

Putin's Choice

Dressed all in black, including a black turtleneck sweater—a color scheme once favored by Benito Mussolini—the former KGB lieutenant colonel and now president, Vladimir Putin, addressed thousands of enthusiastic young supporters filling a Moscow sport stadium on November 21, 2007. His message was a xenophobic warning against national disloyalty on the part of Russian democratic nongovernmental organizations subsidized from outside. “Unfortunately, there are still those people in our country who act like jackals at foreign embassies ... who count on the support of foreign friends and foreign governments but not on the support of their own people,” Putin bellowed to the accompaniment of Soviet-era patriotic songs blaring from the stadium’s loudspeakers as the crowd waved national banners.

A few days later, the same Putin made a seeming bow to Russia’s constitutional legitimacy by reaffirming that he would yield the presidency as scheduled on the expiration of his second term in March 2008. That action, however, was accompanied by the anointment of his handpicked successor, Dmitry Medvedev, a long-standing bureaucratic subordinate and business associate. Within a day, the designated next president indicated his hope that Putin would agree to serve as the state’s next prime minister. Given Russia’s political power realities, the electoral process was thereby turned into a farce, and the authority of Putin’s successor was effectively emaciated. As one leading Russian commentator said, “Putin is not an outgoing president; he is simply changing his status. He was the country’s ‘national manager,’ and after March he will become its national leader.”¹ In fascist Italy, the nominal head of state was the king, but real power rested in the hands of the “national leader,” Il Duce.

Zbigniew Brzezinski is a CSIS counselor and trustee and cochairs the CSIS Advisory Board. He would like to thank Brett Edkins for his editing and research assistance.

© 2008 by The Center for Strategic and International Studies and the Massachusetts Institute of Technology
The Washington Quarterly • 31:2 pp. 95–116.

How will history judge the legacy of the man once proclaimed by a U.S. president to be his soul mate and feted by a British queen at a ceremonial dinner at Buckingham Palace, for whom a French president wanted to turn a NATO members-only meeting into a celebratory birthday party (without consulting the meeting's Latvian hosts), who was able to buy the commercial collaboration of a former German chancellor, and before whom a former Italian prime minister practically genuflected? The adulation of the Western press boosted Putin's meteoric emergence as a global celebrity to a degree unprecedented for any Russian leader in history, exceeding even the favors once bestowed on Tsar Alexander I by adoring ladies in the salons of London, Paris, and Vienna in the wake of Napoleon's defeat.

Part of the answer to that question rests in the negative long-term effects that Putin's decisions, despite their apparent short-term success, are likely to have on the Russian political system, economy, and geopolitical prospects. Part of the answer also requires comparing more closely the realities now emerging in Russia as a consequence of the policies pursued by Putin as president with what might have been the alternative fruits of his presidency, given the complex realities prevailing in Russia at the beginning of 2000 when Putin was similarly handpicked for the presidency by his ailing predecessor's worried entourage. The resulting contrast between what is emerging and what might have been can then provide the basis for a more informed historical appraisal.

Putin's Motivations

First, it is appropriate to speculate briefly on the few clues available regarding the inner motivations of a man who in the course of eight years admittedly succeeded in stabilizing the Russian economy and in restoring Russia's national pride, largely by politically exploiting the financial windfall of the international demand for Russian energy resources. Putin earned widespread domestic support for ending the social chaos unleashed by the collapse of the Soviet Union and by the subsequent pell-mell privatization of the state-owned economy, which in the process scandalously enriched the more enterprising Russian "privatizers" as well as some of their Western "consultants."

Many Russians have been mesmerized, as have foreign visitors and eager would-be foreign investors, by the new glitter of Moscow and the restored glamour of St. Petersburg. Russia's revived self-pride is understandable, given the widespread sense of humiliation after the sudden fall of the Soviet Union and the disconcerting identification of the Yeltsin years with anarchy and rapacious capitalism. Many Russians derive personal satisfaction from Putin's global grandstanding, and they are impressed by the Kremlin's return to the ceremonial pomposity of the days of the great tsars. Thanks to television, Rus-

sians are now periodically guests at the Kremlin as trumpets blare and theatrically costumed guards grandly swing open enormous gates of a gilded hall in which the elite of Russia stands bowing on the sides of a long red carpet while Putin strides in with the cultivated gait of an athlete.

It is evident that the restoration of Russia's power and prestige were paramount in Putin's mind from the start. Yet, that still does not reveal how that power and prestige were to be defined, what basic beliefs motivated his quest, what values in Putin's mind Russia should represent, and what attitude it should entertain regarding its own recent past. Putin himself has never spoken explicitly regarding his motivations. Thus, only a few sparse and sporadic clues, in addition to weighing the tangible consequences of his policies, can serve as the basis for some speculative judgments regarding his driving personal impulses.

Putin largely exploited the financial windfall of international energy demand.

Perhaps the most telling was Putin's public comment in 2005 in his annual address to the Russian federal assembly. Without much elaboration, he declared almost as a self-evident truth that the breakup of the Soviet Union was "the greatest geopolitical catastrophe of the twentieth century." Not a casual statement, the assertion sharply demarcated him from his two immediate predecessors, each of whom had hailed the peaceful dismantling of the Soviet empire as a victory for the Russian people on their way to democracy. Even though in the course of a single century, his nation had experienced two extraordinarily bloody and devastating world wars as well as the ravages of Communist terror and the gulag, Putin revealed his preoccupation with restoring Moscow's status as a global power.

The remarkable assertion also suggests there may have been more substance to what initially appeared merely to have been a jocular gesture, namely Putin's strange salute to his former KGB superiors at the annual observance in December 2000 of Chekist's Day in honor of the Soviet security apparatus known as the Cheka, NKVD, or KGB. Although appearing at its notorious Lyublyanka headquarters as Russia's president, Putin behaved as if still a functionary, saluting his former commanders and mysteriously reporting: "Instruction Number One for obtaining full power fulfilled." Might this have been an oblique reference to a goal that perhaps some young and highly motivated KGB functionaries, Putin among them, displaced and outraged by the whimpering collapse of Soviet power, had set for themselves?

