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The “war on terror” will soon outpace World War II in terms of its scale and duration. Because the ruling elites of all the countries involved, without exception – the United States, Russia, Great Britain, Poland and many others – are vitally interested in it. Not the peoples of these countries, but their leaders.

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The vogueish cliché of the perestroika period that “there is no alternative for us” initially forwarded the irreversibility of change, but soon acquired a belligerent revolutionary character, which overwhelmed even the moderates who usually take the time, at least, to look before leaping. The tragic irony was that while the majority was still debating on what it really wanted, the minority had already realized the importance of action.

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tel.: +7 (095) 980-7353
fax: +7 (095) 937-7611
e-mail: info@globalaffairs.ru
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Circulation
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tel.: 7 (095) 937-7611
subscribe@globalaffairs.ru

Russian Edition

Copy Editors
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In Search of New Identity

Fyodor Lukyanov, Editor-in-Chief

Russia is marking two anniversaries this spring that are of fundamental importance for its development. Sixty years ago, Europe experienced the end of World War II, the most catastrophic conflict in the history of the Old World. For those who fought against Nazism, it was a fight for the survival and very existence of their states. In the face of this challenge, they put aside their ideological differences and mutual quarrels in the name of a much higher goal. Today, as Russia's Foreign Minister **Sergei Lavrov** writes in these pages, whatever may be our historical assessments of that momentous event, we must not forget that the supreme goal was achieved. Russia's second anniversary is 20 years since the beginning of the epoch of change in the Soviet Union. In 1985, the country's new Secretary General of the Communist Party Central Committee, Mikhail Gorbachev, called on the nation to "accelerate social and economic development."

The wish to "renovate socialism" resulted in the collapse of the Soviet system and brought about unprecedented geopolitical changes across the globe. The scope and significance of those changes have not yet been fully grasped to this day. This historic anniversary has sparked heated debates as to whether Gorbachev's *perestroika* policy was inevitable. Did Russia follow the right path? Has the country, in the final analysis, lost or gained as a result of its decision?

From an ideological point of view, the results of the two decades that have passed since the beginning of Gorbachev's reforms, and since the country opened up to the world, are rather controversial. The direction of Russia's strategic development, far from becoming clearly defined, has become confused. We have consistently discredited various kinds of development models or declared them inapplicable due to the present conditions in Russia. These models ranged from the futile Soviet model,

to the Western liberal model, even to the Asian authoritarian model – on which the advocates of modernization once pinned their hopes. Russia never made a breakthrough into the Euro-Atlantic Community where, it turned out, nobody was waiting for it; and the imperial project has become history once and for all. This is the reason why, despite the favorable economic situation in the country, Russia's intellectual elite finds itself in a state of confusion as it searches for new goals while trying to analyze possible methods of development. Our contributors offer in-depth analysis of various aspects of the changes now facing Russia. Economist **Vladimir Mau** is confident that there was no alternative to *perestroika* – by the mid-1980s, the Soviet system had exhausted its potential. Political scientist **Vladimir Degoyev** argues that the collapse of the system was brought about by the irresponsible policy of the then Soviet elite, while sociologist **Yuri Levada** writes that, despite the cataclysms, the essence of “Homo sovieticus” has not changed, as it has not yet given way to a new Russian identity. His colleague **Emil Pain** writes about Russia as a “decaying empire” in search of a new development model.

The formation of a new national self-consciousness is directly related to the processes underway in the space which Russia is accustomed to consider its lawful zone of influence. Experts **Konstantin Zatulin**, **Andranik Migranyan** and **Alexei Makarkin** discuss the consequences that the developments in Ukraine and Kyrgyzstan may have for Russia's policies. Economist **Tatyana Valovaya** analyzes integration prospects in the Commonwealth of Independent States.

Researchers **Anatoly Vishnevsky** and **Vilya Gelbras** discuss Russia's migration policy as a factor that in the next few decades will have a strong influence on the formation of the Russian identity.

Amidst ideological confusion in society, the victory over Nazism is acquiring special importance – as an absolute value not subject to erosion – which has united the nation. That is why Moscow reacts so strongly to the increasingly frequent attempts to call into question the results of the war. However, if we view that war not as a feat of the people but as a political triumph of the Russian state, we will fall into a trap: we will inevitably have to justify Stalin's regime – a poor foundation for the formation of Russian identity in the 21st century.

Lessons of War



"To the West!"
Soviet poster, 1943

“World War II was a truly epoch-making event. Apart from being a global battle which exceeded all previous armed conflicts in scale and scope, it embodied a clash of interests that involved different nations, competing ideologies, and irreconcilably different approaches to the very foundation of mankind’s existence. For the first time in history, the survival of whole nations was at stake.”

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The Great Victory

Sergei Lavrov

The events of World War II, which resulted in a dramatic victory over Nazism, have tremendous social and political significance. Therefore, it is no coincidence that the upcoming 60th anniversary since the end of hostilities has given rise to serious debates in many countries around the world. Quite often, those debates have broader scope than simply the interpretation, for example, of one or more wartime events. They contain conflicting moral assessments of the war's results as they are directly related to the present policies in Europe and the world.

These discussions make us morally responsible to the many people who sacrificed their lives to defeat Nazism, as well as to those who casually view World War II as a distant event. This responsibility demands that we defend the historic truth of this war and foster a correct understanding of its lessons from the perspective of the modern age.

World War II was a truly epoch-making event. Apart from being a global battle which exceeded all previous armed conflicts in scale and scope, it embodied a clash of interests that involved different nations, competing ideologies, and irreconcilably different approaches to the very foundation of mankind's existence. For the first time in history, the survival of whole nations was at stake. The gas chambers and crematoriums of

Sergei Lavrov is Foreign Minister of the Russian Federation, member of the Editorial Board of the *Russia in Global Affairs*. This article is based on Sergei Lavrov's speech made at an international conference entitled *War, People, Victory* on March 15, 2005, in Moscow.

Auschwitz (Oświęcim) present in bold relief the mortal menace of Nazism and exactly what kind of future the “new order” was destined to build.

In essence, the main outcome of the war was much bigger than simply the victory of one coalition of countries over another coalition, as the forces of creativity and civilization emerged victorious over the forces of destruction and barbarism; Life triumphed over Death.

The war brought great tragedy to the peoples of Europe and the world at large regardless of what side they happened to find themselves on. Not a single family, not a single human destiny was left untouched. Historians have an obligation to tell the truth about that tragedy, which must never be used as a ploy in political machinations. Shifts of moral criteria are inadmissible in discussions of the results of that war. President Vladimir Putin, while on a visit to Oświęcim, Poland, on January 27, 2005, said that attempts to rewrite history and place an equal sign between the victims and the butchers, the liberators and the occupants, were profusely immoral.

The greater the time that separates us from World War II, the clearer the picture of the central role that our country and its people played in attaining victory; it was truly a monumental feat. Russia has a thousand-year-old history, but it had never seen anything comparable to the ordeal that befell the wartime generation. The desire to achieve victory united the diverse nationalities living in this country, the people of all ages and social groups. That is why the upcoming anniversary of our victory is, most importantly, an opportunity to pay tribute to those people who defended the independence of our homeland and brought long-awaited liberation to the European nations who had been devastated by the Nazis. The forthcoming V-Day festivities remind us of the great spiritual potential inherent to Russia and its people. The history of World War II will remain an inexhaustible source of our strength and confidence for future generations.

Russian diplomacy paved the way to Victory together with the Russian people. The creation of the anti-Hitler coalition became

the most significant diplomatic breakthrough of the time. The coalition served as an example of countries with different ideologies and political systems pooling together their resources in the face of a common deadly threat. There is no sense in oversimplifying or adorning history now that 60 years have elapsed since V-Day. Each member state of the coalition pursued its own objectives and had its own national interests. Naturally, mutual trust was difficult to achieve, but they found the strength to put aside contradictions and trivial matters for the sake of winning a common victory. The opponents of Nazism shared the realization that they had to thwart evil without restraint and without compromises, concessions or separate agreements. Today, that lesson remains relevant.

The experience of international camaraderie in arms is acquiring new significance as mankind is now confronting new challenges posed by a new enemy, that is, international terrorism. Today, the very foundation of civilization is being threatened once again. Like Nazism, terrorism has nothing to offer the world besides violence, disregard for human life, and a readiness to crush the fundamental norms of human morality in order to reach its maniacal goals.

Similar to the events 60 years ago, solidarity and mutual trust provide the only ground for overpowering this danger. Double standards are as inadmissible when dealing with terrorists as are the attempts to rehabilitate Nazi accomplices. Giving the floor to terrorists so that they may declare their hatred for humanity is the same as permitting former SS soldiers the right to hold parades in particular countries — some of which loudly trumpet their commitment to democracy.

We have a debt to those people who shed their blood for saving mankind from Nazism. We must erect powerful barriers against the spread of ideas which preach racial, ethnic, or religious superiority. Unity among the antiterrorist coalition countries, harmony between different nationalities and religions, tolerance, mutual respect, cultural diversity and a fruitful dialog of civilizations are the invaluable conditions for victory over the forces of hatred and extremism.

The lessons of World War II are no less relevant from the perspective of the postwar global order. The results of the war had a profound impact on the progress of international relations. Even now that six decades have passed and the world has witnessed fundamental changes, elements of the postwar arrangement in Europe and across the world retain importance for ensuring peace and security on our planet.

The willingness to deliver mankind from war horrors in the future inspired the anti-Hitler coalition nations to set up the United Nations Organization, a global mechanism of ensuring international peace and security. The UN Charter became a universally recognized foundation of contemporary international law, the commonly accepted code of rules for countries and international organizations. Its principles and norms have withstood the test of the Cold War and are the only set of guidelines for forming a safe and just world order during the era of globalization.

The 60th anniversary of victory in World War II must not be used as a pretext for confrontation, for settling old scores. It is noteworthy that the UN has declared May 8 and May 9 as days of remembrance and reconciliation. Festivities in Moscow, to be attended by the heads of state and government of more than 50 countries and the heads of major international organizations, will be held under that motto. It is essential that the forthcoming holiday promote unity among countries and nations and help develop their solidarity in the face of new threats and challenges which the 21st century has brought with it.

The Convenient Enemy

Vladislav Inozemtsev

June 6, 2005, could be a remarkable day in the chronicle of the ongoing counterterrorism campaign – no less remarkable than July 29, 2005, or September 12, 2007. Is there any relation between these dates? Yes, there is. The first date is as many days apart from September 11, 2001, as there were between Japan's attack on Pearl Harbor and its capitulation aboard the battleship U.S.S. Missouri. The second date is separated from September 11 by as many days as there were in the period of time between Nazi Germany's attack on the Soviet Union and the seizure of Berlin. The third date is six years and one day apart from September 11 – the duration of World War II, the bloodiest war in human history.

Today, however, there are few signs that the aggression against the Free World launched in 2001 has been rebuffed, not to mention its enemy defeated, as convincingly as it was at the end of WWII. On the contrary, terrorist attacks around the globe continue unabated: according to the annual *Patterns of Global Terrorism* reports published by the U.S. Department of State, there were 296 attacks in 1996, 274 in 1998, 426 in 2000, and 198 in 2002. In 1999, 940 people fell victim to terrorists. In the subsequent years, the death toll steadily rose: 1,211 people in 2000; 5,800 – a record high – in 2001;

Vladislav Inozemtsev, Doctor of Science (Economics), is the Director of Research at the Centre for Post-Industrial Studies, Editor-in-Chief of the *Svobodnaya Mysl – XXI* monthly, and the author of *The Constitution of the Post-Economic State* (Aldershot: Ashgate, 1998) and *Catching Up* (New Brunswick: Transaction Publishers, 2002).

2,688 in 2002; and 1,888 in 2003. Unfortunately, there is little hope that the number for 2004 will appear lower than for the previous years. These somber statistics do not include those servicemen and civilians who died in the course of counterterrorist operations.

Besides the human cost of terror, there is the financial cost. It is practically impossible to calculate the total expenditures in the fight against terror. But if one assumes that each participant of the “coalition of the willing” has spent 40 percent of its defense budget since 2001 for this purpose, the total amount for the last four years would easily surpass \$400 billion. Each act of this historical drama has failed to convince mankind of the need to complete the fight; moreover, every time new doubts rise as to the sincerity of the coalition leaders.

Unfortunately, it is no longer possible to say warningly, “Unless things go too far...” Things have already gone too far. Thus, we must analyze what we have experienced, what we have already done and what chances there are for success in fighting those individuals whom we quickly labeled — and even quicker made — our enemies.

SHOW ME THE ENEMY

The first difficulty that confronts anyone who decides to address the problem of terrorism is the lack of a definition. Like almost any other widely used term, ‘terrorism’ has no clear interpretation. It is usually used to label any violent action against the civilian population, intended to provoke panic, destabilize social institutions and instill fear and vulnerability in society. According to U.S. Department of State experts, terrorism is “premeditated, politically motivated violence perpetrated against noncombatant targets by subnational groups or clandestine agents, usually intended to influence the audience.” But this interpretation is very rarely used to assess actual developments. Quite often, ‘terrorism’ is used to describe criminal acts that cannot and should not be considered manifestations of terrorist activity.

Let’s consider some examples. With each passing day, reports from Iraq or the North Caucasus detail terrorist car bombings or terrorist ambushes of military convoys. However, such actions cannot be

considered terrorist in the strict meaning of the word. Similarly, guerilla warfare against occupation troops has never been called ‘terrorism.’ Why, for example, was the assassination of Chechen President Akhmad Kadyrov on May 9, 2004, labeled a terrorist act, whereas the May 27, 1942, killing of Reinhard Heydrich, the Reichs-Protector of Bohemia and Moravia, was described as a successful operation of the Resistance forces? And if it has become habitual to speak of the assassination of Russian Czar Alexander II by the members of the *Narodnaya Volya* (People’s Will) revolutionary organization as of an act of terror, then why does no one consider the assassination of President Lincoln a manifestation of rampant terrorism? The list of such contradictions could be extended at will.

As a rule, there are three types of political forces that resort to terrorism.

First, these are social movements that lack broad popular support and use terrorist methods to attract public attention. Russia’s *Narodnaya Volya* of the late 19th century, Italy’s Red Brigades of the 1970s, Peru’s Tupac Amaru of the 1990s were all of that kind. As was often the case, terrorist acts committed by activists of these movements did not win sympathies of their fellow citizens, and national governments successfully suppressed such groups.

The second kind of political forces is comprised of ethnic minorities or oppressed peoples seeking independence and self-determination. By means of terror, they try to force colonizers to leave their native lands. This was the usual practice of Algerian terrorists in France in the 1950s, Palestinian terrorists in the Middle East and throughout the world in the 1960s-1990s, and Chechen militants in Russian cities over the last decade. History has shown that, in the long run, governments have to meet the demands of such movements.

The third type is religious or ideological movements whose adherents may demand non-interference in their affairs, or try to secure a special status for their faith or ideology. These movements include, among others, Islamic terrorists organized into cells such as al-Qaeda, Hamas, Hezbollah, or Ansar al-Islam. The “war on terror” has been declared, above all, on such groups and organizations.

The above three types of terrorism differ in the methods used to confront them. The first type requires the effective use of law enforcement and the usual mechanisms for combating serious crime. A terrorist organization planning to assassinate a well-known politician, for example, differs little from a criminal group planning to kill the leader of a rival gang.

The next case is more involved. On November 2, 1972, the UN General Assembly passed Resolution No. 2908, *Implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples*, which reiterated “the legitimacy of the struggle of colonial peoples and peoples under alien domination to exercise their right to self-determination and independence by all the necessary means at their disposal.” Today, it is hardly possible to differentiate between a legitimate struggle for self-determination and what is now called separatism. Negotiations with the political forces representing the terrorists are the main “weapon” in fighting against this source of terror. This was what Charles de Gaulle did in France, and what Tony Blair is now doing in Northern Ireland.

The third type is the least studied and understood. The only thing that is certain about it is that the struggle against terrorism of this type must rest on a fundamental understanding of the purposes and tasks of terrorists; meanwhile, most “fighters against terror” lack such an understanding.

Thus, armed struggle for self-determination and national independence, even if it involves methods not approved by conventions on the rules of warfare (as, for example, in the West Bank, Chechnya or Iraq), cannot be described as terrorism *per se*. Nor can attacks on the soldiers of occupying armies be considered examples of terrorism. It would not be right to label as terrorism even individual violent acts against military or political leaders of the “enemy” nation (for example, firing at the Baghdad hotel hosting U.S. Deputy Secretary of Defense Paul Wolfowitz). Terrorism means violence aimed at those uninvolved in the political processes that provoke the acts of terror. In other words, ***terrorism is violence against people who have no relation to actions that have provoked the terrorists.***

Proceeding from this definition, it seems that to wage a war – in the strict sense of this word – on terror is impossible; moreover, there is no need for it. Terrorists do not have a state on which one could declare a war, or standing armies that should be destroyed. Therefore, ***the war on terror is not the same thing as a struggle against terrorists – which deserves support.*** The war on terror is rather a myth created by policymakers seeking to justify their misdoings. The world needs not so much a counterterrorist war as an in-depth analysis of the nature of terrorist movements (again, as opposed to “terrorism,” since the majority of terrorist organizations define their tasks in different ways), the motives for terrorists’ attacks, and the conditions that could help eliminate them.

If one approaches this issue from such positions, the main “enemy” of the Western world seems to be Islamic terrorism perpetrated by organizations and groups which (at least, initially) did not set themselves any applied tasks, such as independence or political freedom. By attacking the World Trade Center and the Pentagon on September 11, 2001, members of al-Qaeda, quite possibly, wished to glorify almighty Allah by delivering strikes against symbolic centers from where economic and military aggression against all Muslims was believed to be managed. This is the reason why the U.S. security services failed to prevent those attacks. The absence of an understandable goal made it all but impossible to imagine the potential means for attaining it.

The consequences of 9/11 were precisely what the attackers had hoped for. The invasion of Afghanistan by coalition troops, and especially the U.S.-led aggression against Iraq, allowed al-Qaeda leaders to portray the war on terror as a war of the West against the Islamic world – and they had strong reasons for this. As George Soros wrote, “by declaring war on terror and invading Iraq, President Bush has played right into the terrorists’ hands,” and if the terrorists “wanted us to react the way we did, perhaps they understood us better than we understand ourselves.” [Soros, George. *The Bubble of American Supremacy. Correcting the Misuse of American Power.* New York: Public Affairs, 2004, pp. 13, 181.]

Another mistake was the recognition of the events in the North Caucasus and the Palestinian territories as an integral part of the worldwide war on terror. As a result, two basically different processes – the uncompromising struggle of Islamic fundamentalists against Western ones and the controversial yet obvious attempts of the Chechen and Palestinian peoples to attain autonomy and sovereignty – were intermingled. Strictly speaking, it was not so much the 9/11 tragedy as the subsequent actions of Western powers that created – almost out of nothing – *the global “terrorist coalition” that the developed world can hardly withstand.* It is this amorphous structure, this mass of vaguely interrelated semi-autonomous cells and groups known as the “enemy,” which the present “war” is being directed against.

Now we come face-to-face with perhaps the most important question that the apologists for the “war on terror” try very hard to evade: Who began this war and who is the victim of aggression? Even if we consider the most complex case of the Middle East conflict, any unbiased observer will agree that Israel was repeatedly attacked by neighboring Arab states, but acted as the actual aggressor toward the Palestinians. Today the Jewish state is combating not Egyptian or Jordanian, but Palestinian, fighters. Things are similar in Chechnya. A December 1994 decree sanctioned the introduction of Russian troops into the Chechen Republic, causing thousands of victims on both sides. With regard to al-Qaeda, it would not seem just to speak of aggressive actions on the part of the U.S.; at the same time, however, American military bases have been stationed in Saudi Arabia, Qatar, Bahrain, the United Arab Emirates, Oman and many other countries of the region since the mid-1970s, while there are no Arab military bases close to Washington, DC. Furthermore, the majority of attacks on American citizens in the Middle East were directed against military personnel or governmental officials.

The current outbreak of terror has been caused by the feeling – intensifying in the Arab world – that Western civilization is becoming increasingly hostile to Islam. The magnitude of this outbreak was predetermined by the Western reaction to 9/11 and the emergence of a “global antiterrorist front,” which encouraged the extremists to unite.

BEHIND THE OUTBREAK OF TERROR

Immediately after the terrorist attacks on New York and Washington, DC, Western politicians and experts began to search for the reasons that had caused al-Qaeda to demonstrate its strength in such a striking way. It did not take them long to relate the upsurge of terror to the increasing economic gap between the North and the South, to the nature and specific features of Islam, and to other factors.

However, the root of contemporary terrorism cannot be found in economic inequality. This becomes evident if one looks at the recent history of the least developed African continent, which is more characterized by bloody civil wars and ethnic cleansings than by terrorist activities. Of the 261 known terrorist or paramilitary organizations, Africa accounts for just 64. Out of this group, 30 operate in Sudan, Ethiopia, Eritrea, Somalia and the Democratic Republic of the Congo, nations torn by civil wars. Not a single African terrorist group is known to have committed acts of terror outside its country of origin. Nor have the impoverished countries of Latin America, where terrorist attacks reached their peak in the 1970s and 1980s, been linked to present-day international terrorism. At the same time, the Islamic world, which is now recognized as the main source of the terrorist threat, is a rather rich region, and the most wanted terrorists come from well-off social groups. Moreover, terrorist activity is believed to bring in high incomes (the so-called Economy of Terror is estimated at \$1.5 trillion). Of course, one can argue that those who perform terrorist acts are recruited from the poorest areas of the Palestinian “state,” but there almost everyone has grounds of his own to become a terrorist, and money only simplifies the choice — not determines it.

The roots of contemporary terrorism are not to be found in the political confrontation between two parts of the globe. In the contemporary world, ‘politics’ means activities related to state institutions. Terrorist movements, on the contrary, have always emerged as non-state structures, and their attacks have usually been directed against states as the most significant symbols of power. As Noah Feldman has emphasized, the ongoing specula-

tion about “state terrorism” “strongly suggests, as a descriptive manner, that our ordinary usage of the term ‘terrorism’ encompasses only non-state violence.” [Feldman, Noah. *What We Owe Iraq: War and the Ethics of Nation Building*. Princeton (NJ), London: Princeton Univ. Press, 2004, pp. 8-9.] This point of view is undoubtedly shared by a majority of the expert community. It seems certain that things will continue to be the same. In the ongoing “war on terror,” the non-state nature of terrorist groups gives them many advantages, and identifying a terrorist organization with a certain state may cause grave consequences for the latter (as confirmed by Afghanistan’s example).

In my view, the basic reasons for the present upsurge of terror lie not so much in the realities of our times as in its perception by popular masses inside the Islamic world. The West now dominates the globe, but in a highly peculiar way: by minimizing its contacts with countries that do not belong to it. Trade with African, Middle Eastern and Asian nations (excluding China and other ‘tigers’) accounts for a mere 9 percent of the trade turnover of the United States and the European Union. Oil constitutes two-thirds of this trade’s value. U.S. and EU investments in those regions are negligible – not more than 1.8 percent of all American overseas investments, and about 4 percent of all investments made by EU member-states.

Arab countries, whose modernization began in the 1960s, soon understood that there were prospects for an “easier” existence through oil exports. Nations that had previously been considered the more developed, such as Egypt and Syria, found themselves outsiders in this new situation. The West, above all the U.S., did nothing to support its potential allies in the region, preferring to use arm-twisting tactics. At the same time, American cultural influence in the region was as active as everywhere else in the world. Therefore, it was no wonder that the local population began to view the U.S. as a hostile force – a force which supported Israel, consolidated its military presence in the region and propagated a way of life that the majority of Arabs do not consider faithful. Finally, the U.S. sided with semi-feudal regimes lacking the support of their

own subjects. In the eyes of Moslems, the West became an alien force – invincible militarily, unattainable economically, yet exploiting their natural wealth and leading them astray from the path chosen by their ancestors. Today, when one cites the famous *fatwa* of Osama bin Laden of February 23, 1998, one always singles out the part that reads: “To kill the Americans and their allies – civilians and military – is an individual duty for every Muslim;” people forget, however, that he declared war on Americans “in order for their armies to move out of all the lands of Islam, defeated and unable to threaten any Muslim.” [<http://www.ict.org.il/articles/fatwah.htm>] In this situation it would be naïve to hope for a reasonable choice by the Moslem people; most probably, the situation will give way to preferences of the mob, which has happened many times before in history.

The population of most Arab countries places collective self-identification higher than individual freedom. Whether this is connected with Islamic traditions, as many researchers insist, does not matter much in the context of this analysis. More importantly, in this self-identification the West is viewed as an “alien” force that unites Middle Eastern nations looking for a genuine national identity. Moreover, ***the more actively the West (above all, the U.S.) imposes the principles of personal autonomy and political democracy on the region, the stronger the Islamic opposition will be and the less chance there will be for Western values to win the hearts and minds of the local population.***

Certainly, contemporary terrorism cannot force the Western world to revise its basic principles; certainly, it will not give rise to a “world caliphate,” as some Islamic preachers like to speak about. Terrorists do not set themselves such goals. Their aspirations are much more modest – first of all, they want the West to stop imposing its rules beyond its own boundaries. It is difficult to deny that these demands are justifiable, if not just.

In the present conditions, militarily powerful and economically developed countries, integrated into the established system of international relations, will not resort to terror, understanding how little they could gain and how much they would lose. Therefore,

terror remains the weapon of the weak, and they began to use it at a time when America was at the apex of its power, which exceeded the might of the greatest empires of the past. However, the military might of this greatest “empire” has not yet produced any tangible results in the struggle against its principal enemy.

WHO STANDS TO WIN?

What results can the “war on terror” produce? Will the West be able to win this war? What consequences will the mutual escalation of “terrorist” and “antiterrorist” violence have for the Western world and for mankind as a whole? Will the present international institutions survive this struggle? These issues are extremely important, but the ideologists of the “war on terror” rarely raise them.

Why? First, until recently, the West has never encountered anything of this kind. Furthermore, Western experts so strongly believe in the inevitability of the worldwide spread of democracy, in the prevalence of liberalism, and in the triumph of the rational over the irrational, that it prevents them from embracing the entire set of problems that give rise to Islamic terrorism. Second, correct answers to acute problems are not in demand today. For modern politics, which has become utterly instrumentalized and void of strategic vision, the outburst of terrorism has become rather convenient, however blasphemous this may sound. Politicians thinking in a narrow time frame (that is, from election to election) and categorically (“Whoever is not with us is against us”) have taken avail of the terrorist threat to “discipline” the population and manipulate the voters. While no serious terrorist acts have been committed in their homelands, the struggle against abstract “international terrorism” remains an excellent means of convincing the population of the complexity of the tasks and “responsibility” of irresponsible leaders.

A serious analysis of these issues, however, reveals that there are very few reasons for optimism.

Let’s start with prospects for victory in the “war on terror.” It seems the West has few chances to emerge victorious. First, it

must deal not so much with attacks from individual extremists as with a phenomenon based on civilizational values, and on peoples' aspirations for national identity. The history of the second half of the 20th century shows that ***the West has lost every war where the enemy was fighting for its independence or for its survival as a cultural community.***

The West operates by categories that are much more distant from reality than before. In the time of decolonization, it at least recognized the right of peripheral peoples to freedom and independence. Today, the majority of the Western public believes that liberal democracy must take root everywhere in the world. However, putting up with liberty enforced from outside means ceasing to be free, and it seems that the West does not understand this – nor does it want to understand this. Western leaders, who assert that terrorists are the enemies of freedom, are mistaken and mislead their followers. It must be remembered that ***terrorists do not fight against liberty but for the freedom to ignore somebody else's advice.***

An example comes to mind in this connection, which highlights the primitive thinking of the American political class, now leading the “war on terror.” In the 1960s, American Blacks began campaigning for their rights and for an end to racial segregation, arguing that they were equal to whites; the U.S. government agreed with them, and segregation was lifted. Forty years later, however, they began to insist on their “uniqueness,” not wishing to obey established rules and demanding special quotas at universities, tax breaks, additional funding, and so on. Why? Because they considered themselves different from the whites, and wanted to be treated in a special way. What happened next? The government introduced affirmative actions, which many sociologists believe undermines the fundamental principles of liberalism. Let's compare all this with international developments. In the 1960s, newly independent countries wanted to be “like everybody else.” Today it is clear that they have failed. Now they speak of their “uniqueness.” But why were U.S. politicians ready to recognize the “uniqueness” of their black population but do not consider similar claims of the Arab

world? 9/11 came as a terrible reminder for them, but they seem to have ignored this first lesson.

So the West has failed to grasp the terrorists' goals, but in many other cases it finds similar claims quite legitimate. In other words, the terrorists have borrowed from the West not only the ends, but more importantly, the means. Western writings lament that the fight against terror is difficult because of its networked nature. Yes, this is really so. But was it not the same publications that only ten years ago discussed with enthusiasm the emergence of a networked economy in the U.S., which boosted the efficiency of transnational corporations? Didn't they laud the long-awaited coming of a network society? Well, this society has arrived, so it is useless to grieve over it. The terrorists have not invented anything new; they have only used the same weapon against the Western world that the West itself has been using for years to ensure its own economic expansion. And nothing more.

Therefore, not only the goals of the terrorists, but also their means for attaining these goals have not been deeply understood. Yet there is an even more complicated problem, namely, the question of what motivates these people. Above, we spoke about possible goals of the terrorist movement. But acts of terror – which usually require personal self-sacrifice – are often not gestures of despair, but acts of personal salvation. Considering the psychology of the religious fanatics, it may be argued that suicide bombers actually act rationally, since they believe that killing “infidels” opens the doors to Heaven for them. This is much more than any cash rewards that could be promised to their families by terrorist leaders. Yet the majority of the “fighters against terror” keep repeating the stories about the “the giant sums” of money used to fund terror, about mercenaries crossing into Iraq or Chechnya en masse, and about their achievements in shutting down channels of terrorists' funding. But let's compare some figures: the destruction of the World Trade Center and the attack on the Pentagon cost the terrorists less than \$500,000, while the opium trade now revived in Afghanistan is estimated at billions of dollars. Russia's funding of now “legitimate” Chechen government amounts to

hundreds of millions of dollars. Is it really any wonder then that terror continues to intensify?

The terrorists were either brought up in a situation of permanent cruelty and uncertainty about the future or they have voluntarily condemned themselves to such a life (this refers, above all, to their leaders). A well-known Palestinian extremist, Abu Mahaz, said in 1993, "We are terrorists; yes, we are terrorists, because it is our faith." The intensification of the struggle against them can only embitter the adherents of this movement and enlarge their ranks, mostly due to religious and ethnic solidarity. In contrast, most citizens of Western countries will never sacrifice their personal freedoms or wellbeing; therefore, they will support the fight against terror only until it brings about serious political or economic upheavals. This is why terrorist attacks will increasingly serve to undermine the "coalition of the willing," while attacks on the terrorists will only strengthen their ranks.

The four years that have passed since the beginning of the "war on terror" have proven that people in Western countries require tangible evidence of success. For the time being, the antiterrorist coalition can boast of the overthrow of the Taliban, the elimination of al-Qaeda camps, the liberation of Afghanistan, the removal of Saddam Hussein from power, and the occupation of Iraq. However, these measures have already cost the U.S. and its allies hundreds of billions of dollars, while the prospects for success are not yet evident. The flow of opium from Afghanistan is growing; Iraq is still a long way from stability; and American unilateralism understandably inspires other countries to gain access to nuclear weapons. The situation in Saudi Arabia, not to mention Pakistan, the only Moslem country to possess WMD, remains unstable.

The "war on terror" also has many indirect costs, from skyrocketing oil prices to the crisis in the air transportation and the tourist industry. Eventually, even American military contractors, now satisfied with their new defense orders and increasing government spending, will see that no one stands to gain from the reckless U.S.-initiated operation. Meanwhile, the terrorists only

need to add fuel to the hysteria launched by Western leaders to see the collapse of their policy.

All this suggests the possible conclusion that a new round in the war against terror, like the previous attempts to counter international terrorism (not ultra-leftist terrorism within individual European countries), will end in defeat for the West.

Special mention should be made of the damage that the war against terror is doing to the unity of the Western world. Suffice it to recall the situation when the U.S. invaded Iraq in the spring of 2003. A long-awaited reform of the United Nations has recently been initiated. However, it is quite possible that it will fail because of the completely different attitudes to threats and challenges in the United States, Russia and, partly, Great Britain, on the one hand, and in continental European countries, on the other. The perception of one's own country as a "besieged fortress" and the rest of the world as a combination of various kinds of "axes of evil" is unproductive and only broadens opportunities for conflicts.

WHAT IS IT ALL ABOUT,
AND WHAT MUST BE DONE?

The history of the "war on terror" suggests that *this war was destined to begin* because politicians around the world desperately needed an enemy that would meet certain criteria. This enemy had to be dangerous and not linked with major Western countries. It must be stationed in areas that could be attacked without retaliation; the enemy must remain invisible, while the struggle against it must continue for an indefinite period. The effectiveness of the fight should remain undeterminable. Finally, the need to counter this enemy must justify serious restrictions of citizens' rights, and an increase in expenditures allocated to this struggle must not provoke popular objections.

"International terrorism" fits all these criteria ideally. In the politics of the last few years, this concept has played the same role as "globalization" played in economic practices of recent decades. Until the middle of the 20th century, interaction between Europe and the U.S., on the one hand, and the rest of the world, on the

other, was called “Westernization,” which was believed to be universal in terms of time and geographical scope. Also, the model of technological society, with all its attributes, ranging from mass consumption to liberal democracy, was viewed as easily reproducible and therefore widely applicable. However, this “universal” model presupposed that the West would be responsible for its worldwide propagation. Champions of globalization do not care much about the unprecedented increase in the gap between rich and poor countries that has occurred in the last few decades. To them, it is more important that they can explain any economic problem as the “objective globalization process” and wash their hands of it. The notion of “international terrorism” has provided politicians with a convenient tool for evading reality (and responsibility), like the notion of “globalization” has allowed economists to do the same. It would be naïve to assume that politicians will not take avail of this new opportunity.

These considerations do not inspire much hope for an early end to the “war on terror.” Even if the present antiterrorist coalition ceases to exist, which I do not doubt, the “struggle” will continue, although perhaps in other forms, since the ruling elites of all the countries involved — the United States, Russia, Great Britain, Poland and many others — are vitally interested in it. Not the peoples of these countries, but their leaders. They are interested in exaggerating the terrorist threat and in destroying ever more terrorists — precisely in killing them, as Aslan Maskhadov’s case shows, rather than in bringing them to an open trial, as they had promised to their people. The ruling elites are also interested in building up defense spending, restricting civil rights, and many other things that cannot all be discussed in this brief article.

