

## The same old modernisation game? Russian interpretations of modernisation

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### Abstract

The modernisation of Russia has been a topic of vigorous debate for centuries. It has also been an intensely divisive issue among Russia's elite, and since President Dmitry Medvedev came to power, modernisation has become the leitmotif of the presidency. The global economic crisis hit Russia hard, meaning that the status quo in political, economic and social terms is no longer acceptable. However, there are a number of competing visions on modernisation within the Russian political elite and society as a whole. This Working Document aims to illustrate the diversity of and competition for the dominance of views on Russia's future. In a second step, the authors analyse the obstacles to a successful realisation of the ambitious modernisation agenda and outline the implications for the new EU-Russia modernisation partnership.

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**THE SAME OLD MODERNISATION GAME?**  
**RUSSIAN INTERPRETATIONS OF MODERNISATION**  
**CEPS WORKING DOCUMENT No. 337/SEPTEMBER 2010**

**FÉLIX KRAWATZEK AND RODERICK KEFFERPÜTZ\***

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Throughout history Russia has tended to undergo transformations in spurts, with the aim of reaching a similar level of development as its European counterparts.<sup>1</sup> Peter the Great carried out a significant modernisation policy in the 17<sup>th</sup> century, thereby transforming Russia into a European empire, Alexander II undertook radical reforms in the 19<sup>th</sup> century, including an attempt at creating a parliamentary body, while Joseph Stalin embarked on a ruthless industrialisation drive in the 1930s, which at great cost turned the Soviet Union into a major industrial powerhouse, and Gorbachev attempted to re-invigorate the Soviet Union through *perestroika* and *glasnost*; ultimately contributing to its dissolution.

Time and again, Russia has had to contend with these different attempts at modernisation. They have led to great transformations as well as major debates on Russia's future trajectory, pitting, for example, Westernisers (*zapadniki*) against Slavophiles (*slavianofily*). The former propagating a Western course of modernisation, guided by the 'Philosophical Letters' of Petr Chaadaev (1794-1856), the latter insisting on Russia's unique culture and character and the development of its own path of economic development.<sup>2</sup>

With the ascent of Dmitry Medvedev to the presidency of Russia in 2008, the concept of 'modernisation' has yet again gained traction. In 2009, modernisation became more or less the official leitmotif of Medvedev's presidency, advanced by his article "Go Russia!" and State of the Nation speech.<sup>3</sup> Following the haphazard Yeltsin era and Putin's years of re-centralisation and stability, modernisation has again unleashed a broader internal and international debate about Russia's future trajectory.

The European Union has been following these developments in Russia and is keen to see Moscow embark on a broad modernisation agenda, realising the potential this has for forging an invigorated and constructive EU-Russia partnership. In this context, the latest EU-Russia

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<sup>1</sup> See, amongst others, Gerschenkron, A. (1962), *Economic backwardness in historical perspective, a book of essays*, Cambridge, MA: Harvard University Press; Dixon, S., (1999), *The Modernisation of Russia, 1676-1825*, Cambridge: Cambridge University Press or Kangaspuro, M. and Smith, J. (2006), *Modernisation in Russia since 1900*, Helsinki: Finnish Literature Society. For the debate among historians on the notion of backwardness see for example, Hildemeier, M. (1987), "Das Privileg der Rückständigkeit: Anmerkungen zum Wandel einer Interpretationsfigur der neueren russischen Geschichte", *Historische Zeitschrift*, Vol. 244, pp. 557-603.

<sup>2</sup> For a recent publication on that debate, see: de Meaux, L. (2010), *La Russie et la tentation de l'Orient*, Paris: Fayard.

<sup>3</sup> Medvedev, D., *Go Russia!*, 10 September 2009: [http://archive.kremlin.ru/eng/text/speeches/2009/09/10/1534\\_type104017\\_221527.shtml](http://archive.kremlin.ru/eng/text/speeches/2009/09/10/1534_type104017_221527.shtml) and Medvedev, D., *Presidential Address to the Federal Assembly of the Russian Federation*, 12 November 2009: [http://archive.kremlin.ru/eng/speeches/2009/11/12/1321\\_type70029type82912\\_222702.shtml](http://archive.kremlin.ru/eng/speeches/2009/11/12/1321_type70029type82912_222702.shtml).

summit in Rostov-on-Don resulted in a “Joint Statement on the Partnership for Modernisation” (known as P4M). Indeed, hopes are high for this new partnership. Particularly in view of the inability to conclude an agreement to replace the outdated Partnership and Cooperation Agreement (PCA) and the dismal track record of the so-called “Four Common Spaces” where, according to progress reports, the main achievements were the fact that “negotiations continued”.<sup>4</sup>

The newly established Partnership for Modernisation, it is hoped, will bring renewed vigour and serve as a benchmark to evaluate progress in the relations between the two countries. The agenda is ambitious and broad in scope, encompassing economic, social, environmental and legal dimensions, which in itself will be a challenge.<sup>5</sup>

However, one particular obstacle that could seriously impede the partnership’s success and has so far only gained limited attention is the diverging views on modernisation itself. Akin to the conflict between the *zapadniki* and *slavianofily*, this paper argues that diverging concepts and understandings of modernisation between the European Union and Russian Federation have the potential to seriously undermine this new initiative. While at first glance this predicament might sound abstract in nature, it can in actual fact translate into real difficulties on the ground. Different perspectives on modernisation go hand in hand with different understandings of how modernisation should be brought forward and the functions, level of engagement as well as capabilities of civil society, the state, political actors, the press or the economy within that concept of modernisation.