In the waning days of the Soviet Union, the KGB was the privileged elite, the ablest and most ambitious that the Soviet system could produce. As president, Putin surrounded himself in the Kremlin with graduates of that particu-

lar organization, the so-called *siloviki*. One can surmise that resentment over the Soviet Union's collapse was especially intense among those who had not yet reached the apex of the prevailing system but already had had a foretaste of its benefits. The desire to reverse the consequences of that collapse and to restore the intoxicating sense of power was probably more widespread within this cluster than anywhere else in former Soviet officialdom.

Putin's rhetoric does not reflect any comprehensive view of what Russia ought to become.

Putin's own view of Josef Stalin's crimes has never been expressed fully nor with any feeling. His occasional condemnations of Stalinism have been perfunctory, and his honoring of Stalin's victims has been minimal. In one of his rare interviews addressing his family background, he expressed special affection for his grandfather, notwithstanding the fact—it sounded somewhat as if because of the fact—that he had served in Vladimir Lenin's and then in Stalin's personal security entourage. For any German leader, any-

thing even remotely similar regarding a relative devotedly loyal to Adolf Hitler would be viewed internationally as intolerable. Putin's public celebration in honor of the founder of the Soviet secret police, his official opposition to Ukraine's decision to label as genocide the mass starvation induced by Stalin's collectivization, and his resentment of Baltic and Polish commemorations of Soviet mass killings point to a very selective view of the Soviet past.

In addition, the special venom with which Putin tackled the Chechen challenge immediately after assuming high office, including his vulgar public reference to where the Chechen resisters should die, conveys the impression of a leader who from the start set for himself the goal not just of ending the post-Soviet crisis but of restoring the intimidating might of the Soviet era.² Putin categorically rebuffed several attempts by more moderate Chechens and some foreign intermediaries to find a compromise formula for a peaceful accommodation based on enhanced autonomy. In any case, the unrelenting years-long warfare to repress the Chechens, which killed probably more than 100,000 Chechens, had two immediate but significant systemic consequences. It reconsolidated and rehabilitated the weakened and demoralized Soviet security apparatus, creating a power base for the political domination in the Kremlin of the *siloviki*, and it channeled Russian nationalism toward undemocratic xenophobia.

By 2004, Putin's two immediate predecessors, Boris Yeltsin and Mikhail Gorbachev, had both spoken up against the pernicious political effects of the unrelenting warfare against the Chechens. Yeltsin put it with his characteristic bluntness: "[T]he suppression of liberties and the rolling back of democratic rights is, among other things, a victory for the terrorists."³ Gorbachev went

even farther in urging a political process: "So it is again necessary to enter into negotiations with moderate militants, and to separate them from the irreconcilable extremists." Putin was unmoved.

A further clue emerges from Putin's evident personal animus toward the one Russian oligarch who had the temerity to claim that the lines separating the political and the financial sectors of post-Soviet Russia should not again be blurred. Whatever may have been Mikhail Khodorkovsky's transgressions during the "survival of the richest" privatization of the Yeltsin era, by the turn of the century Khodorkovsky and his oil company Yukos had come to stand for an economic system that would more closely resemble a Western free market. At the same time, the oligarch's increasingly active role within Russia and outside as well on behalf of privately sponsored, pro-democracy activism implied a concept of political pluralism alien to Putin's more traditional notion of a restored Russia.

Khodorkovsky was arrested on October 25, 2003, and sentenced to nine years in prison on May 31, 2005. His arrest, prosecution, and prolonged imprisonment had, rather like the anti-Chechen campaign, far-reaching systemic consequences. It wedded political power with financial wealth, setting Russia on the way to state capitalism. The other oligarchs, intimidated like the *boyars* before them, bowed to power but were then allowed to share their wealth with power. Oligarchic sycophancy became the norm.

Putin himself has been reported in Russian sources as having become extraordinarily and thus suspiciously wealthy. During the early Yeltsin era, Putin was a deputy to the mayor of St. Petersburg, Anatoly Sobchak, widely rumored to have been quite corrupt. Some rumors resurfaced during Putin's second presidential term linking Putin to alleged deals involving Finland. In November 2007, Anders Aslund, a senior fellow at the Peterson Institute for International Economics, recapitulated specific allegations from Russian and German sources regarding Putin's private wealth and calculated that it totaled no less than \$41 billion. Much of the foregoing was said to consist of shares in state-controlled energy enterprises, including 37 percent of Surgutneftegaz shares and 4.5 percent of Gazprom.⁴

How to protect that wealth once out of power might well have been one of the principal reasons for Putin's eventual reluctance to yield political power. The *siloviki* also became rich, following the model of state owners in Nigeria or Saudi Arabia, with some of their wealth stashed abroad. The corrupting conflation of political power and personal wealth in contemporary Russia makes the "yellow curtains" that disguised privilege during the days of Soviet communism into a trifling indiscretion. Medvedev, the long-term head of Putin's presidential administration while also serving as the chairman of the board of Gazprom and now heir apparent, personalizes that nexus.

Eventually, individual, local, and regional resentments are likely to accumulate.

The pervasive corruption among power-wielders is likely to have an additional, unintended consequence. In the long run, as in other energy-rich countries that have generated a similar tendency, elite corruption, including massive deployment of personal wealth abroad, can become a rallying cry for public resentment, especially once the wells turn dry. In the short run, such corruption makes the corrupters instinctively self-defensive, hence Putin's

opportunistic inclination to rely on nationalist xenophobia to mobilize public support for those in power and to divert public attention from power-based privilege.

The picture that emerges is not that of a doctrinaire political fanatic, seeking to revive either Stalinism or the Soviet Union. Putin comes across as a ruthless KGB product who is a disciplined and determined nationalist seeking to restore Russia's power and as an opportu-

nistic beneficiary of Russia's unexpected financial bonanza, not above quietly enjoying and secretly husbanding the material benefits of that political power. His Soviet upbringing makes him fear democracy while his Soviet pride makes him reluctant to condemn Stalinism as a crime. To Putin and his siloviki, a truly democratic system would threaten their power and their wealth. The combination of nationalist pride and material self-interest thus dictate a state that, although neither embracing Stalinist totalitarianism nor reviving Soviet collectivism, rejects political pluralism and a genuinely free-market mechanism. The state and the economy are conflated in theory and practice.