Does this mean that the murderous acts of terror may continue without retaliation? Of course not, but we must observe obvious and indisputable rules in the struggle against the terrorist threat.

First, it is necessary to draw a clear distinction between armed groups fighting for self-determination and independence and terrorists acting in the name of ideological and religious goals. In the

first case the problems can be solved through negotiations. A positive example is provided by British Prime Minister Tony Blair's efforts to achieve a political solution to the conflict in Northern Ireland through negotiations with the IRA's "political wing." Much progress has been made in Spain, as violence in the Basque areas has subsided over the last few years. Also, the Middle East peace process has been stepped up since Mahmoud Abbas' election as Palestine's president.

Of course, negotiations with religious fanatics are hardly possible; actually, there is no need for them, since the demands made by al-Qaeda and Islamic Jihad terrorists do not provide for any political arrangements. Islamic extremists are not a political force that is conducive to negotiations. They cannot assume reliable commitments, and there is no means to pressure them if they fail to respect agreements.

Second, even now that we have established that peace (the ultimate goal of all wars) cannot be achieved with some of the terrorists, against whom the notorious "war on terror" is now being waged, it would be a mistake to say that this war must be aimed at their complete extermination. As was mentioned above, the more actively individual terrorists are destroyed, the more their fellow coreligionists sympathize with the goals of their movement. By way of example one can cite the situation in the West Bank, Gaza Strip, and Chechnya. Therefore, tactics of the struggle against terror must differ, depending on where this struggle is occurring, in Western countries or beyond.

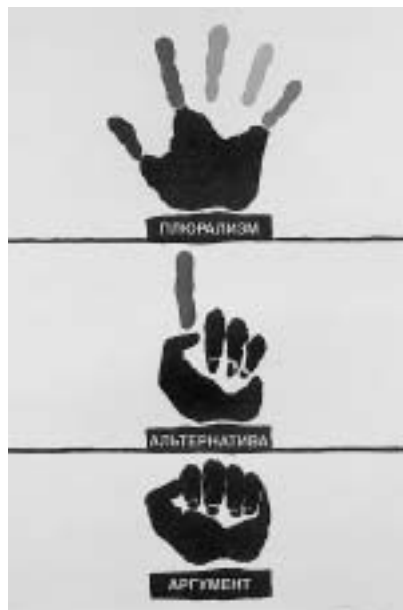
In the first case, terrorist acts must be classified as grave crimes — murder or attempted murder with aggravating circumstances. Accordingly, those convicted of such deeds must be neutralized; agents must infiltrate these criminal organizations; channels through which criminals receive financial support and weapons must be shut down; the inflow of immigrants from countries where the "main forces" of major terrorist organizations are located must be restricted. The monitoring of immigrants from particular countries may be introduced as a necessary and, therefore, acceptable measure, albeit an unpleasant one. The above efforts will help

reduce terrorist activities in Western countries. Strangely enough, the United States is the most successful example in this respect. Not a single terrorist act has been committed there since 9/11. This can be explained not by the decimation of al-Qaeda fighters hiding in Afghan mountains far from New York, but by the toughened security measures inside the U.S.

In the second case, it is necessary to adopt tough rules of conduct toward nations from which terrorist groups operate. These states, which include many Middle Eastern countries, must be denied any aid from the developed world; they must not be sold any weapon systems; they must be warned about the inadmissibility of possessing weapons of mass destruction (incidentally, this refers mostly to Pakistan, a close U.S. ally); trade and economic cooperation with these states must be reduced; and so on. If the peoples of these countries prefer to preserve their way of life, their traditions and religious “purity,” their aims should be respected. Moreover, a demonstrative “retreat” of the West from the region, coupled with tough measures against an extension of the Islamic *jihad* onto the territory of developed countries, would cause problems for Islamic extremists, who have neither a positive program nor the desire to work one out. As follows from the example of underdeveloped countries, the best way to discredit a populist movement is to let it try to achieve the goals it proclaims. Its true capabilities will become evident very soon. If we “leave the Islamic world to the mercy of fate,” we will by no means betray the ideals of freedom and humanism. Western values will be assimilated not where the West manages to bring them, but where there is a real and conscious demand for them. Liberty is not important per se; much more important is freedom hard won. Unless Moslem peoples feel the need for Western values and a yearning for freedom, it will be impossible — and needless — to impose these values and freedom on them.

Those who have declared the “war on terror” have no love lost for terrorists. And they have all grounds for that. But, unfortunately, they have forgotten an old truth: the opposite of love is not hatred, but indifference.

Twenty Years of Change



“Pluralism. Alternative. Argument.”
Poster of the *perestroika* times

““ There were two fundamental factors that predetermined the nature of restructuring processes and the eventual collapse of the Communist system. First, the Soviet Union suffered a crisis regarding industrialization, which catalyzed the need for systemic changes. Second, the transformation took the form of a full-blown revolution, comparable with great revolutions of the past in nature and dimension. ””

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Perestroika

Through the Prism of History

Vladimir Mau

The two decades that have elapsed since Mikhail Gorbachev took the highest post in Soviet Communist Party hierarchy has been a time of sweeping changes in Russia and across the world, as well as the subject of heated scientific and political debates. Whatever aspects of this period are being discussed, an intriguing question always stands out, explicitly or implicitly: Could the events have taken a different course? To what degree was the course of developments predetermined by objective factors? Or was it spurred by an accidental concurrence of circumstances, mistakes and spontaneous whims of certain leaders?

RESPONSE TO THE CRISIS OF INDUSTRIAL SOCIETY

Soviet economic policy was subjected to cyclical fluctuations since the days of its infancy. Scientists have termed this phenomenon the ‘investment cycle in socialist economies’ which had the following phases: implementation of an investment program; economic growth slowdown; liberalization measures; acceleration of the rate of growth; increased macroeconomic imbalances; rejection of liberal reforms and enactment of a new investment program [Bajt A. Investment Cycles in European Socialist Economies. *Journal of Economic Literature*, Vol. 9, 1971, pp. 53-63; Bauer T. Investment

Vladimir Mau, Doctor of Science (Economics), is Director of the Academy of the National Economy under the Government of the Russian Federation and member of the Editorial Board of *Russia in Global Affairs*.

Cycles in Planned Economies. *Acta Oeconomica*, 1978, Vol. 21, No. 3, pp. 243-260; Ickes B.W. Cycles Fluctuations in Centrally Planned Economies: A Critique of the Literature. *Soviet Studies*, 1986, Vol. 38, No. 1, pp. 36-52]

This is how developments progressed from the 1920s through to the mid-1980s. In line with this logic, the liberalization measures offered by *perestroika* did not look novel. As opposed to previous periods, however, they did not entail a toughening of the economic regime. Instead, liberalization began to deepen and expand.

There were two fundamental factors that predetermined the nature of restructuring processes and the eventual collapse of the Communist system. First, the Soviet Union suffered a crisis regarding industrialization, which catalyzed the need for systemic changes. Second, the transformation took the form of a full-blown revolution, comparable with great revolutions of the past in nature and dimension. While the first factor determined the essence and direction of the transformation, the second one decided its form and character.

The Soviet social and economic model was the product of the industrial age. This model was characterized by the dominance of several factors: large industrial entities that influenced all spheres of society, mass production technologies that relied on standardization and wide-scale use for their efficiency, and monopolistic tendencies in the economic and political spheres. Soviet economic policy also suggested direct government interference in the economic process, weak competitiveness inside the country and, more specifically, a tendency toward the restriction – or elimination – of external competition. The industrial age was successful in that it met several important industrial and social challenges: it helped stimulate a sizable rise in labor productivity, intensify urbanization and satisfy the basic needs of the population of its respective countries. The Soviet Union, which continued to advance pre-revolutionary Russia's process of industrialization, successfully solved those problems in the late 1950s and early 1960s.

At this time, the economies of the industrialized countries were becoming based on information technologies. The formation of the new economy was accompanied by several factors, such as the

weakening of monopolistic tendencies, animated competition, the reduced role of large industrial entities, increased flexibility of production, and individual approaches to production and technology solutions. Globalization evolved as a crucial element of the new economy, which promoted the diminishing role of the government in economic affairs, together with the liberalization of the domestic economy and foreign trade.

In the early 1970s, the industrialized West was hit by a deep economic crisis known as “stagflation” which persisted for the greater part of that decade. Stagflation is a half-forgotten term now, but it was quite popular thirty years ago. The crisis gave the impression that the West had slid into a new stage of the “general crisis of capitalism.” It soon became clear, however, that the social and economic systems were adapting to a new phase of technological development (or, to put it in Marxist terms, to a new level in the development of productive forces).

The Soviet Union faced nearly identical problems, but its rigid political and economic system did not allow the authorities to begin a timely adaptation to the new realities – the Soviet economy was utterly unreceptive to innovation.

The result was that while the West used the crisis to adapt itself to the new challenges, the Soviet Union showed small but steady growth rates, while at the same time falling into a severe systemic crisis. Traditional heavy industries remained dominant to the detriment of the more advanced technologies (IT, telecommunications, etc.); defense production maintained the central role in the Soviet economy. Against the background of a new economy emerging in the West, Soviet growth rates were sliding. The main problem, however, was that in the 1980s the gap between Western and Soviet economic development became apparent to everyone.

The nature of that crisis predetermined the general direction of the steps the authorities had to take: the liberalization of all aspects of life. While the objectives of the industrialization (more specifically, the catch-up industrialization) required active mobilization and a concentration of resources in the so-called ‘growth point’ sectors, the post-industrial economies required the activa-

tion of individual and corporate creativity and the total development of human resources.

The specifics of the post-industrial age explain, for instance, why liberalism has been blooming over the past 25 or so years. The development of productive forces and the relevant models of successful modernization rely on liberal policies (in the developed Western countries), or policies which mark a tendency toward liberalization (in the fast-growing countries of Southeast Asia, for example). It also explains why the Soviet and Russian governments followed a more or less consistent course of liberalization, regardless of their partisan attitudes.

THE HONEYMOON OF *PERESTROIKA*

Another important feature of Russia's transformation is that it turned into a full-blown revolution. Whether or not it actually experienced a revolution is mostly a subject for debate amongst Western analysts. In Russia, the issue never stirred much debate, but the idea that the revolution was over came through in President Putin's annual address to the Federal Assembly in 2001.

In a most generalized sense, *revolution is a systemic transformation that radically changes a country's social structure and takes place under the conditions of weak state power.* The latter is a major contributing factor of revolution — it predetermines many of its typical features and makes it different from other changes that produce major social changes. The crisis of state power manifests itself as a sharp conflict between the elites (or main groups of interests) that do not have a consensus on basic values and key issues concerning the country's further development. In the economic sphere, the weakness of state power manifests itself in a financial crisis, the government's inability to collect taxes and keep expenditures and revenues in balance.

A weak state power results in the spontaneous transformation of economic and social system. Social development becomes dependent on the conduct of various forces "dragging" the country in different directions. All full-blown revolutions go through several typical stages:

1) a “rosy period” or “honeymoon,” when all forces in society unite to overthrow the old regime and power is supplanted by a popular “moderate government;”

2) the split of socio-political forces which brings about the collapse of the “moderate government;”

3) a period of radical change which accompanies the ultimate breakup of the old system;

4) a Thermidor period, during which the foundation is laid for the new state machinery;

5) post-Thermidor stabilization and end of revolution.

An analysis of Russia’s transformation as a revolutionary process indicates that *perestroika* represented its first “rosy” stage. And the specific characteristic of this stage is a bizarre economic policy which hinged on two illusions. First, the seemingly unanimous dislike of the old regime and a desire to overthrow it by all members of society. Second, the seemingly universal popularity of the new revolutionary government which proclaims a course for discarding the legacy of the past. The combination of these illusions has some long-term consequences for the country.

First, a popular revolutionary government tends to make extraordinary decisions, especially in the economic sphere. Leaders of the early revolutionary government are inclined to overestimate their own popularity and the nation’s unity, which results in decisions that are alien to economic logic and unthinkable under normal conditions. Here are just a few examples of the *perestroika* period.

The anti-liquor campaign. This ridiculous attempt to solve Russia’s centuries-old problem had a dangerous consequence – the country sacrificed a sizable part of its budget revenues at a time when it was already suffering heavy losses due to a fall in oil prices.

Simultaneous implementation of the policies of economic restructuring and acceleration. The latter involved an increase in the amount of savings in the national income and a reduction in the consumption expenditure, while economic restructuring suggested greater freedom of the economic agents (which lacked incentives for extensive investment activities).

Stimulating entrepreneurship (in the form of cooperative societies and individual labor activities) *while fighting against “illicit incomes” at the same time.* The regulation of both spheres would be endorsed almost simultaneously.

Second, an early revolutionary government seems to be unable to formulate a coherent program of social and economic reform. It still has strong ideological and political bonds with the old system, and its reform program tends to implement certain programs deferred in the past. Such programs cannot be implemented in principle, but they enjoy broad public support and, hence, receive the attention of the authorities. For instance, during the *perestroika* years there was serious discussion involving the possible replication of reforms drafted in 1965, and even some which were drafted under Lenin’s New Economic Policy [which admitted of private enterprise within the context of the Bolshevik government-controlled economy – Ed.]. The authorities searched in vain for some sort of socialist economic model, but the post-industrial age already challenged the validity of those outdated programs.

As the Soviet government attempted to restore the independence of economic agents under conditions of state ownership, it strengthened the independence of the directors of the industrial enterprises. This decision produced a dual negative effect. First, it deepened the economic crisis, as an expansion of the factories’ independence did not entail higher responsibility for performance. Furthermore, it strengthened the position of the director as the factory’s owner, although not *de jure*. Thus it seriously aggravated the problem that is typical of any revolution – bringing into balance the formal and real status of the owners.

Third, the government’s self-perception as being popular with the people deprives it of the ability to make necessary but unpopular decisions. During *perestroika*, the government headed by Prime Minister Nikolai Ryzhkov lacked the courage to raise retail prices; this timidity set off a snowballing commodity deficit and a collapse of the consumer market. Yet, the government’s coy policy toward retail prices did not prevent it to raise wholesale prices,

which played into the hands of certain interest groups. Add to this tax and budgetary populism – the readiness to cut down taxes and increase budget spending during a severe budgetary crisis – in a bid to buy political support.

The above three factors played a crucial role as catalysts of the economic crisis during the *perestroika* years. Yet the arguments herein mentioned should not be regarded as charges against the early revolutionary government of Mikhail Gorbachev and Nikolai Ryzhkov. The commencing revolutionary transformation had its own logic that is typical of all great revolutions of the past. One fact remains irrefutable, though: the economic decisions of the late 1980s kicked off a heavy financial crisis that Russia had to overcome during the entire next decade.

Later developments testified to the revolutionary nature of the transformation. The logic of the financial crisis, property redistribution and subsequent stabilization were typical of the governments of all countries that had evidenced full-blown revolutions. Inflation curves during the revolutionary age, the history of English land ownership, the French Revolution Assignat and debt defaults of revolutionary governments help us to understand many things in Russia's post-*perestroika* social, economic and political processes.

But let us consider whether there were real alternatives to the *perestroika* policies, and if the answer is yes, what were they?

REPEATING SOVIET STRATEGY?

Mikhail Gorbachev commented on one occasion that he was not pursuing personal political goals when he began the reforms. “I had enough resources to keep power during my lifetime,” he said.

In the early 1980s, few people expected any intensive changes from the Soviet leadership and the most far reaching statements were something like “improvements in the economic mechanisms” in the style of the “reforming documents” of 1979 and 1983. Nobody saw the sources of transformation inside the Soviet system or within its elite. Moreover, many people had interpreted Gorbachev's first statements about reform as a temporary and, in

all probability, verbal liberalization. People were expecting the traditional mobilization measures, such as toughening discipline at workplaces, intensifying administrative control over the quality of products (introduction of the so-called State Product Commissioning Boards at factories), raising the amount of savings in the national income, and maneuvering the investment course in favor of the machine-building industry. All of these initiatives had been envisioned by the 12th state five-year plan. In a word, a serious market reform looked highly improbable, and many Western analysts believed economic improvements would take the form of regulations of centralized control, reduction in the bureaucratic chain of command and a gradual drift toward the centralized governance typical of East Germany. [Hanson Ph. *From Stagnation to Catastroika: Commentaries on the Soviet Economy, 1983-1991*. New York: Praeger, 1992, pp. 63-66, 68-76, 85-92.]

On the other hand, the Soviet system looked exceptionally durable. Eminent political scientists were quite confident the Soviet Union had long passed the age of revolutions and, like the U.S., was invulnerable to destabilization. They viewed both superpowers as classic examples of countries where only gradual transformations were possible. [Huntington S.P. *Political Order in Changing Societies*. Hew Haven: Yale University Press, 1968; Dunn J. *Modern Revolutions: An Introduction to the Analysis of a Political Phenomenon*. 2nd ed. Cambridge: Cambridge University Press, 1989.]

An analysis of the political processes taking place inside of the Soviet system prompted the conclusion that it would remain stable and durable (at least in Gorbachev's political lifetime), but the economic situation was not quite so clear. In the mid-1980s, there existed two factors which prohibited the Soviet system from being passive or stagnant. First, structural changes had occurred in the Soviet economy as a result of an oil boom of the 1970s. Second, the West had entered the phase of post-industrial growth.

The commencement of the *perestroika* policy is often associated with the 1984 fall of oil prices and swelling budget problems. No doubt, this is true: in 1985 a deficit was registered in the Soviet

budget for the first time in decades. While in 1980 the budget had a surplus of 1.3 percent of the GDP, it gave way to a 1.7-percent deficit in 1985, which grew to 10.3 percent in just five years.

The roots of the crisis go down not to the collapse of oil prices in the 1980s, but a sharp increase of oil prices in 1973 and the oil boom that followed. The prices stayed at very high levels for almost a decade and hit a new unprecedented record at the beginning of the 1980s, when a barrel of crude would sell at about \$90 when calculated at current exchange rates. As it turned out, high oil prices had a double effect on the Soviet economy

Large oil revenues created a special situation that enabled the Soviet leadership to ignore economic reform that the depressed economy of the 1960s had necessitated. The reform of 1965 was deemed necessary as the Soviet economy had stalled, growth rates had begun falling, the output of consumer goods had fallen short of the demand and industry needed many up-to-date resources. It was obvious that the Soviet economy could function smoothly only when there was a continuous inflow of cheap resources. From the 1930s through to the 1950s, the pool of cheap resources had been formed from the labor of numerous prisoners and a highly inequitable exchange of commodities and finances with the agrarian sector. By the mid-1960s, however, the country ran out of such resources and reform became inevitable. But with the commissioning of the West-Siberian oilfields, together with the oil shock of 1973, there was ensured an influx of “easy oil dollars,” and economic reform fell off the agenda.

Yet the Soviet economy was changing structurally, and its dependence on earnings from the exports of energy resources was growing. The Soviet system of the 1960s showed signs of certain stability. There existed moderate consumption rates which permitted a consistent level of distribution along the traditional same-amount-good-for-all principle. Furthermore, the Soviet economy was closed and fairly independent from foreign trade. The “positive shock” of 1973 marked an abrupt increase on the future dependence of the Soviet system on such external events. The Soviet government actually used the oil revenues for a sort of

structural maneuver – it exchanged oil and gas for foodstuffs and purchased new oil and gas equipment to increase further oil and gas output. Simultaneously, the country was getting increasingly more dependent on imported food (see Table 1 and Table 2).

Table 1. Foodstuff and Grain Imports in the Soviet Union

	1970	1975	1980	1985
Grain imports (million tons)	2.2	15.9	29.4	45.6
Meat imports (million tons)	165	515	821	857
Foreign trade deficit in farm produce (\$ billion)	-1.0	-7.2	-16.3	17.5

Sources: Socialist Countries and Capitalist Countries in 1986. Moscow: Soviet State Committee for Statistics, 1987, pp. 618-628. – Russ. Ed.
Soviet National Economy Over 70 Years. Moscow: Finansy i Statistika Publishers, 1987, p. 641. – Russ. Ed.

Table 2. The Soviet Union's Exports Structure (%)

	1970	1975	1980	1985
Machinery & equipment	21.5	18.7	15.8	13.9
Fuels & energy	15.6	31.4	46.9	53.7

Source: Socialist Countries and Capitalist Countries in 1986. Moscow: Soviet State Committee for Statistics, 1987, pp. 636-637. – Russ. Ed.

Naturally, industrial efficiency, labor productivity and the quest for new innovations receded to the background of the government's attention. It eagerly stated their importance, but the good disposition did not go farther than ritual statements. Innovative activity was confined to defense production. But since the country's defense potential depended as much on the defense industry as on the economic and political environment in the country, the defense sector was also influenced by the situation in foreign trade activity.

At this time, the Soviet economy grew considerably more open, as did its dependence on the international market situation.

Furthermore, an important change occurred in the structure of the Soviet economy, as well as in the psychological disposition of the nation. The economy now depended on the international market situation, apart from the availability of inexpensive resources. By the end of the 1970s, it became obvious that the Soviet Union could no longer ensure its stability without massive imports of foodstuffs. Soviet society began opening up to the outside world, as increasing numbers of people started to travel abroad and getting to know the way of life in Western democracies. Amassed imports of consumer goods further discredited the Soviet economic system. In fact, imported consumer goods opened for the Soviets a window to the Western lifestyle.

Falling energy resource prices could not help but provoke a heavy crisis which was economic as well as political in nature. It also included problems concerning the maintenance of military and strategic parity with the U.S. This eventually meant that Communism, nourished by a standoff with an opposing system, was doomed.

Hypothetically, the government could have begun “screw-tightening,” that is, permitted a fall in living standards and reverted to the old socio-economic model that was hinged on mobilization. This option, however, had three powerful obstacles to it.

First, the elite, urbanized and educated sections of society would have refused to accept such developments. Unlike in the first decades of the 20th century, the people had accumulated some material and cultural assets and were unwilling to lose them. This circumstance set barriers against converting the masses and mobilizing society to sustain material losses “in the name of a bright future.”

Second, the new stage in the development of productive forces practically eliminated the possibility for an advance within the format of a closed economy and in disregard of the globalization processes. Even a reverting to the mobilization model would not make it possible to boost the development of productive forces to a level suitable for the upkeep of the defense potential and retention of the status of a superpower. In other words, the result would be the same as in the case of a fall in oil prices. But it is also true that the demise of the

system might have taken a much longer time – the system had enough energy to drag on until the end of Gorbachev’s political life.

Third, the urban population with its demographic habits (one or two children per family) was not prepared to support the military and political adventures essential to maintaining the country’s status of a superpower. Despite the tremendous pride that the citizens had in their vast and powerful country which was supported by satellite states, they would not agree to pay with their very lives for the preservation of such a system.

To sum up, all the opportunities to maintain the Soviet system without great changes had been exhausted by the mid-1980s.

TRANSFORMATION CHINESE-STYLE: PRO AND CONTRA

Today, there are Russian politicians and researchers who argue that the political reforms in the Soviet Union were a mistake, while the Chinese method of reform might have been the best model to follow.

The Chinese transformation that was launched in 1978 had a special feature: economic reforms prevailed over the political ones. The Chinese economy was overhauled to a much greater degree than the political system, which remains essentially totalitarian and relies on the monopoly of the Communist Party – although it, too, has experienced some modifications. The one-party system has remained intact; the regime maintains an ideological stringency, while the old *nomenklatura* keeps power in its hands. Thus, economic changes are gradual and well controlled by the state, which puts down any attempts of political activity by individual members of society.

There are several arguments of an economic and socio-political nature as to why the Chinese path is inapplicable in present-day Russia, and, furthermore, why it could not have been helpful in the Soviet Union.

The *political* impossibility of using the Chinese recipe in post-Communist Russia is obvious. The Chinese method presupposes the presence of a totalitarian regime as a core political element.

That regime exercises an all-embracing control over all aspects of life through vertical party structures and state security agencies. In Russia, the liberal reforms of late 1991 and early 1992 began in the absence of a state machinery, to say nothing of a strong state – by that time the Soviet Union had ceased to exist.

The *socio-economic* structure of Chinese society resembled the Soviet one – yet not that of the 1980s, but from the period of Lenin’s New Economic Policy. Specifically, China of the 1980s and the 1990s was more similar to the Soviet Union of the 1920s and the 1930s. This is obvious when we look at specific indicators, such as the correlation of the urban and rural population, the structure of the Gross National Product and employment, the level of literacy, the social security system, the resultant per capita GDP and public sector share in GDP (see Table 3).

Table 3. Socio-Economic Indicators of the Soviet Union and China

Parameters	Soviet Union in 1930	China in 1980
Average per capita GDP, converted to international \$, in the 1990 prices	1,386	1,462
Urban population, %	20.0	19.5
Share of agricultural workforce, %	86.7	74.2
Literacy among population aged 15 and more, %	61.8	67.1

Sources: Maddison A. *Monitoring the World Economy 1820-1992*, Paris: OECD, 1995; Bairoch P. *Cities and Economic Development: From the Dawn of History to the Present*. Chicago, 1988; Mitchell B.R. *International Historical Statistics, Europe 1750-1993*. London: Macmillan, 1998; Gaidar, Ye. *A Long Time: Russia and the World*. Moscow: Delo Publishers, 2005, p. 306. – Russ. Ed.

In other words, there are three crucial – and interconnected – conditions for fast economic growth with the preservation of political authoritarianism. First, a relatively low level of economic development: this implies the non-involvement of large labor resources in efficient production (i.e. overpopulation of rural

areas). Second, a low level of social development: the government does not make social commitments that are typical of the developed nations. (For instance, social insurance and guaranteed pensions cover 20 percent of the Chinese population, while in the Soviet Union those social guarantees were enjoyed by the entire population.) Third, a low educational level: the demand for democratization is not of paramount importance for the greater part of the population.

All of these factors are present in China, while none of them were to be found in the Soviet Union of the 1980s. That is why those people insisting that Russia take lessons from China must agree to the following main conditions for such development. First, the government renounces its social pledges, which would involve the elimination of the bulk of pensions and social benefits, as well as a sharp reduction in free services in public health-care and education. Second, it reduces the public sector share in GDP to 20 to 25 percent from the current 36 to 40 percent.

The architects of reform should also take account of two distinct properties of the educated urban population — it has a good historical memory and depends on the government's social spending.

People in the rural areas offer a straightforward reaction to any changes: in the past, after the nation had passed through a war or violent campaign, for example, the provincial folk returned to their customary business and the economic growth in the country quickly resumes. People from the urban areas, on the other hand, behave differently — they remember historical precedents and are more difficult to deceive. Soviet society of the 1980s was already fairly mature and well educated and the country was open enough to accommodate a more Western lifestyle. Thus, the people would not believe in the sincerity of the party leadership's economic initiatives in the absence of political changes. Reform-minded Soviet officials had to prove that their actions were not mere rhetoric or a provocation of the security forces and thus demonstrate a real readiness for political change.

A slashing of the public sector burden on the economy — similar to that in China — was not permissible for Russia. In

China, the abrupt cutting of the public sector share in the GDP was possible because it renounced the subsidization of its non-profitable industrial facilities – a step that caused no major social problems in a predominantly agrarian country. But the Soviet leaders did not venture such a policy for political considerations. Too many industrial facilities could have immediately collapsed, thus accelerating the crisis in the Soviet economy. (I once asked Mikhail Gorbachev why he and his associates had not tried to take the Chinese path. The former leader of the Soviet Union said that the majority of people understood the fundamental differences between the situation in the Soviet Union and China.)

Finally, the stability factor is of crucial importance, too. Since the mid-1990s, China has occupied the top position in terms of foreign investment. Many analysts link the Chinese reforms to the investment boom. However, statistics show that Beijing started its reform program in 1978, while large amount of foreign investment did not begin to enter the Chinese budget until 1992. In other words, it took China 13 years of reform initiatives and political stability to win the trust of foreign investors.

THE EXPERIENCE OF CENTRAL AND EAST EUROPEAN COUNTRIES

Russia's transformation was starkly different from the transformations that took place in the countries of Central and Eastern Europe, including the former Soviet Baltic republics. Although all of their starting points were the same (all found themselves in a post-Soviet crisis) and had identical objectives (building modern market democracies), later – during the post-Communist transformation – they showed noticeable differences in the character, pace and mechanisms of their reforms.

Russia and the former Soviet bloc countries chose the liberalization of prices and foreign trade, macroeconomic stabilization, privatization, together with the creation of incentives for the emergence of new businesses. However, most Central and East European countries succeeded in divorcing themselves from the heritage of

Communism faster than Russia and at a lower cost. Those countries were able to quickly attain stabilization, bring order into property relations and achieve overall economic growth (see Table 4).

Table 4. Dynamics of Per Capita GDP Growth in Some Post-Communist States (% of the 1990 indicators)

	1991	1996	2000	2002
Russia	95	61	70	77
Bulgaria	95	79	85	94
Hungary	88	90	110	116
Poland	91	111	134	138
Slovakia	86	90	103	112
Estonia	92	78	103	119
Latvia	90	55	72	84
Lithuania	94	63	76	87

Source: Gaidar Ye. *A Long Time*. Moscow: Delo Publishers, 2005, p. 381.

The reason for such discrepancies lies in the political sphere. The collapse of Communism was tantamount to national liberation in Central and East European countries, that is, liberation from a system that had been imposed on them through the use of force. Conversely, the Soviet Union had to overcome the fall of a system that had grown from within. This factor predetermined an evolutionary transformation in the first case and a revolutionary one in the latter.

From the very start, people in Central and Eastern Europe shared consensus over the direction of their transformation – returning to Europe and joining the existing European economic and political institutions, above all, the EU and NATO. Those objectives were shared by the entire political elite, both on the left and on the right, except for some marginal political groups. Whatever the dimensions and complexity of the post-Communist transformation in those countries, there was no talk of a full-blown revolution, i.e. the collapse of the state and the need to restore major institutions of power. The certainty about the guide-

lines for progress and the steady functioning of key institutions (primarily, judicial and legal agencies) always limit transactional costs, stimulate the development of private business and, consequently, lead to economic growth.

An additional factor making the policies of Central and East European countries predictable was their declaration to join the EU and NATO, as well as the preparedness of the two alliances for enlargement. The candidacy terms for the countries seeking accession to the EU and NATO set clear tasks for institutional reforms and provided certain external control by the more developed nations – also members of these alliances. Thus, a barrier was erected against possible populist risings in Central and East European countries and this significantly contributed to their overcoming the post-Communist crisis. It should be mentioned, however, that their adoption of cumbersome and highly expensive European legislation later slowed down their economic growth.

As stated earlier, in contrast to Central and East European countries, the former Soviet Union experienced a full-blown revolution. The collapse of government institutions, together with the collapse of the Soviet empire and the absence of external stimuli for stabilization, dramatically extended the time needed to overcome the systemic crisis. As a result, post-Communist transformation in Russia, although similar in form with the other Communist countries (liberalization, stabilization, privatization, etc.,) had specific features.

First, macroeconomic stabilization took a longer period of time. Political fighting in a society on the brink of revolution made financial and monetary policy a hostage. Inflation, which in essence is a process of redistribution, turned into an instrument of political struggle. Its rate often reflected a balance between the groups of people interested in stabilization and those whose economic aspirations would suffer from it. The immense weakness of state power and its dependence on different interest groups forced the people in power to build shaky coalitions, sometimes at the price of macroeconomic stability.

Second, issues concerning property often became an important factor in the political struggle. Generally, the redistribution of property (privatization in the case of Russia) can pursue three objectives: 1) the creation of efficient owners, 2) replenishment of the budget, and 3) the winning (or purchase) of political support. In the conditions of a revolutionary crisis, the political objective of privatization unavoidably moves into the foreground, since serious investors (candidates for “efficient owners”) do not put their money into an economy that is plagued with political ambiguity. This means that the government redistributes property to build up its social base, while efficient owners enter the economy only after the revolution is over. Naturally, such a situation slows down a country’s pulling out of crisis and its efforts to achieve a steady economic growth.

Third, a crisis involving political institutions obstructs business activity. The laws regulating the economy may be good, but it is much more important for a businessman to see how they are applied in practice and how the government ensures their normal functioning. First and foremost, this concerns the judiciary and law enforcement systems. If they are inefficient, this drives up transactional costs and often forces businesspeople to incur extra expenses (for protection of property, maintaining private police and lawyers), which in turn drives up the cost of their products or services. Such a scenario hinders competitiveness in the country.

The specific features of Russia’s transformation discussed above are not unique, and all of them can be found in the great revolutions of the past. At the same time, the model of post-Communist transformation in the Central and East European countries can hardly be regarded as an alternative to Russia’s reforms. Although having identical goals, we are approaching them under different conditions while relying on the political institutions which our countries inherited from the last governments of the Communist era. In Russia’s case, it is the heritage of *perestroika*.

“People Got Ready to Move...”

Vladimir Degoyev

“People got ready to move...” This phrase by Sergei Solovyov, a Russian historian of the 19th century describes the social, political and spiritual background of the historic changes in Russia at the end of the 17th century. He believed that the country had recognized the necessity of change and was living in anticipation of a reformist leader, a role finally taken on by Peter the Great. Solovyov was one of many Russian scholars to address the specifics of historical changes in Russia, but he was certainly the first to have had so much insight and shrewdness.

Ever since, there has been a continued debate on whether such a phenomenon as ‘reforms a la Russe’ exists and, if so, what makes it so unique? The discussion is centered on some penetrating questions: Do the reforms have an organic link with “the entire course of past development”? Where and how is the critical mass of factors compelling the authorities to launch dramatic changes formed? Why does it so happen that the most ardent proponents of change emerge among the “happy” members of society – the upper class, while the mass seems to prefer the passive role of sheep? How can one explain the unavoidable gap between the reformers’ projects and the results they gain,

Vladimir Degoyev, Doctor of Science (History), is professor at the Department of International Relations and Foreign Policy of Russia, Moscow State Institute of International Relations of the Russian Foreign Ministry.

which are typically paid by huge sacrifices? In what cases do those changes, which have been initiated at the top, result in revolutions in the depths of society?

All attempts to provide mathematically precise answers to these questions inevitably fail. And yet it is possible to approach an understanding of the essence of ‘reforms in Russia.’ Solovyov probably offered the best approach – he attached special significance to the personality of the reform leader.

Although Solovyov acknowledged objective social laws, he indicated that the people’s willingness to ‘get moving’ does not necessarily guarantee a forward movement. “The people waited for someone. A chief commander,” Solovyov says. He maintains, however, that this is not enough. Changes can be successful only if they are steered by a great personality who has a profound understanding of the popular consciousness and an ability to curb the energy of the masses in certain situations, while heeding it at other times. The leader must also have a clear understanding of the final objective and skillfully manage the available resources. If handled by mediocre people, any reform can easily result in catastrophe.