Even within Russia a number of competing visions abound on how to modernise the country, and the EU itself cannot be sure about the representativeness of each of those. While some Russian actors ascribe to the state the main role of driving modernisation *via* direct state action or through state-run enterprises, others place a greater emphasis on setting up an attractive legal and competitive economic framework that encourages private enterprises to innovate and modernise the country; a kind of top-bottom *versus* bottom-up approach. And again while some advocate a holistic modernisation of Russian society stretching from the economy to the political system and social structures, others prefer modernisation to be about gaining access to the latest technologies and developing new powerful industries. On the other hand, many do not seem to understand what the term ‘modernisation’ is supposed to mean. At the Krasnoyarsk Economic Forum on 11 February 2010 in Tomsk, for example, 70% of the participants attending said that they did not understand what the authorities meant by modernisation.<sup>6</sup>

As such, there are in Russia a variety of concepts espoused by different actors with regards to modernisation, and with that some confusion. In order to increase the chances of success of the EU-Russia Partnership for Modernisation, a common understanding on who drives modernisation and how they go about it will be indispensable. In this context, this paper aims to illustrate the polyphony within Russia concerning the concept of modernisation by deconstructing the various Russian understandings of the concept. By illustrating these diverging views within Russia and highlighting the potential differences in understanding

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<sup>4</sup> The four common spaces consist of (1) the common economic space, (2) freedom, security and justice, (3) external security, (4) research and education. For main achievements see the EU External Action Service 2009 Progress Report, March 2010: [http://eeas.europa.eu/russia/docs/commonsaces\\_prog\\_report\\_2009\\_en.pdf](http://eeas.europa.eu/russia/docs/commonsaces_prog_report_2009_en.pdf).

<sup>5</sup> Council of the European Union: *Joint Statement on the Partnership for Modernisation*, EU-Russia Summit, Rostov-on-Don, 1 June 2010: [http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/er/114747.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/er/114747.pdf) where the priority areas of the P4M are outlined.

<sup>6</sup> Wood, A., “Ten Russian Propositions”, *Chatham House*, 22 February 2010: [http://www.chathamhouse.org.uk/files/16032\\_0210wood.pdf](http://www.chathamhouse.org.uk/files/16032_0210wood.pdf).

between Brussels and Moscow that are the result of it, we aim to draw attention to the issue and emphasise the fact that the difference in defining modernisation should not be underestimated as a hurdle to a successful EU-Russia Modernisation Strategy.

### **A new urgency to modernise**

Following the financial and economic crisis, the ‘modernisation’ of Russia has in fact imposed itself on the country. Russians today largely agree on the fact that the situation in the country is problematic.<sup>7</sup> Russia’s demographics are particularly worrisome, with an extremely low average life expectancy (62.77 years for men; 74.67 years for women)<sup>8</sup> and a generally declining population rate, although in 2009 Russia saw its first annual population increase in 15 years.<sup>9</sup>

Whilst the crisis hit Russia severely, it also exposed a series of structural problems within the country. Among these problems, the dependency of the economy on the evolution of the oil price figures most prominently. Add to this low labour productivity, the opaque nature of Russian bureaucracy, low energy efficiency and the bubble that was created in the construction sector.<sup>10</sup> All these problems were present in Russia independent of developments in the global economy.

However, due to the rapid deterioration of the social and economic situation across Russia, with the economy shrinking by around 8% last year, the economic model that was consensual under Putin has come increasingly under pressure. This is a predicament for Russia’s politicians, who are feeling the heat from below. Whilst economic performance on its own does not explain the popularity of the president or the government, it is a particularly important factor in Russia.<sup>11</sup>

As such, the great recession was the main trigger for a comprehensive re-evaluation of Russia’s economic and, to some degree, state structures. This was facilitated by a more stable foreign policy situation. With the NATO accession dead in the water following the war with Georgia, and Ukraine shifting back into Russia’s ‘sphere of privileged interest’ under Yanukovich, Russia’s particular sensitivities regarding these issues had been temporarily assuaged. A general rapprochement with the West, be it through the START agreement with the US, the thaw in its relationship with Poland following the presidential plane crash, and the resolution of the long-standing border dispute with Norway also contributed to a more secure external dimension. This allowed for greater resources and attention at home, facilitating an emerging discourse on Russia’s modernisation. On the other hand, this rapprochement is also a result of Russia’s recognition that it needs modernisation and a secure foreign field, particularly with regards to the West, which would be a main player in aiding Russian modernisation efforts through foreign direct investments (FDI) and technology transfers. In this context, President Medvedev has aptly noted that:

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<sup>7</sup> See the publication of the Russian Academy of Science *Gotovo li rossijskoe obschtschestvo k modernizacii (Is Russian Society ready for modernisation?)*, Moscow 2010, available at [http://www.isras.ru/files/File/Doclad/gotovo\\_li\\_rossijskoe\\_obshestvo\\_k\\_modernizacii.pdf](http://www.isras.ru/files/File/Doclad/gotovo_li_rossijskoe_obshestvo_k_modernizacii.pdf).