Rather reminiscent of fascism's flamboyant style but ideologically barren content is the fact that Putin's rhetorical contributions do not reflect any comprehensive view of what the Russian state, economy, and society ought to become. Nationalist exultation of the past and vague talk of a "sovereign democracy" do not provide much guidance for Russia's future. Putin tends to focus more on the short term and is noteworthy for his emphasis on pride, power, global status, and economic progress, but does not draw on any larger doctrinal design. Strengthening the state and maximizing its wealth while demonizing its domestic or foreign enemies tend to be his dominant motifs. As a political symbol, whether in posters or television appearances, he personalizes the triumph of will.

In any case, his effective control over the state's political power and its financial assets as well as a disoriented public have made it possible for Putin to make decisions that cumulatively are pushing Russia in three basic directions: politically toward an increasingly repressive state authoritarianism, economically in favor of centralized corporate statism, and internationally toward a more explicitly revisionist posture. Each reflects not only Putin's personal pre-

dispositions but also the shared interests of his like-minded top elite. Yet, each also contains longer-range dangers for Russia's future. A critical appraisal of Putin's ongoing record therefore requires asking whether there were any practical longer-term alternatives to the choices he has been making for Russia.

The State: Repressive Authoritarianism Instead of Progressive Institutionalization of an Increasingly Democratic Constitutional State

Russia admittedly was in socioeconomic disorder when Putin assumed power. Contrary to the claims of Putin's apologists, the end of that socioeconomic disorder was not attained specifically or even cumulatively because of the ruthless crushing of the Chechens; Khodorkovsky's show trial and the expropriation of his assets; the progressive subordination of television and radio to political control; the step-by-step reimposition of highly centralized political control over Russia's socioeconomically diverse regions; the manipulation of the electoral process; the growing interference by the state with the functioning of nongovernmental democratic organizations on the grounds that they threaten Russia's independence; the creation of state-sponsored political parties with privileged access to the mass media; the reliance on police measures to limit the activities of opposition parties; the officially sponsored highly nationalistic youth movement Nashi dedicated to Putin himself; or the deliberate propagation by state-controlled media of xenophobic themes to promote "national unity." All of the above culminated in the unabashed manipulation of the constitution, which on its adoption had been celebrated as confirming Russia's enduring entry into the democratic community of nations.

Russia's political atmosphere has been further poisoned by the mysterious killings of independent journalists; Putin's apparent indifference to the assassination of the leading critic of his Chechnya policy, Anna Politkovskaya; and the publicly announced grant of authority to the FSB to conduct lethal operations abroad, not long thereafter followed by the shocking killing in London of a troublesome defector from the FSB, Alexander Litvinenko. The method chosen to kill Litvinenko suggests a deliberate effort to mask the origins of the killing while inflicting the maximum amount of suffering on the victim as an object lesson to any disaffected would-be political defector from the FSB. The fact that the principal suspect in the killing as identified by the British was subsequently elected to the Duma testifies to the degree to which Russia's political values have undergone a significant transformation over the last eight years.

Although they have received more media attention, the murders of Politkovskaya and Litvinenko are far from isolated incidents, as table 1 demonstrates. In the majority of these cases, the victim had an inconvenient political profile and the perpetrators were not arrested, reinforcing the suspicion that

Table I. Politically Significant Killings

On July 27, 2006, prior to Anna Politkovskaya's murder, Reporters Without Borders claimed that "[a]t least 13 journalists have been killed in [Russia] because of their work since 2000 and none of these cases has been solved by the authorities." According to the nonprofit Committee to Protect Journalists, 14 journalists have been killed in Russia since 2000 in retaliation for their journalism. None of the murders have been solved, and 13 bear marks of contract hits.

JOURNALISTS			
Name	Position	Date Killed	Method
Eduard Markevich	newspaper editor	September 18, 2001	shot
Natalya Skryl	journalist	March 8, 2002	beaten
Valery Ivanov	<i>Tolyatinskoye Oborazheniye</i> newspaper editor, independent television station director	April 29, 2002	shot
Yuri Shchekochikhin	reporter, politician	July 3, 2003	thallium poisoning
Alexei Sidorov	Valery Ivanov's successor	October 9, 2003	stabbed
Paul Klebnikov	editor of <i>Forbes</i> Russian edition	July 6, 2004	shot
Yevgeny Gerasimenko	newspaper correspondent	July 26, 2006	tortured and suffocated
Anna Politkovskaya	journalist	October 7, 2006	shot
BUSINESSMEN			
Name	Position	Date Killed	Method
Sergei Panamarev	chairman, Akademkhimbank	June 29, 2000	
Oleg Belonenko	chief executive, Uralmash	July 11, 2000	shot
Pavel Shcherbakov	chairman, Alfavit financial group	June 3, 2002	
Igor Klimov	acting general director, defense contractor Almaz-Antei	June 6, 2003	shot

Sergei Shchitko	commercial director, RATEP defense plant	June 7, 2003	shot
Aleksandr Slesarev	former owner of two Russian banks	October 16, 2005	shot
Andrei Kozlov	first deputy chairman, Central Bank of the Russian Federation	September 14, 2006	shot
Enver Ziganshin	chief engineer, Rusia Petroleum	September 30, 2006	shot
Anatoly Voronin	head of property management department, ITAR-TASS news agency	October 15, 2006	stabbed
Zelimkhan Magomedov	director, National Oil Institute Fund	November 14, 2006	shot
Alexander Samoylenko	general director of operations, Itera	December 4, 2006	
POLITICIANS			
Name	Position	Date Killed	Method
Valentin Tsvetkov	governor, Magadan Oblast	October 18, 2002	shot
Sergei Yushenkov	liberal member of the Duma	April 17, 2003	shot
Valery Maryasov	deputy mayor, Novosibirsk	March 2, 2004	shot
Aleksandr Semyonov	city council member, Irbit	October 15, 2006	shot
Dmitry Fotyanov	mayoral candidate, Dalnegorsk	October 19, 2006	shot
POLITICAL OPPONENTS ABROAD			
Name	Position	Date Killed	Method
Zelimkhan Yandarbiyev	writer, acting president of Chechen Republic of Ichkeria	February 13, 2004	assassination bomb
Alexander Litvinenko	former security agent	November 23, 2006	polonium poisoning

the killings were political in motivation and undertaken under the state's protective umbrella.