‘A man at the helm of power’ is one of the most intriguing themes of Russian history. How does this individual set into motion the highly diversified social organism and what forces does he himself obey? Why does fate protect one leader while grinding to pieces another? Where does the realm of rational and explicable factors end and the play of chance, be it devilish or simple luck, begin? Who has been the most unhappy – Russia with its rulers, or the rulers with Russia?

Marxists claim that when the need for a great personality exists in society, life immediately offers such a personality and makes him or her act according to what the objective laws of the situation dictate. This wonderful hypothesis has been proven many times in history, but does it always work?

Presently, as Russia is marking the 20th anniversary since the launch of *perestroika*, it seems a relevant time to consider this phenomenon.

THE SOVIET UNION:
AN UNPREDICTABLE FINALE?

The idea that the radical reforms of the 1980s were inescapable has become one of the indisputable truths of contemporary history. Internal and external conditions had allegedly ripened for them. The voguish cliché of the *perestroika* period that “there is no alternative for us” initially forwarded the irreversibility of change, but soon acquired a belligerent revolutionary character which overwhelmed even the moderates who usually take the time, at least, to look before leaping. A complicated combination of objective and subjective circumstances produced the sweeping conviction among Soviet intellectuals and politicians that reforming the established system was not possible in principle; it could only be dismantled and replaced by something new. This ideological triumph was achieved due to the potent and extremely destructive energy that arose from various corporate groups which possessed the crushing power of social aggression. Without going into the details of this problem, I will mention the Soviet intelligentsia’s naive and righteous ambition which gave birth to idealists and romantics with good intentions who later fell victim to post-*perestroika*. The demand for their lofty ideas about the nation’s future and for them personally was rather short-lived.

The only common denominator of the chaos of the minds in 1985 was the desire “to have a better life.” In the numerator, there was a whole range of powerful emotions. No one in the Soviet Union would have a problem explaining the meaning of a “better life.” Problems would appear, however, whenever the tools of reaching that goal were mentioned. The vast majority of Soviets never gave the idea much thought and would, by virtue of custom, delegate the right to fateful decisions to the authorities. Except for a meager part of the huge, multi-ethnic Soviet society, few people would think of seeking a “better life” beyond the borders of the Soviet Union or outside the socialist system. Civil initiative did not go farther than signaling to the upper echelons that life was dismal, while, at the same time, giving the government carte blanche for arranging the country’s wellbeing. Throughout Russian

history, the people sent their prayers to the powers that be: “Please, think of something! You’re the government, aren’t you?”

The authorities heeded the call – with assistance from intellectual servants and pressure from nascent corporate groups who respectfully called themselves “the elite.” The aspirations of the majority and the plans of the almost indiscernible minority developed a dangerously huge difference of potentials. The tragic irony was that while the majority was still debating on what it really wanted, the minority had already realized the importance of action. Whose interests this activity should suit was a rhetorical question.

First, Russia was told that the previous seven decades of its history were just an unfortunate experiment of translating a Utopia into life. The argument was driven home to the people that the nation “could not live like that any more” and should strive for a capitalist paradise. But there would not be a place, of course, for everyone in this system, they said. Only those who pass successfully through the sieve of natural selection due to their viability, talent and inventiveness – that is, those who can prove that they are worthy members of society – will enjoy this paradise. Inequality, ostensibly inherent in the very nature of things, was actually proclaimed as the supreme law of existence and an embodiment of justice. Ideologists refrained from arguing in favor of humanism, morals or scruples – these values came to be regarded as the “rudiments of a primitive communal society.”

To the public’s great surprise, this all resulted in the collapse of the Soviet Union as a geopolitical, governmental, social, economic, and cultural system. That collapse opened the floodgates, sending mostly muddy waters raging in all directions, flooding the vast spaces of the entire Soviet Union. The slogan “Every man for himself,” borne out of the reality of life, did not catch unawares just a handful of people who had been smart enough to make arrangements in advance. They built comfortable life rafts which eventually turned into luxury yachts.

The role of international factors in this dramatic episode should be neither overstated nor underestimated. The Soviet Union’s isolation from the rest of the world had always been

rather conventional. Glances to the West would give reason for pride, envy, and bitter thoughts. Common sense demanded that the Soviet Union drop its anti-Western nihilism; it would publicly reproach the West and then quietly copy from it. The louder the reprimand, the more willingly it would imitate the West. Comparisons evoked certain conclusions that eventually split the Soviet political and intellectual elite into two camps – the renovationists and radicals.

The renovationists believed that the so-called ‘socialism with a human face’ would be tantamount to a capitalism cleared of all inhumane traits. They did not see any obstacles to successfully fusing together the civilizational achievements of both systems. The problem was in determining which part would receive the emphasis, but compromise solutions seemed possible. In essence, the recipe for such a social change was an old one, which the adepts of the convergence theory had proposed back in the 1960s.

The radicals insisted on dismantling the socialist economic base and Communist political institutions, arguing that they were doomed. This group had the support of certain forces at home and abroad and already sensed victory and the spoils of war; hence, they rejected any compromise. Proponents of ‘shock therapies’ believed that the struggle between two versions of ‘the end of history’ – the Communist and the liberal ones – had been predestined to end in the victory of the latter.

The loss suffered by the socialist reformers at the hands of the triumphant capitalist revolutionaries, coupled with nationwide humiliation, resentment and hopelessness, led many to believe that there had been a “conspiracy against the Soviet Union” (and Russia). This was a natural reaction of a defeated people, who were dumbfounded by the “idiotic” and “unpredictable” finale. A loser reluctant to acknowledge his fault always tries to rationalize it through a search for external causes, as Max Weber would put it. But the validity of this statement does not remove the fact that a well-coordinated and intellectually supported tandem of international and domestic actors was performing the subtle, skillful and cynical work to eliminate “Carthage.”

As we look back today, it is much easier to prove that the downfall of the colossus Soviet Union was much more predetermined than accidental. A rather chaotic avalanche of events in the second half of the 1980s, which theoretically could have had any other continuation, easily fell into an unambiguous logical succession. The biggest question is whether that “irreversible” evolution took place in reality, or in our imperfect consciousness which is always prone to rationalizing past events. Had the Soviet Union survived in any form then, it would have been explained in a kind of deferred wisdom that “there was no alternative.”

Many historians have attempted to tackle this rather metaphysical question without any prospect of getting to the truth. Eric Hobsbaum, for example, came up with a cautious hypothesis (and this is the only possible status for a scenario that never came true) about the possible development of East-West competition from the 1960s through to the 1980s. The implication of his statements is that the struggle between the two systems, which had taken on a universal and Messianic dimension, permitted compromise in superficial factors only; in essence, it was a zero-sum game. This factor formed the backbone of the Cold War logic, which was fuelled by fear, mistrust and the tragic experiences of the past. The situation was further aggravated by the alternating successes of both sides, which inspired hope of a final victory for one of the adversaries and a feeling of revenge for the other. Revengefulness would sometimes manifest itself in nervous asymmetric counter-offensives. The outcome of the competition depended on complex world policies and situations, together with their numerous facets (regional, local, economic, military, technological, political, diplomatic, ideological and cultural).

Hobsbaum believes that the two “marathon runners” were getting exhausted by the beginning of the 1980s, as evidenced by crises on both sides of the Iron Curtain. Thus, the West decided to stake its all and won. But not because it was destined to win – the Kremlin elders failed to produce a sober, intellectual and well-designed response to that bluff. To continue Hobsbaum’s line of thought, the representatives of the Soviet officialdom – partly due

to physiological reasons – could not devise a preventive analysis and offer alternative decisions.

This leads to the great question that becomes more and more relevant over time, namely: What did the West gain on the global scale and in the long term? Today, the answer to this question looks rather contentious, together with the conclusions about what exactly Russia lost.

THE ROOTS OF THE CRISIS

Turning back to the pre-*perestroika* period and following Hobsbaum logic, let us suggest a hypothetical construct. Let us imagine that the Soviet Union did possess the necessary reserves for its survival as a geopolitical and civilizational entity. Who could have realized them and how? This could have been accomplished only through an order from the top. This is because revolutionary endeavors from below in Russia had always ended in destruction rather than in transformation.

Naturally, by the mid-1980s the situation in the country was rather complicated, especially in the economy. The social temperature reflecting popular discontent was growing. However, this unpleasant symptom of an illness did not testify to the presence of any revolutionary moods or a situation conducive to revolution. The nation continued to live the way it had for decades – without wars, hunger or social shocks. It enjoyed a range of social guarantees, and everyone had developed a habit of taking them for granted. People had faith in a good future and governmental paternalism. They did not bother to think what the benchmarks of popular happiness should be like.

The problems were not at all novel; the country had seen far worse times. Despite today's desire to find signs of a revolutionary situation at that time, there is no doubt the people had a huge resource of patience. The intellectuals would talk amongst themselves in hushed whispers in the kitchens of their apartments and occasionally read prohibited books; artists would show their impertinence through meaningful hints; the youngsters would revolt by blaring rock music and embarrassing haircuts. The older

generations and their children would rebuke each other, while a handful of human rights activists would protest before the cameras of foreign correspondents. The authorities did not let all those things out of the traditional bounds and even encouraged tiny doses of dissidence. They closed their eyes to the harmless sprees of the intellectuals and artists, but nipped in the bud the encroachment of basic values.

These were the manifestations of a sort of conventional norm of life, not the symptoms of an imminent death. Nor did the undeniable crisis in the Soviet economy and within Communist ideology necessarily mean fatality. ***In general, any crisis is part and parcel of the process of development and renovation,*** as well as a challenge to the human mentality and will. The inability to respond to a crisis ends in a disaster or revolution (as its variety), although both are elements of historical evolution.

In the race for survival, the West had more luck with subjective rather than objective circumstances. For instance, Western countries found the right people during moments of systemic crisis and foreign policy defaults that often looked fatal. They had a better knowledge of the nature of crises and, more importantly, they knew how to use to their best advantage the constructive factors of critical situations while neutralizing the destructive ones (graphic examples are lessons drawn from the Vietnam war, racial upheavals, student protests and the oil crisis of the 1970s).

As a result, the West emerged from the epoch of turmoil quite easily and showed its ability for self-renovation while avoiding catastrophe. Its occasional crises, however, played havoc on the Soviet Union. The Kremlin mistook wish for reality and made faulty conclusions from its analysis of the global processes. After making short-term gains on the market situation in the 1970s, the Communist leadership developed a belief that the country's mineral wealth and stable social system would allow it to prosper; it would continue to make material and moral dividends on the grievances of other nations. Thus, instead of investing in the renovation of the economy, Moscow preferred to increase spending on foreign-policy expansionism, together with the extensive devel-

opment of defense production, all the while waiting for the third (final) stage of the “general crisis of capitalism.” This is what triggered the crisis of socialism in the mid-1980s.

The crisis was reflected by the deaths of Soviet leaders, including three General Secretaries of the Communist Party’s Central Committee, who passed away almost one after another.

MESSIAHS MEET THE DEMAND OF TIME

Mikhail Gorbachev’s appearance before the nation in 1985 looked like a good sign. Soviet society, tired from its uncertainty, gave a sigh of relief and seemed to say: “Well, here we are at last!” The relatively young and energetic General Secretary could speak to the people by literally looking them straight in the eye – he could manage without reading from prepared notes. For the first time in Soviet history, a Kremlin leader made public confessions, honestly admitted mistakes and promised ardently to correct them. The country was infected with his confidence and faith in success. He excelled in skillful imitations of decisiveness and charm, and there was not a trace of play-acting because he was driven by a genuine desire of fairness. Enjoying the sense of impending happiness, no one cared too much for the details of his plan of action. For quite some time this lack of knowledge was effectively substituted with general provisions of a “new political mentality.” Against the background of euphoria there was only a narrow circle of intellectuals muttering the skeptical “Let’s wait and see.” Nobody wanted to consider the Chernobyl tragedy, for example, as a token of disaster.

But in the second half of the 1980s, Soviet society began to grow restive as there was little sign of any concrete actions. Instead, the economy was declining, the disorder in the state administration machinery was ripening, and the struggle between reformist projects and group or personal interests was aggravating. As a result, the mass of spectators were beginning to turn into an active force. Radicals, conservatives and moderates, representing the entire spectrum of ideas, interests and social sentiments, began fighting for people’s minds, while the popularity of lofty social ideals plummeted. Those who aired them either had to

retreat backstage or to ossify in pragmatic approaches and dealings with their own consciousness. The specter of a major partitioning of power, property and minds in the swing sections of the population was haunting the Soviet land. The embittered lower walks of life were losing faith and, not knowing whom to follow, became convenient objects for manipulation. Social destabilization lubricated ethnic conflicts – another highly explosive phenomenon which threatened the Soviet Union’s very existence.

By the end of the 1980s, a manageable crisis grew over into a structural disintegration. Different political forces, together with the variegated intellectuals they had recruited, increased their pressure and exploited the people’s feelings of disorientation, naiveté, illusion and fear. They did not care to consolidate ranks or draft a national ‘salvation army’ in the face of an approaching catastrophe. Instead, the frantic mobilization of all strata of society “for the last and most resolute fight” was launched. People were lured by totally implausible promises.

The banal truth of history is that the outcome of critical situations is predetermined to a great degree by the personality of the person in charge. Fortunately or unfortunately, the historic scope of this personality does not depend on his morals, virtues or the profoundness of Hamlet’s doubts – it rests on the toughness of his or her pragmatism, the demand for which increases as the situation grows more and more tense.

Another postulation by historian Solovyov comes to mind in this connection: when the chariot of reform is rushing downhill, the reins must be in firm hands, otherwise, a crash is imminent.

The Soviet *perestroika* did not have either firm hands or prophetic minds, not to mention a sense of immense historic responsibility. What it had in excess was predatory instincts underpinned by an ideology of selfishness. Also, there was the sophisticated smartness of the thieves and moral breakdown; a fanatic obsession with clinging to power and a readiness to make others shed blood for it.

As the 1980s were coming to a close, Gorbachev was already unable to close Pandora’s box. Instead, he was tossing about in search for those who would do something, but the August 1991

tragicomedy glaringly showed that such people were non-existent, or else there had been no real effort to find them.

Gorbachev had the last argument of a ruler – bloodshed, a thing especially dangerous for Russia. Gorbachev’s greatness was proven in 1991 when he saved his country from a civil war as a Man won a victory over a Politician inside himself – the same way as a Politician had won a victory over a Man inside himself in 1985 (although that latter victory was never finalized). One can bear a grudge against Gorbachev’s failure to become a great politician at the outset of *perestroika*, but he definitely deserves praise for his actions six years later when he had rejected a fame that almost certainly would have demanded an exorbitant price.

Meanwhile, right-wing radicals had no doubts about their actions, and that proved to be their trump card. They signed a pact with the young Soviet bourgeoisie in a resolve to go to the end and stop at nothing. Their credo “I need a lot and need it quickly” called for a new leader. It did not take long for this leader to emerge in the limelight. Unlike Gorbachev, Boris Yeltsin was more temperamental and persistent in his worship of Power. Moreover, he was far less scrupulous. He was an ideal personality for implementing the historic tasks that our liberals and their Western patrons had set for themselves. Yeltsin became the country’s new idol – he provided clear answers to the questions “Who is to blame?” and “What is to be done?” He symbolized a different project, and while the people were still gauging the essence of the situation, the mechanism of destroying Gorbachev’s socialist Union for the sake of Yeltsin’s capitalist Russia was already set in motion. The glittering summit of Power was worth any sacrifice, including the Soviet Union. Frankly speaking, the Soviet Union would have been saved had Gorbachev ceded power to his opponent. But expecting any sort of altruism from the disciples of the Soviet *nomenklatura* would mean not understanding the epoch and the milieu they were brought up in.

The image of “a people that got ready to move” is not quite adequate if applied to the pre-*perestroika* period. As in many instances in history, the people did not intend to go anywhere. In any case, they did not intend to travel the particular path that had

been imposed on them, especially the path that eventually led them to a crisis.

Rather, the people were waiting apprehensively, while the ones who really got moving were their preachers – political and spiritual – whose predestination or restless character traditionally keeps them searching – usually for whatever is the enemy of good. They are constantly ready to advise where to go and what for. The people and their preachers have ended up in different destinations, which on the whole are not bad, and even quite wonderful, for some of the preachers. The *reform for everyone* has nicely transformed into a *reform for the select few*. From the viewpoint of the law of the jungle as described by Kipling, all of us – the victors and the defeated, the cheaters and the cheated, the pacified and the rancorous – have what we deserve.

“Messiahs meet the demand of the times,” said a poet. Was the same not said about the leaders of the *perestroika* and post-*perestroika*? Did they rise to meet the demands of their time? If they did, what sort of time was it? If they did not, should they be blamed?

Marxist law says that the ruler’s personality corresponds to the moment in history that calls for him. If we accept this law, we have to admit that the time of heroes in history and politics is over, and the demand for great people has vanished.

Whether this will be a blessing or a tragedy for Russia in the future is not clear yet. Let us live until then and see.

* * *

Twenty years is not so great a period of time for drawing a bottom line under the events of a “big historic duration,” as Fernand Braudel would say. At this moment in Russia’s history, we know well what we have lost, but have a vague idea of what we have gained. At any rate, we can take comfort in thinking that things might have been still worse. Whatever the curses that Russians hurl at today’s reality, at least they evaded one of the possible scenarios that was much more ominous. The sort of future the year 1985 ushered in can be elucidated only by the future itself.

“Homo Sovieticus”: Limits of Self-Identification

Yuri Levada

This study analyzes the social identification of individuals in contemporary Russia according to their social environment (a community, system of groups and role functions) and behavioral types. Since the answers provided by the respondents cannot provide enough grounds for drawing a conclusion about their belonging to certain social groups or types, the meaning and significance of the respondents’ “confessions” was checked through an analysis of their real behavior.

A “SOVIET” OR A “RUSSIAN”?

Let us take the simplest – and most indicative – set of defining characteristics.

Table 1. Do you identify yourself as...

		1994	2003
...a Soviet?	Yes, always	35	33
	Yes, in some cases	23	28
	Practically never	19	26
	Undecided	24	14
...a Russian?	Yes, always	63	77
	Yes, in some cases	17	13
	Practically never	5	3
	I am not Russian and I never feel myself a Russian	7	4
	Undecided	8	3

Yuri Levada, professor, is the Head of the Levada Analytical Center. The article is based on the data gathered under the Soviet Man program (3000/1994, 2000/2003).

The first impression is that the “Soviet” identification has not only endured but has become even stronger (“in some cases”). However, the percentage of those who never consider themselves “Soviet” has also increased at the expense of those who were earlier undecided. The simultaneous growth of the “Russian” identification can be explained by changes in the official language, documents, etc.

Let’s have a closer look at the “Soviet” self-identification.

The youngest respondents less frequently ranked themselves among “Soviets;” more often they do not use such identification at all. In the upper-age group (55 years and older), “Soviet” identification has grown notably stronger. Similar processes have taken place in all education groups (the only exception is the decrease of “Soviet” self-identification among people with low educations). At the same time, all groups besides those of the elders have experienced a rise in the percentage of those who never identify themselves as “Soviets,” although in various degrees.

The above tendencies reveal a demonstrative nostalgia for the past. Meanwhile, the “Russian” self-identification, although becoming more and more common as an everyday or official “label,” does not mean a social identification yet; approximately two decades of change and upheaval have not yet created the foundation for such identification.

Let us now consider an ideologically dominant theme – the attitude toward the “Russia for Russians” slogan.

A “Soviet” individual seems to be more connected to ideology (both positively and negatively) than the “Russians” with regard to the nationalistic system of values. But in both cases of self-identification the majority tends to support the above slogan wholeheartedly or with some reservation (“within reasonable limits”); a negative attitude prevails only among non-Russians.

Links between the “Soviet” and “Russian” self-identifications are rather intricate as the “Soviet” tag signifies not only the official terminology of the former state but also its “internal” characteristics (the social order, ideology, life habits, etc., as they have survived in public opinion). At the same time, the emotional and psychological content of the “Russian” tag is much weaker since it

is practically devoid of connotation. That is why in most cases the “Russian” tag serves for the majority of the population only as a new shell of the old “Soviet” label which, on the whole, remains dominant. This assertion has two essential reservations. First, only in rare cases does a numerical predominance have a decisive significance; the influence of an active minority in most cases is much more important. Second, a demonstrative self-identification, as has already been mentioned above, is not the same as real identification within a certain group, system of values and type of conduct.

Table 2. What is your attitude toward the “Russia for Russians” idea? (% of those polled in the respective group)

	Positive	“Within reasonable limits”	Negative – It is fascist	Undecided*
Do you feel yourself a Soviet?				
Always	27	34	14	25
Sometimes	21	33	21	26
Never	19	32	21	28
Undecided	14	29	13	44
Do you feel yourself a Russian?				
Always	23	34	16	27
Sometimes	18	35	21	27
Never	16	20	14	50
Non-Russian	12	8	36	44
Undecided	6	17	22	56

* “I do not care about it,” “I never thought about it;” the 2003 survey.

“FRIENDS” AND “FOES”: LIMITS OF SELF-ASSERTION

From the wide range of problems related to a national self-appraisal, let’s consider only those that reveal a tendency toward *self-assertion*. This is not just self-identification as a means for distinguishing “friends” from “foes” but a search for a *self-justification* and *substantiation* of one’s own position. The need for self-assertion

by an individual, a social community and a nation emerges mostly in unstable, transitional situations (for example, in the period of adolescence). For full-grown, “mature” organisms, including social ones, self-assertion is not a problem.

In this survey, self-assertion is best manifest in the respondents’ answers concerning who they are “proud” of being.

Table 3. Who are you most proud of being?

	1989	1999	2003
1 Farther (mother) of one's children	43	57	56
2 Son (daughter) of one's parents	19	24	27
3 Master in one's own house	15	32	32
4 Resident of one's city, village, district	11	21	35
5 Master of one's land	10	9	9
6 Son (daughter) of one's people	8	10	8
7 Expert in one's business	24	23	23
8 Soviet man	29	13	14
9 Believer	4	7	11
10 Russian man	-	43	49
11 Citizen of Russia	-	-	45
12 Member of one's circle, team	3	3	8
13 Worker in one's enterprise, organization	9	9	13
14 Man of one's generation	13	19	25
15 Man of prominent status	1	2	2
16 Man who has achieved material well-being by his own work	-	9	9
17 Representative of the human race	9	9	13
18 Veteran of World War II	7	2	2
19 Veteran of the war in Afghanistan or Chechnya	4	1	1
20 Participant in major construction projects	1	2	1
21 Communist	4	3	2
22 Democrat	-	0	2
23 Patriot of one's country	-	-	16
24 Supporter of President Vladimir Putin	-	-	7

- The question was not asked in this year.

The most significant form of a man's "proud" self-assertion is own status of a father and/or mother. The status of being "children" (younger generation) has a notably weaker impact and is witnessed mostly among people aged 15 to 25 years. Another widespread factor of self-assertion comes from belonging to the "Russian people" (Point 10); almost equally significant is the status of "citizen of Russia" (Point 11). The significance of belonging to "Soviet" people decreased considerably by 1999 and has remained unchanged since then; this characteristic is important mostly to upper-age groups. The growth of self-assertion through pride in one's native place (Point 4 – "local man," citizen of one's city; as well as Point 5 – "master in one's own house") is also significant as it corresponds to a widespread (43 percent in 2003) link between the notion of one's people and the place of one's birth. Pride in one's homeland (Point 23) is now mentioned twice as seldom. More and more people take pride in their generation (Point 14) as a way of promoting their self-assertion; the percentage of these people is the highest among the youngest (33 percent among 15 to 25-year olds) and the oldest (29 percent). The low percentage of people who say the status of "veteran of World War II" promotes their self-assertion is explainable by natural reasons, while the small percentage with regard to the status of veterans of the Afghan and Chechen wars can be explained by a public re-assessment of the two conflicts.

Now let's take a look at *ethnic* self-appraisals, which can be viewed from a certain angle as factors of self-assertion.

Table 4. Which of the qualities listed below are most typical of the Russians?

	1989	1994	1999	2003
1 Energetic	9	22	20	23
2 Open, simple	59	72	67	75
3 Reliable, trustworthy	26	44	30	38
4 Peaceful	50	52	42	49
5 Lazy	25	26	27	41
6 Patient	52	62	63	62

“Homo Sovieticus”: Limits of Self-Identification

7	Freedom-loving, independent	20	27	23	26
8	Impractical	31	39	22	34
9	Envious	10	12	8	13
10	Irresponsible	22	29	16	26
11	Ready to help	51	61	55	57
12	Religious	7	14	14	16
13	Having self-esteem	14	22	21	21
14	Hard-working	27	42	35	30
15	Timid, humble	10	17	16	22

The constants which appear in this part of the survey – peacefulness, patience, self-dignity, readiness to help – are positive strong points indicative of the Russian people’s self-assertion (we do not discuss here as to what extent they are really justified). As for the obviously unsteady characteristics, they include rather notable pairs of seemingly interconnected polarities. One of them belongs to the “external” characteristics of a group’s *position*: love of freedom has become relatively more widespread (as compared with its decrease in 1999); at the same time, there has been an evident increase in the frequency of mentioning “timid and humble” qualities. Incidentally, 86 percent of those polled said that being “humble” was connected to “simplicity,” while 77 percent linked humbleness to patience.

Of special interest are pairs of features belonging to the “inner” characteristics of a group and to peculiarities of its *behavior*. Today, much fewer people mention diligence, while many lay emphasis on laziness. Interestingly, this quality is connected with being impractical and irresponsible, as well as “simple and open.” In general, this set of characteristics paints a social “self-portrait” of an individual who is simple and kind, lazy and irresponsible, impractical and constantly humiliated by somebody. In Russian, the word *sovok* is used to explain this type of ironic self-description. It is, simultaneously, a means of self-humiliation and self-justification or, to be more exact, a self-assertion through a demonstrative self-disparagement. Thus, people habitually set deliberately low levels of social aspiration, and refuse to orient themselves to higher, more civilized types (as Dostoevsky wrote, “try to love us when we are black,” which means

that “we” love ourselves in this capacity and we are not going to transform into something different).

“GENERALIZED FOE”

In a situation where traditional barriers (social, cultural, state-imposed and everyday) between countries, peoples and groups increasingly erode, social identification often gives rise to attempts to build artificial obstacles at various levels, including inside the mass consciousness. These attempts are greeted with strong support from politicians, ideologists and advocates of patriotic isolationist doctrines.

The simplest and most common form of self-assertion in such conditions is to lower the perception of different cultures, traditions, orientations, etc. The “different” is portrayed as something alien and unacceptable as a universal model. Furthermore, as seen from the public opinion polls, the image of a “foe” is generalized, and includes competitors, enemies, breakers of the peace and traditions, etc. More importantly, this attitude is assumed to all “alien” phenomena. (It is worth remembering that the Greek word *xenophobia* literally means fear of foreigners or strangers.)

At the end of 2002, following the terrorist attack at the Dubrovka Theater in Moscow, the attitudes toward representatives of various ethnic groups worsened. Following this tragedy, it is perhaps easy to understand why the percentage of the Russian population who felt irritation, dislike, distrust and fear toward the Chechen people increased from 53 percent (in 2000) to 66 percent. The same thing happened in people’s attitudes toward gypsies (from 43 to 52 percent), Azerbaijanis (from 29 to 39 percent), Americans (from 10 to 17 percent), Arabs (from 15 to 28 percent), Jews (from 12 to 15 percent), Germans (from 6 to 11 percent) and Japanese (from 5 to 9 percent). It is as though the experience of a sharp pain in one part of the body makes it feel as though the entire body is hurting. A year later, at the end of 2003, the intensity of the pain subsided somewhat, and the level of negative attitudes toward the above groups decreased [Public Opinion in 2003. Moscow: VTSIOM-A, 2003, pp. 65-66.]

Attitudes toward non-traditional groups reveal controversial dynamics.

Table 5. What should be done with...

	1989	1994	1999	2003
...prostitutes?				
Eliminate	27	18	12	14
Isolate from society	33	23	20	25
Provide assistance	8	12	20	13
Leave them alone	17	30	29	36
...homosexuals?				
Eliminate	31	22	15	21
Isolate from society	32	23	23	27
Provide assistance	6	8	16	6
Leave them alone	12	29	29	34
...drug addicts?				
Eliminate	29	26	21	25
Isolate from society	24	23	24	23
Provide assistance	24	38	47	44
Leave them alone	39	5	3	5
...HIV-infected?				
Eliminate	13	7	8	9
Isolate from society	24	20	26	23
Provide assistance	57	68	56	62
Leave them alone	1	1	1	3
...tramps, homeless?				
Eliminate	9	10	7	8
Isolate from society	25	20	15	22
Provide assistance	44	55	60	58
Leave them alone	7	5	5	6
...alcoholics?				
Eliminate	7	9	7	7
Isolate from society	22	20	15	18
Provide assistance	59	59	66	63
Leave them alone	6	5	5	7
...members of religious sects?				
Eliminate	4	6	14	27
Isolate from society	6	12	23	27
Provide assistance	5	8	9	5
Leave them alone	57	51	29	24

The immediate cause of the striking public animosity toward religious sects is clear: the “friendly” patriarchal Orthodox Church is being granted state status in the country (which is admitted by mass media and public opinion), making other confessions (Catholics, sect members, members of the Hare Krishna movement, and others) “foes” and subjected to various restrictions. Although only 22 percent (against 50) want privileges for the “church of the majority,” up to 34 percent of this number support the “elimination” of sect members.

Similar changes have taken place in people’s attitudes, especially in large Russian cities, toward migrants from the North and South Caucasus, from the former Soviet Central Asia, and from the Far East. For the authorities and the common man, these peoples are “aliens,” dangerous and uncontrolled. That is why the prevalent reaction to migration remains in the form of prohibitions and barriers (which, however, are easily overcome by traditional bribes). According to the 2003 survey, 58 percent of those polled described irritation, dislike or fear toward “migrants from southern republics” living in their town or district. Sixty-six percent (against 22 percent) would accept restrictions against people of “non-Russian nationality” attempting to enter their country, while 58 percent (against 22 percent) would forbid “newcomers from the Caucasus” from remaining in their town or district.

There is yet another method of achieving self-assertion, proposed officially since Soviet times and largely accepted by public opinion, and that is by belittling the image of an external “enemy.” To justify its actions in Chechnya, the Russian government first used the traditional and ineffective slogan of “non-interference in its home affairs;” after 9/11, that rallying cry was replaced with a new and equally ineffective slogan of “anti-terrorist coalition.” Following the beginning of U.S. military operations in Iraq, especially after the aggravation of the situation there in the spring of 2004, Russia’s mass media showered the country with articles and commentaries intended to prove that the coalition forces were acting in the occupied country even more crudely and inefficiently than the Russian forces were in the Caucasus.

MAN AND THE STATE: A “SLY” SYMBIOSIS
Surveys of recent years, for example those conducted during the election campaigns of 2003 and 2004, invariably prove Russians’ strong trust in people in power. But the dynamics concerning the people’s “moral” link with the state reveal a completely different tendency.

Table 6. Does a man have a moral responsibility for...

	1989	1994	1999	2003
...actions of his government?				
Yes, absolutely	14	8	9	11
Yes, to some extent	29	31	31	35
Absolutely not	37	42	43	44
...activity of the enterprise he works for?				
Yes, absolutely	49	31	27	24
Yes, to some extent	40	50	46	49
Absolutely not	5	17	14	20
...actions by people of his nationality?				
Yes, absolutely	20	10	10	12
Yes, to some extent	32	28	34	38
Absolutely not	28	40	35	40
...events taking place in the country?				
Yes, absolutely	22	9	10	12
Yes, to some extent	42	35	40	45
Absolutely not	17	33	27	33
...actions of his close relatives?				
Yes, absolutely	45	39	42	43
Yes, to some extent	34	42	43	43
Absolutely not	13	11	9	9

There are almost no changes as regards “close relatives.” In all of the other cases the feeling of moral responsibility is now weaker than it was 15 years ago. This means that the authorities and the population are becoming more and more estranged from each other. This change is particularly manifest among the youngest citizens. In 2003, “absolute responsibility for their government’s action” was recognized by 13 percent of elderly people (55 years

and older) and 9 percent of the youngest respondents. In 1989, the respective figures were 22 and 11 percent. Twenty-six percent of elderly people now deny their responsibility for developments in the country (as compared with 14 percent in 1989); for young people, this figure stands at 36 percent (22 percent in 1989).

Hence the justification of the population's sly "game" with the state: the ever-growing number of Russian people considers it rightful not to fulfill their responsibilities to the state. According to the 1999 survey, 48 percent of those polled saw nothing or almost nothing reprehensible in dodging military service; in 2003, the same opinion was shared by 52 percent. In 1999, 58 percent (64 percent in 2003) did not censure the act of riding without ticket on municipal transport, while the concealment of income so as to avoid paying taxes was defended by 42 percent in 1999 and 46 percent in 2003.

As before, people's mischievous "games" with the state inevitably go hand in hand with the mischievous "games" they play with themselves — deals with one's own conscience, deliberately sinful deeds.

To sum up, the twenty years that have passed since the start of reforms in Russian society have not resulted in the emergence of a "new" (contemporary, European, democratic, civic) base for self-identification, to say nothing of the self-assertion, of the Russian people. That is why characteristics of the Soviet man remain the real reference point. This tendency is supported by an official search for a "Soviet" legitimization through the symbols, style and governmental methods of the Soviet era. Simultaneously, features of different periods are combined: victorious wartime marches and the stability of the "stagnation" period, administrative reshuffles in the Khrushchev style and the arbitrariness of the *perestroika* years, etc. Still relevant is the mechanism of "negative" self-assertion, typical of the Soviet times, through the belittlement of the "enemy" or "generalized foe." However, the mass consciousness is becoming increasingly alienated from the government and the state, while attempts to identify with their values uncover mischievousness and ambiguity amongst the populace. It seems that the Russian people need the protection of the state but they do not want to serve it.

Will Russia Transform Into a Nationalist Empire?

Emil Pain

When we look at Russia as a “decaying empire,” many peculiarities of its development – including ethno-political ones – can be more readily explained.

As it is with former empires, the main imperial function (geopolitical expansion) becomes redundant as the landmass begins to atrophy noticeably. A decaying empire seeks only to preserve itself – above all, its imperial body. The present political project of the Russian regime can be described as an attempt to reanimate the empire, and I will attempt to show in the following pages that this project is utopian by nature and any attempt to implement it may destabilize the ethno-political situation in the country.