<sup>8</sup> Russian life expectancy figures from Rosstat: [http://www.gks.ru/free\\_doc/new\\_site/population/demo/demo26.xls](http://www.gks.ru/free_doc/new_site/population/demo/demo26.xls).

<sup>9</sup> “Russia sees first population increase in 15 years”, *BBC News*, 19 January 2010.

<sup>10</sup> Aslund, A., Guriev, S. and Kuchins, A. (eds) (2010), *Russia after the global economic crisis*, Peterson Institute for International Economics, Washington, D.C.

<sup>11</sup> Although of course it plays a key role in most countries, after all it was Clinton who coined the term “It’s the economy, stupid!”. See also: Treisman, D. (2010), “Russian Politics in a Time of Turmoil”, in A. Aslund, S. Guriev, and A. Kuchins (eds), *Russia after the global economic crisis*, Peterson Institute for International Economics, Washington, D.C., pp. 39-58.

harmonising our relations with Western democracies is not a question of taste, personal preferences or the prerogatives of given political groups. Our current domestic financial and technological capabilities are not sufficient for a qualitative improvement in the quality of life. We need money and technology from Europe, America and Asia.

Whilst there is a tendency to rightly attribute the term ‘modernisation’ to Medvedev’s presidency, it is important to note that the term already made its (re)appearance in Russian political discourse way back in February 2008. One of the last important speeches from Putin as president had at its core Russia’s Development Strategy to 2020 and the idea of modernisation already figured prominently at this time.<sup>12</sup> Besides listing numerous achievements of recent years, the speech also identified several goals, such as achieving a life expectancy of 75 years by 2020 and having the middle class represent 60% if not 70% of the social strata by the same year. Putin also illustrated many of the problems facing Russia:

We are only making fragmentary attempts at modernising the economy. And this inevitably leads to an increase in Russia's dependence on imports of goods and technology to reinforce for us the role of a raw material appendage of the world economy.

More specifically, Putin highlighted the fact that “today’s apparatus is a largely bureaucratic, corrupt system” and that one of the main problems is “the excessive centralisation”. Quite ironic, given the fact that Putin’s years were marked by a re-centralisation and reinforcement of the power vertical. And even more so given that Putin also considers the Russian government to be the main driver of modernisation. Nevertheless, the speech brings to light a certain degree of continuity in the presidential handover in 2008, even though Medvedev has made the main messages his own.

### **The duumvirate’s modernisation talk**

Ever since the publication of the “modernisation manifesto” (Go Russia and State of the Nation 2009), modernisation has turned into the leitmotif of the current presidency. President Medvedev recognises the need for a general restructuring of Russian society in order to ensure future economic prosperity in a globalised world. Within this endeavour, Medvedev has emphasised all dimensions, leaving no sphere untouched. First and foremost, he emphasises the need for a technological and economic modernisation focusing particularly on five strategic vectors, which include energy efficiency, nuclear technology, ICT, space infrastructure and satellites, and the production of medical equipment.<sup>13</sup> Simultaneously, he addresses Russia’s “legal nihilism” and the need for an independent, fair and impartial judicial system.<sup>14</sup> The political sphere also figures prominently in his discourse on modernisation; numerous references to the development of a parliamentary system with free and fair competition leading to periodical changes within the political elite can be found.

Medvedev also acknowledges the significance of a developed public sphere (*Öffentlichkeit*) for the emergence of a “modern society”<sup>15</sup> (according to him “one that seeks constant renewal,

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<sup>12</sup> Putin, V., 8 February 2008, *Speech at Expanded Meeting of the State Council on Russia’s Development Strategy through to 2020*: [http://archive.kremlin.ru/eng/text/speeches/2008/02/08/1137\\_type82912type82913\\_159643.shtml](http://archive.kremlin.ru/eng/text/speeches/2008/02/08/1137_type82912type82913_159643.shtml).

<sup>13</sup> Medvedev, D., *Go Russia!*, 10 September 2009: [http://archive.kremlin.ru/eng/text/speeches/2009/09/10/1534\\_type104017\\_221527.shtml](http://archive.kremlin.ru/eng/text/speeches/2009/09/10/1534_type104017_221527.shtml).

<sup>14</sup> Legal nihilism (the non-respect of the rule of law) was addressed, for example, right after taking the oath of office, see: Stott, M. and Shchedrov, O., “Russia’s Medvedev takes power and pledges freedom”, *Reuters*, 7 May 2008.

<sup>15</sup> He explicitly states in his presidential address to the Federal Assembly of the Russian Federation that “it is clear that we cannot carry out our strategic plans without real change in society. Only if we

continuous evolutionary transformation of social practices, democratic institutions, visions of the future, assessments of the present, the one engaged in gradual but irreversible changes in technological, economic and cultural spheres, the steady improvement of the quality of life.”<sup>16</sup>) and underlines the importance of Russian civil society and its evolution within a reforming political system.