If the desire to make an example of the Chechens and then of Khodorkovsky played a catalytic role in Putin's early decisions, personal as well as collective elite insecurity seems to have been instrumental in unleashing the intensifying assault on the remnants of the constitutional legacy of the Yeltsin years. It was precipitated by the democratic elections conducted in two nearby

former Soviet republics. The triumphs of the Revolution of the Roses in Georgia in late 2003 and of the Orange Revolution in Ukraine in late 2004 generated reactions in the Kremlin that were nothing short of panic. The outcomes were fiercely denounced as U.S.-engineered upheavals and as a foretaste of similar, foreign-inspired designs on Russia's sovereign democracy.

The public and officially inspired campaign against foreign subversion soon acquired a domestic focus. Its result was the overt and increasingly

arbitrary political manipulation of Russia's political processes, culminating in the elections to the Duma in late 2007 that were not much more than a state-controlled public plebiscite. The ultimate irony was that, at the time, Putin could have in all probability prevailed even in a truly contested electoral process.

Some make the case that the suspension and then reversal of democratic development in Russia was necessary to end the country's economic and social malaise. It has also been argued that the 70-year-long demoralizing Soviet experience left behind a political culture uncongenial to democracy. Yet, these arguments ignore the striking fact that Ukraine next door, a country long linked with and culturally close to Russia that shared the same Soviet experience and suffered from a similar free fall after the Soviet Union's collapse, managed to overcome its internal difficulties without a turn toward a nationalistic dictatorship. Ukraine has held several presidential elections in which the outcome was not predetermined prior to the actual vote, and it has managed to preserve a functioning parliamentary system and a free mass media. Its political culture is now more European than is Russia's, and Ukraine itself is now closer to Europe than is Russia. Neither was the case two decades ago.

It is important to note, however, that the cumulative result of Putin's retreat from democracy is the emergence of a political system that neither imitates the former Soviet Union, nor Nazi Germany, nor contemporary China. It is certainly not a totalitarian system, such as that of Stalin or Hitler. It has neither a gulag nor a genocidal aspiration, nor is it asserting pervasive social control or engaging in mass terror. Unlike totalitarianism, Russia's current

**The turn
toward political
authoritarianism in
Russia was a choice,
not a necessity.**

repressive authoritarianism still leaves some room for individual dissent and private free speech and even more for private nonpolitical life. Politically significant in the longer run is that travel abroad remains relatively open, especially for those who can afford it. Unlike China's transformation, Russia's social change is also not guided by any programmatic design.

Ultimately, the political strength of Putin's authoritarian political system is derivative of and dependent on the country's sudden but potentially transient wealth. That wealth yields passive popular consent and more focused positive support for Putin himself. Yet, the system's dependence on capital inflows derived from the extraction and export of natural resources is also its fundamental weakness. The resulting and increasingly visible concentration of wealth at the top is corrosive and eventually demoralizing. As long as enough of it is shared to ensure a wider sense of social progress, it defers social restlessness. Eventually, however, individual, local, and regional resentments are likely to accumulate, creating a fertile soil for social unrest on the part of a public no longer hermetically sealed off from the world. Russia's public, unlike that in Saudi Arabia or Nigeria, increasingly identifies itself socio-culturally with the lifestyle of the West, and that over time may contribute to a more critically assertive political consciousness.

In any case, Putin has arrested and then reversed Russia's political evolution toward a genuine constitutional democracy. March 2008 could have been a watershed in Russia's history. Russia's democratic evolution under Yeltsin was erratic, often contradictory and at times conflicting. Nonetheless, Russia was freer 10 years ago than it is today. It was not yet an institutionalized liberal democracy, but it was moving, even if occasionally stumbling, in that direction. In such a Russia, Putin could still have dominated the political scene, benefiting from Russia's improving financial circumstances, while consolidating the beginnings of democracy in the realms of civil rights, freedom of expression, and civility in political conduct. His KGB background, his Soviet big-power hubris, and ultimately the insecurity of his wealth pushed him in another direction to Russia's historical detriment.

In brief, Putin's eight years were a regression toward capricious and repressive politics, but they could have been at least a modest progression toward a constitutional system of rule. The turn toward political authoritarianism in Russia was a choice, not a necessity.

The Economy: Centralized Corporate Statism Instead of an Increasingly Transparent and Law-Based Mixed Economy

To strengthen the state, rather than to promote social initiative to renew Russian society, was the ultimate purpose of the economic system shaped by Putin. When serving as deputy mayor of St. Petersburg under the free-wheeling Sob-

chak, Putin had his first direct exposure to the attractions of money and to the benefits of hidden wealth. That had to be a new and heady experience for the formerly modestly salaried KGB officer. It doubtfully made him nostalgic for the mediocre lifestyle of the Soviet era. It also must have made him conscious that the combination of political power and private wealth was a potent formula.

Once in charge of post-Soviet Russia, Putin's practical application of that insight was reinforced by the imperatives of Russia's disrupted, derailed, and disoriented economic life. The country's gross national product (GNP) had fallen precipitously, to a degree ominously reminiscent of the U.S. Great Depression. The modestly living and bureaucratized Soviet middle class was hit especially hard. Suddenly, areas governed by Moscow for centuries were now independent states, insisting on respect for their boundaries and for their national assets. Typical was the fate of the once-huge Aeroflot: the newly independent states inherited portions of its air fleet, depending on where Aeroflot planes were parked on the day the Soviet Union was dissolved. The "grab as grab can" privatization of the previously state-owned and "planned" industrial assets resulted in the legally dubious but enormous enrichment of the very few. Meanwhile, state-managed retail trade simply collapsed, to be replaced initially by pitiful private and often street-based merchandising.