EMPIRE INSIDE ITSELF

Once an empire shows signs of decay, its positive potential comes to an end and is replaced by negative manifestations; these pose an even greater threat to the empire itself than to the outer world. The inherently imperialistic tendencies that seem to go hand-in-hand with power in Russia predetermined its “catch-up modernization:” since the first quarter of the 19th century, this country has been reformed only in an authoritarian way, that is, “from above.” This sort of modernization did not permit Russia to break out of specific frameworks of catch-up development because its

Emil Pain, Doctor of Science (Politics), is a professor at the Institute of Sociology, Russian Academy of Sciences. This article was originally published in Russian in *Nezavisimaya Gazeta*, March 15, 2005.

leaders have always halted the renovation process once the country had ensured its self-preservation under various changing conditions. At this point, the reforms were cut short.

Modernization has never been supported by the bulk of the Russian population which has traditionally viewed this process as something external, alien and foreign. This is why modernization has always triggered outbursts of traditionalism, occasionally in the more extreme form known as fundamentalism. And since attempts at modernization in Russia are never fully accepted, there is a rather similar reoccurrence of events throughout Russian history. Reforms have always alternated with counter-reforms: the reformer Alexander I was succeeded by the counter-reformer Nicholas I; then came the reformer Alexander II, who was succeeded by the counter-reformers Alexander III and Nicholas II (for the larger part of his rule). Russia's recent history has also had its share of reformers (Mikhail Gorbachev and Boris Yeltsin) and counter-reformers. In each such cycle, the goals of progress (for example, "We shall catch and overtake the West") were replaced with goals of traditionalism ("We shall retire into ourselves" or "We shall find the Golden Age in our past").

The reader may be asking why I have chosen to use the term "empire" instead of "monarchy," for example, or "authoritarian regime." The answer is because the continuing legacy of authoritarianism in Russia is largely explained by 'imperial syndrome,' which makes it possible to regenerate the old empire if at least some of its parts have survived. The imperial syndrome, or imperial system, includes several basic elements.

The first element comprises the "imperial body," that is, those territories that have retained the scars of colonial conquests. This is not just those areas of compact settlement of the colonized ethnic communities, but all territorial entities which are opposed to being part of the empire, but are kept within a single state. The imperial principle calls for the 'retention of territories (opposite to the principle of 'voluntary and interested integration') and has been assimilated into Russia's policy. In his address to the Federal Assembly, Russian President Vladimir

Putin described the “retention of the state on a vast area” as Russia’s thousand-year project.

The second element is the ‘imperial consciousness.’ This is made up of an intricate set of traditional stereotypes, such as imperial ambitions, a servile mentality (such as the continuing hopes for a “wise czar” and a “strong arm”) and the idea of hierarchy among the peoples of Russia, which are divided between the main state-forming “Big Brother” and all the other “younger brothers.”

The third element is imperial power, or imperial order. This is a supranational regime that is estranged from society and which views it, if not as a subjugated population, then at least as an obedient manpower resource and raw material for political manipulations.

The historically established mechanisms for reproducing the imperial syndrome at each cycle of the counter-reforms are deliberately repeated and reanimated by the authorities. Predictably, the reform process, when it occurs, is viewed as disorder and chaos, and gives rise to fears that Russia may further atrophy or even completely disintegrate.

For as long as the imperial body continues to exist, there remain fears of its possible destruction. These fears have essentially increased following the breakup of the Soviet Union, which the majority of Russians describe as the main event, and most painful event, in the last 20 years of Russian history, according to sociological studies conducted by the Yuri Levada Center. Vladimir Putin came to power playing on these sentiments, promising to pacify Chechnya, “take out terrorists even in the toilet” and put an end to separatism.

For as long as fears of the empire’s disintegration persist, there remain hopes for a “strong arm” and a “wise czar.” These stereotypes, in turn, are used to restore and strengthen centralization. The incumbent regime used the slogan of combating separatism to justify its basic reforms: from the introduction of federal districts to the replacement of elected governors with appointed ones.

The growth of an imperial consciousness is also caused by many other factors, among them is the perception that the Yeltsin era —

a period of liberal reforms — was characterized by dismal setbacks and even “national disgrace.” Russians remember this period as a time when their country lost its geopolitical role in the world. Finally, there is the painful perception by the ethnic majority of a demographic crisis which has reduced the total number of ethnic Russians nationwide, as well as their proportion of the total population. And yet, the increasing hope for a “strong arm” and the traditionalization of the Russian consciousness are, in my view, connected primarily with the Chechen war, which is a product of imperial policy and, at the same time, a major factor in its escalation.

The Chechen war has largely determined the approach to and the set of instruments for the solution of the entire range of regional and ethnic problems, as well as the new style and methods of Russian policy. Above all, these include a method of pressure (not necessarily military in nature, yet firm) for keeping the regional leaders obedient to the Kremlin. The recent law On the Formation of State Power Bodies in the Entities of the Russian Federation pursues the same goal. The Chechen war has stimulated the present reform of regional policy and provided a moral legitimization of it. Thus, it was only logical that the boundaries of the federal districts — the first element of this reform — coincided with those of military districts: five out of the first seven envoys of the president to those districts were generals and the other two (Kazantsev and Pulikovskiy) had taken part in the Chechen war. Since we are presently engaged in two counterterrorist operations — one in Chechnya and the other across the whole of Russia, it is only natural that the same figures may be involved in both campaigns. On the whole, the war has brought about an unprecedented increase in the influence of the security agencies within the political spectrum. In comparison with Yeltsin’s epoch, for example, the percentage of scientists in the incumbent power structures has decreased by almost threefold, while the percentage of military personnel has increased by the same amount.

As we can see, the basic mechanisms of the imperial system have been activated, but will they make the governance of Russia any more effective?

STABLE INSTABILITY

The “war against terrorism” being waged on Chechen battlefields has only caused terrorism to spill over from that embattled region into the whole of Russia. Neighboring Ingushetia has been a permanent front of the Chechen war since 2004. Other neighbors of Chechnya — Dagestan, Karachai-Cherkessia and Kabardino-Balkaria — are increasingly becoming battlefields in the struggle against armed terrorism.

The “war against terrorism,” and the consequential state reforms it has prompted, has not brought any more order to Russia. The Kremlin has made its choice — instead of authoritative but inconvenient regional leaders, it has begun to place them with weak but obedient ones. However, such leaders cannot ensure stability in their regions. This has been proven by numerous excesses connected with various attempts by the security agencies to liquidate groups of radical Islamists in Ingushetia, Dagestan, Kabardino-Balkaria and Karachai-Cherkessia. The network of armed fundamentalist organizations has acquired an unprecedented scope.

Most of the unrest mentioned above is occurring in Russia’s periphery populated by ethnic minorities. At the same time, however, the rest of the country is experiencing little ethno-political stabilization as well. What is usually taken for stability in reality is only a continuously changing form of instability. In the early 1990s, ethno-political activity was demonstrated mostly by ethnic minorities. Suffice it to recall the “parade of sovereignties” in the numerous ethnic republics of the Russian Federation. Since the end of the 1990s, however, this activity and anxiety has largely been manifested by representatives of Russia’s ethnic majority. The number of members of extremist organizations, for example, that support slogans such as “Russia for Russians” has dramatically increased over the last ten years. According to official estimates by law-enforcement agencies, these organizations now have over 30,000 members, while independent experts put their numbers at 50,000 to 60,000. An even more alarming sign is that the above slogan is supported, in one way or another, by almost 60 percent of Russia’s population.

The persistent myth about the present stability is largely due to the changing face of ethno-political activity: Russian extremists are not recognized as such by ethnic Russians, while the authorities and the general public take no notice of them (“How can you call them extremists? They are Russian fellows, our defenders!”).

In the 1990s, nationalist movements were more politicized than ethnicized, and their leaders during the “parade of sovereignties” voiced their complaints against the authorities, rather than people of a different nationality. Today, however, it is more often the people of a different nationality rather than the authorities who are labeled as the “enemy.”

The authorities of some territories in southern Russia, above all, in the Krasnodar Region, actively exploit the ethnicization of social and political problems: they have borrowed nationalistic slogans from organizations like the Russian National Unity to win political support by displacing discontent to “internal” and “external” enemies. The growth of social and economic problems in the country will almost inevitably make the federal authorities more inclined to use this simple method of shunting responsibility.

NATIONALISM AS A LAST RESORT

Initially, the reanimation of the empire was void of any ethnic coloring and rested on the slogan: “The authorities are the only Europeans in Russia, so don’t hinder their efforts to make you happy.” Surprisingly, however, it rather quickly turned out that the newly built power vertical not only was unable to solve old problems, but it also generated new ones. The arbitrariness of the officials increased, as did popular discontent. Pensioners were the first to take to the streets to protest against the ill-prepared reform which replaced non-monetary social benefits with cash payments. The senior citizens proved to be not only the most destitute, but also the most fearless part of the population. The pensioners’ protests may soon be joined by other, less fearless groups of society, including businesspeople who are increasingly suffering from the arbitrariness of officials. Yet, this does not mean that the myth about a “good empire” is no longer

applicable. Most likely, it will only be modified by providing it with an ethnic tinge.

An ethnic version of the “good-czar, good-boyars” model, expressed by the formula: “Power will immediately become people’s power as soon as it is made Russian” is more attractive emotionally and less vulnerable logically than a non-ethnic version. Today’s Russia is completely dominated by a primordial understanding of ethnicity as a natural, almost racial, feature — representatives of one or another ethnos are “bad” or “good” due simply to their nature. Rational reasoning is powerless against such views; that is why there is a high probability for the implementation of the second model — ethnicized, national-imperial or national-statist — of strengthening the power vertical in Russia.

The ethnicization of the imperial model may cause a shift of accents in building an image of “ethnic aliens.” The authorities cannot encourage anti-Chechen sentiments in society and, at the same time, drag Chechnya into Russia. The authorities will not gain from the growth of anti-Islamic sentiments, since Muslims make up a majority in several constituent republics of the Russian Federation. This factor may alter patterns of xenophobia and — most importantly — spark a growth of anti-Semitism. This is the oldest and most traditional image of an enemy; moreover, it is a convenient outgrowth as the empire is grappling with crisis: the kindling of anti-Semitism will not provoke a growth of separatism as there are no compact settlements of Jews in Russia; this includes Birobidzhan, the administrative center of the formal Jewish Autonomous Republic. Furthermore, anti-Semitism does not split various nationalistic movements; on the contrary, it serves to consolidate them. Anti-Semitism in Islamic fundamentalism is no weaker than in Russian fundamentalism. Finally, and most importantly, anti-Semitism corresponds with the anti-oligarchic sentiments of the majority of the population.

There are other forms of ethnic nationalism that are quite harmless to the imperial order and actually serve to strengthen it for some time. This may surface for example, as mistrust — and other forms of negative attitudes — toward foreigners whose gov-

ernments have assumed a policy of integration into the European Community. Sociological studies conducted in the last few months have revealed an increase in phobias toward Ukrainians, Georgians and Moldovans.

The political exploitation of mass ethnic prejudices can become an instrument for transforming the existing political regime. There are at least two possible scenarios for Russia's transformation into a national-imperial system. According to the first variant, the incumbent authorities will be partially renewed through the infiltration of political figures with strongly pronounced national-imperial views. The ruling regime will then discard the remainder of its liberal drapery and start building, with an ever-increasing zeal, the power vertical, relying on anti-oligarchic and statist rhetoric.

Under the second variant, the present regime will be replaced by radical Russian nationalists who have already drawn up and widely publicized their program for restoring the Russian Empire in order to "regenerate the Russian nation." Their leaders call themselves "the third force" which will replace Communists and democrats (they assign the incumbent regime to the second category). Nationalists also describe the present federal authorities as anti-national, but they understand this not as the regime's estrangement from the nation as a civil society, but as "racial defects" of some members of the government. Such an interpretation meets with much more understanding and approval of the population than discussions about a civil nation. Whereas the ethnic nationalism of minorities is, as a rule, of an anti-imperial nature, the ethno-nationalism of the majority can be used for the restoration of the imperial system, as it was used in Germany's Third Reich. The theorists of Russian national imperialism now use that experience. The present power vertical is not enough for them; they want to combine it with a vertical of peoples, ruled by a state-forming people (like the "true Aryans" in the Third Reich). Incidentally, if there emerges a new, racist empire in Russia, it will be the third one to have existed — after the czarist and Soviet empires.

A WHEEL WITHOUT A RIM

How stable would such an empire be today? It may last long enough to let everyone plumb the depths of misfortune and further trim the already tiny sprouts of liberal opposition. On a historical scale, however, such an empire would be doomed to an early death. In the first of the above variants, it would decay slowly and bloodlessly. In the second variant, it would die fast and, most likely, with many victims. But in any case, not a single political force in Russia now has enough instruments or resources to marshal the society and lead it toward one or another goal. Fear, as a mobilization resource, was exhausted way back in the 1960s, as was demonstrated by the events in Novochoerkassk [a workers' uprising in 1962 in protest against price hikes. The uprising was brutally suppressed by the authorities. — Ed.]. The recent pensioner protests came as one more proof that society has lost its fear.

There has been yet another change of late reflected by the bureaucrats — the main executor of the imperial project. In the Stalin era, proprietors were fought by social groups from the opposite class. Today, bureaucrats no longer combat private property; they fight for its redistribution in their own favor. The modernization of Chile during the times of Pinochet cannot serve as an example for Russia. In Chile, generals of bourgeois origin fought against the leftists. In Russia, generals of leftist origin fight against the bourgeoisie. Russian officialdom is being degenerated by corruption as if it were afflicted with leprosy. Some officials manage to combine nationalistic ideas with pragmatic cupidity. For example, the level of xenophobia among the police is higher than among other social groups; this factor, however, does not prevent the police from providing protection to ethnic criminal groups and covering up illegal migration.

The servile mentality of the Russian people, although still relevant, has been strongly reduced. People still readily believe that “the state must care about us,” but they no longer want to be in the service of the state and the sovereign. They still have ambitions of citizens of a “great power,” but they no longer wish to make any effort to achieve them — especially at the cost of their life.

Empires can break up without obvious signs of separatism in their provinces. Most of the former Soviet republics showed no sign of separatism, yet the Soviet Union collapsed. Empires resemble a wheel without a rim. All parts of this structure are held together only through the center, and any overload there will cause the entire structure to come apart.

Russia is not doomed to disintegration. Yet, its preservation requires federalization, which, in turn, will take extraordinary political efforts of all anti-imperial forces. Also, there must emerge new remarkable figures and fresh ideas among those forces. For the time being, however, such developments seem highly unlikely.

* * *

I am becoming increasingly convinced that the peculiarities of Russia's transformation and the essence of its unique development can be best understood from the position of its imperial past and present. Judging by the experience of the East European countries, the motivation to "escape from the empire" was one of the main reasons for their success with democracy and modernization. It has helped them survive shock-therapy reforms and prevented the very possibility of reviving Communist ideas there. In contrast, Russia has no such natural barrier to the revival of imperial traditionalism. The larger part of its territory is the former metropolitan country, in which the entire set of imperial sentiments can easily revive: from the perception of the country as a superpower to hopes for imperial order.

Russia cannot run away from the empire as it would from an external enemy; the empire complex can only be removed through its own efforts. In my view, this process will proceed slowly in Russia — until all hopes for a "strong arm" and a "wise czar" die a natural death.

Revolution and Post-Revolution



A looted shop in Bishkek, Kyrgyzstan. March 25, 2005

“ The past few years have shown that a stable, pragmatic, predictable Russia that builds its relations along the principle of “business only, no sentiments” has a real chance of keeping up and consolidating its positions in the post-Soviet space. More than that, it has a chance to take the lead in integrating into the global economy. ”

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Fighting for Ukraine: What's Next?

Konstantin Zatulin

Ukraine changed forever following its 2004 presidential election, as did relations between Moscow and Kiev. The bitter feelings that this situation produces are not related to Russia's defeat in this battle, but to the helplessness of its political warriors. The mercenary fighters have dispersed, leaving the wounded Supreme Commander behind on the battlefield. The engineers of Russia's political technologies are offering endless assurances that they were not responsible for losing Ukraine. Several politicians are rushing to Kiev in order to become associated with the "great victory on Maidan," while the most ardent proponents of democracy are demanding that the Russian government provide material backing to the new Ukrainian authorities.

Does all of this equate to capitulation?

THE AMERICAN CHALLENGE

To understand what really happened, let us rewind a few years back and stop in the fall of 1999, the most heated period of Russia's parliamentary election race. At that time, high stakes were involved in the battle for majority seats in the State Duma, not to mention the race for the presidency. A life and death struggle was underway in Russia. Obviously, the internal affairs of Russia's neighbor seemed trivial at that time.

Meanwhile, on November 14 of the same year, the Ukrainians held the second round of their presidential election; President

Konstantin Zatulin, a deputy of the Russian State Duma, is Director of the Institute of CIS Studies.

Leonid Kuchma received approximately 60 percent of the votes to emerge victorious against Petro Simonenko, the Communist Party leader. In other words, one month before the Russian elections, Kuchma had already secured for himself a second term of office.

Those elections in Ukraine were practically a full remake of the 1996 elections in Russia. Businessman Boris Berezovsky had propelled Russia's political technologies to the celestial heights of Ukrainian politics. All the fine details of the plot had been replicated. In the 1999 election race, Yevgeny Marchuk, Ukraine's equivalent of the late Russian General Alexander Lebed, had destroyed the coalition of non-Communist oppositionists. In the second round, Kuchma ran against Simonenko, Ukraine's equivalent of Russia's Communist leader Gennady Zyuganov. Eventually, the forces of progress triumphed over the ghosts from the past.

I do not want to sound too much like a Cassandra, but here is what I wrote in *Nezavisimaya Gazeta* on the eve of the second round of the Ukrainian election 1999: "The main outcome of this election is the discrediting of democratic procedures taken per se, and its impact will be long lasting. Independent Ukraine has not yet seen such a scale of intimidation, threats and misuse of power. Whatever the finale of the second round may be, it holds no promise of ending the current crisis. On the contrary, it is fraught with increasing destabilization."

This did not seem to worry President Kuchma in the least, however. After all, he did achieve the impossible. In 1994, he won the presidential race against a rival from western Ukraine much the same way his predecessor, Leonid Kravchuk, did in 1991. Kuchma came to power as a representative of the country's Russian-speaking yet multi-ethnic eastern regions. Much like Kravchuk, he did not fulfill a single pre-election promise, but unlike his predecessor, he was re-elected.

All was quiet on the foreign policy front as well. On May 31, 1997, the Ukrainian and Russian presidents signed a bilateral Treaty of Friendship, Cooperation and Partnership. This did not stop Kuchma, however, from signing a Charter on a Distinctive Partnership between Ukraine and NATO on July 9 of the same

year. Those Russians who expressed their doubts over the sincerity of Kiev's intentions were silenced by the ratification — on the eve of the 1999 election — of the Russia-Ukraine agreement in both houses of the Russian parliament.

Kuchma did not realize one thing, though: as soon as this document went into effect, at least one of the parties involved — the West, with the U.S. at the head — would not have a pretext any longer for closing its eyes to the corrupt practices of his administration. For Western strategy planners, Ukraine was more significant as a means for curbing Russia's ambitions. Kuchma was tolerated for the simple reason that he — the winner of the Lenin Prize for missile construction — was the only man with whom Yeltsin's Russia was ready to sign a document that would finally fix Ukraine's independence despite its litigious state borders; the document also failed to outline any guarantees of friendship, parameters of cooperation, or terms of partnership. Once Kuchma finished his chores, he would be free to go. His task was to give way to a new, more advanced individual who would be more transparent for the West. This new politician was supposed to lead Ukraine into the next stage of divorce from Russia.

Soon, events began to look like a political blockbuster. First, there was the disappearance of the provocative journalist Georgy Gongadze, whose decapitated body was discovered in a beech forest outside Kiev. Next, a noble major of the security service, Mykola Melnichenko, recorded the president's allegedly incriminating conversations and turned the tapes over to the 'saintly' oppositionist Alexander Moroz, who publicly accused the president of involvement in the murder of Gongadze. The major was then granted political asylum in the U.S. Pavlo Lazarenko, a former Ukrainian premier and also Moroz's sponsor and employer of another prominent oppositionist, Yulia Tymoshenko, was imprisoned in the U.S. at this time and disclosing the developments in Ukraine to U.S. investigators.

A campaign entitled "Ukraine Minus Kuchma" had begun. Condoleezza Rice called Kuchma "a Slavic Mobutu" [Mobutu Sese Seko, president of Zaire from 1965 to 1997, became syn-

onymous with corruption – Ed.] and, following in the footsteps of George Soros, revealed the name of a new Ukrainian Redeemer – Victor Yushchenko, still a prime minister and one of Kuchma's disciples. Note that all of this occurred within less than a year after Kuchma had handed presidential powers to himself upon re-election.

THE PATHS WE CHOOSE

May the Lord save us from believing that all of these events were the product of some witty Jewish or Masonic or Polish-American plot. Throughout Ukraine's independence, its authorities had been gathering brushwood for the fire with their own hands. The Americans simply grasped at the situation in order to implement replacement of yet another thieving Roh Tae Woo by a standard Kim Yong Sam – a regular martyr in the name of truth [the administration of the South Korean President Ro Tae Woo was engaged in financial machinations and President Kim Yong Sam came to power in 1992 – Ed.]. Both candidates sought friendship with the world's only superpower (What else did they have to do?), but the superpower found the democrat more instrumental than the dictator who was mired in corruption. No personal affections – as another presidential term comes to an end, the situation will be replayed, although with different names in the cast.

It may be supposed that Russia could benefit from the experience of another nation like Ukraine, since both countries make up an inseparable part of each other's past and present. The Russian-Ukrainian bond goes back centuries, and Ukraine was the last decisive factor in the disintegration of the unified Soviet state in 1991. Ukraine's independence put Russia to a harsh test, as it had to abandon the most promising territory that was becoming oriented toward Europe. This caused contemporary Russia to draw back its borders to its present size. If independent Ukraine lacks a special union with Russia, its independence will unavoidably be placed on an anti-Russian foundation. Ukraine may then turn into a second Poland – an alien cultural and historical project that Russia will have to learn to deal with, or else Ukraine set about Russia itself.

There was nothing wrong about Putin taking up the glove that had been thrown to him. Nor was it wrong that Russia — which had been made a prey under Yeltsin and had ceded one position after another — decided to engage in the struggle. Staying away from the fight for Ukraine at a time when everyone else was flexing their muscles would have been foolish for Russia. But how should it have fought?

First of all, Russia owed nothing to Kravchuk or Kuchma. On the contrary, by fully supporting the democratization process in Ukraine, Moscow could have brought into the limelight the broad ranks of pro-Russian forces which Kiev had fervently black-painted for years and forced them into a semi-legal status. However, Moscow was unfamiliar with such an approach and thus chose a different genre of actions. (The Russian authorities are trying hard now to justify themselves by saying they “did not work with opposition forces anywhere in the CIS.” This argument does not stand up to criticism. History taught us such lessons: the slogan “Our Dignity Is in Fidelity,” Czar Nicholas I, the Holy Union, and the Crimean War as the final verdict.) The Kremlin assured itself that Kuchma was a guarantor of Russian-Ukrainian relations and rushed to rescue him at a time when he was being intimidated by boycotts, an investigation, possible imprisonment and general misery.

The Russian authorities made a correct decision to engage in struggle at a time when staying aloof was impossible; however, they staked their bets on the wrong horse — partly owing to the elite Putin had inherited. Over the previous years, it had made nice profits on questionable transactions with Ukrainian counter-agents — in co-embezzling of natural gas and exports/imports of electoral technologies. On this point, I must quote another one of my own prophecies: “No doubt, any scenario poses certain risks for Russia, but they grow manifold if stakes are made on Kuchma, whose power is waning, as an option without an alternative. Sooner or later the West will force Kuchma to surrender to the mercy of Victor Yushchenko — that is, to the part of the opposition that is looking strictly westward. Russia’s present policy

toward Ukraine is again making Putin's strong Russia a hostage to Kuchma's weak Ukraine" [*Novaya Gazeta*, November 11, 2002].

Thus, both of the main actors, the U.S. and Russia, made open stakes that ruled out any compromise. The Americans have poorer knowledge of Ukraine than the Russians do and it appears they wrote Kuchma off too early. But Washington had a durability resource from the very start – the Americans knew perfectly well what they had to do to reach their goals. Against this background, Russia's inflexible policy still lacks an understanding of what can provide reliable guarantees of a "special relationship" with Ukraine.

That kind of relationship cannot be maintained through one-sided political or economic concessions. Nor can it be maintained through self-imposed moratoriums which are primarily concerned with defending Russia's own interests in exchange for Ukraine's gratitude. No agreement at the top, including support of the incumbent president or a friendly candidate for the post, will provide any definite guarantees. Nor will the successful advance of Russian finances on the Ukrainian market provide a guarantee of a special bilateral relationship; unlike Western businesses, the Russian business community has not yet learned how to secure national interests. Actually, there are only three guarantees of, and/or conditions for, genuine Russian-Ukrainian friendship, cooperation, and partnership: the democratization of Ukraine through decentralization and its transformation into a federation; acceptance of the Russian language as Ukraine's second state language (to prevent a further assimilation of the Russian-speaking population); and the preservation of the Moscow Patriarchate's influence amongst the numerous followers of the Ukrainian Orthodox Church, that is, maintaining the unity of the two countries in the religious sphere.

By securing a pro-Russian politician in the person of the incumbent president (Kuchma), Russia was not obliged to adopt his vision of things. Moscow should have used the extra time for securing guarantees in the post-Kuchma period. But Russia's efforts were not evenly distributed in different directions. The

Kremlin failed to work properly with Ukrainian political parties, public associations, political experts, journalists, regional elites and the population. Generally speaking, the executive is unable to address such complicated tasks without the support of parliament, political and expert communities and society in general. Russia's lack of credible institutions within civil society, together with the lack of state support for their activities, resulted in Russia's defeat against Western institutions, foundations, centers and grants in the battle to win over public opinion in Kiev. Political technologists tried to make up for the glaring inadequacy of Russia's instruments of influence by using Putin's popular ratings, as well as his active participation. The final result produced the unsettling image of an isolated warrior stranded on the battlefield. Apart from Putin's efforts, individual officials from both countries maintained their contacts – or rather the pretences of contacts. But Russia's numerous hands meddling in Ukrainian politics only served to spoil the soup. Instead of bureaucratic mobilization, discipline and accountability, the Russian authorities demonstrated chaos and departmental deviations from the general course. The damage was finally done, it seems, by the activities of the Russian embassy in Kiev where Victor Chernomyrdin is ambassador. He seemed to care for anything – especially the interests of his friends and clients, including Kuchma – except for ensuring Russia's guarantees.

Ukrainian voters were regarded as target objects of more or less intricate political technologies that had replaced a clear strategy and understanding of the goals. Besides, the technologists were busy with self-promotion, which created an overblown impression of their importance and eventually did ill service to their clients. The bureaucrats were busy entertaining themselves at informal meetings, engaging in elaborate festivities, such as “The Year of Russia in Ukraine” and “The Year of Ukraine in Russia,” and indoctrinating ethnic Ukrainians living in this country. Eventually, they developed a feeling that genuine progress was being made in the Ukrainian direction.

The truth is, however, that all of the participants failed to perform properly.

IS UKRAINE NOT RUSSIA?

Although it is true that the U.S. and Europe competed against Russia for Ukraine, this does not mean that the main Ukrainian candidates simply performed as puppets. The eastern and western regions of Ukraine had their say in the story, as well.

Long before the end of the political drama, I commented that the people who were claiming that the 2004 election would predestine the future of Ukrainian democracy were either mistaken or simply lying. It predestined — inconclusively, as it appears — the future of Ukraine as an integral state, be it democratic or authoritarian. In the first round, Victor Yushchenko received popular support from a total of 16 western and central regions, in addition to the capital of Kiev. Victor Yanukovich emerged victorious in 9 regions of eastern and southern Ukraine, as well as in Sevastopol. The result was the same in the abortive runoff round and the repeat runoff, despite the betrayal of people responsible for the administrative resource and Kuchma's flight from the Yanukovich camp.

Ukrainians voted for a friend versus a foe, not for a rightist candidate versus a leftist candidate. Yanukovich was considered to be a foe in the western regions, while Yushchenko had that reputation in the east. This split disrupted the candidates' electoral strategies. Contrary to Yushchenko's expectations, he did not succeed in uniting all of Kuchma's adversaries in the eastern regions, while Yanukovich — despite being the Prime Minister — failed to represent the all-nation power for the voters in the western regions.

Once again, Ukraine split into two camps and painted itself different colors. Neither the U.S., nor Russia, nor the two candidates, nor the mythically omnipotent Russian political technologists, ever planned for such an event. As it turned out, no one proved able to draw conclusions from the genuine Ukrainian election of 1991 and 1994 (as I said above, the 1999 election was a total sham).

To understand why Ukraine's political geography has not changed a bit over more than a decade of independence (the east and west, excluding rebellious Kiev, remain as staunch as ever),

let us go back to the year 1991 when independence suddenly descended upon the Ukrainian Soviet Socialist Republic. At that moment, Ukraine became truly independent for the first time in its history, unless you count as “full-fledged statehood” the endless hetmans, military chiefs or directories during the years of the Russian Civil War [1918 to 1922 – Ed.]. (Strictly speaking, then, the Volga region, Siberia and the Far-Eastern Republic would have had equal reasons to claim state sovereignty.) No one but a handful of Ukrainian dissidents had ever dreamt of an independent Ukraine before, to say nothing of fighting for it with arms. Simply, the Ukrainian *nomenklatura* that stood at the helm at that time used the situation to fence itself off from the unpredictable restructuring and central government in Moscow.

The politicians of that time did not have any plan or program for building an independent state; they simply could not grasp the full idea of what was happening. Therefore, they borrowed an ideological base from their recent enemies, the secessionists of western Ukraine, who were historically alien to the concept of Russian-Ukrainian unity. Many people believed that the essential part of the new Ukrainian state was building a nation that would be independent of Russia.

This unwritten plan was clear to everyone in the West and was implemented with great persistence. Ukraine was supposed to reorient all of its relations from the East to the West, except for the inescapable economic ties. It was to renounce its plans of integration with Russia and replace them by integration with the West, including the most fantastic projects – with Poland or Turkey. Ukraine was to compete with Russia for military and political influence in the post-Soviet space and bid for accession to NATO and the European Union, even though the latter organizations might not desire Ukrainian participation. An inalienable part of the plan called for the swift assimilation of Russians and other Russian-speaking residents. Due to this policy, between the 1989 and 2002 censuses, a quarter of the Russian population dissolved into a “unified Ukrainian nation.” To this end, the authorities slashed the number of Russian schools and the airtime of Russian

radio and television programs. Moreover, the attempts of the eastern regions and the Crimea to claim original cultural or language identity were crushed.

Kravchuk and Kuchma, both candidates of the east-Ukrainian regions, were victorious against candidates from the west at the presidential elections. At the same time, both men squandered their chances, although at different periods of time and in different ways.

TWO UKRAINES

Ukrainian self-determination victimized the eastern regions. 'Ukrainizers' felt apprehension toward those territories, as well as the Crimea and some southern regions adjoining the Black Sea. They denied their population the right to read and think in their native tongue, forcing their children to read books, for example, by Ukrainian-born, Russian-language writer, Nikolai Gogol, in Ukrainian translations. People in the east and south who were accustomed to living in a single political and cultural space with Russia for centuries, now saw that the newly built state was put on a completely hostile foundation. On the face of it, they had to pay for the adventures ordered by others. Suffice it to say that two eastern regions, Donetsk and Dnepropetrovsk, account for more than a quarter of Ukraine's budget revenues. The east was to become restive sooner or later: naturally, it would desire to command the adventures it was supposed to pay for.

The east rebelled during the recent election campaign. While filling out the blank of a presidential candidate's application in Ukrainian, Prime Minister Yanukovich made two mistakes in his job title, producing chuckles in the mass media supporting Victor Yushchenko. They chuckled in vain — the Russian-speaking east, where people write in *Ukrainska Mova* [the Ukrainian language] with mistakes, realized Yanukovich was their man.

During the first phase of the campaign, Yanukovich, who had a dubious blessing from Kuchma and engaged in ritual chat about the need for stability and the European choice, looked a mere figurant in Yushchenko's triumphant march. Yet Yanukovich derived benefits from attacks by his opponents. Furthermore, when he

dropped mentions of Europe and NATO, stressed his links with Russia, advocated an official status for the Russian language and dual Russian-Ukrainian citizenship, the election race went down a completely different road. Yanukovich acquired a political image of his own and won the votes in the eastern regions, the Crimea and southern territories, securing a solid place in the second round of elections.

The eastern regions are more heavily populated than the western ones, and Yanukovich's victory in the second round was natural and predictable, whatever his opponents would say of it. The fact that victory was eventually stolen from him is explicable, too.

First of all, Kuchma played a significant role in it. He had chosen Yanukovich, a man with a questionable history, in the hopes it would complicate the situation and help him eventually regain the reins of power (the fact that Yanukovich finally rejected the role of a stuntman is a different story). How Kuchma could have hoped to unite his country after all that had befallen Ukraine during his presidency, and in the face of a battle for his country between a former superpower and the surviving superpower, is a great question. His lethargy, duplicity, vain reveries and under-the-table dealings dealt an irreparable blow to Yanukovich and made Kuchma himself a loser.

Secondly, the population of the eastern regions — their economic and political elite and Victor Yanukovich himself as a candidate — did not have the experience and stamina of western Ukraine. Yanukovich retained the bulk of his electorate even after the national parliament, Supreme Court, and a cohort of international mediators had driven it home to the population that their candidate's victory could not be recognized and that the voters would have to return to the polls again. However, the results of the repeat runoff vote showed a 3-percent increase in the already improbable voters' turnout in western Ukraine, while in the eastern regions it fell by an average of 5 percent. (In Donetsk, a city trying on the role of a leader of the eastern and southern regions, the number fell a whole 13 percent, while in the Crimea, which is used to making a stand against Kiev, it fell by 3 percent.) This per-

centage is not very high, yet it was enough to make Yushchenko the winner — at least according to the terms of the Electoral Commission counting.

NEW HORIZONS OF RUSSIAN POLITICS

To sum up, Yushchenko and the West won, while Russia and Yanukovich were disgraced and suffered considerable losses. What is next? Should we deliver public apologies and send Ambassador Victor Chernomyrdin to Kiev, the “mother of all Russian cities,” with gifts such as sable furs and loans? I am not at all sure. The most important result of the 2004 presidential election is Ukraine’s split, and it shows that the country will unavoidably turn into a federation.

The guarantee that Ukraine will maintain a special relationship with Russia lies in its federalization rather than in the ascendancy of one or another candidate. At the very least, federalization would prevent Ukraine’s consolidation around anti-Russian forces or its rise to a position where it would offer competition to Russia and obstruct the reemergence of its influence. Such a role is already being planned for Ukraine by those who applaud Yushchenko from across the borders. The new president happily signs Carpathian declarations with Georgia’s President Mikhail Saakashvili, declaring “the third stage of liberation in Eastern Europe.”