As such, within the clash inside the Russian elite between those who foresee a strong state and authoritarian government as the only way to modernise and those who consider political reform a precondition for modernisation, President Medvedev is generally regarded as belonging to the latter camp.<sup>17</sup> Besides listing the need for political reform on numerous occasions he also states that modernisation will be achieved by unleashing the “creative potential of every individual. Not through intimidation, but through interest.”<sup>18</sup> However, while Medvedev often denounces a modernisation driven by a strong authoritarian state and instead notes the importance of political liberalisation as a *conditio sine qua non* to modernisation, this does not mean he completely negates the role of the state per se. At times, some statist attitudes tend to emerge. For example, while Western governments tend to attract scientists and engineers by increasing their own desirability, Medvedev states that Russia will simply “hire the best scientists and engineers from around the world”<sup>19</sup> as if they could be ordered like take-away pizza. Likewise, with regards to the state corporations, he notes that they have no future in the modern world, stating that they should be transformed into “joint stock companies under government control”. As such, a certain element of state/government control still seems desirable although he later states that they should in future be sold to private investors.<sup>20</sup>

Prime Minister Putin in particular trusts in the ability of the state to drive modernisation forward. Contrary to President Medvedev, however, Putin limits his view of modernisation to a technological-economic level rather than extending it to the political and public sphere. In general, since the 2008 speech on Russia’s Development Strategy, Putin has spoken little on modernisation and on the rare occasion that he has it is generally rather vague; not going beyond techno-economic aspects such as the need to “scrap customs fees on technological equipment for sectors that [are] pivotal for the development of the national economy”<sup>21</sup> or increase custom duties on natural commodities.

As such, while Medvedev tends to take a holistic view of modernisation and in writing declares the need for political reform, which is often taken to mean that he believes a strong state should

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strengthen our political system and legal institutions, our country’s internal and external security, consolidate our social stability and develop modern education and culture, the culture in the broadest sense of the word, will we be able to achieve success.”

<sup>16</sup> Medvedev, D., *Presidential Address to the Federal Assembly of the Russian Federation*, 12 November 2009: [http://archive.kremlin.ru/eng/speeches/2009/11/12/1321\\_type70029type82912\\_222702.shtml](http://archive.kremlin.ru/eng/speeches/2009/11/12/1321_type70029type82912_222702.shtml).

<sup>17</sup> For example, at the recent Valdai Club discussion he noted that “only a free person is capable of modernising. Not someone who is afraid of the state, afraid for his life or his business”. See: Clover, Charles ‘Medvedev on reform path’, *Financial Times*, 11 September 2010.

<sup>18</sup> Medvedev, D., *Go Russia!*, 10 September 2009: [http://archive.kremlin.ru/eng/text/speeches/2009/09/10/1534\\_type104017\\_221527.shtml](http://archive.kremlin.ru/eng/text/speeches/2009/09/10/1534_type104017_221527.shtml).

<sup>19</sup> Medvedev, D., *Go Russia!*, 10 September 2009: [http://archive.kremlin.ru/eng/text/speeches/2009/09/10/1534\\_type104017\\_221527.shtml](http://archive.kremlin.ru/eng/text/speeches/2009/09/10/1534_type104017_221527.shtml).

<sup>20</sup> Medvedev, D., *Presidential Address to the Federal Assembly of the Russian Federation*, 12 November 2009.

<sup>21</sup> “Prime Minister Vladimir Putin meets with participants of the 7th meeting of the Valdai International Discussion Club in Sochi”, 6 September 2010: <http://premier.gov.ru/eng/events/news/12039/>.

not be needed in modernisation, he, like Putin, does seem to believe in the transformative power of the government and the state in general.

### The rugged path towards modernisation

Some of the projects launched under Putin and Medvedev in the name of modernisation are also state-run initiatives rather than actions that set a certain framework and enable the private sector to innovate.<sup>22</sup> This holds true particularly for research and development. Besides establishing massive conglomerates to spearhead industrial development and new technologies in 2007, such as Rosnano, a state corporation investing in innovation and promising nano-technologies, and Rostekhnologii, a defence industry state cooperation, one particular flagship initiative by Medvedev is the attempt to construct a Russian ‘Silicon Valley’ outside Moscow at Skolkovo. This innovation city or *innograd* is designed to develop new research and technologies catapulting Russia into a knowledge society, regardless of the fact that Silicon Valley was created due to favourable conditions and not because of a US government construction programme. Furthermore, Russia already has over 100 science centres and technoparks, which are so far only delivering extremely modest results. Not to mention the fact that other science centres have withered away, such as Novosibirsk Academic City.<sup>23</sup> In addition, many consider this new innovation city as just another corrupt cash cow for certain segments of the elite.

Research and development spending and institutions in general are highly state-run. While private industry accounts for between 55-75% of R&D spending in the EU, Japan and USA, in Russia it accounts for less than 30%. And although the Russian Duma has offered tax allowances to innovative companies, most do not take up these beneficial exemptions due to Russia’s legal nihilism and the fear that at any point arbitrary tax enforcement might run their businesses into the ground. As such, it comes as no surprise that Russia scores particularly poorly in the World Bank’s Economic Incentive Regime, which looks at the general business environment, regulations, rule of law, tariff and non-tariff barriers.<sup>24</sup> Russia’s march towards a knowledge-based economy is rather unlikely given the lack of funds,<sup>25</sup> an overall failure to mobilise R&D in private enterprises and shape an attractive economic framework.