In these circumstances, the reassertion of political control over the country's economic life was a tempting short-term option. The enforced symbiosis between Putin's *siloviki* and the new oligarchs was almost literally oiled by the felicitously increasing inflow of liquidity and foreign investment, largely thanks to growing European demand for Russian energy exports. As a result, Russia's overall trade balance at the end of 2007 was a hefty \$128 billion, and its international reserves equaled \$466 billion.⁵ As the recovery of the country's GNP accelerated, reaching by 2005 its pre-crisis 1990 levels and growing at about 6 percent annually, the benefits of the cohabitation in the Kremlin between public power and private wealth became more widespread but also more unevenly distributed.

The most visible effects of the recovery are strikingly evident in Moscow and St. Petersburg, in part because of political decisions to emphasize high-visibility, prestige-enhancing projects testifying to Russia's restored international standing, in part because the two cities have traditionally been the centers of Russia's political and social elites. Although the rest of the country changed less, and the countryside practically not at all, the recovery has also had a wider social effect. It stimulated the beginnings of an increasingly self-employed or at least non-state-employed middle class whose more privileged lifestyle aspirations became shaped increasingly by the globalized standards of urban consumption. For the emerging new middle class, not to mention the powerful new really rich, the lifestyle of the Soviet era became the unmourned past.

The picture is more mixed when the focus moves from the shorter term, primarily involving the desperately needed economic recovery, to the longer term, involving Russia's future social well-being and international economic competitiveness. In the latter case, two defining characteristics of Russia's economy under Putin are likely to have a negative impact on Russia's prospects. The first is the concentration of national economic decisions in the hands of a narrow circle of politically powerful and often personally wealthy officials. The second involves the emergence in the national economy of a cluster of murky owned corporations (key energy companies, industrial enterprises, and banks, for example) that cumulatively dominate the day-to-day economic life of the country. The number of those owning small private businesses has remained static over the last few years, while large corporations have grown dramatically. The result is a system of corporative statism in which power holders act as if they were the owners without legally being so, while the often-hidden legal owners share the benefits with political power-holders while partaking with them in decisionmaking.

Russia's future social well-being and international economic competitiveness are not promising.

The case for the proposition that, under Putin, Russia "has become a corporate state" has been made most eloquently by Putin's erstwhile economic adviser turned severe critic, Andrei Illarionov. He has been scathing in his analysis of the implications of this development for Russia's future: "[T]oday, at the start of the twenty-first century, choosing this model is nothing other than a conscious choice in favor of a Third World social model," which he identified with Iran, Saudi Arabia, and Venezuela. He also explicitly noted some significant similarities with "Mussolini's corporate state."⁶ Such a system has a natural bias in favor of the politically opportune and toward financially rewarding the short term to the detriment of the longer-range national interest and social well-being.

Moreover, the political concentration of nationwide economic and financial decisionmaking, simultaneously combined with the symbiotic wedding of political power and economic wealth, has generated a parasitic ruling class while stifling competitive innovation. For that ruling class driven by self-interest, strengthening the state was an obvious choice. Initially, the term "federation" in Russia's self-definition as a state after the economy-owning Soviet Union's fall was to have substantive meaning, especially in regard to self-government and hence to regional financial management. Constitutional recognition of the economic diversity of the territorially vast Russia was meant to enhance grassroots democracy while stimulating local enterprise and initiative.

Alas, before long, all this was undone by Putin's very deliberate and arbitrary decision to eviscerate the federation. Local governors were no longer to be locally elected, but appointed by the president. Budgetary allocations were again to be the exclusive prerogative of the center, with national development again subject to a top-down bureaucratic process of decisionmaking. The centuries-long tsarist and then Soviet tradition of central monopoly of power and money in the hands of the socially parasitic and economically stifling, Moscow-based ruling bureaucracy was thus reasserted. The average income of Russia's richest 10 percent in early 2005 was 14.8 times higher than the income of the poorest 10 percent, while in Moscow the richest 10 percent made 51 times what the poorest 10 percent earned.⁷

That moneyed ruling class has not been above deploying billions of its dubiously acquired wealth abroad, both legally and by money laundering. Even though Putin has publicly complained, "We are seeing the laundering of billions of rubles every month within the country. We are seeing the movement of enormous financial resources abroad," official complicity has to be assumed, at least initially.⁸ Although precise amounts are difficult to determine, the cumulative scale of open and disguised capital outflows from Russia have been considerably larger than Moscow's budgetary allocations for the development of long-neglected regions of Russia. Russia's wealthy *siloviki* and oligarchs, their nationalism notwithstanding, have preferred to invest in real estate on the Riviera and in London or simply deploy their cash to Cyprus or the Cayman Islands.

Russia's Far East, including the Vladivostok region and Kamchatka as well as the northern stretches of Siberia, have long been seeking major allocations for infrastructural modernization, housing development, and general upgrading. Disbursements, however, have dramatically lagged behind stipulated investments. Neglect by the center and limited local means have resulted in the outflow of local inhabitants to the more favored west-central parts of Russia, thereby geopolitically compounding the nation's grave ongoing demographic crisis while reducing the likelihood that greater regional autonomy could foster economically advantageous cooperation with proximate and more advanced foreign neighbors, such as China, Japan, South Korea, and the nations of Scandinavia.

Also symptomatic of the indifference by the center to Russia's outer regions is the antiquated and underdeveloped character of Russia's transportation. The country has only one transcontinental railroad and no modern transcontinental highway. In fact, it still has no equivalent to the U.S. interstate highway system constructed decades ago or the European autobahns initiated in the late 1930s. Even worse, China in the last decade has constructed a network of more than 30,000 miles of modern, multilane highways, while Russia is only now building

its very first, at last upgrading the two-lane paved road between Moscow and St. Petersburg on the tract built centuries ago by Peter the Great.