What the Ukrainian government needs is a timeout, a transitional period. Yulia Timoshenko has never made a secret of her wish to cast out the political reform that had paved the way to a package agreement on the eve of the decisive battle. If she succeeds — and there is plenty of time before the reform takes effect September 1, 2005 — the Orange will not have to worry much about a revenge of the Blue-and-White in the March 2006 parliamentary election. More important for the Orange is to secure their freedom of action to mop up the political space in the eastern and southern districts. That is, “implant civil society in the east” in the terms of Yushchenko’s political technologists. This is no wonder, considering that Yushchenko is president of only one-half of his country.

This is exactly why Moscow was Yushchenko's first official state visit as president. Of course, he had to be received here. But let us not believe all he said. Instead, let us consider what he kept silent about. Now Russia has a unique opportunity to make an official pause – for the first time since Ukraine received its independence – and allow its new president to demonstrate his interest in it. Had Yanukovich emerged victorious, Moscow would have had to redouble its assistance in solving Ukraine's economic problems, while at the same time putting up with the inevitable presidential overtures toward the West. For the first time ever, Russia can afford a pragmatic approach.

We need that pause to formulate an agenda for the new Russian-Ukrainian dialog. The agenda, however, must not affect the efforts of political forces inside and outside parliament, nor of Russian society's abilities to maintain brotherly ties with Ukraine's eastern and southern regions and the Crimea. A consolidation of the south and east of Ukraine, together with the promotion of the ideas of autonomy and federation, will help disrupt any attempts to unite both parts of the country around an anti-Russian program. As for the southern and eastern regions, they will have the right to veto in determining their future.

A broad support of those efforts constitutes the new horizons of Russian policy in Ukraine. Its implementation should involve the entire Russian state and society.

Why Russia Won the Ukrainian Elections

Andranik Migranyan

Passions have subsided and a new government has been formed in Ukraine. The new fledged contours have become visible for reconsidering the new political space. How should Russia assess the “orange revolution” and what new prospects have opened up for Russia-Ukraine relations as a result of that dramatic event?

Only the most careless people failed to mock Russian policy and the work of Russia’s political technologists during the Ukrainian revolution. Only the most careless failed to point out Moscow’s awkward steps, nor mention Russia’s crushing defeat in the Ukrainian election, in which the Moscow was forced to defend its political line for the first time in its contemporary history. Perhaps this is the reason my assessment of what has transpired in Ukraine may sound rather outlandish.

The candidate of Ukraine’s eastern, Russian-speaking regions, Victor Yanukovich, lost the election, of course, but it appears that Russia nevertheless scored a victory on the strategic plane; and it occurred despite, not because of, steps taken by Moscow. There are several reasons why I believe this to be the case.

First, Yanukovich did not say anything fundamentally different from what the former presidential candidate Leonid Kuchma had said in 1994. He made the same promises about preserving the sta-

Andranik Migranyan, Doctor of Science (History), is a professor at the Moscow State Institute of International Relations and First Vice-President of the Reforma Foundation. The article was originally published in Russian in *Rossiiskaya Gazeta*, March 2, 2005.

tus of the Russian language and building close integration between Russia and Ukraine (Kuchma had also spoken about a special relationship with Russia and a special legal relationship between Kiev and the Crimea). In the past, each time a Russian-supported ‘candidate of the east’ was victorious over a ‘candidate of the west’ (Kravchuk’s victory over Chornovil, Kuchma’s victory over Kravchuk, Kuchma’s victory over a Communist candidate), we witnessed the strengthening of Ukrainian statehood and the country’s drift to more independence, greater economic engagement with the West, and closer political and military ties with NATO and individual Western countries.

In the past, we already savored the victories of eastern candidates over western candidates in Ukraine, with the specter of Russia looming large over the country. However, Russia failed to retain Sevastopol as the main base of its Black Sea Fleet, except for some meager leftovers of its naval infrastructure. Nor did it secure a real endorsement of the status of Russian as the second official language there. It failed to make serious integration or engagement with Ukraine in building more or less efficient structures within the framework of the Commonwealth of Independent States. What did transpire was the continuous siphoning of Russian natural gas from transit pipelines and the theft of Russian electricity. These things happened despite assurances about “close relations” and a “strategic partnership” in grandiose speeches that were void of any real political content.

It seems that a Yanukovich victory would have brought about a continuation of the same policy line. Ukraine would have continued to block Russian money and Russian businesses from entering its markets; it would have continued a drift toward NATO and the European Union; it would have continued to strengthen the foundations of its independence and statehood; it would have remained cautious toward CIS projects and attempts to set up tangible multinational mechanisms to control economic, military and political processes unfolding there.

Yanukovich’s electoral defeat thus does not mean Russia’s defeat. His loss in the election means Russia’s deliverance from its

previous hazardous policy line that failed to deliver fruit and, at the same time, created the illusion of a Russian presence — an ephemeral influence and obscure achievements which only served to veil the reality.

This is the first conclusion that comes to mind after an impartial analysis of the events in Ukraine. In a similar vein, I recall something I heard ten years ago from Vitaly Portnikov, a Ukrainian journalist well-known in Russia and a savant of Ukraine's internal politics. He told me there was no danger to Ukrainian integrity and statehood while the clans representing Dnepropetrovsk, Donetsk, and other eastern and southern regions of the country continued to come to power.

What is the second conclusion to be drawn from the Ukrainian events? It is that a candidate from western Ukraine has won the presidency for the first time in the 14 years of Ukraine's independence. This has real global significance: the West won the race versus the East, and a shadow with Western contours was clearly visible behind the victory of western Ukraine. Those were the contours of NATO and the European Union that openly emerged during the mediation process. Polish President Alexander Kwasniewski, who is a friend of U.S. President George W. Bush, Lithuanian President Valdas Adamkus, and the most expert man on international affairs, the EU's de facto foreign and defense minister Javier Solana excelled in that area in particular.

This sets a totally new tune to the situation in Ukraine: responsibility for maintaining its territorial integrity and guiding national development now lays with the EU and NATO, that is, Brussels and Washington. The problem, however, is that the overemphasis on "democratic values," which many believe has turned Ukraine into a country drastically different from Russia since the 'orange revolution,' has produced the impression amongst the Ukrainian people that their post-revolutionary democratic country is now prepared for a rapid and painless integration into Western economic and defense organizations. Now the new authorities in Kiev, as well as the EU and NATO leaders, are scratching their heads about how to live up to the expectations that the public and political quarters

in Ukraine have for their country's swift integration into Western civilization. Whether this is going to happen or not will predetermine the answer to another question: has Ukraine acquired a new quality in the eyes of the West, which has made it essentially different from Russia? Ukrainian and Russian liberals insist it has.

For the first time in years, these circumstances give Moscow a freedom of action. Now it can take a step back. Russia can take an advantageous political position and transfer relations with Kiev to an area of tough pragmatism where Russian economic and national interests would be duly heeded – without demonstrating direct engagement in Ukrainian affairs.

I find this extremely important now that we are witnessing – for the first time – a split in Ukraine that was not caused by Russia or Russian policy. This split has divided the country into the west-central regions, on the one hand, and the east-southern regions, on the other. The latest elections have exposed the fragility of Ukrainian statehood. It will yet have to stand the test of the victory of the West over the East. In previous years, when it seemed that the East was winning and that Russia was standing behind it, not a single prominent political force in the country called for turning Ukraine into a federation or push for separatism (the exception is the Crimea, which represents a special case. The Crimean crisis began during Mikhail Gorbachev's *perestroika* and resulted in large part from the methods used to turn the peninsula over to Ukraine. The Crimean secessionist movement had different origins, which the southern and eastern regions of Ukraine did not share).

The problem of territorial fragmentation was off the list of tangible political factors and there were no signs of a threat to Ukrainian statehood, although politicians of different colors recognized the problem of regional fragmentation at a purely theoretical level. At a conference of regional leaders from eastern and southern Ukraine in Severodonetsk, it was obvious that the move toward autonomy and federalization was due to internal problems in the country rather than Moscow's malicious designs.

How the new administration headed by Victor Yushchenko and Yulia Timoshenko will tackle these problems is far from clear.

Add to it the problem of outdated factories in the east and the south, which still provide jobs to hundreds of thousands, or even millions, of people. The new Ukrainian government will inevitably bump into this glaring issue once they start a course of rapid reforms to accustom the Ukrainian economy to EU requirements. Industrial modernization will only serve to aggravate the tensions between the two parts of the country.

In other words, the presidential elections highlighted the vulnerability and internal disunity of Ukrainian statehood. This furnishes Russia with a good opportunity for maneuver as it chooses its political line on Ukraine; this stance will largely depend on how Kiev decides to cooperate with its northern neighbor.

The third conclusion of the Ukrainian election: never before did the West get involved in electoral processes on the post-Soviet territory to such a degree — not even in Georgia. This should not be surprising, however, since strategy-makers in the West and elsewhere have always voiced apprehensions that Ukraine might one day unite with Russia. Such an event would add a fundamentally new quality to Russia; even if it only united with the southern and eastern regions, the Russian Federation might get better geopolitical positions, an additional workforce of about 13 million educated and highly qualified people who share a cultural and linguistic identity with the Russians, and an extra potential in the economy, defense and technologies. And given Russia's ongoing economic rise — against the background of numerous global conflicts which threaten to tear apart the world — Moscow might then secure a totally new position with regard to Brussels and Washington.

That is why I believe the West interfered with the elections on such a massive scale and with tremendous determination. The crux of the matter is bigger than the hundreds of millions of U.S. dollars in the form of grants and direct aid that the West poured via governmental and non-governmental institutions to nourish the orange revolution, not to mention the numerous groups organized by young people and political activists for the purpose.

Washington and Brussels interfered with a strong hand by warning Kuchma and Yanukovich against the use of force despite

the fact that law and order had broken down on a massive scale: demonstrators prevented the government from performing its duties by blocking its administrative buildings.

This situation reminded me of the December 1990 summit in Malta, when President Bush squeezed out of Gorbachev a promise to refrain from using force in the former Soviet Baltic republics. That pressure encouraged the Baltic national movements and their leaders to freely stage mass actions aimed at seizing power. They were confident that Gorbachev would not risk using force on a massive scale, and that, if the army or official agencies made some sporadic moves, he would try to distance himself from them. That was exactly what happened in January 1991 during the events in Vilnius and Riga.

In Ukraine's case, Kuchma and his associates preferred to succumb to the diktat from Washington and Brussels. Apart from that, however, there was one more notable event which I would like to mention. U.S. Deputy Secretary of State Richard Armitage made a phone call to Yanukovich and strongly warned him that the Americans were against any separatism in Ukraine or its breakup. His comments came after the leaders of the eastern and southern regions had voiced the idea of a possible split of the country at the conference in Severodonetsk. Thus, outside pressure created a favorable internal and external setting for the victory of the orange revolution.

Certainly, the situation might have prompted Russia to engage in an open standoff with Brussels and Washington and stimulate the separation of eastern and southern Ukraine from Kiev and West Ukraine, but that would have meant a head-on collision with the U.S. and the European Union – something that Russia was not prepared for. Thankfully, the Kremlin acted as it did. It was doubtful the separation plan would be implemented in conditions where the east and the south had sporadically built a union against Kiev that later showed its institutional weakness.

Whatever the case may be, the current situation has many differences compared to Kuchma's time. The Ukrainian scene is

much clearer and understandable now and new opportunities have opened up that make it possible for Russia to formulate an appropriate line of conduct. It looks like Moscow has for the first time received an opportunity to influence the processes from the outside without direct involvement in them, thus allowing the Ukrainians to settle the basic problems of their statehood for themselves.

There is one more conclusion to be drawn. Yushchenko, as prime minister under Kuchma, prudently gave Russian capital much greater access to Ukraine than Yanukovich. Now, a candidate from western Ukraine, Yushchenko will have a freer hand in conducting his Russia policy without fearing accusations of selling out Ukrainian sovereignty and independence – fears that constantly loomed over Kravchuk and Kuchma. There was a similar experience during the Soviet-U.S. standoff, when the Republicans felt free to build a constructive policy toward the Soviet Union. They did not fear being accused of giving in to Communism and totalitarianism.

Finally, I would like to focus on two more issues pertaining to the future of Russian-Ukrainian relations. First, the situation has unveiled the major vectors of Ukraine's policy. These are the maintenance of bilateral economic relations with Russia and neutralization of Russia, with a simultaneous drift toward integration into the European Union and NATO.

However, at a recent conference, which brought together representatives of the Ukrainian political elite, the EU and NATO, Western diplomats tried to cool down Ukraine's passionate desire to immediately open talks on a program of accession rather than a program of cooperation, and to prepare all the necessary conditions for integration into the EU and NATO. Obviously, the structure of Ukraine's economy, its economic development level, and the situation within the EU – which has recently assimilated ten new countries and is getting ready to admit Romania, Bulgaria and Croatia – make Ukraine's accession to the EU scarcely conceivable in the near future. Ukraine's state of affairs with NATO is quite the same, although Washington may want to get Ukraine

into NATO before it joins the EU. Yet Kiev's fast track to the North Atlantic bloc may bump into an internal obstacle.

The major political players in Ukraine have a consensus that states Ukraine cannot modernize its economy and society without the EU, and cannot maintain stability without Russia. This means the Ukrainian leaders will have much greater support if they revise their policy toward the CIS Common Economic Space in favor of a faster European integration, than if they set out to integrate with the West militarily. In the latter case, they will run into serious problems. Public opinion researchers say most Ukrainians do not support an engagement with NATO since it will be perceived as joining a military and political union against Russia. Ukrainian society is unprepared for such a step at the moment and does not want a divorce with Russia, especially considering that Ukraine will become a frontline state if embraced by NATO's defense infrastructure.

It looks like a sizable part of the Ukrainian elite shows interest toward the country's more rapid economic association with the EU. At the same time, ideas that Ukraine may have a special military and political status are emerging. A former proposal on NATO's and Russia's security guarantees, once made to the East European countries should they not seek accession to NATO, may become acceptable to the majority of Ukrainian society and elite, including its liberal Ukrainian patriots. Important representatives of those circles have more than once spoken on this subject at international conferences and in public speeches.

Russia would apparently do a reasonable thing if it treats Ukraine's rapid engagement with Europe and the European Union with less emotion and more understanding, even though such a move may entail a revision of the agreements on the Common Economic Space. Simultaneously, it would make sense to sound out the American – and especially French and German – considerations about a treaty that would help Ukraine receive NATO's and Russia's guarantees of its neutrality and security, and to draft it together with Ukrainian politicians. Ukraine might get the same status that Austria had after World War II under the 1955 treaty.

Second, it is important to refrain from a hasty elaboration of a new strategy and take a certain pause in relations with Ukraine. People in Russia and Ukraine must have time to digest the aftermath of the ‘orange revolution’ and to develop a clear understanding of what has happened in that country and how those events have affected Russia’s relations with Ukraine and with the West – especially as the process of reconsidering the political field has begun in Ukraine.

We must wait and see what happens to the ‘orange revolution’ coalition, identify the directions along which the new political forces – some of which have already begun a parliamentary election campaign – will be growing, and assess the degree to which the revolution leaders are really going to reform political power and shift its center to parliament and the Cabinet. Also, we must understand whether or not the new Ukrainian leaders are ready to make dramatic moves with regard to Moscow.

All of this requires serious consideration. Thankfully, the situation does not require Russia acting expeditiously or conducting a pre-emptive policy. The most advantageous position is to have the time to pause. This provides the freedom to maneuver in time and space so as to be able to react adequately to Kiev’s actions with a clear understanding of Ukraine’s political field. It will provide a sober moment to reflect on the guidelines for Ukraine’s development, along with its opportunities for, and limits to, integration into the European economic structures and international security organizations.

An Orange-Tinged Revolt

Alexei Makarkin

The developments in Kyrgyzstan, which began as yet another colored revolution based on the Serbian-Georgian-Ukrainian models but later turned into something fundamentally different, have provided much food for thought. What is going on in the post-Soviet space? Are we witnessing the signs of a process common to all the post-Soviet countries? Or do outward appearances hide serious differences in the causes and content of these developments? Answers to these questions require an understanding of the peculiarities of the situation in Kyrgyzstan, as well as the phenomenon generally described as the “orange revolution.”

“ORANGE REVOLUTIONS” AND KYRGYZ REALITIES

The expression “orange revolution” stands for those peaceful actions of the middle class (intelligentsia, small and medium-sized businesses, students) of various countries which are aimed at achieving one global goal: Westernization. The participants of these movements do not only desire to live in Europe, but also have grounds for believing that if political changes occur in their country, this dream can come true in 10 to 15 years. It is for this reason they take to the streets where they are prepared to stay in freezing temperatures for days or even weeks. Accordingly, everything that runs counter to European integration – be it the cor-

Alexei Makarkin is Deputy Director General of the Center of Political Technologies.

rupted regime of Eduard Shevardnadze, the autarchy of Slobodan Milosevic, or the pro-Russian candidate Victor Yanukovich – turns out to be on the other side of the barricades.

Another important trait of an “orange revolution” is its pronouncedly “legitimate” nature, which makes it basically different from past revolts which were aimed at destroying the old world and building a new system of power on its ruins. The “orange” not only declare their devotion to law (in contrast to the old regime that violates the law) but also seek to observe it, avoiding openly illegitimate actions. Even the controversial oath taken by Victor Yushchenko at the height of the revolution in Ukraine was merely a token gesture intended to provide morale to his supporters as the confrontation began to drag out. No one – not even Yushchenko himself – considered him to be the legitimate president after that oath-taking, as it was not a presidential oath but an “oath of loyalty” to the people of Ukraine. The Supreme Court’s ruling to hold a third round of presidential elections came as the decisive moment of the revolution.

And what prevailed in Kyrgyzstan? There is no “road to Europe” for that country because of its geographical location (even Turkey, a long-standing member of NATO, has been integrating into the European Union with much difficulty), the mentality of its population and the level of its economic development. Even the most consistent Westernizers in Kyrgyzstan must recognize this fact. As for the intelligentsia, a large part of it, grouped around the Kyrgyz-Russian Slavic University, obviously sympathizes with Russia. The establishment of Russian as an official language in Kyrgyzstan proceeded without any problems in comparison with Ukraine and Moldova. The West provided limited support to the Kyrgyz opposition, the exception being its support of pluralism in the regime in order to increase Western influence on political processes in the country. Obviously, a victory by the opponents of President Askar Akayev was beyond the dreams of the West. Judging by all of the factors, and despite U.S. statements about the new success in the “crusade for freedom” proclaimed by President George Bush, the revolution in Bishkek came as a complete surprise to the West.

To Kyrgyz businesspeople this revolution was a shock, as it undermined stability in society and a normal business environment. Moreover, many businesses incurred heavy losses and some were even destroyed. Whereas initial reports from South Kyrgyzstan about the looting of banks in Dzhahalal-Abad could be taken as “Akayev propaganda,” the devastation of a business center in Bishkek shocked even those who sympathized with the changes. The embarrassed opposition tried to find acceptable explanations for what had happened. It issued statements, for example, that the rebellious people were destroying the property of those businesspeople linked to the former regime. But when it became clear that the crowds were indiscriminately destroying everything, including offices of foreign companies, there emerged a new explanation: the looters were the agents of that regime. (This reminds one of the February 1917 events in St. Petersburg, where the blame for the bloodshed was put on policemen who had, it was said, opened fire from attics with machine-guns at crowds.)

Finally, it was generally acknowledged that the Bishkek looters were utterly apolitical and only took advantage of the anarchy. Here again, one can draw an analogy with February 1917, when the antigovernment opposition lost control of the situation on the streets and some of the insurgent leaders were even tempted to get their hands on machine-guns. In Kyrgyzstan, however, order was soon re-established, although the forces that had begun the revolt against Akayev played a minor role in that.

The consequences of the chaos were dramatic: colossal losses, the suicides of several bankrupt businessmen, and a heavy blow to the country’s investment attractiveness for an indefinite period of time.

As for the legitimacy of the actions of the anti-Akayev opposition, let’s recall its major moves. First, there was the appointment of “people’s governors” even before the march on Bishkek. Second, the seizure of government buildings and physical attacks on representatives of the legitimate power (these actions cannot be blamed on anarchical looters). Third, repeated attempts to exert pressure on representative bodies of power already after the over-

throw of Akayev – suffice it to recall that the first interim president, Ishenbai Kadyrbekov, held his post for only a few hours and was replaced by Kurmanbek Bakiyev, although both were from the same opposition camp.

As for the opposition's appeal to the old parliament elected in 2000, this resembled the Georgian scenario but was more of an imitation of it as international and European organizations recognized this year's elections in Kyrgyzstan more legitimate than the previous elections. Furthermore, the main factor in the legitimization of Georgia's revolution was the Supreme Court's decision to annul the election results. Only then was it possible to raise the issue of prolonging the powers of the previous parliament. In Kyrgyzstan, the opposition initially ignored the 'judicial factor' and used it in its interests only after it seized power.

THE NORTH VERSUS THE SOUTH

The above considerations make it inappropriate to talk about an "orange revolution" in Kyrgyzstan. The developments in that Central Asian country were rather an imitation of revolution – a subject now in vogue. They involved mass actions complete with colored ribbons (the organizers, however, even failed to decide on a dominating color theme and, therefore, on a name for their "revolution") and an appeal to the old parliament. Yet, all of these developments were merely secondary to the real developments – the traditional struggle between the northern and the southern regions of the country and the desire of the southern clans to take revenge for their being sidelined from power. In contrast with Ukraine, where the conflict between the eastern and western regions was only a component of the momentous events in which the population of the country's central regions played a decisive role, Kyrgyzstan was swept by a typical redistribution process initiated by offended politicians. It was no accident that the opposition united ex-administrators and Communists, advocates of rapprochement with the West and members of archaic southern groups. In 1985, power in Kyrgyzstan passed to Absamat Masaliyev, a representative of the southern elite; he replaced the "northerner"

Turdakun Usubaliyev, who had ruled the then Soviet Kyrgyz Republic since the days of Nikita Khrushchev. The Kremlin either was not knowledgeable on the north-south conflict in Kyrgyzstan, or considered it a vestige of feudal times which could be ignored in making major decisions. What did matter to the Kremlin was that Masaliyev belonged to Mikhail Gorbachev's generation of Communist Party functionaries; Usubaliyev, his predecessor, was more than ten years older than the "father of *perestroika*."

In 1990, the north took revenge, using *perestroika* slogans and naming academician Askar Akayev, believed to hold liberal and reformist views, as its leader. The "southerners" failed to sense changes in the political atmosphere in their country and continued to resort to orthodox Communist rhetoric and defend the obsolete ideology. Since then, the southern clans remained in the opposition, but they did not lose hope for a comeback. For a short period of time (2000-2002) their representative, Kurmanbek Bakiyev, held the country's second-highest post of prime minister, yet he did not have real powers. Upon his resignation, he joined the opposition. It must be pointed out, however, that during the 15 years of his rule, Akayev came into conflict with some "northerners" as well, such as General Felix Kulov, who at various times held the posts of vice president, interior and security ministers, and was even the mayor of Bishkek. Ultimately, the general was accused of economic crimes and convicted. Another northern politician who fell into disgrace with Akayev was former Foreign Minister Roza Otunbayeva (after the revolution she regained her post). Of all opposition leaders in Kyrgyzstan, Otunbayeva was the most recognizable personality in the West.

During the initial stages of the uprising (until Askar Akayev left the country), the main watershed lay between the Bishkek authorities and the southern clans (the Osh and Dzhahal-Abad clans and, partly, Uzbek clans) which instigated the anti-presidential revolt. The southern clans implemented some "orange" technologies to impart respectability to their positions in the eyes of fellow Kyrgyzes and, more importantly, in the eyes of foreign observers and international organizations. The main problem of the Akayev regime was its disunity and the president's indecisiveness. This is

not surprising, considering that Akayev's powers were to expire this autumn, without promising any revolutions. The national constitution did not allow him to be re-elected for another term.

To find an acceptable solution, the Akayev team considered various plans: a referendum to revise the Constitution (the West, whose positions Akayev always took into account, opposed such a move), the nomination of a successor (the regime failed to find a person that would be acceptable to all), and the transition to a parliamentary republic (the political risks of such a move were unknown). Finally, no decision was made; this fatefully weakened the regime, disoriented its supporters, and inspired the opposition. Incidentally, similar developments are not very likely in other countries of Central Asia and Kazakhstan, since their leaders are not confronted with the problem of a handover of power.

At the second stage, the situation changed. At first, the "southerners," no longer content just with Akayev's overthrow, insisted that their popular leader Bakiyev not only regain the premiership but also be named as interim president. Representatives of the south in the new administration were appointed to head the Defense Ministry and the General Prosecutor's Office. The scheduling of presidential elections for June by the previous parliament (which is weak and dependent on the "revolutionaries") was also a beneficial decision for the south, as it gave an advantage to Bakiyev; incidentally, the latter was the first to declare his intentions to run for the presidency.

The subsequent developments, however, ran counter to the plans of the southern clans. The northern elite, which dissociated itself from Akayev, insisted on the legitimization of the new parliament, which included many influential "northerners" who were not going to surrender their deputies' mandates obtained in a bitter election campaign. Felix Kulov, who had been released from prison and had led efforts to halt the looting in Bishkek, became the new leader of the north. Later, he tendered his resignation (thus showing that he had no power ambitions), and the new parliament requested the Supreme Court to reconsider his case. By European standards, the legislators' move was a violation of the separation of powers princi-

ple and an attempt to exercise pressure on the court, but for the “revolutionary” Kyrgyzstan it did not seem unusual.

The south did not prove to be a truly united force. The “southerner” Omurbek Tekebayev, one of the best-known opponents of Akayev, was named chairman of the new parliament; yet Tekebayev was suffering from difficulties with Bakiyev. And during the 2000 presidential campaign, he cooperated with Kulov: Tekebayev ran for presidency with Kulov as his nominee for prime minister. Furthermore, another prominent southern politician, Adakham Madumarov, not only declined the post of deputy prime minister in the Bakiyev Cabinet, but also declared his plans to run for president.

It remains unclear how the north-south conflict will be resolved. Whereas the south is identified as the “party of revenge,” the north is identified as the “party of order.” Much now depends on whether the conflicting parties can reach agreement on a format of power that would take into consideration all of the key interests. If they are successful, a common candidate to represent the larger part of the north and the south may become the indisputable favorite at the presidential elections, with his rivals being reduced to sparring partners. But if the parties fail to agree, the election campaign in Kyrgyzstan may turn into a bitter inter-clan confrontation with unpredictable consequences – from a new aggravation of tensions to the threat of disunity.

In considering the “risk zones” for future “colored” revolutions in the post-Soviet space, Belarus and Armenia are the most probable hotspots. In Belarus, the opposition is inspired by the Ukrainian example, and the West is determined to support it: after all, the regime of Alexander Lukashenko remains the last “outcast” in contemporary Europe. Public opinion polls show a growth of pro-European sentiment among the Belarusian population. Now, it is up to the opposition to provide a leader who could confront Lukashenko. Thus far, it has failed, but this does not mean there will be no such leader by the 2006 presidential elections. It is worth remembering that few people outside the former Yugoslavia had heard of professor Vojislav Koštunica just one year before he came to power there in 2000.

As for Armenia, the 2003 elections were contested by the opposition which, however, is also a rather heterogeneous mix of political forces unable to nominate a common leader. In 1998, however, it successfully forced the then president Levon Ter-Petrosyan to resign. After that, Russia's influence in the country increased; now, however, the situation may go in reverse.

What unites such diverse countries as Belarus and Armenia is that their elites can hope for at least a gradual integration into Europe. This factor provides inspiration to the advocates of reform. Their activity may stimulate the introduction of revolutionary scenarios, which, however, will hardly resemble the Kyrgyz clan revolt which cost Askar Akayev his presidency.



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The Post-Soviet Space in the Era of Pragmatism

Tatyana Valovaya

For over 15 years, the people of the former Soviet Union have been desperately trying to choose between two formulas of existence: “Separately impossible. Together” and “Separately. Together impossible.” When the dragged-out agony of the Soviet empire ended in 1991, it seemed that the question was finally solved and the solution was “Separately. Together impossible.”

Soon the issue was again on the agenda; the euphoria of achieving sovereignty inside the post-Soviet space proved to be short-lived. It became necessary for the newly independent states to pool their efforts to reinforce their independence, especially after losing their traditional ties which bound them. A tendency for reintegration began to develop, and by the mid-1990s it seemed that the formula “Separately impossible. Together” would soon prevail. During this period, the most important initiatives were undertaken within the format of the Commonwealth of Independent States: the Economic Union Treaty (1993), the Agreement on the Free Trade Zone (1994), the Agreement on the Union for Financial Transactions (1994), the Agreement on the Customs Union of Russia, Belarus, Kazakhstan and Kyrgyzstan (1995), and the Treaty on the Formation of a Community of Russia and Belarus (1996).

The CIS filled the vacuum that had emerged after the Soviet Union’s collapse, and successfully offered a ‘civilized divorce.’ Yet, it proved unable to become an efficacious regional associa-

Tatyana Valovaya, Doctor of Science (Economics), is a professor at the Financial Academy under the Government of the Russian Federation.

tion of countries. In the economic sphere, it did not extend beyond the regime of free trade, and then only with certain exemptions. Nor did the Commonwealth play a significant role in solving the political problems between its member states. The inveterate conflicts in Moldova's Dniester region, Georgia's South Ossetia and Abkhazia, and the Armenian-populated Azerbaijani enclave of Nagorno-Karabakh did not disappear. Moreover, new conflicts continued to flare up. Russia and Ukraine quarreled over Tuzla, an island or sand-spit few people had previously heard of; Russian-Belarusian relations hit a deep crisis which required public declarations of their positions; Georgia made known its choice in favor of the European Union and NATO; Ukraine and Moldova followed suit.

Do all of these events mean the CIS is nearing its end? Or that Russia has suffered a geopolitical defeat as a result of the malicious techniques of the Western secret services? Does it signify the victory of the formula "Separately. Together impossible?" Not in the least. It just means that the epoch of political pragmatism, ushered in by the change of the political elites in the post-Soviet space, has taken firm root.

EVOLUTION OF PERCEPTION

In the mid-1990s, I commented on many occasions that the CIS was to a great degree the personal creation of its founders and that it was unlikely to last beyond the end of their political careers. Quoting oneself may seem immodest, but this is what I wrote in 1997: "The CIS does not have a solid institutional foundation and largely relies on personal contacts and trust relationships between the leaders of the member countries, as many of them have known each other since the times of "joint work" in Soviet institutions. Most leaders in the CIS share an integration-oriented mentality and political culture. They continue speaking the same language — both in the literal and figurative sense. They think along the same lines and many things in the Commonwealth have come into being due to their ability to tap solutions to knotty political issues inside this selective club.

“What is more, the first generation of presidents of the Commonwealth countries is aware of their responsibility for the unavoidable yet painful decision to disband the Soviet Union and is trying to compensate for the hardships that this decision brought to their peoples. This is probably why they are pushing for a fast – but chaotic – integration, without assessing its economic aftermath.

“But the Commonwealth will inevitably get a different appearance as new state leaders come to power. These people will be free from the burden of responsibility for the past and they will treat integration issues the way they should be treated – by assessing all the pros and cons and only taking steps that meet the economic and political interests of their nations.”

This forecast has materialized. New people are coming to power in the CIS countries as the Commonwealth is changing right in front of our eyes. Relations between the member states are becoming different, too.

Russia has been the trailblazer in this process. In the 1990s, Moscow’s policy toward the former Soviet republics was devoid of pragmatism. It was highly contradictory, even chaotic, as it bolted from one extremity to another.

Occasionally, Moscow would look at the CIS countries as quasistates, as former republics or even former colonies which were economically dependent on Russia, especially when it came to energy resources. Adhering to the popular thesis “Who will they turn to, if not us?” inflicted a serious blow on Russia’s political interests in the post-Soviet space in the early 1990s. Russian politicians were terribly slow in realizing that the CIS countries had acquired genuine independence in every sense of the word. They had designed alternative development strategies and secured alternative allies – the components of a multivector diplomacy.

The other extremity of Russia’s position went something like this: “The people in the CIS countries are also our people, and we must help them selflessly because economic computations are out of place when it comes to fraternal relations.” This line of thought opened up broad opportunities for our partners to run up debts, specifically debts for energy supplies.

Moscow's non-systemic policy toward the post-Soviet states was linked to a hidden conflict between Russia's long-term strategic interests which demanded that the CIS be kept within the sphere of its influence, and its economic capabilities at that time, which made a costly foreign policy impossible.

Nonetheless, starting in 2000, Russia began to show a pragmatic approach to the CIS countries. It began to treat them as strategic and preferential partners, while at the same time building relations on the basis of precise economic calculations. Limited resources forced the Kremlin to weigh the potential effects of integration-oriented measures and bilateral cooperation against the price it had to pay for them.

That is how Russia has developed an understanding that the sooner it drops the early post-Soviet conception of the 'Near Abroad,' and the sooner it gets accustomed to the fact that the Commonwealth consists of truly 'foreign countries,' the better it would be for everyone. Russia has realized the importance of having distinctive relations with the CIS countries, while at the same time building those relations on the basis of generally accepted international norms.

A CRASH AFTER TAKEOFF?

There is no doubt that integration with the CIS countries also meets Russia's strategic and short-term interests. However, "integration at any rate" is out of the question. Russia must develop integral ties that would foster democratic and market changes both in the CIS and Russia, facilitate its economic growth, create new jobs and provide integration into the world community.

This pragmatic approach has been underlying Russia's policy toward the Commonwealth until very recently and it has proven productive: Russia succeeded in finding solutions to many chronic problems in its bilateral relations, such as reorganizing Ukrainian and Moldovan debts for natural gas supplies. Plans were launched to establish a Russian-Ukrainian gas consortium with a provision that leading European companies may join it at a later date. Russia and Ukraine completed the delimitation of the gas pipeline route.

itation of their territories and found a denouement to the border complications in the Sea of Azov and the Strait of Kerch. Tremendous effort was invested in helping Belarus accept the Russian ruble as a common legal tender. The problem of Armenian and Tajikistani debts to Russia was resolved and a great legislative breakthrough was completed with regard to the Caspian Sea issue: the agreements that Russia signed with Kazakhstan and Azerbaijan made it possible to develop mineral deposits on the Caspian shelf and resolve the Caspian Sea knot by dividing the seabed and declaring the body of water common territory. A long-term agreement was signed on the purchase of natural gas in Turkmenistan. The rest of the list is long enough, too.