The same state interference can be seen in civil society. In this context, Medvedev states, perhaps in a somewhat paternalistic manner, that the “development of civil society is only possible in a developed political system.”<sup>26</sup> Such an approach can already be observed on the ground in Russian actions to strengthen civil society, which are rather ambiguous. A blurred distinction between the private and the public is to be observed and leads to hybrid forms. Public participation in Russia has been institutionalised in two ways. First through the creation of the Public Chamber, whose members are appointed, accused of corruption and of not being representative. Second through “the Civil Society Institutions and Human Rights Council under the President of the Russian Federation” also known as the “Pamfilova’s Council”, created in 2004. The latter institute does not have much systemic influence, but seems to be efficient on individual cases, however.

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<sup>22</sup> Although a new law on energy efficiency in November 2009 has facilitated investments in this sector.

<sup>23</sup> Yasin, Y., “Fierce Cannibal Invites Little Girls To Cooperate”, *Yezhednevny Zhurnal*, 17 February 2010.

<sup>24</sup> Liuhto, K. “Rosnano and Skolkovo are Russia’s best innovation promoting measures, but they are not enough to modernise Russia as a whole”, *Baltic Rim Economies Review*, Vol. 3, 23 June 2010.

<sup>25</sup> Largely due to the fact that the Russian government only invests about 1% of GDP into R&D.

<sup>26</sup> Medvedev, D., *Presidential Address to the Federal Assembly of the Russian Federation*, 12 November 2009: [http://archive.kremlin.ru/eng/speeches/2009/11/12/1321\\_type70029type82912\\_222702.shtml](http://archive.kremlin.ru/eng/speeches/2009/11/12/1321_type70029type82912_222702.shtml).



No matter what one thinks of these two institutions, the participation of civil society in the political game is by nature difficult if it is institutionalised from above, as it militates against the idea of an autonomous civic sphere. When the state seeks to prepare, orchestrate, even control civic participation in the political game, it is the state itself that is the only player in the game.

Consequently, when it comes to the cooperation with the European Union it is this confidence in the ability of the state propagated through the official Russian political sphere that hinders the goals set out in the P4M. Within the EU, in general it is not so much the state that expects to have the ability to solve all problems. Rather it is the government that is expected to set an overall framework within which market forces and society can lead transformation. As a consequence there is a (currently barely mentioned) disagreement on who the partners are in this modernisation partnership. While the European Union would be keen to engage civil society actors in a modernisation drive, the Russian side would overwhelmingly focus on the state and might see the EU's emphasis on Russian civil society as a veiled attempt at democratisation and building pressure on the elite from below, which certainly would not go down well.

### **The many views on modernisation**

There are many actors with their own views on modernisation within Moscow beyond the 'official' (read: the duumvirate's) political understanding of modernisation, and here there are also variations between Putin and Medvedev. Looking at a number of official and unofficial advisors is particularly interesting to the extent that they benefit from a degree of independence that allows them to voice what official politicians are more often than not able to do.

Igor Yurgens from the Institute for Contemporary Development stands for a vision of modernisation that is particularly favoured in the West with its overwhelming focus on social innovation and mobilising private individuals through a comprehensive political and economic liberalisation. Yurgens used to be one of the key political consultants to Medvedev, spelling out clearly what Medvedev could not do due to political constraints. However, Yurgens' position within the Russian system is currently difficult to evaluate following his apparent demotion to the status of pure academic. Hence it is a subject of some speculation whether Yurgens' position is representative of what Medvedev would like to say or rather an expression of his personal view. However, it is to be noted that Yurgens was given a central role (moderator of one of the panels) within the Global Policy Forum in Yaroslavl 2010 – the political elite at least is not openly opposed to his views.

According to Yurgens the modernisation of Russia needs to be deep, systemic and decisive. If it is to succeed a fundamental change of the economic structure is needed, in particular a move away from resource dependency. But even more so all aspects of Russian society need to be affected. If it were only to concentrate on technological and economic aspects it is doomed to failure right from the start. "Modernisation begins with the right mentality. The human component takes on a special importance: values and principles, morals and motivations, orientations and systems of rules".<sup>27</sup> Yurgens does not stop to underline the importance of fighting corruption in the country, which is according to him only possible within a political system based on real competition, an independent and free media and a developed civil society

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<sup>27</sup> Yurgens, I. (2010), *Russia in the 21st century: Vision for the Future*, Moscow: Institute of Contemporary Development, January 2010, available online at [http://www.riocenter.ru/files/INSOR%20Russia%20in%20the%2021st%20century\\_ENG.pdf](http://www.riocenter.ru/files/INSOR%20Russia%20in%20the%2021st%20century_ENG.pdf).

as powerful referee.<sup>28</sup> These non-economic aspects are of the same importance as the five industrial priorities Medvedev identified in the modernisation manifesto.

Arkady Dvorkovich is officially the Chief Economic Advisor to the current Russian President. In an article published in February 2010, Dvorkovich presents his vision of modernisation, which reiterates Medvedev's priority industries as well as the importance of technological transfer to Russia and attracting new investments to Russia. Whilst there are allusions to the importance of a meaningful cooperation between the state, business and society, it remains unclear *who* will implement modernisation or how this should be done in concrete terms.<sup>29</sup> Dvorkovich also speaks of the necessity to restructure the corporate and public sectors, but however remains silent as to what place actors from society or the economy are to take in that 'modern' Russia.