Informed Russian observers are also increasingly concerned that Russia's reliance on capital inflows in return for Russia's oil and gas is breeding a decline in the country's capacity to sustain technological innovation and industrial dynamism in the global competition for economic preeminence. The renewal of Russia's industrial infrastructure, which in the Soviet times was being replaced at an annual rate of 8 percent, has declined to 1–2 percent, in contrast to the 12 percent of the developed world.⁹ No wonder that the World Bank reported in 2005 that fuels, mining products, and agriculture accounted for 74 percent of Russia's total exports, while manufactures accounted for 80 percent of Russia's total imports.¹⁰

Not only is Russia said to be about 20 years behind the developed countries in industrial technology, but it also develops 20 times fewer innovative technologies than does China and devotes considerably less money to research and development than its rapidly transforming eastern geopolitical rival does.¹¹ Prime Minister Wen Jiabao of China, when visiting Russia in 2007, noted with satisfaction that Chinese-Russian trade in machinery products reached an annual level of \$6.33 billion. Out of politeness, however, he refrained from adding that \$6.1 billion of that sum involved Chinese machinery exports to Russia, leaving only \$230 million of Russian machinery exports to China. Making matters worse, projections by the Organization for Economic Cooperation and Development for the year 2020 envisage not only China's gross domestic product as approximately four times larger than Russia's, but with India ahead of Russia as well.¹²

The absence of an ambitiously grand program to shape a truly advanced Russian society that exploits the opportunity provided by the significant price increase of Russia's rapidly expanded energy exports is the most glaring deficiency of the Putin years. That comprehensive vision has been lacking, and nationalist boasting about Russia's status as a world energy power cannot provide a productive substitute. Such a program would have to be more than a set of targets. It would have to be imbued with relevant notions of what it takes to generate a dynamically modern, socially prosperous, technologically innovative, creatively competitive, and legally transparent system capable of engaging in sustained competition on the global arena with the technologically innovative leading powers. Such a programmatic vision would have to focus on the need to remedy the painfully revealing shortcomings of Russia's competitive standing in the world, as table 2 indicates.

**Contemporary Russia
no longer exercises
any worldwide
ideological appeal.**

Table 2. Russia's Mixed Standing in the Global Hierarchy

Category	Russian Ranking/Standing	U.S. Ranking
Land Mass	1st, followed by Canada	3rd
Population	8th, preceded by Bangladesh, followed by Nigeria	3rd
Gross Domestic Product (GDP)	11th, preceded by Brazil, followed by India	1st
GDP per capita	79th, preceded by Botswana, followed by Lebanon	10th
GDP, Purchasing Power Parity	10th, preceded by Brazil, followed by Spain	1st
Exports	12th, preceded by Hong Kong, followed by Singapore	2nd
Imports	18th, preceded by India, followed by Switzerland	1st
Foreign Direct Investment, inflows	13th, preceded by Australia, followed by Brazil	1st
Global Competitiveness	58th, preceded by Croatia, followed by Panama	1st
Business Competitiveness	71st, preceded by Egypt, followed by Kazakhstan	1st
Perceived Corruption, ranked from least to most corrupt	143rd, preceded by Syria and Pakistan, followed by Angola and Nigeria	20th
Human Development Index, based on living standards, health, and education	67th, preceded by Bosnia and Herzegovina, followed by Albania	12th
Enrollment in Tertiary Education	12th, preceded by Lithuania, followed by Slovenia	
Life Expectancy	119th, preceded by Guyana, followed by Sao Tome and Principe	29th
Political and Civil Freedoms	Labeled "not free" by Freedom House, with 44 other nations. There are 58 "partly free" nations and 90 "free" nations.	"free"

Sources: CIA World Factbook; World Bank, World Development Indicators database; *Economist*; International Monetary Fund, World Economic Outlook Database; UN Development Program, "Human Development Report 2007/2008"; Freedom House, "Freedom in the World 2007"; World Economic Forum, "Global Competitiveness Report 2007–2008"; Transparency International, "Corruption Perceptions Index 2007."

Putin's management of Russia's national economy was clearly a short-term success of recovery, stabilization, and growth, but it also represents a missed longer-range opportunity to set Russia firmly on a course toward becoming a truly advanced society with a productive mixed economy. Putin failed to make that choice.

The World: Nostalgic Preoccupation with Superpower Status Instead of Aiming to Become an Influential Partner of the Advanced Democratic World

The world was startled in February 2007 when, at the Wehrkunde international conference on global security, Putin suddenly unleashed a sharp attack on U.S. foreign policy, accusing it of "plunging the world into an abyss of conflicts" because of its reliance on "an almost uncontained hyper use of force." Although Putin's stand capitalized on the widespread international sentiment that U.S. policy since 2003 had become imperialist in its reliance on force, not credible in its presidential pronouncements, and illegitimate in many of its practices, the shock effect of his salvo, followed shortly by a series of other abrasive attacks on U.S. policies, was gratifying domestically. It signaled to many Russians that their leader was no longer the protégé of the U.S. president but his global challenger and that the end of Russian subservience to the United States marked Russia's return to the days of global preeminence.

In the eyes of many members of the Russian elite, that preeminence is grounded in three decisive realities: Russia's relative coequality with the United States in nuclear weaponry, its newly claimed and frequently cited status as "an energy superstate," and deeply rooted national pride regarding Russia's huge territorial size not even closely matched by any other state. Cumulatively, these considerations make many Russians, especially in the political elite, embrace the argument that, in spite of its recent travails, Russia as a leading world power is entitled to its own exclusive sphere of influence.