The achievements in the multilateral format look equally impressive. In 2000, Russia, Belarus, Kazakhstan, Kyrgyzstan and Tajikistan created the Eurasian Economic Community (EurAsEC), an organization based on Europe's integration experience and aimed at forming a common economic area in the future. Ukraine, Moldova, and Armenia acquired the status of observers there. With great speed, Russia, Ukraine, Belarus and Kazakhstan drafted, signed and ratified an agreement on the Common Economic Area (CEA) and began working on the documents to ensure its implementation. The presidents of Russia, Kazakhstan, Uzbekistan and Turkmenistan signed a declaration on strategic partnership in natural gas. Several CIS countries created the Collective Security Treaty Organization. The CIS Antiterrorist Center began active operations. And again, the list continues.

Suddenly, however, these and many other achievements seemed to be nullified as election campaigns in Georgia and Ukraine produced unexpected results, while Russian-Moldovan relations started to deteriorate on the eve of their elections. Has the Russian policy of the past three to four years begun to falter? Is Russia's position weakening in the post-Soviet space? To get answers to these questions, let us look closer at the very nature of equitable relations that presuppose the presence of at least two

sides defending their interests. Pragmatism on the Russian side presumes pragmatism on the side of its partners, whose policies may sometimes be viewed as anti-Russian.

Moscow is being put to a test – a test for commitment to pragmatic policies – by the new pragmatism of our old partners, the inevitable change of elites in some CIS countries, and a controllable or spontaneous accession of power by new political forces and figures. Hopefully, Russia will successfully pass the test.

MOVING FROM THE VIRTUAL TO THE REAL

Russia's partners can make, and have already made, choices that run counter to its expectations. This is their choice, however, and from now on such choices will be based on pragmatism. Pragmatism opens the doors to seemingly unnatural alliances among, for example, the Georgian and Ukrainian proponents of a market economy and Moldovan Communists. In this situation, it is important that Russia resist the temptation of replacing the pragmatic approach toward its neighbors that has proven so fruitful in the past few years with “geopolitical concepts” of some kind. Today, Russia and all other CIS countries steer their foreign policies exclusively in compliance with national interests, and keep them poised using the art of pragmatic policy-making. It is from this position that one must analyze the situation in the post-Soviet territory.

Despite all the efforts to reform the CIS, it remains a rather virtual integrative amalgamation with a complex and poorly governable bureaucratic structure. Today, the member states are discussing the possibility of yet another reform, but they still leave major questions unanswered, namely: What is the objective of integrating in the format of the CIS? What are they creating? How much will it cost? What will be the main phases of this process?

Initially, the documents signed in 1992 and 1993 – most importantly, the Economic Union Treaty – suggested that the CIS would develop along the patterns of a normal regional union and would have:

- a free trade zone;
- a customs union;
- a common economic area with four freedoms (free movement of commodities, services, capitals, and workforce);
- economic and monetary unions.

Together with the declaration of these objectives, the CIS countries set themselves the task of fully preserving their sovereignty and refused to form any supra-national agencies, which fully contravened the above provisions. It is well known that even a customs union demands a partial relaying of sovereignty to supra-national agencies, to say nothing of economic and monetary unions. Since the member countries realized this in the mid-1990s, there has been no mention of the Commonwealth's final goals.

The first serious attempt to reform the CIS was begun at the end of the 1990s, following a range of bustling summit conferences. The institutional reorganization of the CIS made its bureaucratic machinery less cumbersome, yet the member states failed to bring together the rather disunited governing bodies. The task of creating a free trade zone was solved *de facto*, mostly through bilateral agreements. In other words, the planned reform was aborted, while a spontaneous reform took place. Over the past few years, the Commonwealth has evolved into a general political organization in an era of pragmatism, a "club of presidents" and a forum for discussing a wide range of political problems, including global ones.

This is certainly not a bad thing. We can only applaud the growing cooperation in such areas as the fight against terrorism and extremism, maintenance of security, and interaction between law enforcement agencies, as well as humanitarian and cultural institutions. The Commonwealth is thus achieving *realistic* goals and objectives.

It seems that a radical reform of the CIS, with a view to transforming it into an efficient integrated economic union, is not necessary as new organizations with clear objectives and mechanisms have spun off from it in recent years. These are the Eurasian Economic Community, the Common Economic Area and the Collective Security Treaty Organization.

International experience testifies to the success of this sort of scenario. History knows of instances where one and the same group of countries have set up different organizations with similar goals over a rather brief period of time. If the first attempt appeared to be unsuccessful, the initial organization would not be disbanded but a new one would be immediately set up. A good example is the 1948 Brussels Treaty of Economic, Social and Cultural Collaboration and Collective Self-Defense signed by Belgium, Britain, Luxembourg, the Netherlands and France. This document provided the basis for the 1954 Paris agreements that formalized the emergence of the West European Union (which ultimately united, besides the abovementioned countries, Italy and Germany). The organization proved to be quite inert, however – probably as inert as the CIS is at present – as its member countries failed to develop trade within its format. Several years passed, and the Treaties of Rome (signed in 1957 and enforced in 1958) opened the road to the emergence of a fully integrated European Economic Community which later grew into the European Union. Meanwhile, the West European Union continued to exist, and in the early 1990s the Europeans integrated it into the EU structures.

In other words, if the CIS is maintained as a “political frame” and a general political or humanitarian organization embracing the post-Soviet space – something like a mini-Council of Europe – then it may focus its efforts on consolidating the EurAsEC as an economic union and the Collective Security Treaty as a defense organization.

The EurAsEC has good prospects as a regional organization built on the basis of EU principles. Unlike the CIS, the decisions passed by this organization will reflect Russia’s economic weight, albeit not in full.

The EurAsEC has clear economic objectives and an institutional structure. It also has an efficiently functioning free trade zone. As stipulated by the *Guidelines for EurAsEC Economic Development from 2003 Through 2006 and Beyond*, by the end of 2006 preparations to establish an integrated customs union should

be finished. Over the long term, economic and monetary unions may be possible, as well.

The EurAsEC is already getting practical economic content, with multilateral projects being implemented in the key economic sectors, such as energy and transport. This progress helps develop trade between the member countries at a faster rate than with other Commonwealth nations.

In 2004, Russia's foreign trade turnover grew 34.6 percent, while trade with the EurAsEC member states saw an increase of 41.2 percent (and 34 percent with the CIS countries outside that economic community). Five years ago, Russia's trade with the EurAsEC stood at U.S. \$10 billion; today, it has exceeded \$26 billion.

The Common Economic Area could also play a significant integrating role in the CIS. Russia's partners in that association, set up in September 2003, are Ukraine (second biggest economy in the CIS), Belarus (Moscow's closest, although somewhat controversial partner), and Kazakhstan (a dynamically developing country with rates of market reform ahead of Russia in some aspects).

The goals of that association are in many ways identical to those of the EurAsEC, and the list of participating countries is almost the same, as well. Yet the CEA legislation, although drafted just seven months after the president's declaration of interest, is more advanced than that of the EurAsEC. In an unprecedented move, the participants prepared documents that meet the highest integration standards. Furthermore, the parties' resolve for compromise during the course of the extremely complicated negotiations did not detract from the CEA content.

Success was achieved due to two crucial agreements. First, the parties regarded the Agreement, together with the ancillary Convention for the Common Economic Area, not as mere "papers for negotiations" subject to diplomatic bargaining, but as a universal, theoretically and practically verified model of integration that fixed the notion of the CEA and the sequence of steps to be taken in order to form it.

Second, the parties embedded into those documents the principle of integration at various levels and at a variegated pace. The CEA member-nations can determine the rates of their integration independently, but they cannot block integration steps taken by other countries. The founding countries agreed at the same time that all the measures pertaining to the CEA are interrelated and the countries taking part in the project will not have the right to choose what steps they will take and what steps they will ignore. In other words, the CEA is a standard lunch and not a menu *à la carte*.

The CEA documents incorporate several principles that sound quite revolutionary for the post-Soviet territories. All the four signatory countries have affirmed and ratified the provisions declaring the necessity of supra-national coordinating agencies. Simultaneously, they agreed that decisions would be taken with due account of the economic weight of each country. The CEA agencies will be built on the same principles that ensure the efficiency of the European Union.

Currently, the parties are working on a package of 85 documents that will make up the core of the CEA legislative base. At a CEA summit in Astana in September 2004, the leaders endorsed a list of priority documents subject to coordination and signing. A total of 29 are expected to be signed before July 1, 2005.

THE MAIN CHALLENGE

Ukraine represents a major trial for the CEA project, while the country's new political elite doubts whether the CEA is compatible with its "European choice." This question would still be relevant even had there been a different outcome of the recent presidential elections. Ukraine has been faithfully following a course for active integration into the European political and economic institutions and this is unlikely to change. The advantages of European integration for Ukraine are certain and very likely to increase in the future. Thus, any attempts to deny them are senseless, all the more so as Russia itself has clearly indicated the European vector in its policy and is moving toward forming 'four common spaces' with the EU.

A concept adopted at the 2003 Russia-EU summit in Rome states that the Common European Economic Space (CEES) embracing Russia and the EU aims to help the sides achieve closer coordination in their legal and economic systems and broaden cooperation in investment. It is also meant to promote contacts in the energy sector, coordinate the Russian and European transport systems, implement projects of pan-European importance, and develop cooperation in innovative and hi-tech spheres. It is worth remembering that the CIS countries account for a mere 17.9 percent of Russia's foreign trade at the moment, while the EU share amounts to about 50 percent.

Ukraine also has more active ties with the European Union than with post-Soviet countries. The structure of Ukraine's GDP has changed in recent years, with the services sector now having a much greater share; this fact certainly heightens the country's interest in an access to European markets. Apart from objective factors underlying Kiev's choice in favor of Europe, there are subjective, ethno-psychological factors: the traditional jealousy toward the *Moskals* [a derogatory word derived from 'Moscow' that the Ukrainians refer to the Russians – Ed.] and the desire to lead the Russians in absolutely every sphere of activity. The traditional mixture of love and hatred for Poland plays a role, too, which can be summed up by a phrase heard amongst the Ukrainians "The Poles are in NATO and the EU, and are we any worse?"

Nor should one underestimate the very dynamics of European integration, as the EU systematically draws countries along its periphery – "the new neighbors" in its own terminology – into its orbit. Since the formation of the alternative centers of integration – the CIS, EurAsEC and CEA – has not been completed and since these centers have yet to demonstrate their economic advantages, Ukraine is naturally getting sucked into the "European Hoover." Moldova and Belarus are most likely to follow in its footsteps.

The expanding EU is becoming more and more attractive to new members for a number of reasons. Previously, when the EU united 6 to 12 countries, the leading positions were occupied by

big countries – Germany, France, Britain and Italy. Today, their dominance in the Europe of 25 is being diffused. The weight of New Europe is putting pressure on Old Europe: present-day EU mechanisms make it possible for smaller countries to devise successful combinations against bigger countries, and they increasingly resort to these methods.

For the first time in history, the smaller European nations – Belgium, the Netherlands, Poland, Slovakia, Slovenia, the Czech Republic and others, which for centuries were mere *objects* in international relations that forcibly fell under the sway of one or another European empire – have become full-fledged *subjects* in international relations whose voice can really influence decision-making. This explains the triumph of the European Union idea and what makes it look so enticing for many CIS countries. Arguing against this fact without offering any tangible alternatives would be senseless.

The Common Economic Area could play the role of such an alternative. Membership in this organization does not contradict Ukraine's European choice and does not rule out its future accession to the EU; Europe has known precedents of countries shifting from one organization to another. In the early 1970s, for example, Britain, Denmark, Ireland and several other countries abandoned the European Free Trade Association and joined the European Economic Community. Since Russia, too, is now engaged in forming a common economic space with the European Union (CEES), the norms and regulations for the Common Economic Area with the CIS countries must fully meet the norms of the CEES, i.e. the EU norms and rules. The basic difference is that the CEES does not imply forming supra-national bodies and transferring sovereign powers to them, while the CEA does suggest it. That is why the mechanism of parallel activity along those two directions is yet to be designed. Russia is already seeking such a move, purely out of its own interests. For Ukraine, membership in the CEA thus offers a dual advantage – it can have access to the partner countries' markets, while preparing its economy, at the same time, for EU accession.

Nor should we rule out the possibility of the CEA becoming an efficient and self-reliant organization with supra-national powers, capable of competing with the EU in attracting new members. It is also possible that the process of forming the CEES will pave the way to forming a general common economic space that will someday embrace the EU and the CEA. If this happens, the problem of whether Ukraine belongs to the EU or the CEA will simply become irrelevant. Unfortunately, the Ukrainians have extremely politicized the CEA project, yet there is still hope it will take a pragmatic decision on the issue.

Naturally, a different scenario is also possible. Ukraine may simply refuse to work on the CEA project, or it may conclude an agreement on a free trade zone, while at the same time speeding up its preparations for EU accession. What will happen then?

In this situation, there will probably emerge an ‘integration at variegated pace.’ The CEA will function as three countries and coordinate its activities with the procedures prescribed by the EurAsEC. In this case, a common economic space will be established all the same, but alas, without Ukraine.

Russia and its partners in the CEA will be forced to take “pre-emptive” measures to minimize the costs arising from Ukraine’s speedy drive to the EU. Apart from the obviously discouraging political and humanitarian effects (concerning travel visas, the status of ethnic Russians living in Ukraine, the possible development of an inferiority complex among Russians with regard to “Ukrainian Europeans”), there are serious economic risks, as well.

Those risks were made evident by the integration experiences of Central and East European countries. Those nations were forced to revise all of their legislative norms and acts pertaining to trade and economic cooperation, as well as limit the access of Russian commodities and services to their markets. In Ukraine’s case, the risks are a hundred percent higher. Russia may acquire an extremely dangerous competitor right at its doorstep. Once Ukraine integrates into the European zone and also receives a free-trade regime with the CIS countries, Western investors may turn Ukraine into their base of operations. They will be attracted

by its relatively inexpensive workforce, solid infrastructure and, most importantly, free access to the spacious Russian market.

How can Russia respond to the Ukrainian challenge? Protective measures, such as putting up massive barriers to Ukrainian commodities and services, or ending the free trade regime, do not meet the requirements of the time. As is well known, pre-emptive strikes are the best method of defense; so the best way for Russia to minimize the negative effects of Ukraine's European integration is *Russia's own European integration*.

Paradoxically as it may seem, in order to maintain and reinforce its positions in the post-Soviet territory, Russia must focus on enhancing the market-oriented and democratic transformations at home rather than defending that territory from "encroachment by alien powers." Russia must modernize its economic system and become fully integrated into the world economy. This would include the earliest accession to the World Trade Organization and the creation of the Common European Economic Space.

The image of Russia standing at the crossroads has always scared its neighbors. History provides enough instances. Russia lost influence in Central and Eastern Europe during the abortive August 1991 coup. It was then that its former allies in the Council for Mutual Economic Assistance and Warsaw Pact, frightened by the Soviet Union's unpredictability and the possible re-creation of the Iron Curtain, turned their eyes to Europe. Also, NATO and the European Union, hitherto apprehensive of costly schemes of integrating Central and East European nations, believed that the threat from the East was quite real.

Conversely, the past few years have shown that a stable, pragmatic, predictable Russia that builds its relations along the principle of "business only, no sentiments" has a real chance of keeping up and consolidating its positions in the post-Soviet space. More than that, it has a chance to take the lead in integrating into the global economy.

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Economic Policy



“ The main challenge that the next generation in Russia will have to address is to determine where and in what industries it should create jobs from revenues from raw-material exports. All present-day discussions of the economic policy boil down to this question: How to reinvest revenues from oil, gas, metals and fertilizers in the creation of normal jobs inside the country? ”

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Russia's Place in the Global Economy

Leonid Grigoriev

The global economy is a huge organism living according to its own laws, and Russia is an important element in it. In 2004, according to estimates of the International Monetary Fund, the World Gross Product in current prices and at current exchange rates reached \$40 trillion, or \$53 trillion if based on purchasing power parity. Of this sum, the United States accounts for about \$11 trillion, while Europe has a comparable figure. China's Gross Domestic Product is \$1.25 trillion, and its GDP based on purchasing power parity is twice as large.

All developed countries belong to the Organization for Economic Cooperation and Development (OECD), which accounts for about 80 percent of the World Gross Product. China and India account for the bulk of the remaining part. Russia's GDP at current exchange rates is about \$400 billion, and its GDP based on purchasing power parity is three times larger. These figures are the starting point for any analysis of Russia's position in the contemporary world.

Issues involving the development and modernization of the Russian economy came to the forefront of public debate as Russia recorded its fifth consecutive year of economic growth. One of the problems is the low savings rate in Russia (21 percent of the GDP)

Leonid Grigoriev is President of the Association of Russian Economic Think Tanks; Head of the Management Department of the International University in Moscow. This article was originally published in Russian in the *Strategiya Rossii* magazine, No. 1/2005.

despite the high economic growth rate over the five years. The savings rate in Russia is lower than in any of its neighbors, and much less than any in other post-Communist states.

Accelerated growth per se can be achieved through different models of economic development, at least in the short term. The growth of GDP has become a topic of discussion amongst non-economists as well, largely because the Russian government uses this index to evaluate the growth rate of the Russian economy.

Many politicians tend to confuse the growth of the GDP – the result of an increase in employment and productivity – with production growth. A per capita GDP is an actual indicator of productivity and economic efficiency: the nation that produces much over a year is economically developed.

There also exists the notion of purchasing power parity (PPP), which shows the difference in the standards of living. For example, if we calculate the cost of the consumer properties of Russian education, healthcare and housing, it appears that Russians have consumed almost three times more than the amount calculated in current prices. According to the IMF's estimates for 2002, Russia's GDP in current prices stood at about \$2,500 per capita, but the same GDP based on PPP reached almost \$8,000 a year. In China, consumption calculated at current exchange rates is \$1,000 per capita, whereas based on PPP it is twice as much – \$2,000. In the United States, the two indices actually coincide, reaching \$36,000.

Of the approximately 180 member countries of the United Nations, about 70 are very poor. This group of countries is characterized by the following three criteria: a per capita income of less than \$800 a year; high infant mortality and low education standards (social index); and an unstable economy with problems such as, for example, single-industry dependence. The Maldives, which has a per capita income of \$2,000, provides a classic example of such a country. At first glance, it would seem this is a rich country. All its wealth, however, was based only on the tourist business, which was undermined first by the war in Iraq and then by the catastrophic tsunami that struck the region on December

26, 2004. This is what is called single-industry dependence. For example, a country might have a quota for tuna fishing, but once it is denied this quota, its GDP will immediately fall, and the country will find itself amongst the underdeveloped states.

More than half of all countries in the world (including China and India) are poor, that is, they have an average per capita income of less than \$1,000. This should not be confused with absolute poverty when daily per capita income does not exceed one dollar. Of this sum, 80 cents is spent on consumption. Countries with a GDP of \$300-400 (the same one dollar per day) spend all their income on food; they must constantly struggle against poverty. The development of these countries depends on foreign aid.

The GDP of poor countries ranges from \$1,000 to 3,000. Russia's GDP, estimated at current exchange rates, could well place it among the poor countries had it not been for the low ruble rate as compared with the ruble's real internal purchasing power.

As for the other post-Soviet countries grouped in the Commonwealth of Independent States, almost all of them rank amongst the poor countries, as well as being single-industry dependent. Using the criteria of the UN Committee for Development Policy, their per capita GDP is below \$800. At the same time, if we take social indicators (high infant mortality and low educational standards), the CIS countries do not meet the UN poverty criteria: they still boast fairly sound public health and secondary education services inherited from Soviet times.

The GDP of medium-developed countries ranges from \$5,000 to \$10,000-12,000. Several post-Soviet countries, many of the Latin American states and some countries in Africa and Asia have a GDP of \$3,000 to \$5,000. The GDP in the East European countries which have joined the European Union and NATO – Poland, Hungary and the Czech Republic – stands at \$8,000 to \$12,000. Slovenia is the richest East European country with a GDP of \$15,000, which puts it on a par with the medium-developed Spain and Portugal.

The developed countries of Western Europe have an average per capita GDP of \$20,000 to \$25,000, that is, ten times more

than in Russia at current exchange rates. Some countries have even higher GDPs — \$35,000 to \$40,000.

Also of much importance is the way incomes are distributed within a society. Any country with a relatively long history will inevitably have rich elite. In developed countries, the top richest 10 percent of the population account for about 25 percent of incomes. As a reference point and as a norm, let us take incomes distribution ratio of 20:40:40, that is, 20 percent of the richest people, 40 percent of middle-income people, and 40 percent of relatively poor people. In the developed countries, incomes distribution ratio is 40:40:20, that is, the richest 20 percent of the population receive 40 percent of incomes; the 40 percent of middle-income people receive 40 percent of incomes; and the 40 percent of poor people receive only 20 percent. The lower 10 percent of the population around the world are poor — they account for a mere two to three percent of all incomes.

The incomes distribution in Russia conforms to the Latin American model. Instead of the European 20:40:40 ratio, the Russian population receives incomes at a ratio of 50:35:15. The top 20 percent of the population account for 50 percent of all incomes; the 40 percent of middle-income people receive 35 percent of incomes; and the lower 40 percent have only 15 percent of incomes. Obviously, this is not the best possible social structure. Moreover, the top 10 percent of the Russian population accounts for 35 percent of all incomes — as much as the top 10 percent of the population in Argentina or Brazil. This is an alarming analogy, especially when we consider that the countries of Latin America with skewed incomes distribution are prone to military coups, unstable democracies and numerous social problems.

Russia has the Latin American structure of incomes distribution, although it is located in Europe, enjoys the status of a great nuclear-armed power, a permanent member of the UN Security Council and a member of the Group of Eight leading industrialized nations. Yet Russia's GDP on average is ten times less at current exchange rates than that of the developed countries, or is about four times less if estimated on the basis of the population's

purchasing capacity. Certainly, Russia is much better off with its \$8,000 of an actual GDP than poor countries in Africa; it is on a level with Latin America and Eastern Europe. Brazil is the country most similar to Russia as regards its development level and economic structure, not to mention the inconvenience of its constitution. Take any data on Brazil, replace its name with Russia, and there is almost no difference.

Yet there is a major difference between the two countries – the lower 40 percent of the Brazilian population are uneducated, and there is no simple and inexpensive way to change this situation; therefore, illiteracy and poverty in Brazil are constantly reproduced. Thus, Russia is closer to Latin America in terms of its social structure and to Europe in cultural traditions, whereas as regards its political status, Russia – as the successor to the Soviet Union which invested huge funds and efforts in the development of a military arsenal – is a great power and a member of the UN Security Council.

The gap between wealthy and poor countries of the world is 40 to 60 times. The gap between wealthy and poor regions in Russia is almost the same, which consequently results in many political, economic and other challenges to the country. Moscow has already caught up with Portugal in terms of its Gross Regional Product, while Russia's Samara Region is on par with Poland. Meanwhile, the economies of many other Russian regions are developing very slowly and are dependent on redistribution from other regions. The leveling of regional economies cannot be achieved by simply leveling regional budgets; this can be done by creating conditions that are conducive to fast growth in the leading regions, which would then spur growth in other territories. An even regional development across the board is simply impossible.

The structure of the Russian economy was built in Soviet times to meet – figuratively speaking – the needs of theoretical World War IIs, because economists, like generals, always prepare for wars that are already history. For half a century, from the 1930s to the 1980s, the Soviet economy was focused on building up heavy industry in anticipation of a global confrontation. Besides, the

Soviet Union produced numerous missiles and – useless – tanks, which required a huge amount of titanium and aluminum. In addition, Russia extensively built railroads since it has always been easier to transport cargoes and people across its vast distances by rail rather than road. And although Russia now prefers automobiles, the simple inertia prevents it from constructing highways.

The Soviet Union once controlled (politically) a large economic “camp” which comprised Eastern Europe, then underdeveloped China, Vietnam, some countries of Africa and even Latin America. Even if we do not consider China, the population of the “camp” reached some 600 to 700 million people. The Soviet Union provided subsidies to these nations, gave them patents, trained their specialists, and so on. Those countries purchased Soviet equipment, and Moscow subsidized those purchases in different ways. The entire Soviet machine-building industry worked to supply that large group of relatively undeveloped countries. Before the Communist camp was formed, those countries had been supplied with machinery and consumer goods largely from developed European countries.

Between the 1950s and the 1990s, the Soviet Union, together with Czechoslovakia and East Germany, formed the industrial center of a large political bloc, and supplied the periphery of this bloc with cheap oil (another form of subsidization, albeit a concealed one), weapons, machinery and equipment. When this political system collapsed, Russia's heavy engineering and metal-working industries lost their politically controlled markets. Since then, the entire machine-building sector (besides automobile production) has never overcome the crisis of the transition period. Although the last three years have seen a significant growth rate in this sector (10-15 percent), this increase began from an extremely low level. Whereas the car-making industry has remained at a high level (70-80 percent of the pre-crisis output), production in the other machine-building and metal-working industries has decreased by five to six times. Perhaps, Russia could have retained some of its former markets where customers were accustomed to using Soviet equipment. But that goal presupposed the implemen-

tation of sensible industrial and export policies by Russia in the 1990s, including export financing and crediting (for nuclear power plants, for example), together with efficient corporate management. No such program, however, was ever activated.

Now that the Soviet Union has vanished, we live in a more compact country. Moreover, Russia inherited about 80 percent of the Soviet Union's former territory and the larger part of its natural resources. Apart from Russia, only Kazakhstan possesses extensive natural resources, while Turkmenistan and Uzbekistan possess gas fields. The other natural resources are of an insignificant scale. Russia inherited about 60 percent of Soviet equipment and physical assets; other industrial production was formerly concentrated in Ukraine, Belarus, Armenia and, on a much smaller scale, in the Baltic republics. Latvia shut down three notable Soviet enterprises, which could have been a lucrative source of revenue; these were the Riga-based electric train plant, the factory which manufactured the famous Spidola radio sets, and the plant which built RAF minibuses, which now would be in strong demand.

To sum up, Russia has received 80 percent of the Soviet territory, 60 percent of assets, 60-65 percent of industrial facilities, about 50 percent of agriculture — yet only 51 percent of the population! The other half of the former Soviet citizens have remained largely in Central Asia and Ukraine. These two factors — an expansive territory with a relatively small population — explain the present-day large-scale migration to Russia. This is a classical type of migration of an active labor force to economically active regions, which has been occurring in America since the late 19th century and in Europe since the end of World War II.

Censuses conducted in the post-Soviet countries estimate that about two million immigrants have arrived in Russia from other parts of the former Soviet Union. This number is not very significant. In the U.S., for example, there are some 10 to 12 million illegal immigrants alone, while Europe has several million Turks and approximately the same number of Serbs. In France, there are several million Algerians, while Belgium is home to about one million Kurds and half a million Arabs.

There are about 250,000 Chinese in Russia now, but this cannot be described as a large-scale immigration. In the U.S., by comparison, half a million Chinese live in a compact community in the suburbs of San Francisco alone. They do not speak English since they do not associate with native Americans, nor do they need to know English in order to find a job or get married. Enclaves, like those in France, are not compact settlements, and people living in enclaves adapt to life in their new country. In contrast, immigrants living in compact settlements do not feel the need to learn the local language, and live their own life according to their native customs.

In Russia, there are probably several more million permanent or seasonal migrants who have not been covered by censuses. These are comprised of Georgians, Azerbaijanis, Armenians, Belarusians, and Tajiks who have fled conflicts in their native country, as well as many Ukrainians. Thus, it is obvious that much of the active labor force from the CIS has found work in Russia. This country exports highly educated people to the developed countries and imports inexpensive labor for low-paid jobs; this is a generally accepted practice.

Migrants in Russia create certain problems, of course, but these problems are of a different kind than, for example, the problems that arose in Germany in previous years. Immigrants to Germany were mostly comprised of Turks, Kurds and Serbs who did not speak the German language and did not know German customs. In contrast, migrants coming to Russia know the Russian language; many grew up in the Soviet Union and graduated from Soviet schools. As a result, they adapt to life in Russia very quickly. During the first few years after the Soviet Union's breakup, very many people with a higher education came to Russia to do unskilled labor. Later, many of them settled in this country and started a business — here or in their own country. These are already different models of adaptation.

Migrants from the former Soviet republics now working in Russia transfer their earnings — about \$10 billion a year — to their home countries. At the same time, Russia continues supplying

those countries with cheap natural gas. Presently, only three countries in the world attract such a large labor force from abroad — the U.S., Saudi Arabia and Russia. Migrants annually export \$30 billion from the U.S., and \$16 billion from Saudi Arabia. In this respect, Russia is in good company.

This seems to be a normal state of affairs and this is how things stand in the whole world. The per capita GDP of Ukraine, for example, is \$600 a year, while Russia stands at \$2,500 — a four-fold difference in the living standards between the two countries. How can one stop a man from crossing an open border in order to earn four times more? Migrants in Russia earn much less than the native population, while most of the new arrivals are denied equal rights with Russians on the labor market. Migrants are inexpensive, and Russian businesses make profits from their labor. The main problem involving migrants in any country is the legalization of their economic activity, their registration, and the levying of taxes on them and their employers. A recently passed law on migrants permits migrants to stay in Russia without a registration for up to 90 days. This was a step in the right direction, but it is also very important that the federal tax inspectorate find all the foreign workers.

It is good that migrants to Russia export a portion of the money they earn, because Russia is interested in the development of the CIS as a market for its goods. If foreign workers produce or build something in Russia, if they earn and then export money, they will later purchase something in Russia — be it goods or services. More importantly, however, the migrants should produce more than they export, as is the case with, for example, the U.S. or Saudi Arabia. Such a scenario conforms to the logic of labor migration.

It is bad that the labor market is splitting. No Muscovite would agree to work as a street-cleaner or an oil industry worker in Tyumen, for example. Russians complain that migrants, who agree to less pay for their labor, take jobs from native-born workers. At the same time, however, Muscovites do not want to accept hard jobs, even if these jobs pay much. There is an obvious tendency

toward substituting native Russians with Russian-speaking migrants. There have emerged large segments on the labor market where only skilled migrants work. In Moscow, for example, the drivers of buses and trolleybuses are mostly Belarusians and Ukrainians. This is competition in action. Migrants agree to less attractive terms of employment, and businessmen hire those whose labor costs less. Thus, both the business community and Russia gain from migrant labor.

Now let's see how Russia is involved in the global economy. It ranks second in the world – between the U.S. and France – in the export of armaments. Russia has always been good at making armaments because the Russian empire developed as a military power. Russian artillery has been the best in Europe since the times of Catherine the Great and this explains why Russia has retained solid positions on the global arms market, despite low funding from the state. Russia has begun to lose ground, however, in other related fields which it could have held, such as the production of nuclear reactors and electric power plants. No one would buy a reactor for cash, as it would be too expensive. The construction of nuclear power plants must be credited; in this way Russia could support exports from its competitive industries. However, Russia has never built an export finance system.

Another aspect of Russia's involvement in the global economy is its human resources. The most active labor force in Russia prefers to migrate abroad. There are now about two million migrants from the former Soviet Union in Germany, and about a million in the U.S. They are all described as Russians there, irrespective of their nationality.

At the Russian universities, the number of applicants for the departments of physics, biology, mechanics and mathematics has once again increased. These professions open good career prospects upon graduation: people who have received a high-quality education in Russia are welcome in other countries since Russians have proven themselves to be competitive workers.

Biological scientific institutions in an average U.S. state use migrant labor, including young Russian scientists. At the same

time, Russian professors continue to teach people 'for export.' Economists are another kind of specialists that leave Russia every year. In this way, Russia has exported a large part of its middle class.

On average, educational standards in Russia are higher than international statistics, but in terms of scientific research they have been decreasing due to the lack of scientific equipment. In the last three years, the number of people admitted to Russian institutions of higher learning has equaled the number of high school graduates. In this aspect, Russia has even outclassed American standards. On the other hand, why does Russia need so many educated specialists when it does not create enough jobs for them?

Nevertheless, young Russians want to receive an education, and they cannot be denied this opportunity. In the 1990s, the country reacted to the economic crisis not by degrading educational standards but by adapting them to the new economic situation. The demand for education in Russia has increased, which inspires hope for the future. In the long run, economic and political problems will be solved, and the country, having ceased to be the center of a huge political system, will adapt, even though with much difficulty, to its new role on the international scene.

Energy makes up the third aspect of Russia's involvement in the global economy. However, Russia's energy potential is based solely on oil from Tyumen and Sakhalin, and on the export of aluminum (cheap electric power) and chemicals (cheap gas). The Gross Regional Product (GRP) of Moscow better corresponds with world oil prices than the GRP of Tyumen. In other words, a significant amount of the funds that derive from the regions which produce oil and raw material are invested in other regions — specifically in Moscow. Thus, if we divide Moscow's GRP by the number of people employed in the city, we will have a value that will be four times the average figure for the Central Federal District (excluding Moscow).

Obviously, productivity cannot be four times different on either side of Moscow's borders. The explanation is that Moscow's GRP also features incomes earned in other regions, above all, in the oil-

bearing areas. The dimension of this capital flow can be judged by the dynamics of housing construction: in 1995, the Moscow area accounted for 12 percent of newly built housing in the country, and in 2002, it already accounted for over 27 percent. Now more than 25 percent of all new housing in Russia is built in the Moscow area.

Russia's wellbeing is hinged on the energy sector for one simple reason: this is the only sphere of the economy where Russia is guaranteed steady future incomes. During the years of its economic growth, Russia has not introduced a single new manufactured product on the world market. Russia produces few products that can compete with European, American or Chinese goods. Science-intensive goods are almost non-existent in the structure of Russian exports.

As a result, Russia simultaneously exports oil, oil revenues and educated people. Russian biologists, who in Russia earn \$5,000 a year at most, move to the U.S. where they stand to earn \$50,000-100,000. By encouraging its educated citizens to move abroad, Russia increases the effectiveness of the global economy, but does very little for its domestic economy. Russia has two major kinds of resources – human capital and natural resources, but it only really employs the latter.

Russia exports more than half of its oil, one-third of its natural gas, a huge amount of timber and paper, and much of its non-ferrous and ferrous metals, largely because the domestic economy does not need all these resources. Russia is unable to change its place in the global economy – that of a raw-material supplier. Nothing of what Russia produced in the 1980s was accepted by the world market at free prices; since then, this country has produced nothing new since it has had “more important” things on its mind. This is one of the tragedies of the transitional period – Russia has solved many problems, but not the problem concerning its economic modernization. This problem will have to be solved by the next generation.