Whereas Dvorkovich has understood the necessity for Russia to reform the foundations of its economic system, Vladislav Surkov, chief consultant to Putin who is sometimes considered as the main ideologist of the Kremlin, does have a different vision of the current state of affairs. He has defended the existing political system, in particular the single party dominance, and he is often considered as the architect of the current party system. His comment towards the beginning of the financial crisis nowadays seems absurd. In March 2009, for example, he stated: "I would like to say once again that the system works, that it will cope with the crisis and get through it... Everything is OK".<sup>30</sup> Surkov's views are diametrically opposed to Yurgens' proposals and differ significantly from those of Dvorkovich. In his statements, Surkov probably takes one of the most hard-line positions with regards to the Russian state claiming that "consolidated state power is the only instrument of modernisation in Russia. And, let me assure you, it is the only one possible."<sup>31</sup> The friction between the latter three actors also tends to demonstrate possible divisions between the Medvedev and Putin camps with regard to Russia's modernisation.

A number of contributions have been made by the academic milieu to the debate on modernisation. The 2004 presidential candidate Sergey Glazyev, who lost the elections against Putin and has officially retired<sup>32</sup> from politics to become a somewhat influential academic seems to have similar views to Surkov. He also upholds a key role for the state and not the market or (civil) society, writing that finally "for the first time in post-Soviet history, the state is in charge of the economy (and modernisation) and not international financial institutions, exporters, multinationals, monopolies or organised crime."<sup>33</sup>

Andrey Yakovlev, Professor at the Higher School of Economics in Moscow, on the other hand, stresses the danger of an 'unsocial' modernisation. According to a study conducted by the

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<sup>28</sup> Yurgens, I., *President Medvedev's Address Was a "Message to the Thinking"*, 13 November 2009: <http://www.riocenter.ru/en/news/analytics/7483>.

<sup>29</sup> Dvorkovich, A., "Modernizing Russia Through Innovation", *The Huffington Post*, 8 February 2010: [http://www.huffingtonpost.com/arkady-dvorkovich/modernizing-russia-throug\\_b\\_454156.html](http://www.huffingtonpost.com/arkady-dvorkovich/modernizing-russia-throug_b_454156.html).

<sup>30</sup> Surkov, V., *Speech To Strategy 2020 Forum*, 11 March 2009: [http://www.acg.ru/transcript\\_of\\_surkov\\_speech\\_to\\_strategy\\_2020\\_forum](http://www.acg.ru/transcript_of_surkov_speech_to_strategy_2020_forum).

<sup>31</sup> Washington, T., "Russia's modernisation - back to the future", *The Moscow News*, 27 July 2010: <http://www.mn.ru/politics/20100727/187953707.html>.

<sup>32</sup> It should however be noted that Glazyev has re-entered the political sphere officially as the Executive Secretary of the newly established Customs Union between Russia, Belarus and Kazakhstan.

<sup>33</sup> Glazyev, S. "Strategiya i kontseptsiya sotsial'no-ekonomicheskogo rasvitiya Rossii do 2020 goda: ekonomicheskii analiz" (Strategy and Concept of social-economic development of Russia until 2020: an economic analysis), *APN*, 6 March 2008: <http://www.apn.ru/publications/article19384.htm>.

Higher School of Economics in Moscow, an increase in productivity thanks to an improvement of industrial processes runs the risk of being accompanied by an increase in unemployment in traditional sectors. This collateral damage of modernisation has been recognised by political leaders, who consequently block the modernisation agenda on certain crucial points, despite all the rhetoric. According to Yakovlev, the only way out of this vicious circle is a boost to the investment climate in order to attract new businesses and create new jobs.<sup>34</sup> In order to achieve this objective the (organised) participation in the political elaboration process of representatives of the economic sphere is of importance. The request for greater participation in an organised and democratic manner goes hand in hand with a desired shift towards political decentralisation. A vision of modernisation that has for the time only had limited impact on the political agenda.

When it comes to the relation between state and business, a study conducted by Yakovlev concluded that a change in the pattern of allocating public money to private enterprises is to be observed. Based on a survey of some 1,000 industrial firms, it was noted that since 2007-08 priorities from the federal on the one hand and regional/municipal levels on the other have diverged. Whereas the federal level has oriented its allocation policy largely towards the preservation of jobs in 'old' industries with a high labour intensity, the decentralised level's support was directed more towards encouraging 'modernisation' with 'the investment activity of firms and presence of foreign investors [being] among the criteria for its allocation'.<sup>35</sup>

Gleb Pavlovsky, an influential intellectual and advisor to the Russian presidential administration, Head of the "Effective Politics Foundation" and well-known political technologist understands Medvedev's modernisation approach as a holistic one:

He [Medvedev] combines the task of modernisation with the task of democracy-building, but he does not substitute one with another. No political institutions will substitute the economic solvency.<sup>36</sup>

When Medvedev presented the modernisation manifesto Pavlovsky quickly admitted "we are a backward country". The view Pavlovsky expresses is likely to stand for a certain segment of the Russian elite, being saturated with the Putin years of economic and state centralisation. Pavlovsky does not cease to stress the importance of going beyond a simple technological/economic form of modernisation if Russia wants to succeed in tackling the challenges that it faces.