Fewer Russians, however, are aware that Russia's nuclear capabilities are reduced in their political significance by its weakness in the versatile non-strategic dimensions of military power, leaving Russia with the capacity only to engage in mutual self-destruction with the United States but with limited means for the politically effective projection of military power. The importance of the energy claim is reduced by the fact that it breeds a parasitic politico-economic elite indifferent to the need for long-range comprehensive economic development while, as Dmitri Trenin, a leading Russian foreign policy analyst, observed, the claim of being an "energy superpower is a myth, and a dangerous one."¹³ Territorial intoxication overlooks the basic fact that almost one-half of Russia's landmass is located in frigid permafrost zones that actually handicap national economic prospects.¹⁴ Last but not least, un-

like the defunct Soviet Union, contemporary Russia no longer exercises any worldwide ideological appeal. To some extent, Moscow can now compensate for that deficiency by simply buying influence in key foreign capitals, be it Washington or Berlin; but money can only purchase opportunistic service, not fervent commitment.¹⁵

In that context, the pursuit of a foreign policy strongly motivated by resentment of the U.S. superpower status, while seeking to limit the access of the European Union and China to the energy resources of the non-Russian

portions of the former Soviet Union, tends to isolate Moscow. Russia's fear of China's long-term potential makes for a Sino-Russian relationship that is tactically cooperative but strategically mutually suspicious. Russian resentment that it no longer dominates central Europe complicates its relationship not only with the EU but with the United States as well.

Of particular concern to Russia's longer-term geopolitical prospects should be the

fact that politically and economically vital areas to its west and to its east are organizing themselves in a fashion that is likely to reduce Russia's influence further. In the West, the EU is steadily consolidating its economic integration, sporadically developing a political identity, and still expanding. Heavy-handed efforts to monopolize the EU's downstream and upstream dependence on Russia's energy exports are also stimulating a more deliberate effort by the EU to develop alternative energy sources and a supranational energy policy. The presence in the EU of states with vivid memories of Russian domination has also worked to Russia's detriment.

In the fast growing far eastern and southeastern Asian mainland, not only is China rising as a technologically advanced power, but Beijing is making steady headway in promoting China-led regional cooperation. China's constructive role in the six-party talks on North Korea's nuclear program has also reinforced the subtle U.S. tendency to quietly forge a U.S.-Chinese-Japanese strategic accommodation designed to enhance stability and security in the Far East. The combination of China's industrial might and enormous human capital is bound to cast an ominous shadow over the empty and underdeveloped eastern regions of Russia.

Iran, to the south of Russia, although unstable and volatile, will almost certainly be oriented toward the EU and China. At the same time, its history predisposes Iran toward anti-Russian hostility. Moreover, Iran shares with Turkey an interest in opening up formerly Soviet-controlled Central Asia to

Nostalgia for the imperial past is incompatible with modern-day realities and counterproductive.

international economic access, which collides with Moscow's evident interest in monopoly control over the flow of Central Asian energy to global markets. It is unlikely that Moscow can for long prevent the EU (with U.S. support), China, India, Iran, and Turkey from enlarging their direct access to the newly independent Central Asian states, which also quietly desire to be accessible. The Shanghai Cooperation Organization (SCO), which Putin sponsored in the hope of consolidating Russia's preeminent position in Central Asia, has already backfired, as it legitimated China's increasing interest in the former Soviet backyard. The recent presence in joint SCO maneuvers of Chinese troops in Kazakhstan for the first time since the Mongol Empire testified to China's enhanced role in the region but hardly to Russia's.¹⁶

Given the potentially threatening geopolitical isolation of Russia, future Russian leaders will have to face the fact that Putin's foreign policy is self-defeating. Some Russians already perceive that danger.¹⁷ An attempt to create an exclusive but depopulated Russian sphere of influence between the West and the East in the area of the former Soviet Union, including in it a reluctant Georgia and Ukraine, is a prescription for a national disaster. Nostalgia for the imperial past is not only incompatible with modern-day realities, it is counterproductive.

A case in point is the belligerence of Russia toward Georgia because of the strategically important role that the Baku-Ceyhan pipeline plays in providing access for the EU to the Caspian Sea and Central Asian regions. The dynamics of globalization work against efforts to seal off Central Asia. Moreover, if pressed hard, Georgia and Ukraine can count on external support. Also, neither the EU nor NATO will pull back from central Europe in order to accommodate Russia. The expansion of the EU and NATO has made Europe more secure. Failure to expand would have reawakened Moscow's ambitions regarding the Baltic states and Poland, and in any case, it cannot be undone.

In that setting, Russia's only constructive choice is to assert its European cultural heritage by becoming an increasingly democratic constitutional state based on a legally transparent mixed economy, with expanding links to the EU. Paradoxically, Ukraine's gravitation toward the West, which the current rulers in the Kremlin so resent, is likely both to pave the road westward for Russia while foreclosing Moscow's imperial temptations. A Ukraine solidly in Europe is in fact the precondition for an eventually European Russia. The consequent emergence of trans-Eurasian cooperation from Lisbon to Vladivostok would enhance Russia's security while advancing its social modernization. It would also make it easier for Russia and the United States to collaborate more closely in reducing the size of their nuclear arsenals and in more effectively forestalling nuclear weapons proliferation.

Ukraine's gravitation toward the West is likely to pave the road westward for Russia.

To conclude, nationalist authoritarianism and corporate statism with touches of outdated imperial nostalgia freeze Russia's historical evolution for the time being. Yet, there have been some encouraging signs that more enlightened tendencies have occasionally percolated even within Putin's own regime. At the widely attended St. Petersburg Economic Forum in June 2007, the recently dismissed minister for economic development and trade, German Gref, contested the views of First Deputy Prime Minister Sergey Ivanov, at the time a presumed successor

to Putin, who stressed that Russia's economic innovation should be promoted predominantly by state-controlled industries. Gref's own scenario for Russia's future, contained in his ministry's draft, "Concept of Russia's Long-Term Social and Economic Development Through 2020," argued the importance of constitutional rights, initiative, and legally protected economic freedoms as the turnkey to Russia's competitive prospects.¹⁸

Moreover, even though disfranchised, open opposition to Putin's political and economic decisions continues to exist. There are now politicians in Russia who dare to denounce the basic choices that the currently popular national leader has espoused. They are denied access to the mass media, but their very existence testifies not only to their courage but also to the potential for political renewal once current policies begin to lose their appeal and corruption gives rise to more widespread social resentments.