In 2004, Russia took the lead in global oil production, leaving behind Saudi Arabia. Additionally, Russia remains a major pro-

Macroeconomic Indices of Russia's Development in 1997-2003

Indices	Average 1997- 1999	Average 2000- 2003	1999	2000	2001	2002	2003	2004*
GDP growth rate, %	0.7	6.8	6.4	10.0	5.1	4.7	7.3	6.8
Industrial production	2.4	6.8	11.0	11.9	4.9	3.7	7.0	6.4
Investment in fixed assets	-2.3	10.2	5.3	17.4	8.7	2.6	12.5	10.9
Final household consumption	-0.5	8.4	-2.9	7.3	10.1	8.8	7.4	11.3
Inflation (December to December), consumer prices	40.8	16.4	36.5	20.2	18.6	15.1	12.0	11.5
Unemployment (ILO), %	12.5	8.8	12.6	9.8	8.9	8.6	7.9	7.4
Federal budget deficit/surplus, % of GDP	-4.7	1.8	-1.1	1.3	3.0	1.4	1.6	4.8
Foreign debt, % of GDP	59.2	41.0	82.0	57.5	44.1	35.9	26.4	23
Trade balance, \$ billion	22.5	53.6	36.0	60.2	47.9	46.3	60.0	78.0
Oil price (Urals), \$ per barrel	15.9	25.1	17.2	26.6	22.9	23.6	27.3	35.0
Exchange rate, R/\$, as of the end of the period	17.9	29.9	27.0	28.2	30.1	31.8	29.5	27.7
Gold and hard currency reserves, \$ billion	14.0	47.3	12.5	28.0	36.6	47.8	76.9	120
Credit rates, %, average for the period	37.9	17.6	40.1	24.3	17.9	15.7	12.6	10.9
S&P rating (end of year)			SD	B-	B+	BB	BB+	BB+
Moody's rating (end of year)			B3	B2	Ba3	Ba2	Baa3	Baa3

Sources: State Statistics Committee, Bank of Russia, Ministry of Finance.

* Estimation.

ducer of natural gas and is the largest gas exporter in the world. It must be noted that when Russia exports chemicals, fertilizers, ferrous and nonferrous metals, in reality it also exports energy. The production of metals in Russia is the “packing” of cheap electric power in iron and copper. Considering also oil, gas, coal and electric power “packed” in aluminum and chemicals, Russia is the main source of energy resources in the world – now and, possibly, in the future. Russia can retain its leading positions in

the world economy if it continues exporting energy within reasonable limits.

During the 15 years of Russia's transitional period, the position it has now assumed in the global economy is not fantastic, while the last five years of its economic growth have served to consolidate rather than improve this place. Russia's economic programs do not look far enough into the future and do not look for solutions to difficult development problems. The historic task of the present generation is to find a way to reinvest revenues from the export of raw materials and energy in machine-building, metal-working and science-intensive products. It is necessary to create new production facilities that would be competitive on the world market, while corresponding at the same time to Russia's high educational levels.

The main challenge that the next generation in Russia will have to address is to determine where and in what industries it should create jobs from revenues from raw-material exports. All present-day discussions of the economic policy boil down to this question: How to reinvest revenues from oil, gas, metals and fertilizers in the creation of normal jobs inside the country?

Russia has extensive resources but few variants for using them. One of them is to continue increasing consumption, modernizing the army and boosting the country's military-political prestige. All this can be easily done with petrodollars while oil prices are still high. Another variant is to try and get out of the track into which this country slid after the 1917 Bolshevik revolution. This will not be an easy task, but if it is not achieved Russia will remain where it is now.

Unrelenting Oil Addiction

Alexander Arbatov, Vladimir Feygin, Victor Smirnov

The economy of the Soviet Union was thrown off balance by a great increase in oil revenues in the final 15 years of its existence. According to the All-Russia Research Institute for Complex Fuel and Energy Problems under the U.S.S.R. State Planning Committee (Gosplan), the share of fuel and energy exports in hard currency revenues reached its highest level (55 percent) in 1984. In 1985, oil exports accounted for 38.8 percent of hard currency revenues; by 1987 this figure had decreased to 33.5 percent. In the opinion of many analysts, a reliance on natural resource exports was the primary cause for the sweeping crisis of the Soviet system. Does today's Russia, which has an economy that still relies on oil and gas exports, face a similar threat?

In analyzing the significance of energy exports for the Soviet economy and the related differences between the Soviet Union and modern Russia, we will focus our attention solely on oil and leave the question of gas on the sidelines. In Soviet times, the significance of gas in foreign trade was incomparable with that of oil: the bulk of gas exports to the dollar zone were supplied under barter arrangement, such as the gas-for-pipelines agreements.

Alexander Arbatov is Deputy Chairman of the Council for Studies of Productive Forces (SOPS), Ministry for Economic Development and Trade and the Russian Academy of Sciences; **Vladimir Feygin** is Chief Director of the Energy and Finance Institute; **Victor Smirnov** is Chief Researcher of SOPS.

THE ROOTS OF RUSSIA'S OIL ADDICTION

The concept behind the strategy of Soviet exports, formulated in the 1970s (which has very many supporters today), was that the Soviet Union had immense oil resources, but technological progress could result in discoveries of new, inexhaustible and cheap sources of energy. This meant that the country's riches might remain untapped. The 1973-1974 world oil crisis gave a strong impetus to the export of energy resources. Through the efforts of OPEC member countries, world oil prices increased four-fold, and that was followed by several other price rallies which brought substantial revenues to oil exporters. From 1975 to 1985, the Soviet share of oil intended for export to the dollar zone was steadily decreasing, while revenues began to grow exponentially. It seemed there was a real opportunity for technological advances in agriculture, machine-building and the consumer industry. There were plans for implementing the funds obtained from energy resource exports for boosting the development of those sectors and providing them with investment in order to meet the demand for their products. Crude exports seemed the easiest way to achieve this goal: raw materials are always in demand, and a country rich in natural resources does not need to develop or introduce advanced technologies, raise the culture of production, or look for progressive forms of management; nor are such steps required when manufactured goods are imported in exchange for mineral resources. (The effects of this approach were realized much later. During an economic conference in 1987, a Gosplan official noted: "Had there been no Samotlor oil, events would have forced us to start economic restructuring 10 or 15 years earlier.") Between 1985 and 1988, however, world oil prices hit rock bottom and aggravated the problem.

The government failed to realize that commodity exports led to a greater dependence on foreign partners than imports. If the country failed to export the planned volumes of resources, or had to sell them at lower prices, it would lose the opportunity to acquire foodstuffs, consumer goods and other vital commodities.

In the 1980s, the economy was tuned to the needs of the extracting sector in general and the oil and gas sector in particular. In 1988, oil output was up 21 million tons from 1980; oil exports, including oil products, increased 48 million tons, while hard currency revenues (estimated in unchanged prices) were 1.5 times lower.

Meanwhile, oil and gas production costs steadily increased, as investment resources grew more and more expensive. Between 1970 and 1986, capital investment growth rates in the oil and gas sector were on average substantially higher (3-5 times) than throughout the national economy. In 1970-1973, before the energy crisis hit, the oil industry's share in overall capital investment ranged between 8.8 and 9.3 percent, while in 1986 it reached an astonishing 19.5 percent. The accelerated development of the oil and gas sector brought about a disproportionate "swelling" of the primary industries (metallurgy, heavy machine-building, chemicals). Rather than being invested in the development of advanced, science-intensive technologies, revenues from energy exports were spent on imports of foodstuffs, consumer goods, and equipment for traditional, rather than advanced, industries, particularly on huge subsidies to agriculture. It was during that period that the Soviet Union turned into a major grain importer: in 1970, the country's net grain exports totaled 3.5 million tons; in 1974, imports equaled exports; and from 1975 grain imports amounted to tens of millions of tons. The peak year was 1984 when 26.8 million tons was purchased from the U.S. and Canada alone. Handling machinery, ships and agricultural machinery became the biggest import items, while the import of oil and gas equipment was unprecedented in terms of growth, increasing 80 times between 1970 and 1983 in value terms; taking account of the import deflator, their physical volume increased 38 times over that period.

Naturally, machinery imports were not free from ideology, with the bulk of the items being imported from East European countries. This certainly did not promote the Soviet Union's technological level. However, oil and gas equipment had to be imported from developed Western nations: Italy, West Germany, France

and Japan taken together accounted for 60-80 percent of all such imports. At the same time, the Soviet Union purchased some oil and gas equipment from Romania to support the Ceausescu regime. In hindsight, it would have been reasonable to actively import oil-refining equipment from the developed countries as well, but the Communist economic system decided otherwise, yet again showing its lack of wisdom and further deepening disproportions in oil production and refining.

Oil extraction was becoming an increasingly costly venture, while the bulk of capital investment was geared toward maintaining the existing production levels. In 1966 through 1970, that goal required less than 50 percent of all capital investment in the oil industry. This figure was up to 64 percent in 1971 through 1975, and 77 percent in 1976 through 1980. Relative capital investment per ton of new reserves grew from 21.3 rubles in 1975 to 97.1 rubles in 1988, after which Gosplan's expert commission anticipated exponential growth. This increase in costs necessarily reduced investment in housing construction, the non-production sectors and environmental protection. Yet, through 1985, even such costly measures failed to keep production levels even. It was only in 1986 that huge investment (31 percent more than in 1985) helped to somewhat increase the output. Newly acquired technologies and equipment often failed to yield the desired results, while some new equipment worth billions of rubles was never employed. Imported equipment required spare parts and maintenance, thereby intensifying the Soviet Union's dependence on equipment suppliers.

The flaws of this economic model were predestined by two key factors: 1) defective practices which heeded the slogan "Explore more, extract more at any rate" and its negative consequences; and 2) dependence on world oil prices, which the Soviet Union could not influence no matter how much crude it exported. The effects of this dependence were soon revealed: hardly had Soviet oil exports gained momentum when world oil prices began going down in 1984, hitting rock bottom in 1986-1988. This certainly contributed to the collapse of the consumer market, production and investment in 1989-1991, pushing the economy to ruin.

REAL AND IMAGINARY FEARS

What are the similarities and differences between the Soviet and Russian commodity export models?

Actually, there is not much difference between the Soviet Union and today's Russia in the percentage of energy supplies in overall exports, or in the dynamics of absolute volumes of energy supplies to the world market. In the 1980s, the share of fuel and energy in export revenues ranged from 40 to 54.4 percent (the 1984 high) in the Soviet Union. In Russia in the 1990s, the share of minerals, including non-fuel minerals, was roughly the same at between 42 and 48 percent (the year 1992 was an exception that requires a special analysis), with the share going up to 53.8 percent in 2000 (including 52 percent for fuel and energy resources).

The share of fuel and energy exports in allocated fuel and energy resources in the Soviet Union was 14.7 percent on average during the high price period (1980-1985) and 16 percent when prices plummeted (1986-1988). In Russia in 2000 the same index stood at 25.3 percent. One may find that the change is not in Russia's favor. Yet one must take account of the fact that the Russian Soviet Federative Socialist Republic (RSFSR) used to produce around 80 percent of the Soviet Union's fuel and energy resources, and hundreds of millions of tons of oil and gas flowed from Russia to other Soviet republics. The share of net exports in the RSFSR's allocated fuel and energy resources was 23.8 percent in 1980 and 28.3 percent in 1985, which means that Russia's net fuel and energy exports amounted to 474 million tons of fuel equivalent in 1985, 462 million tons in 1990, and 503 million tons in 2000.

Furthermore, unlike the Soviet Union which was driving itself into a corner by fuel exports, today's Russia, despite the numerous problems associated with its transitional period, has radically restructured its fuel balance in favor of supplying consumer sectors, and it no longer sees the exhaustion of energy resources as an end in itself.

While in Soviet times there were reasons to speak of mineral extracting sectors — particularly oil and gas extraction — as a *burden* on the economy, analysts now tend to speak of the oil and gas

sector as a *locomotive promoting economic growth*. This growth has been sound enough, which is made evident by the *steady increase in the energy efficiency of the Russian economy*. According to our estimates, an average elasticity ratio of energy consumption in relation to the Gross Domestic Product was about 25 percent in 1999 through 2002 (data for later periods is unavailable): while the GDP was up 27 percent over this period, fuel and energy consumption was up 7 percent, and in 2002 fuel and energy consumption did not grow at all, while the GDP was up 4.5 percent. There are grounds to suggest that the increase in energy efficiency will last for another three to five years, and after that, hopefully, Russia will have a stable rate of decrease typical of post-industrial nations where the elasticity ratio has been around 0.5 for quite some time.

Still, there remains the danger that Russia may turn into a “raw materials appendage” of the world economy. Most analysts believe that revenues from the export of raw materials, particularly oil and gas, are critical for replenishing the country’s budget and sparking its economic growth. According to rough estimates, the contribution of petrodollars to economic growth has ranged from one-fifth to one-third in recent years.

Debates have been particularly vigorous over ways to spend petrodollars: whether they should be used to repay foreign debt, invested in the real sector, or used in the non-productive sphere. This is a sign of the so-called ‘Dutch disease,’ which first manifested itself in the 1970s when the Netherlands used ample revenues from gas production to maintain rapid growth in public spending. Domestic demand of industries and other economic sectors required no substantial increase in gas consumption, so the bulk of gas was exported.

This policy resulted in a steep growth in imports of various goods and in the rerouting of capital from sectors competing in the world market into sectors protected from competition by natural conditions. This led to a protracted slowdown in economic growth and to an increase in structural unemployment, which was characterized as a disease.

Similarities with the current situation in Russia are quite obvious. In fact, Soviet analysts began realizing threats posed by an excessive focus on mineral extraction back in 1972, when a book by S. Yano, a Japanese scholar, was published in the Soviet Union. In it, he claimed that a lack of mineral resources may be beneficial for a country [Yano, S. *The Japanese Economy on the Verge of the 21st Century*. Moscow, Progress, 1972, p. 26. — Russ. Ed.].

This statement caused some confusion among the Soviet economists, but the subsequent economic development of many countries, above all Japan, confirmed that the Japanese researcher was right.

Yet history knows of many countries where natural rent yielded their people substantial benefits: Britain, Norway, Australia and, partly, the U.S. and Canada. These countries treated their mineral resources in line with advice from Sir James Steuart, an 18th-century economist and one of the last mercantilists: “The earth’s spontaneous productions being in small quantity, and quite independent of man, appear, as it were, to be furnished by nature, in the same way as a small sum is given to a young man, in order to put him in a way of industry, and of making his fortune.” [James Steuart. *An Inquiry into the Principles of Political Economy*. 1767.]

The U.S. economy developed in large part due to its rich natural resources; iron ore played an important part in the emergence of Sweden’s national wealth; coal and nonferrous metals provided a foundation for Britain; Germany relied on coal and iron ore; and Canada on a wide range of mineral and other natural resources. But all those countries mostly relied not on their natural resources — used as the economic foundation of the Soviet Union and now, for example, in Kuwait — but on Benjamin Franklin’s *spirit of capitalism* formula, “Remember that money is of the prolific, generating nature. Money can beget money, and its offspring can beget more, and so on.”

The director of the Expert Institute under the Russian Union of Industrialists and Entrepreneurs, Yevgeny Yasin, has reasonably noted: “The raw materials sector does not draw investment away

from other sectors. It just earns more because its products are in demand in the world market.” In Yasin’s opinion, the extracting sector only looks prosperous because other sectors are poor. This comparison produces an impression that Russia is suffering from the Dutch disease. But the decline of the manufacturing sectors was not caused by rapid development of the extracting sector, which was the case in the Netherlands. This happened for many other reasons rooted in the country’s Communist past when huge economic sectors developed in a closed system with no visible contact with consumers; they proved unprepared for the realities of a market economy.

Today, Russia’s manufacturing, as well as other economic sectors, has learnt many lessons from its competition with imports. In particular, high technologies are not limited to Russia’s defense-related industries only (which was the case in Soviet times); they also appear in the civilian sectors, such as the food industry, construction, communications and healthcare. Even such an underdeveloped sector as agriculture, which still remains essentially Soviet, has been showing meaningful changes: Russia has cut down bread grain use as fodder grains by about 15 million tons a year and has become its exporter; productivity in livestock breeding has been steadily increasing since 1996; and agriculture’s load on the economy has been considerably eased.

True, Russia has certain similarities with countries that have lived through the Dutch disease or those suffering from it today. First, the bulk of wealth is controlled by a relatively small group of people and there is a certain trend toward replacing domestic production with imports. However, Russian oil and gas revenues have a rather solid foundation compared with the Netherlands’ short-term resources base. Russia can get steady revenues from oil production and exports – if world prices are high enough to make extraction cost-effective – and spend them for public needs for many years, while retaining an external surplus. Economic restructuring and privatization releases ample resources which can be used to meet domestic demand, provided that there is such a demand.

Is it necessary to regulate production and exports? Regulation of that kind is not a market instrument, but it could be used for attaining two important goals:

– securing a stable revenue inflow, which is only possible if an optimal relationship between prices and export volumes is observed;

– regulating extraction by limiting output volumes, which may prompt companies to cut down investment in extraction, increase investment in refining, while starting investment in other economic sectors (provided that there is a mature equity capital market and financial system).

How dangerous is it to cut investment in oil production? The specific feature of the oil and gas industry, as well as of the whole extracting sector, is that it requires a constant inflow of capital investment, even for simple reproduction. Drastic cuts, followed by the discontinuation of state investment in the extracting sector in the past decade, were not compensated by funds from other sources. As a result, production volumes have abruptly declined, which many saw as crisis in the sector. But in terms of end results, there is no deep crisis in Russia's extracting sector as effective demand for raw materials and fuel, which has gone down substantially, is being met and exports have been growing steadily. Investment growth in any sector is not an end in itself; it is just a means of maintaining and increasing profits. If there is no need to increase investment to attain this goal, money can be rerouted to other spheres.

CHANGES REQUIRED

Core assets in most sectors of the Russian economy are outdated and require radical modernization. No new serious production capacities emerged in the 1990s in sectors other than those producing raw materials or guaranteeing quick returns (such as the food industry). After the Soviet Union's collapse, Russia's newly established financial institutions only seriously considered projects that offered a payback period of one year or, in rare cases, two years (this explains why they were so enthusiastic

about financing trade operations – many have benefited from it, as well as from “interaction” with government finance). Now a payback period they may consider has increased somewhat, yet it is still insufficient: the implementation of effective industrial projects takes, as a rule, more than five years, while certain strategic projects that are vital for Russia may have a substantially longer payback period.

The mismatch is very significant. It stems from a whole range of factors that are still in place in the country, including relatively high inflation rates, political risks, tax instability, as well as the preference given by domestic capital to only highly profitable projects, and the underdeveloped infrastructure for attracting long-term investments. It is hard to predict at what stage of Russia’s financial system development this backwardness may be overcome. Regardless, the situation over the last 15 years gives no grounds for great expectations and requires a change in the modes of economic interaction with old-time partners. This primarily concerns European countries, now united in the European Union, which have been Russia’s major partners since Soviet times.

During the Cold War and in the post-Cold War years, this interaction was based on Europe’s interest in uninterrupted supplies of Russian energy resources. This is a natural base for economic relations because:

- Russia is rich in energy resources, while Europe is experiencing increasing shortages;
- the EU and Russia are located close to each other, which makes the costly transportation of energy resources, especially in the natural gas case, more efficient.

It is also important that those relations were established in the previous period, despite the problems that arose from the protracted confrontation.

Obviously, there are many reasons in favor of retaining and developing energy cooperation. Still, it has natural limits and drawbacks.

First, the EU is particularly concerned about the *reliability of supplies* and related **diversification of supply sources**.

Those factors should not be overestimated, though. There are no formal limitations in the European Union on the share of energy supplies from particular countries (including Russia). Furthermore, Russian natural gas supplies, for example, prevail in the import portfolios in a number of EU member countries. Besides, the European Union's worries could be alleviated through strengthening ties with the suppliers, above all Russia. In its documents, the EU has increasingly mentioned the need for taking joint efforts to improve the security of supplies. However, it has not gone to any practical mechanisms so far to achieve these goals.

Second, the potential of Russia's fuel and energy sector is not limitless. This particularly concerns the expansion of oil supplies. Furthermore, regional aspects matter a lot – it would be expedient to supply nearby countries with promising reserves from East Siberia and Russia's Far East. These plans have even given rise to “jealousy” in Europe when high-ranking EU officials voiced their displeasure about Russia's intentions to export energy resources eastward, and beyond to the U.S.

Finally, and most importantly, Russia certainly cannot be content with the EU viewing it exclusively as an energy resource supplier, albeit a strategically important one. Energy exports, despite the “multiplicative effects” they suggest, certainly cannot guarantee modern living standards in a country that possesses a population level comparable to Russia's. This certainly does not mean rejecting the natural advantages of possessing abundant mineral resources, but rather integrating them into the modern structure of the economy. If Europe's attitude to Russia remains unchanged, and it continues to view Russia as merely a raw materials supplier, this will injure Russia's national pride and create obstacles for tapping Russia's other huge potentials, such as, in particular, its high educational standards, professional skills, etc.

It is important to remember that Europe itself is searching for its place in the post-industrial world. The EU's policy for making the Union one of the world's fastest-developing regions has been facing serious challenges, and it has failed to achieve many of its objectives.

In this context, the EU leadership's search for inexpensive energy resources, launched in the second half of the 1990s, was actually an attempt to improve Europe's competitive positions on the world market through little effort and, if possible, at the expense of energy suppliers. Indeed, international practices show that market liberalization sends prices down as supply grows and suppliers get easier access to market infrastructure and consumers. Domestic electricity and natural gas prices in EU member countries were higher than those in the U.S. and Britain, where liberalization had been accomplished in the 1980s and 1990s. European energy markets remained divided into national segments controlled by the state, national monopolies or companies that had domineering market positions. Between 1998 and 2000, two EU directives launched the liberalization process. This policy has helped cut down electricity tariffs since key suppliers are based in the EU. On the natural gas market, however, progress has been very slow, and the reform has not been much of a success.

The EU is worried about falling increasingly behind the United States, the leading economy in the world. The European economy is essentially more traditional and post-industrial phase factors (the development of financial markets and tools, IT, biotechnology, pharmaceuticals and other technologically advanced and innovative sectors), which boosted the unprecedented growth of the U.S. economy in the 1990s, are represented in Europe on a much smaller scale. In the epoch of rapid change, the European economy has shown its institutional weaknesses, inflexibility and inability to adapt. A recent debate in the European Union produced some interesting results. Its participants were asked to define Europe's future place in the world by choosing between "Europe as an active leader" and "Europe as a passive outsider." The result was paradoxical: It may happen that in the future Europe will be an "active outsider."

The EU could solve its economic problems by invigorating its cooperation with Russia in deeper processing of raw materials. For Russia, this would mean desirable changes in the bilateral agenda.

In Soviet times, this problem was a most important sphere of interaction between the Council of Mutual Economic Assistance

(CMEA) and the West. Although the Soviet Union was a powerful industrial nation, much of its industrial projects and the development of whole sectors relied on equipment supplies from the West. Problems were partially resolved through internal cooperation in the CMEA framework, which in modern conditions is virtually tantamount to Russia's interaction with a number of EU member countries. The share of machinery and equipment in the Soviet Union's imports from developed capitalist nations grew from 29.8 percent in 1980 to 43.8 percent in 1990. Buying complete sets of equipment for industrial plants, specifically in the petrochemical industry, was a usual practice. Meanwhile, the Soviet Union was frequently short of hard currency to pay for equipment supplies. Thus, the export of energy resources, primarily oil, became the main source of hard currency revenues in the 1980s.

Most of the facilities launched as a result of those supplies have now been in operation for more than 15 years and possibly even 20 years. When it is considered that much of the equipment from the West was not advanced at that time, and that many new high-tech sectors have emerged in the world since then, it is no wonder that Russia is now lagging behind.

European nations also face the problem of modernization that has been aggravated by the fact that, given the conditions of global competition, locating new production capacities in the EU member countries is not always the most efficient solution. In the past few years, many are turning to Asia, and particularly China, to solve their problems. Many sectors, primarily those requiring substantial labor inputs, have moved the bulk of their capacities into that growing "global factory." But where first process stages of raw materials are concerned, China's attractiveness becomes more questionable. Placing these facilities closer to supply sources seems more expedient. In this sense, Russia looks like an extremely promising player.

The agenda of Russia-EU cooperation should include the creation of a large-scale symbiotic relationship between the economies of Russia and the EU, thus ensuring that:

– the EU would receive from Russia both primary energy resources and *raw materials* and products of their processing, thus

relatively reducing its energy demand and benefiting from participation in highly efficient projects on Russia's territory;

– to this end, the EU (particularly its business structures) would take an active part in formulating and implementing such projects, using its know-how and expertise, supplying high-quality equipment, and promoting the development of financial mechanisms and direct investment;

– Russia would create most favorable conditions to reach these goals at all levels;

– the EU and Russia would give businesses clear signals that they regard this kind of cooperation as their priority.

Naturally, raw materials processing can hardly be described as environmentally safe. But economic restructuring in this sphere, together with related economic benefits, would offer Russia other advantages.

First, the level of pollution emissions in Russia is now substantially lower than it was in 1990, giving it opportunities stipulated by the Kyoto Protocol to invest in more advanced and ecology-friendly production facilities.

Second, replacing outdated equipment which fails to meet modern requirements could offset the negative environmental impact that is related to the increasing use of raw materials processing.

Finally, the expansion of raw materials processing and an increase in its rates would provide the economy with substantial amounts of structural materials, metals, and substances used in the manufacture of high-tech products. A growth in supply will most likely promote demand; this in turn would boost those sectors producing high added value products and intended for end consumption. This will encourage competition for investments and promote the technological development of the Russian economy.

Projects of this kind could be included in partnership programs between the state and private enterprise and implemented on a commercial expediency basis. Lately, the need for such programs has been voiced in many circles; it is time to give these proposals consideration.

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**3020 Harbor Lane North
Minneapolis, MN 55447 USA**

tel: + 1(763) 550-0961

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e-mail: eastview@eastview.com

Destination – Russia



Chinese migrants in Russia's Far East.
Illustration from *Our Far East*, St. Petersburg, 1897

“ Now expansionism is senseless as the accents have shifted: like many other countries, the Russian Federation is short of people rather than territories. For contemporary followers of the 14th-century Muscovian Prince, Ivan the Moneybag, accumulating people in the world's biggest sovereign territory would be as wise a step as uniting the feudal Russian principalities scattered around Moscow under a single ruler seven centuries ago. ”

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The Specter of Immigration

Anatoly Vishnevsky

A new specter is haunting Europe, America, and Russia — the specter of illegal immigration. Demands to combat this evil are gaining momentum from Moscow to Washington, DC. There is something like nostalgia for the time when state borders were closed and few people would be ceremonious toward importunate aliens. The nostalgia carries a tint of bewilderment, though: people realize that it is impossible to reverse the course of time.

In 1953, an old soldier with the nickname ‘Ike’ [Dwight Eisenhower], a man unfamiliar with sentimentality, ordered Operation Wetback, which was a mission to expel all illegal immigrants from the U.S. “Can anyone imagine Mr. Bush ordering to expel five to ten million illegal immigrants now?” Patrick J. Buchanan asks bitterly. This scholarly U.S. politician lists the serious threats arising from the excessively liberal treatment of illegal migrants. The leader of the French National Front Jean-Marie Le Pen, as well as many Russian governors and police chiefs, would eagerly undersign his concerns. The author of this article would do the same, but with certain reservations.

There is no doubt that the risks inherent in illegal migration must be understood, and yet the problem of illegal migration has other aspects, too. There is the possibility that the phenomenon and its inherent risks comprise only a visible part of the iceberg,

Anatoly Vishnevsky, Doctor of Science (Economics), is Director of the Center for Human Demography and Ecology, Institute of Economic Forecasting at the Russian Academy of Sciences.

and a collision with its submerged mass will smash to pieces the seemingly indomitable European-American-Russian ship of refined civilization. What does the submerged part of the icy mount conceal? Does the fanning of sentiments around the question of illegal migration impair our vision to the real future threats, while making early preparations for them impossible?

After all, what is the essence of mass illegal migration? Is it not the shadow of mass migration in general, or its unavoidable companion, at a time when the receiving countries are trying to regulate the numbers of incoming migrants, while this inflow exceeds the demand? The inflow of aspirants is divided into two parts – those who are eligible for entering a country and those who are not; the persistence of those who are barred becomes the source of illegal migration. That is why this phenomenon is rooted in the apprehensive treatment of immigration in general. Illegal immigration only testifies to the state's inability to tightly regulate the inflow of migrants.

DEMOGRAPHIC IMPERATIVE FOR THE NORTHERN RING

In the second half of the 20th century, the Russian Federation, as part of the Soviet Union, became the first country in the world to acquire a correlation of birth and mortality rates that made the simple reproduction of generations impossible. This happened in 1964, and in 1992 the natural increase of Russia's population gave way to a natural decrease and the nation began to shrink.

What we are dealing with is by no means a temporary crisis when the status quo will be quickly restored and Russia will regain a large reproduction of its population. What we are witnessing is a systemic change in demographic behavior which has impacted virtually all of the European countries, the U.S., Canada, and Japan. These countries form, together with Russia, the so-called Northern Ring. In the southern hemisphere, this demographic feature is only found in Australia and New Zealand.

If the current demographic tendency remains unabated, the Northern Ring countries will not have any serious prospects for a

population increase. Even the most optimistic forecasts indicate that only North America is in a position to bring about a change, albeit an insignificant one, while the population of Russia and the entire European continent is doomed to go down (see the table below).

UN Forecast for Population of Industrialized Nations, million people

	1950	2000	Forecast versions 2100		
			Pessimistic	Moderate	Optimistic
All developed nations	813	1,194	1,084	1,220	1,370
Specifically:					
Europe	547	728	565	632	705
Europe minus Russia	444	582	473	531	593
Russia	103	146	92	101	112
North America	172	316	391	448	512
Japan	84	127	101	110	119

Source: Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat, World Population Prospects: The 2002 Revision and World Urbanization Prospects: The 2001 Revision (<http://esa.un.org/unpp>)

A recent forecast that studied Russia's demographic trends until the year 2100 proves that its population will shrink at a fast rate unless a massive influx of migrants begins. An extrapolation forecast (i.e. suggesting that the current migration tendencies will be maintained) indicates that fewer than 100 million people are likely to live in Russia in 2050. In 2100, the nation will be reduced to fewer than 70 million people. Naturally, the forecast contains various projections for the dynamics of births and deaths, but even the most optimistic one leaves little hope for a dramatic change in the general tendency.

North America's specific situation demands a closer look at the U.S. experience. Russia and the U.S. have notable differences in terms of their demographic evolution and its prospects. In 1950, the Soviet Union and the U.S. were among the world's most populated nations, immediately behind China and India. The Soviet Union was ranked number three and the U.S. was ranked number

four. But even if Russia had been considered within its present borders, it would have been ranked number four then and the U.S. number three. Forecasts show that by 2050 Russia will have sunk to the bottom of the list of the 20 biggest countries, while the U.S. will retain its third position. The secret lies in the Americans' readiness to assimilate huge numbers of immigrants; the U.S. has chosen an alternative path that might be good for Russia, too.

Indeed, a strategy of active acceptance of immigrants offers the only way to slow down or stop the shrinkage of Russia's population. This strategy suggests that, in order to stabilize the numeric strength of the population at the current level, Russia will have to immediately begin increasing its net immigration rates until the middle of this century.

The strategy presupposes that the average number of immigrants admitted annually after 2025 will exceed one million people, while the composition of the Russian people (including the ethnical aspect) will naturally see a radical change. In most probability, migrants and their descendants will comprise more than a third of the country's population by 2050, while by the end of the 21st century, the posterity of contemporary Russians will obviously be in the minority. Russia will certainly not be the only country to find itself in such a situation; many other countries of the Northern Ring will have the same picture. UN experts say, for instance, that attempts to stabilize the numeric strength of the population with the aid of immigrants would mean that by the mid-21st century, immigrants and their descendants would reach 30 percent of the population in countries like Germany and Italy. Like in Russia, that percentage would continue to increase in the future.

It may be assumed that such forecasts strengthen the positions of the opponents of immigration, who have good reasons to complain about the loss of Russian, European, American, or Japanese identity. Their arguments look impressive at first glance, however, they are built on accentuating, or exaggerating, the detriments of accepting big numbers of immigrants. Meanwhile, it is also important to consider the benefits for the demographic situation, economy, etc. There is no doubt that a fast increase in the number of

the non-native population is fraught with risks, but the benefits it produces may heavily outweigh them.

ECONOMIC TRUMP CARDS OF IMMIGRATION

How can the alternative migration strategies influence the Russian economy?

The abovementioned extrapolation forecast indicates that the natural decrease of the Russian population will proceed simultaneously with a decrease in the number of able-bodied workers, that is, men between the ages of 16 to 60 years, and women between the ages of 16 and 55 years. The number of such people has been growing over the past fifty or so years, despite some fluctuations. It continues growing even now, but that growth will expire soon. The extrapolation forecast suggests that a rapid regression of the able-bodied population will begin in 2006 or 2007. By 2050, that group may be reduced to 45 percent of its numeric strength in 2000. By 2100, it will sink to 35 percent of the initial figure.

Should the stabilization version be implemented, however, the whole picture would look different. This version does not rule out the reduction of the able-bodied group (which stems from changes in the correlation of age groups), yet this group would be reduced by a much smaller margin and the reduction would continue only until the middle of this century. The actual number of the able-bodied people would decrease less than 15 percent versus the 2000 figure in that case, and stabilization would begin afterwards.

The problem concerns not only the amount of the labor resource, but its structure as well. Quality upgrades of the workforce, including better professional training and greater labor productivity, may cushion the impact of the numerical reduction, but certain structural limitations will not disappear even if the qualitative properties change in the best possible way.

To mitigate the impact of the aging workforce, the country needs an inflow of young workers, and immigration is its only source given the flagging birthrates at home. More importantly, immigration may be instrumental in forming a social pyramid.

Increasingly prosperous societies, which possess a high level of education and qualification, as well as a fast-growing middle class, unavoidably require fresh injections from a less qualified and less demanding foreign workforce to replenish the bottom sections of the social pyramid. This approach has always been used to form labor resources in modern urban areas, especially the very large ones. The populations of those areas were the first to suffer a reduction in the number of births or the cessation of reproduction. Yet they continued to grow thanks to the arrival of rural people, who agreed to living in conditions that the second-generation and third-generation descendants of the earlier arrivals would not have found acceptable. Those urban centers, which grew at fast rates thanks to the introduction of migrants, became the driving force for developing the economy and increasing social wealth. In the Soviet Union, the village played the role of an internal colony whose harsh exploitation over many long years made possible the rapid modernization of Soviet society. The exploitation had a core mechanism — the incessant absorption of an inexpensive and undemanding rural workforce in the cities.