When we speak about modernisation, some see it as endless lines of computers and walking robots. The question concerns a deep fundamental reform of law-enforcement structures and their return to implementing constitutional duties.<sup>37</sup>

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<sup>34</sup> Yakovlev, A. "Wie kann eine Modernisierung in Russland »sozialverträglich« gestaltet werden?", *Russlandanalysen*, Vol. 202, 4 June 2010, *Modernisierung und Dezentralisierung: Elitekonstellationen in Russland*, available online at <http://www.laender-analysen.de/russland/pdf/Russlandanalysen202.pdf>. This article is based on a study conducted by the Higher School of Economics: "Russian Manufacturing Revisited: Two Rounds of Surveying Russian Enterprises in 2005-2009", *HSE Policy Paper*, 2010 available online at [http://www.hse.ru/data/2010/07/03/1218960218/HSE%20policy%20paper%20on%20manufacturing%20industry\\_final\\_01.07.2010.pdf](http://www.hse.ru/data/2010/07/03/1218960218/HSE%20policy%20paper%20on%20manufacturing%20industry_final_01.07.2010.pdf).

<sup>35</sup> Yakovlev, A., "State-business relations in Russia in the 2000s: From the capture to a variety of exchange models?", available online at <http://extranet.isnie.org/uploads/isnie2010/yakovlev.pdf>.

<sup>36</sup> Pavlovsky, G. "Democracy, modernization, efficiency of authorities - is there a connection?", *Global Policy Forum 2010*, 1 September 2010: <http://en.globalpolicyforum.ru/viewpoint/Gleb-Pavlovsky-Democracy-modernization-efficiency-of-authorities-is-there-a-connection>.

<sup>37</sup> "Modernization is not only computers and robots", *RT*, 28 December 2009: <http://rt.com/Politics/2009-12-25/roar-modernization-not-computers.html>.

It is important to note that Pavlovsky has an acute sense of where the political wind is blowing, having previously advised Putin on how to put civil society into government structures (the Public Chamber).

Beyond all question, this paper proposes a snapshot of the different interpretations of modernisation, leaving a number of actors such as political parties or the church aside. However, the proposed selection illustrates the current polyphony of views on Russia's path towards modernisation. Taking into account the above, two distinctions can be drawn between them. First, those who – according to their statements – see modernisation purely from a technological and economic point of view (Putin, Surkov) in opposition to those who take a holistic perspective acknowledging the need for political reform in order to stimulate modernisation (such as Medvedev, Yurgens or Pavlovsky). Second, those who see the state and government as the central driver of Russia's modernisation (Medvedev, Putin, Glazyev, etc.) *versus* those who want modernisation to be driven by private enterprise and social forces with the government setting the necessary conducive framework (Yurgens and the European institutions). Obviously, these distinctions are not to be seen in a strict dichotomy but there is a lot of leeway between them. President Medvedev, for example, often recognises the importance of private entrepreneurs and society driving modernisation while at other points as well as in his actions, the state still seems to play the only relevant role.

### **Stirring up a hornets' nest: Obstacles to modernisation**

It is self-evident that these preliminarily outlined divisions in how to go about modernising Russia already make an ambitious modernisation agenda difficult to implement. In addition to this, however, there are at least four pertinent factors that can effectively inhibit a transformation of Russia's economy and society at large.

First, the biggest obstacle is the overall resistance to change. Too many players in the higher echelons of the economic and political system stand to lose too much from any kind of reform. Medvedev's modernisation discourse is thereby viewed with much suspicion as these players fear that it will turn into yet another round of asset distribution. The same rings true for the inflated bureaucracy, which sees no personal benefits in modernisation and thereby prefers the status quo. As eloquently noted by Lilia Shevtsova from the Carnegie Endowment for International Peace in Moscow, "a state based on merger of power, ownership and suppression of competition destroys all reforming impulses. Such a state obstructs modernisation by its very nature". It also explains why the majority of the elite prefer a top-down modernisation since they prefer being in the driver's seat themselves. They particularly remember the Gorbachevian experience, in which political reform aimed at invigorating the Soviet Union led to a complete restructuring of the power structures and eventual dissolution. These fears on the part of certain sections of the elite are not unfounded given the statement by Arkady Dvorkovich that "the present elite, which is above all bureaucratic, must be replaced by a new elite which will be more open to society."<sup>38</sup>

Another potential structural obstacle is the symbiotic relationship between politics and the economy. With the power structures and the economy interwoven it seems nigh on impossible to create economic dynamism without political reform. However, political reform will obviously encounter strong resistance from the incumbents, making it difficult to implement. As

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<sup>38</sup> Arkady Dvorkovich, at the Krasnoyarsk Economic Forum on 28 February 2009.

remarked by Andrei Sharonov from Troika Dialogue: “modernisation contradicts the government’s primary interest in stability, which top business is sharing.”<sup>39</sup>

Third, despite the fact that a number of Russian citizens are motivated and dedicated to work on problems of general interest (the increasingly strong environmental movements are an illustration of this), there is a general impression of powerlessness when it comes to issues beyond their own immediate neighbourhood. Russians become publicly active on matters revolving around solidarity or the local level – hence the environmental movements or the very strong Russian motoring association. Public life, in particular questions of a political dimension, are however perceived as being impossible to influence. Given the view that it is impossible to shape the state of affairs, there is little motivation to get involved in matters beyond individual and palpable interests. When Russians are asked about the possibility to change the state of affairs, the high proportion of those who declare that there is no possibility (21% according to a Levada poll 2008<sup>40</sup>) is illustrative. Hence around 60% of Russian citizens see the state as the main driving force behind a successful economic modernisation and a Levada poll in March 2010 showed that a large majority of Russians think that control of the state is important for the development of new technologies.<sup>41</sup> Acknowledging the importance of society for modernisation, these results ought to worry the Russian elite. If Russians themselves cannot believe in modernisation any effort by the political sphere to bring about change (in particular if civil society is to be involved in this, as has been frequently stated by Medvedev) is starting from a particularly shaky position.

