who did not shy away from conflicts with the West, in order to push through Russian national interests more forcefully. Since then, Russia is in conflict with the EU over the prospective configuration of the European continent. Since the introduction of visas for Russians, who travel to and from Kaliningrad, the highly praised strategic partnership between the EU and Russia has been placed on the back burner. Putin has made it unequivocally clear to the EU that criticisms and instructions will no longer be accepted, Russia does not need the EU as a teacher of democracy, but rather solely as a partner in the modernization of the Russian economy.

Other Russian politicians, like the former advisor to the Prime Minister Mikhail Delyagin for example, dismiss a pure EU-Europe, within which Russia possesses no vote on security and economic issues. He believes that while Russia would move away from Europe, the Western Europeans will fill the vacuum with their military and economic structures. The Russian 'near abroad' has suddenly become the 'near aboard' of NATO and the EU. The Eastern Europeans returned to Europe with a feeling of colossal historic relief, whereas Russia on the other hand would be pushed back into a foreign Asian civilization. From the Russian perspective, Russia was not rewarded by the US for its role in the Anti-Terror-Alliance since 9/11. On the contrary, according to the Russians, the US is declaring the southern CIS countries, which Russia considers part of its own sphere of influence, as belonging to their hemisphere. They are pushing Russia not only out of Central Asia, but also out of the Caucasus, Moldavia, and even the Ukraine.

In response to this, Putin has attempted to accelerate the process of reintegration in the former Soviet territories in the last months, with Kazakhstan appearing to be his most important ally. Russia and Kazakhstan are linked by similar perspectives on reform, democracy and market economics. Dariga Nazarbayeva, the head of the 'Asar' party in Kazakhstan and the daughter of the head of state, stated in her presentation at the German Council on Foreign Relations in December 2003, that the Kazakh political system could not be measured according to Western standards. Only countries with a high standard of living could afford a 'Western democracy'. Her country would take over the civil society structures and market economy of the West, without denying their own traditional Kazakh values.

Exactly the opposite is occurring in Georgia. There the newly elected 36 year-old president, Mikhail Saakashvili, who ousted Eduard Shevardnadze with his 'rose revolution' in November 2003, has begun a radical approach in order to integrate Georgia into the West as quickly as possible. In his speech at the German Council on Foreign Relations at the

end of January 2004 in front of 700 guests, he described the revolution of roses in his country as a model for the neighbouring states in the region. Since the 'velvet revolutions' in Central Eastern Europe 15 years ago, the time has come for a democracy that was fought for by the people and not ordained from above, to manifest itself now on post-Soviet territory.

Following the war in Iraq in 2003, Georgia could become the new source of conflict between Moscow and Washington. US Secretary of Defense Donald Rumsfeld and Secretary of State Colin Powell have put extensive pressure on Russia to clear the Caucasus of its military bases. Russia fears that after it withdraws its troops from Georgia and Azerbaijan, they will be invited to join NATO. The Russian Defence Minister Sergey Ivanov rejected a Russian troop withdrawal reminiscent of the one from East Germany in the early 90's.

However, Putin is enough of a pragmatist to understand that there are limits to both the policies of a radical opening to the West, as well as those of a singular pursuit of Russia's great power interests. Consequently, there will most likely be little change in the policies of Putin's second term. Nevertheless the West must respond as well. The driving out of Russia into Asia could have grave consequences for the West. Without a democratic Russia with a free market economy, the rest of the European continent is unlikely to continue to live in stability and prosperity. There is no avoiding an intensification of dialogue with Russia, even if it is acting increasingly self-assured.

It has gone unnoticed in the West that Putin has been on the lookout for other potential strategic partners in world politics for the past few months. The Kremlin has actively taken steps to approach the Muslim world, with the intention of entering the Organization of the Islamic Conference, since there appears to be no signs of a common economic area with the EU in the near future. Putin has already been able to harvest one success. While the EU still denounces Russia for the conflict in Chechnya, Saudi Arabia has acknowledged Kadyrov as the president of Chechnya, and has ended its former support of the Chechen rebels.

The Russian expert Christian Meier has advised the government of Germany in a study from the 'Stiftung Wissenschaft und Politik' to continue steadfastly with the developed concepts and mechanisms of the EU-Russia relationship. However, the options the West has at its disposal of influencing Russia are more limited than in the 90's. Russia's dependence on Western loans has diminished rapidly and the West lacks like-minded democratic counterparts for dialogue in the Russian ruling elite. The most significant contacts to Russia will most likely emerge through the economic sector, the coming year will certainly provide positive news in this area. It will be increasingly difficult however to cultivate interparliamentary relations with an overly nationalistic Duma, for which the reestablishment of former Russian might is more important than its partnership with the West.

The anxious question to pose is whether Putin will remain on his course of reform and modernization, continue his policy of opening to the West or become prisoner to the new power constellation in Moscow, which could enforce upon him a more nationalistic course. One can eagerly anticipate the coming personal changes at the top of the leadership. They will be an important indicator for Putin's future course.

By Alexander Rahr