Most importantly, the younger Russian generation, which in the course of the next decade will replace the KGB remnants of the Soviet era, is well educated and has been exposed virtually or directly to the West. It is significantly more democratic in its outlook than the older generation. According to the Gallup Organization's Russian affiliate, 71 percent of Russians under the age of 30 believe that democracy is the best political system, whereas only 50 percent of those over the age of 50 believe this.¹⁹ Whatever its current political views, before too long such exposure is bound to have a political effect, gradually redefining the outlook of Russia's elite. Such a redefinition is essential to Russia's future. Indicative of their good common sense, 80 percent of Russians doubt that their country is currently governed by the will of its people.²⁰ In the words of Russian political scientist Lilia Shevtsova, "Russia's basic problem does not lie in the citizenry, it lies in Russia's ruling class. And here we run up against the peculiarity of Russia's development: the ruling class in this country is far less progressive than the people.... The people have never been offered a convincing liberal democratic alternative."²¹ Indeed, not offering one was both Putin's choice and his grave failing.

A basic lesson thus stands out from the West's disappointing experience with Putin: competitive courtship of the Kremlin leader's ego is not as productive as coordinated shaping of a compelling geopolitical context for Russia. Personal enticements can be easily pocketed as privileged entitlements, with Putin's membership in the Group of Eight failing miserably to convert him into a devoted democrat. External conditions need to be deliberately shaped so that future Kremlin leaders conclude that democracy and becoming part of the West are in Russia's interest as well as their own. Fortunately, because the Russian people can no longer be isolated, the chances are growing that they may reach this conclusion ahead of the Kremlin.

Notes

1. Yekaterina Vlasova, "What Will Happen After the Elections?" *Rossiyskaya gazeta*, December 4, 2007 (in Russian).
2. Michael Wines, "In Moscow, a Whiff of Terror From Afar," *New York Times*, September 26, 1999, <http://query.nytimes.com/gst/fullpage.html?res=9E0CE3DC103FF935A1575AC0A96F958260>.
3. *Moskovskiy Novosti*, September 14, 2004.
4. Anders Aslund, "Unmasking President Putin's Grandiose Myth," *Moscow Times*, November 28, 2007, p. 9; Manfred Quiring, "Man sollte die active rolle Putins nicht überschätzen," *Die Welt*, November 12, 2007; Maksim Kvasha, "For Us, the Party Is Represented by the Power Bloc Headed by Ignor Ivanovich Sechin," *Kommersant*, November 30, 2007 (in Russian) (interview with a Russian investment banker); Jonas Bernstein, "Finansgroup: How Russia's *Siloviki* Do Business," *Eurasia Daily Monitor*, November 30, 2007.
5. *Economist*, January 19, 2008, pp. 109–110.
6. Andrei Illarionov, "A Different Country," *Kommersant*, January 23, 2006 (in Russian); Boris Nemtsov, "The Chekists Have Become Oligarchs," *Novaya gazeta*, February 9, 2006 (in Russian). For a comprehensive and truly incisive overall critique, see Celeste Wallander, "Russia: The Domestic Sources of a Less-than-Grand Strategy," in *Strategic Asia 2007–08: Political Change and Grand Strategy*, ed. Ashley J. Tellis and Michael Wills (Washington, D.C.: National Bureau for Asian Research, 2007).
7. Natalia Biyanova, "Increasing Income Differentiation Could Lead to a Social Explosion," *Gazeta*, February 8, 2005 (in Russian).
8. Anna Smolchenko and Oksana Yablokova, "Putin Calls for a Banking Cleanup," *Moscow Times*, September 18, 2006.
9. Mikhail Vorobiev, "Restaurants, Taxis, Girls; Grigori Yavlinsky Diagnoses the Russian Political-Economic System," *Vremya novosti*, June 7, 2006 (in Russian).
10. Economic Management and Policy Unit, World Bank Russian Country Office, "Russian Economic Report," no. 15 (November 2007), http://siteresources.worldbank.org/INTRUSSIANFEDERATION/Resources/RER15_Eng.pdf.
11. Viktoria Zavyalova, "Russia in Need of Foreign Technology," *Kommersant*, April 19, 2006 (in Russian).
12. Organization for Economic Cooperation and Development, *OECD Economic Outlook*, no. 82 (December 2007).

13. Dmitri Trenin, "Russia's Strategic Choices," *Carnegie Policy Brief*, no. 70 (June 2007), http://www.carnegieendowment.org/files/pb50_trenin_final.pdf.
14. See Fiona Hill and Clifford Gaddy, *Siberian Curse: How Communist Planners Left Russia Out in the Cold* (Washington, D.C.: Brookings Institution Press, 2003).
15. Glenn R. Simpson and Mary Jacoby, "How Lobbyists Help Ex-Soviets Woo Washington," *Wall Street Journal*, April 17, 2007, p. A1.
16. See Alexei Matveyev, "Beijing Moves Into Central Asia," *Voenno-promyshlennyyi kurier*, December 6, 2007 (in Russian).
17. See Andrei Ryabov, "Loneliness in the Midst of Democracy," *Novaia gazeta*, June 8, 2007 (in Russian).
18. Mikhail Vorobiev, "Half and Half With Gref," *Vremya novosti*, July 26, 2007 (in Russian).
19. Jonas Bernstein, "Almost Two-Thirds of Russians Believe Democracy Is the Best Political System," *Eurasia Daily Monitor*, January 16, 2008, http://jamestown.org/edm/article.php?article_id=2372720.
20. Ibid.
21. Lilia Shevtsova, "Russia in 2005: The Logic of Rollback," *Nezavisimaya gazeta*, January 31, 2005 (in Russian); Lilia Shevtsova, *Russia: Lost in Transition* (Washington, D.C.: Carnegie Endowment for International Peace, 2007). See Michael McFaul and Kathryn Stoner-Weiss, "The Myth of the Authoritarian Model," *Foreign Affairs* 87, no. 1 (January/February 2008): 68–84. McFaul and Stoner-Weiss's article, which coincided with the completion of this article, is somewhat less optimistic about Russia's longer-range evolution than my own assessment.