Last but not least, it is possible that the modernisation drive might lose steam with a robust recovery. With oil prices returning to \$70 a barrel, the sense of urgency shared by the different elites might subside, leading to a strong preference for business-as-usual.

All of this will have a knock-on effect on the EU-Russia Partnership for Modernisation. As the EU aims to gain a foothold and become a partner in Russia’s modernisation, numerous segments of the elite might also consider the EU understanding of modernisation, which includes civil society actors, free press and elections, as yet another veiled attempt to democratise and weaken control by the elite. Should such a perception take hold within Russia, failure of the P4M seems very likely.

## Conclusion

Numerous waves of modernisation have swept through Russia since Peter the Great. Their costs for the nation have often been tremendously high. The suffering of Russian society in the name of Soviet industrialisation and the chaos engendered by *glasnost* and *perestroika* are still fresh in the mind. The current debate on modernisation should thus be seen in the light of numerous experiences throughout history; experiences that are not likely to endow ‘modernisation’ with many positive associations.

This paper had three main aims. First to illustrate the polyphony of views on modernisation in Russia. Contrary to general opinion, the Russian ‘public sphere’ is a lot more heterogeneous than previously thought and competing visions of modernisation do circulate within the country. Second, obstacles to a successful implementation of the ambitious modernisation agenda are

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<sup>39</sup> Wood, A., “Ten Russian Propositions”, *Chatham House*, 22 February 2010: [http://www.chathamhouse.org.uk/files/16032\\_0210wood.pdf](http://www.chathamhouse.org.uk/files/16032_0210wood.pdf).

<sup>40</sup> As cited according to Lang, S., Härtel, A. And Bürsch, M., “Zivilgesellschaft und bürgerschaftliches Engagement in Russland”, Friedrich Ebert Stiftung, April 2010: <http://library.fes.de/pdf-files/id/07173.pdf>.

<sup>41</sup> March poll of the Levada Centre, at: <http://www.levada.ru./press/2010040602.html>.

multifaceted. Several factors within Russia itself have been identified: the political and economic elite, the interconnectedness of state and economy, Russian citizens themselves, and the robustness of the economic recovery. Each factor on its own is important enough to contribute to the failure of modernisation.

The third objective was to illustrate the likely implications of the aforementioned for the P4M. Whilst a European position vis-à-vis Russia has not always been easy to establish – leading to strongly opposed camps of member states – there is nevertheless a consensus amongst the 27 when it comes to the P4M. The EU and its members clearly favour the Medvedev/Yurgens vision of modernisation, with a pivotal role for civil society, respect for the rule of law and human rights and the implementation of democratic standards, as well as economic and technological modernisation.

However, the (still unacknowledged) disagreement about *who* is to bring about modernisation in Russia and how this should be achieved is a great risk to the success of the Partnership. The EU clearly favours a bottom-up approach<sup>42</sup> whereby Russia creates the necessary environment to unleash entrepreneurial creativity and the force of civil society organisations. Russia, on the other hand, and even Medvedev, puts a significant degree of trust in the capacity of the state to shape the modernisation agenda.

This dichotomy might make it difficult to put flesh on the bones of the P4M with an Action Plan on the new co-operation agreement, which is expected at the next EU-Russia summit this autumn. The European Union might be in a particularly tricky situation here. If it pushes too hard on the bottom-up approach and human rights it risks alienating its Russian counterparts and confirming potential Russian fears that the EU is approaching the P4M with ulterior motives. On the other hand, if the EU negates these elements and reduces the P4M to a mere techno-economic level, it will do little other than strengthen existing elite structures and thereby hamper the reform and comprehensive modernisation of the country. This will be a difficult balancing act to pull off for the European Union.

In this context, the EU will have to be acutely aware of the way that the multitude of Russian actors are approaching the issue of modernisation and to what extent it is being discussed in the country. Furthermore, the EU will have to take into consideration the fact that the implementation of a P4M Action Plan might become significantly bogged down in Russia's next electoral cycle. With the next Duma elections due in 2011 and the presidential elections in 2012, the Russian half of the partnership might find it difficult to concentrate their resources on the P4M when, as is usually the case, everything will be thrown into securing the outcome of elections.<sup>43</sup>

All things considered, there is a real risk that the EU-Russia P4M will produce nothing but empty words around the slogan of 'modernisation' with nothing to show on the ground. No matter how dire the need for reform in Russia.

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<sup>42</sup> An idea to which President Medvedev was supposedly sympathetic as he confirmed to an official from the Commission during the meeting in Rostov-on-Don.

<sup>43</sup> Again, this is not specific to Russia as the same holds true for other countries such as the US where the electoral cycle can lead to 'lame duck' presidencies.