But the time came when the internal sources of labor reserves for advanced sectors of the national economy were exhausted in many countries, as well as in Russia. Thus, there arose the need for new external sources. This explains the appearance of social and economic niches that the West Europeans and Russians are reluctant to occupy in their respective countries, but which strangers from impoverished countries are eager to fill. Moreover, they are ready to agree to the most disadvantageous conditions merely to settle in the city, thus opening huge opportunities for super-exploitation and the enrichment of the exploiters. They also provide for “initial capital accumulation,” which is of special importance for comparatively poor countries, such as Russia (or the European countries after World War II). Actually, immigration from less developed countries to the more developed ones is a type of neocolonialism. Like any other form of colonialism, it provides many benefits to the parties involved, although their status is not equal. Neocolonialism reveals a typical colonialist hypocrisy — it

profits on the immigrants' cheap labor and then accuses them at the same time of robbing Russia/France/Germany/etc, because they send part of their earnings back home.

Immigration offers benefits to recipient countries as it is an essential factor that allows them to use their own human resources more efficaciously. Illegal immigration has double benefits – an illegal newcomer is especially suitable for unrestricted exploitation. The bonanzas of immigration are known to everyone who has been connected with immigrants as an employer, landlord, consumer of services, or law-enforcement officer. As politicians and bureaucrats popularize the struggle against legal and illegal immigration, their efforts often become a covert instrument for an increase in alien exploitation, sometimes under the slogan of defending their rights. Not infrequently, this struggle proves useless because it eventually backfires and hurts the economic interests of the native population or some of its influential sections.

In the U.S., the “sanctions against employers” have proven quite inefficient and the politicians lack unanimity on the issue. For instance, the U.S. administration knew that illegal immigrants make up 80 percent of the workers harvesting onions in Georgia. The Immigration and Naturalization Service (INS) tried to perform its duties honestly, but legislative agencies of the state opposed its moves and forced it to retreat. The employers in the farming sector, construction industry and low-paid services claim they must have an opportunity to hire foreigners even if their status is illegal. So, do we have any reason to think that the struggle with immigration will be any more successful in Russia than it has been in the U.S.?

While Russian business stands to gain from an inflow of immigrants, Russian workers may suffer from it, as the supply of a cheap immigrant workforce puts pressure on the labor market. It may worsen the terms of labor contracts or even create unemployment. But if you put aside the problem of “excessive people” – which is certainly an exaggeration in a country witnessing depopulation – the issue actually comes down to the balance of

labor and capital all the same, not to the contentions between the indigenous people and newcomers. A policy of marginalizing the migrants, which formally aims to defend the national labor market, in reality consolidates the positions of capital owners. It expands their opportunities for exploiting the immigrants and for dictating conditions on the labor market in general. This may be one of the reasons why the positions of the xenophobic right-wing parties opposing migrants reveal strange affinities with the positions of left-leaning trade unions, alarmed by the presence of cheap illegal foreign workforce.

AN ETHNIC BOMB?

One of the things about immigration that puts Russian society on alert is the change in the ethnic makeup of the population. Presently, ethnic Russians account for 80 percent of the country's population. But if the demographic stabilization scenario materializes, migrants and their descendants will make up the greater part of the population by the end of this century. Whatever ethnic groups the migrants belong to, ethnic Russians will become a minority in Russia.

Undesirable changes in the ethnic composition are often used as an argument by those who favor restrictive policies toward immigration in Russia. Paradoxically, many find it convincing even when logic obviously contradicts the ongoing processes. Until very recently most immigrants came to Russia from post-Soviet countries and were ethnic Russians. They provided the population influx in 1992, and their subsequent percentage did not reduce to less than 60 percent, although their net migration was decreasing. People belonging to other indigenous nationalities of Russia — the Tatars, for example — make up another 10 percent of post-Soviet immigrants. This means that the current anti-immigrant sentiments, frequently having a nationalistic tint, evolved from the times when immigration helped build Russia's mono-ethnic structure, not erode it.

It is also true, though, that in pursuing the stabilization migrant policy Russian society will have to accept and integrate consider-

able inflows of immigrants who stand worlds apart from Russians in terms of their culture, language and religion. Some estimates indicate that Russia will be able to absorb, over the medium term, some 3 to 3.5 million ethnic Russians, about 0.5 million people of non-Russian indigenous people, as well as another 3 to 4 million representatives of the so-called ‘title nations’ of the former Soviet republics. The latter belong to a different cultural tradition, but mostly speak Russian and are closely tied to Russia by a two-centuries-old history. “Melting” such inflows would not present much of a problem for Russia. Moreover, those people make up the very human resource that must lie at the core of any sensible demographic strategy (Russia’s messy migration policy results in a partial redirection of migrant flows from the CIS to other countries, which means net losses for Russia in the strategic future). But if the estimates are correct, it means that only 7 to 8 million new people will arrive, while the actual demand over the next 25 years is triple that figure.

To sum up, Russia will unavoidably face dramatic changes in its ethnic composition. Why does this prospect trouble our society? There is no simple answer to this question, especially given that at various times in Russia’s history it voluntarily expanded its ethnic composition and nobody considered it to be a major problem for the government. Previously, ethnic diversification would be justified by territorial expansion, but now expansionism is senseless as the accents have shifted: like many other countries, the Russian Federation is short of people rather than territories. For contemporary followers of the 14th-century Muscovian Prince, Ivan the Moneybag, accumulating people in the world’s biggest sovereign territory would be as wise a step as uniting the feudal Russian principalities scattered around Moscow under a single ruler seven centuries ago.

But it is important not to oversimplify the problem: the differences in language, culture, religion and household traditions often breed misunderstanding and impede contacts between people. Furthermore, immigration from developing countries also means that the newly arrived will amass on the lower levels of the social

pyramid. This seems to be the main problem, and it will intensify as long as the rates of immigration increase.

When immigrants initially arrive to Russia, they are ready to agree to any terms. As time goes by, however, they begin to feel like a discriminated minority deprived of many opportunities. These sentiments block their integration into the host society, and motivate them to unite on the basis of ethnic principles and traditionalist values. This could trigger protest and extremism, as well as ethnic crime. Mass immigration may indeed turn into a serious factor of instability, as it poses very real risks.

Even in the U.S., a nation of immigrants which proudly calls itself a melting pot, there are calls for restricting immigration. For example, Patrick Buchanan names immigration a most acute problem and requiring an immediate solution, since the question is often heard now: "Who are we, Americans, in fact?". Political scientist Samuel P. Huntington argues that the unending influx of Hispanic-speaking immigrants threatens to split the U.S. into two different nations, two cultures, and two languages. Unlike the previous ethnic groups of immigrants, the Mexicans and other Latinos did not assimilate with American culture and instead formed their own political and language enclaves. They rejected the Anglo-Protestant values that had molded the American Dream. Buchanan compares immigration with the Mississippi, an unhurried, long and life-giving river. The immigrants enriched American life with many new elements, and American history will always remind people of that. But when the Mississippi River overflows its banks, it produces horrendous devastation.

The same concerns can be heard in Europe. Jean-Marie Le Pen said on Ekho Moskvyy radio: "Whole cities in France have been swept by mass immigration... If we don't do all we can do to solve our internal problems within national borders, or if we destroy those borders, we will be drowned in this flow." Sergei Baburin, Vice-Speaker of the Russian State Duma, speaking about illegal migrants who are "ready to resettle to the Russian territory from China and other countries in millions, not in thousands," argues: "We have

144 million people in Russia now, and if 300 million Chinese come here, what kind of a state language will we have then?"

Indeed, if 300 million Chinese come to live in Russia, it will have to address far more startling problems than the state language. But where does that figure come from? The stabilization forecast mentioned earlier indicates that Russia will need not more than 100 million immigrants until the end of this century to maintain its population at the current level. Of course, this is a huge figure, but it is far lower than 300 million new arrivals. Incidentally, the immigrants do not necessarily have to come just from China. So, is it worthwhile fanning passions instead of soberly assessing the scale of the problem? Panic is far from the best mode of behavior in times of trouble.

DISCHARGING THE FUMES

The population of the Northern Ring countries, totaling some 1.2 billion people, constitutes the so-called 'golden billion.' It represents approximately 20 percent of the planet's inhabitants who occupy 40 percent of the globe's land surface and control a still greater share of the global wealth. They – and, incidentally, us – really have much to lose, which makes their fears of aliens from the South understandable. But let us try to analyze all aspects of this complicated problem.

Proponents of tough restrictions on immigration, whether it be Patrick Buchanan in the U.S., Jean-Marie Le Pen in France, Joerg Haider in Austria or their Russian counterparts, are confident that the recipient countries of immigrants have the clues to solving this pressing problem. The primary thing is to convince their societies that the risks of migration are very real and that tough migration laws should be introduced to regulate the quantity and quality of the immigrants, as well as sectors of the economy and regions of the country where they can be admitted. Once this has been accomplished, the dangers of an immigration deluge and a redistribution of global wealth will disappear.

Such arguments, however, consider the interests of just one party in the global migration process – the recipient countries.

But this process has another important side, as well – the emigrant nations. The population of the emigrant nations did not exceed one billion at the start of last century, while now their number is approaching 5 billion. In fifty years, even under the most favorable – though unlikely – models of demographic development, this figure may swell to 7 to 8 billion. It would be very naive to expect those people to passively watch the anti-immigration walls that the ‘golden billion’ countries are building; the numbers of citizens in the South who are attracted by the immeasurable opportunities in the North are increasing. They have the same inspirations as the European navigators and conquistadors had for the southern lands in the past. Recently, UN Secretary General Kofi Annan remarked in an interview that many people in different parts of the world are looking at Europe as a continent of unlimited opportunities. They desire to start a new life there, just as millions of impoverished Europeans did when they set sail for the New World long ago in a belief they would have a chance there.

Migration to the rich countries presupposes employment at less prestigious jobs and meager wages compared with the standards of the developed countries. Yet, it allows the migrants to attain almost immediately higher living standards than they had in their homelands. It provides their children with an education, while ensuring them access to the many advantages of contemporary civilization. The process also serves as a mechanism – a modest but not altogether insignificant one – of redistributing financial resources between the rich North and impoverished South. According to the International Bank for Reconstruction and Development, the migrants sent an annual average of \$65 billion back to their respective homelands in the late 1980s. This sum ranked second only to revenues from crude oil.

In the interview quoted above, Dr Annan added that migrants had remitted more than \$88 billion to the developing countries in 2002. This is 54 percent more than the \$57 billion which the developed nations allocate in aid to the developing countries, he said. These facts make migration look quite attractive for many

millions of people from the South, and that is why migration pressure on the Northern Ring countries is ever increasing.

Thus, international migration provides a mechanism for demographic and economic “replenishment” of the Northern Ring countries (which will otherwise become depopulated) and for the regulation of the immigrant resources according to their needs. More importantly, this mechanism levels off the rapidly aggravating demographic and economic imbalance between the South and the North and helps release excessive pressure from inside the overheated international pot. So should efforts be made to stem the growing migration pressure on the developed countries by building a dam that would block that flow, especially if the effort may appear futile? Would it be more prudent to improve the regulatory “valves” that could increase its “throughput capacity?” Would it be more reasonable to consider expanding the immigration capacity of the Northern Ring (and Russia) as a separate challenge set by history, the internal demands in those countries, and by the global situation as a whole?

SHOULD WE MEET DANGER FACE TO FACE?

Is it possible that the dangers of mass migration, which are manifest by the current numbers of immigrants, will increase exponentially when the assimilation of large inflows of immigrants becomes a strategic goal? Such a course of events is highly probable and requires certain strategic decisions to be made right now. As is always the case, when society runs into a serious danger, it is required to make difficult choices.

The mounting and widespread resolve to settle migration problems on the basis of defensive measures and maximum restrictions against aliens to Russia is understandable. Many hold the opinion that the problem will be gone as soon as the migrants are gone. But what if life takes revenge and washes away the protective dam? It is worth remembering that the growing pressure of northbound migration from the South is not accidental. It is a process which resembles the shifts of geolog-

ical strata: against the background of international social realities lies the desire to construct an iron curtain around one's country or along the borders of the entire Northern Ring; this looks too simplistic and powerless to be effective.

Would it not be more realistic to give up the attempts to outwit objective processes? Would it not be better to meet the real dangers face to face in order to forestall the undesirable course of events? The problem is that the drama of our times is unfolding in the economic, social, and cultural areas of this multipolar world, not in the area of physical contentions. It is there that the main challenges, which crush border posts and check points, are growing and it is there that we must concentrate our main forces.

And if this is truly the case, would it not be rational to reconsider the entire "migration philosophy" and limit the undesirable consequences of migration? Should we rather think about defusing the ethnic bomb and re-channeling the spare energy into more productive areas?

Patrick Buchanan explains his concern over Mexican expansion in the U.S. by the differences in culture and race. Most Mexicans belong to a different race, and history tells us that people of different races find it more difficult to adapt to one another than do people from the same ethnic background, he says. Statements of that kind can be heard in Europe and Russia, too.

Few people would argue that ethnic barriers obstruct mutual understanding. Nevertheless, misunderstandings also arise between people born in the metropolises and those coming from rural areas. Misunderstandings also occur between educated gentlemen and illiterate workers, and the rich and the poor, although they all hail from the same nation.

Is it possible to remove those barriers? The process may be painstaking and span the life of many generations, yet the rural population is eventually drawn into the city, the illiterate receive an education, while the poor move into the ranks of the middle class. These are facts that nobody doubts. Yet, when it comes to ethnic barriers, there is no unanimous opinion. The Soviet-era Kremlin ideologists worked hard to accentuate the significance of those barriers and they

played intricate ethnic games. This was the implementation of the principle of national-territorial division which stressed a person's ethnic identity in their passport along with other such essential data as date and place of birth. The mandatory listing of ethnic identity in all questionnaires, and linking human resource policy to ethnic principles, gave ethnicity the status of something eternal and extremely important.

Few would venture to deny the importance of the national historical memory, the native tongue spoken from childhood, the ancestral native culture or religious traditions for an individual. All of these are the building blocks of one's ethnic identity. They are important as values, but they are just components of the general system of values and do not occupy the primary place in it. Furthermore, they change over the centuries. Invariably, life makes its own demands and pushes out many local values which seemed to occupy primary positions until fairly recently. Americans, for example, must reconcile themselves with the fact that emigrants arriving to their country from China, a country with a three-thousand-year-old history, retain their language and traditions. The most important thing for the Chinese immigrants is to belong to the American nation, to know English, and become familiar with the local economic and social environment. This is the way the U.S. melting pot has been working for a long time, although in recent years the process seems to have been faltering. Complaints that identities based on blood and creed are posing a challenge to the national identity of the U.S. and other nation-states are becoming increasingly louder. The critics as Huntington argue that those challenges are not being fairly addressed, partly because the widely spread doctrines of multi-culturalism and diversity are popular among politicians and intellectuals.

The Soviet Union witnessed a similar process, to the degree to which its development converged with other industrialized and urban societies. The difference was that the Soviet government waved its slogans of internationalism while discrediting the idea in everyday practical policies. This did not allow the Soviet melting pot to heat up as was necessary. Johann Gottfried von Herder, the forerunner of contemporary ethnic nationalism, claimed that a state

inhabited by one people with its original national character is the most natural state, and the national character outlives millennia. Every faithful Soviet citizen would readily sign up to that statement. According to a person's upbringing, "national in form and Socialist in content," there was a rise of a national conscience to the detriment of a civic one, which was typically sidetracked. Russian mass consciousness has never held the notion of a civic nation as such — there has only been the notion of an ethnic nation. The Soviet Union was forced to pay for this dearly, as it disappeared from the political map. But former Soviet citizens, including Russians, have inherited the Soviet system of values and carried it over into the post-Soviet epoch.

If that system persists, it will be impossible for Russia to assimilate large numbers of immigrants. Every stranger with differently shaped eyes, or a different skin color will be perceived as an alien, and conflicts will arise as a consequence. Russia's melting pot cannot be warmed up without a radical doctrinal turn from the ethnic understanding of a nation to a civil one, from a unity based on the past to unity based on a common future. Without such a turn, the country will mire in endless ethnic conflicts — even with its current level of multi-ethnicity, to say nothing of being ready to assimilate millions of immigrants of different ethnic origins.

But even if a radical transformation does occur, it will not mean an automatic and smooth solution of all the problems pertaining to the immigrants' integration into Russian society. The main problems lie in the social sphere, which is full of contradictions. Even in the U.S. — a well-regulated country — there are apprehensions about losing control over migration. The issue is all the more topical for Russia, a nation that has no real experience in assimilating large numbers of immigrants. This means that developing a far-sighted migration strategy is critical for Russia.

Russian society will have to build a complex and costly system for accepting new arrivals, which includes their education and involvement in Russia's cultural environment. It would be a great mistake for Russia to copy Le Pen's popular recommendations, such as, for example: "The main task is to make people coming to France

know that nothing will be free of charge for them here – neither schools nor hospitals. Nor will they have any social benefits. We have people who created a national heritage, and benefits must be distributed to them.” It looks like Le Pen has forgotten that France was the world’s number two largest colonial empire until fairly recently and people from very distant countries took part in building the French national heritage. That is why migrants from Algeria, Vietnam, and the French Equatorial Africa – the way the region was called before 1958 – may suggest that they, too, have rights to receive some social benefits in Le Pen’s home country.

However right or wrong Le Pen may be, he nevertheless offers a shortsighted approach. Naturalizing newly arrived immigrants and their children into loyal citizens who share the social and cultural traditions of recipient countries, corresponds with the profound economic interests of industrialized nations, as well as the global community. And this must be paid for.

This strategy does not have anything new in it, as all countries receiving immigrants have been implementing it for years. Incidentally, Russia has its own experience in naturalizing the Germans, Serbs, Bulgarians, Armenians, and Greeks, who chose to join the “multi-ethnic Russian nation,” as some scholars have described it. Alexei Kuropatkin, a war minister in the days of czarist Russia and overt supporter of ‘Russia for Russians,’ made a remarkable statement 1910 in that connection: “The aliens who conscientiously adopt Russian as their native language and make Russia their homeland will only strengthen the Russian ethnos by their service.”

* * *

There are many factors forcing Russia to develop an active immigration strategy as soon as possible, and its shrinking population is foremost. As the Russian population consistently decreases, the number of immigrants that it is capable of assimilating is reducing, too. One important factor is the opening that has emerged in the Russian education system as a result of the reduction in the number of young students, which could be used to naturalize immigrants into

full-fledged Russian citizens. This could be accomplished by providing them higher education, specialized secondary education or professional training for occupation in industrial, construction and service sectors of the economy. The descendants of the immigrants could be trained at Russian schools, as well as childcare centers. Furthermore, a broad network of Russian language courses for foreigners could be established. But if there is no demand for such services, this opening may soon disappear.

We must not let Russia's anti-immigration sentiments intensify; they are already strong enough. Russia's political elite, as well as the man on the street, should develop an awareness of the unprecedented and irreversible changes that are now taking place in the world. In spite of all of its risks and challenges, immigration offers Russia a chance to survive and to carry out a kind of peaceful expansion.

A strategy of diehard anti-immigration isolationism, on the other hand, will lead it nowhere.

Chinese Migration in Russia

Vilya Gelbras

This article is based on two opinion polls – the largest ever conducted amongst Russia’s Chinese community – of Chinese immigrants in Russia. The first of these polls, was taken in 1998-1999 among 757 Chinese in Moscow, Khabarovsk, Vladivostok and Ussuriisk. The second poll was conducted in 2002 among 525 Chinese in Moscow, Irkutsk, Khabarovsk and Blagoveshchensk.

In both polls, those interviewed were chosen at random. The polls were taken in marketplaces and at Chinese dormitories for students and workers, and the respondents were given questionnaires in both Chinese and Russian. No intermediaries were allowed to interfere – neither foremen, nor tutors or other people engaged in the organization of the life and work of the Chinese. I and my fellow researchers determined the approximate number of respondents in each city. In 2002, it was decided that Chinese students of Russian colleges and secondary schools would comprise one-third of those polled in each of the above cities. Research conducted in 1998-2001 had showed that Chinese students are likely to fill employment positions needed by Russia as they are familiar with the Russian language, culture and customs and wish to become Russian citizens.

The data collected from the polls provides a general picture of Chinese migration to Russia that includes social and economic

Vilya Gelbras, Doctor of Science (History), is a professor at Moscow State University’s Institute of Asian and African Countries, and senior research fellow at the Institute of the World Economy and International Relations, Russian Academy of Sciences. This article was originally published in Russian in the *Otechestvenniye Zapiski* magazine, No. 4/2004.

significance. It also shows certain distinctions between Chinese migration to Russia from that to other countries, as well as changes in the migrants' overall composition since 1998-1999.

MIGRATION ON THE RISE

Statistics gathered by Russia's Federal Border Guard Service reveal that about 80 percent of Chinese migrants enter Russia through checkpoints of the Far Eastern Border District; of this number, approximately 50 percent arrive from checkpoints in the Maritime Territory. In 1998-2001, the ratio of Chinese migrants entering Russia was approximately the same as the number exiting: 450,000 to 490,000 Chinese entered and exited Russia per year. In 2002, the situation drastically changed: the number of Chinese who entered the country increased by almost 55 percent compared to the annual average figure for the previous four years, while the number of Chinese who left Russia increased by 52 percent. In 1998-2001, a total of 35,900 Chinese opted to stay in Russia, while in 2002 alone this figure stood at 27,200, that is, 200 percent more than the average annual figure for the previous four years. In 2003, the situation did not change much: 23,300 Chinese migrants stayed in Russia. In all, 86,400 Chinese stayed in Russia over six years.

The number of private visits to Russia by Chinese citizens has increased dramatically as well (in contrast to business and tourists, Chinese leaving their country for permanent residence in Russia, transit passengers, as well as trips made by service personnel). Over a period of 6 years, the number of private trips to Russia has increased by almost 14 times! Interestingly, before 2002, the number of private Chinese tourists leaving Russia exceeded that of private Chinese tourists entering this country. This rare situation can be explained by the large number of Chinese tourists who had illegally remained in Russia in previous years. Furthermore, there has been an increase in the number of private firms set up by Chinese and Russians to assist travelers with visa formalities. One can only conjecture about the influence this new development may have on the total situation.

These statistics suggest several conclusions. First, the bulk of Chinese migrants enter Russia legally, that is, they have documents with official permission to cross the border. The question is: Did they obtain their documents legally? (The Russia-Kazakhstan border, which is longer than the Russian-Chinese border, illustrates the size of the problem – the Federal Border Guard Service remains unable to effectively control it.) Second, Russia has been unable to completely block channels of visa-free tourism used by Chinese citizens. Third, the scale of legal Chinese migration to Russia has increased since the beginning of 2004, yet it is not big enough to cause panic, let alone speak of a Chinese demographic expansion.

Over this period, the number of Russians entering China has far exceeded the number of Chinese arriving to Russia. But unlike the Chinese, the Russians always return home. Russian visitors to China can be divided into two groups: people hired by Chinese merchants in Russia to deliver goods from China, and people leaving for China to buy goods for commercial or private purposes. Some experts believe the first group is the larger one. At the same time, there have already appeared several small colonies of Russians in China.

China's state strategy of a global foreign-economic offensive under the motto "Go outward" is aimed, among other things, to increase Chinese immigration to other countries. But the Chinese did not want to go to Russia in search of a better life. This situation began to change fast in recent years. During the first round of Russian-Chinese negotiations on Russia's accession to the World Trade Organization, the Chinese delegation demanded that Russia remove barriers to Chinese merchants coming to Russia and give them equal rights with Russian entrepreneurs. Later, China withdrew this demand, and the country began to attract Russian citizens. In 2002-2003, fifty Chinese cities introduced easy procedures for issuing foreign travel passports. Furthermore, over 200 firms have been set up in the country to help the Chinese find a job abroad. This measure has contributed to the growth of migration from China.

A comparison of the results of the aforementioned opinion polls shows that the nature of Chinese migration to Russia has in many respects changed in the last five years.

First, the frequency of Chinese migrants' trips to Russia has sharply increased. Prior to our survey of 2002, specialists believed that Russia's Far East was largely a scene of 'pendulum migration.' In 1998-1999, many Chinese preferred to avoid answering the question how often they visited Russia. By 2002, the Chinese no longer evaded this question. Now, considering all the information gathered, we can definitely say that Chinese migration to Russia is not a spontaneous migration of people to a new place of residence, and not some search for a promised land. There has emerged a specific form of the movement of manpower that serves the flow of goods. Now the Chinese authorities have begun to stimulate cross-border movement of people and goods. Migrants have become a component part of China's commercial and production structures. At first glance, their cross-border movements resemble a pendulum migration. But actually they reflect a specific mechanism of the cross-border delivery of goods, which makes it possible to minimize financial expenses (the payment of duties and taxes) or bypass official procedures restricting flows of goods.

Second, the average duration that the Chinese remain in Russia has increased. More and more Chinese migrants are permanently settling in Russia.

Third, the structure and composition of Chinese migrants have changed. The number of migrants who have lived in Russia's Far East for more than four years has markedly decreased. This development has symbolic importance. In-depth interviews show that the Chinese who have lived in Russia for more than four to five years experience great difficulties upon returning home, and, therefore, must once again find new ways to leave for Russia.

As a result, a permanent Chinese community is gradually forming in Russia. In Russia's Far East, this process is slow and limited in scope. According to data from 2002, in Khabarovsk, the number of Chinese migrants who have lived in Russia for over four years was half the 1999 figure; in Vladivostok, it was 20 percent less compared with 1999. At the same time, however, the number of migrants in these cities who have lived in Russia less than one year has markedly increased.

Fourth, speaking about the duration of the stay of Chinese migrants in Russia, it is possible to single out two basically different groups: some migrants act as delivery men and deliver goods to regular salesmen, or work as temporary workers at Chinese retail outlets; the other group of migrants settle in Russia, despite the lack of legality of their status.

What are the plans of Chinese migrants in the future? To what measure do they connect their future with China and with Russia? The research done in 1998-1999 showed that only 7.8 percent of those polled planned to permanently settle in Russia, while another four percent wanted to move to other countries. The 2002 poll revealed a higher percentage of Chinese migrants wishing to settle in Russia – more than 35 percent, whereas over 14 percent planned to leave for other countries via Russia. Less than half of the respondents said they would return home. This change in Chinese migrants' sentiments was caused not so much by the living standards in Russia as by the aggravation of the social and economic situation in China.

Fifth, the analysis of Chinese migrants' plans for the future shows that among those wishing to leave for another country, more than a half are migrants who have lived in Russia less than a year. Among migrants wishing to return to China, an absolute majority is again made of those who have lived in Russia less than a year. Apparently, the first year in Russia is a critical period, after which migrants radically change their plans for the future.

The Chinese migrants cannot break ties with their homeland because they are an organic part of China's commercial and industrial structures. Otherwise, they would be left without a livelihood, especially since the Russian Federation passed a law in 2002 that makes it more difficult to obtain Russian citizenship. It is important for the Chinese to keep their Chinese citizenship – even after living in Russia for many years – in order to have their rights and dignity protected.

As a private person with certain plans for the future, a Chinese migrant is not inclined to subordinate his entire life exclusively to the interests of business – especially to one that he does not even

own. As more and more cargo firms become involved in the ‘people’s trade’ (as border trade is officially described in China), thus driving out family businesses, the latter group must change their plans. The fact that over 30 percent of Chinese migrants hope to settle in Russia, and more than half of those polled said they were not going to return home, is of fundamental importance.

The last few years have produced another basically new phenomenon: every seventh respondent openly expressed their desire to leave for a third country. Until recently, such candidness was rather uncommon. It is difficult to say what precisely caused such a serious change in the Chinese migrants’ sentiments over just a few years: the aggravation of the social and economic situation in China (especially the growth of unemployment), or the Chinese government’s measures to implement the “Go outward” strategy and push emigration.

Sixth, Chinese social scientists have long noticed that, owing to many circumstances, above all, economic self-reliance, Chinese women have begun to demonstrate an unprecedented level of independence from men. The difference between Chinese men and women in terms of their duration in Russia, as revealed by the poll, is not large enough to suggest final conclusions. Yet, this factor deserves attention, considering the noticeably growing prevalence of men in the Chinese population.

The history of Chinese migration shows that during the first few years of migration to various countries, unmarried men made up an absolute majority of the new arrivals. Later, they were followed by women. A balance between the sexes was gradually established, and full-scale diasporas were formed. In Russia, the situation with its migrants is somewhat different. Until recently, very many Chinese came to Russia with their families. The year 2002, however, saw a sharp increase in the number of unmarried migrants.

An opinion poll, of course, is not an all-embracing census; it is difficult to say to what extent the data obtained in polls actually reflects the reality. In all of the Russian cities where the polls were conducted, a significant process was revealed: unmarried migrants have begun to prevail over those who are married, while

the number of married women participating in business has decreased. These changes also testify to a decline of family business in the 'people's trade.'

People in the most active, employable age bracket make up an absolute majority of Chinese migrants to Russia, with more than half aged 21 to 30. In some cities, there are very many people of a more mature age. The year 2002 saw a marked increase in the number of migrants below the age of 25 (it is possible, however, that our data on this group of migrants overstates their actual percentage due to the rate of students).

Almost everywhere in Russia an increase in the number of migrants who have left their families in China occurred; this scenario could be explained by the terms of employment established by the Chinese side. Their significant increase is, no doubt, a result of changes that have taken place in the working and living conditions for an overwhelming majority of Chinese migrants in Russia. The mode of life of the majority of those polled has revealed an amazing coincidence in many aspects. For example, in Khabarovsk and Vladivostok the number of married migrants living in Russia together with their children has decreased by half. In this sense, the situation is not improving. During the previous study, almost none of the respondents said he was planning to bring his wife and children to Russia; many complained about the poor attitude of Russians toward their children and expressed fear for their own safety. All those fears were still alive in 2002. Furthermore, there were many complaints in particular about the police.

ECONOMIC IMPLICATIONS

The former representative of the Russian president in the Siberian Federal District, Leonid Drachevsky, stated there are not more than 75,000 Chinese migrants out of a population of 21 million in his region, and that the greatest danger is posed by their economic effect on the region. He is absolutely right. The main problem (at least, for the present) lies not in the number of Chinese migrants, but in the economic damage that Chinese communities inflict on Russia.

The ex-premier of the State Council of China, Zhu Rongji, estimated the volume of people's trade in 2001 at U.S. \$10 billion. The volume of official trade in the same year amounted to U.S. \$10.7 billion. The positive balance in the official trade stands at 3 to 5 billion dollars in Russia's favor. However, the volume of the people's trade is determined by China's net income brought by the sale in Russia of Chinese goods – purchased from producers with money earned by selling them in our country. So, actually, the favorable balance in trade belongs to China.

At the 2nd Russian-Chinese Banking Forum (2003), a Chinese participant described the most common pattern of Chinese firms' activities in Russia. A company registers itself simultaneously in two countries. One of its subsidiaries is registered in Russia by a Russian citizen who has no financial signature authority as such; this subsidiary engages in wholesale and retail trade. The other company is registered in China by a Chinese citizen and it engages in wholesale operations. Goods are supplied in small shipments from a storehouse in China to Russia. The revenues from the sales are sent back to China. This form of trade accounts for 40-60 percent of Chinese exports to Russia.

The 2002 poll has shed some light on how the trade operations of Chinese migrants are financed. In Russia, there have emerged underground Chinese banks which finance various kinds of illegal operations, and intermediary firms which transfer money to China. Formally, some of these are exchange offices, but in reality they transfer money via banks of third countries, serve Visa, Master-Card and other bank cards, give financial advice, as well as engage in other operations.

Interestingly, neither China's Elos Bank, which is officially registered in Russia as a branch of the Bank of China and has a very small authorized capital, nor the numerous illegal financial firms, engage in credit operations. Meanwhile, money transfers to Beijing's Yabaolu – a well-known center of wholesale trading companies and cargo firms serving Russian 'shuttle traders' and China's 'people's trade' in Russia – can be made even in cash!

The general pattern of illegal banks' actions is as follows: they accumulate revenues of trade companies, allocated for turnover development, and via intermediary firms (mostly Russian ones) store up, purchase and send to China scarce goods (timber, non-ferrous metals, pine nuts, and many others). In China, these goods are sold, and the revenues are divided in respective shares among all those who participated in the transaction at different stages. In other words, there is a smoothly operating mechanism of "black" schemes for looting Russia. Chinese firms closely cooperate with Russia's shady organizations. For example, about 1.5 million cubic meters of wood is cut down illegally in the Maritime Territory every year. Russia is not the only country to suffer. According to a February 27, 2002 report of the Reuters news agency, the World Wildlife Fund expressed its concern over the future of Russian forests in the Far East. The Fund said these forests may disappear in five years because of the illegal deforestation.

The aforesaid confirms the conclusion that Chinese migration is a link in China's trade and industrial system, oriented in recent years toward the 'cross-border economy.' Russia is already included in China's division of labor through the business activities of Chinese migrants. China has already assigned a place for Russia in this process – a supplier of resources and a market for products found unfit for sale on other markets.

The participants in the polls expressed interesting considerations about their business plans in Russia. Most of them said their plans depended on the market situation and the success of their business. As in 1998-1999, Chinese migrants prefer to extend their business operations in Russia rather than China. In the late 1990s, 28.5 percent of those polled wanted to start or extend their business in China, whereas 35.3 percent gave preference to doing business in Russia. Interestingly, even in 1998-1999, that is, right after the financial default in Russia, amidst uncertainty and social deprivation, only about 10 percent of Chinese businesspeople planned to reduce their business in Russia, while a mere six percent intended to shut down their operations. In 2002, the latter figure decreased to one percent. In 1998-1999, 13.3 percent of

those polled planned to remain as hired workers, compared to about 10 percent in 2002.

Thus, if the market situation permits, a majority of the respondents plan to extend their business operations in Russia. These sentiments will determine the state of Chinese migration into Russia, and most importantly in the Far East. Much will depend on the immigration policy of the Russian authorities, which are now inclined to continue with its prohibitive nature.

However, the shortage of manpower will force Russia to revise its immigration policy. Russia will have to resort to international experience in this complex issue and look for creative solutions. Moscow's future immigration policy must stimulate the Chinese to come to Russia for employment.

Yet, this is not enough: Russia needs an immigration policy that would take into account the specific features of its different regions. The difference between Russia's European part, Siberia and its Far East is immense. For example, many Russians in the Far East now have to engage in an individual cross-border 'shuttle trade' – not because of Chinese immigration but because of the poor state of the regional economy, which, in turn, was caused not by a manpower shortage but by the lack of clearly formulated goals for developing local industries.

The widespread belief that immigrants are taking jobs from native workers does not correspond to reality, as follows, for example, from reports coming from the Maritime Territory, a region where migration flows are particularly high. An analysis of the situation there shows that areas where economic growth has begun require additional manpower, and immigrants filling job vacancies only contribute to the economic revival and thus to increased employment among the local population.

The aforesaid suggests the main conclusion: a strategy for developing Eastern Siberia and the Far East must be aimed at increasing the competitive ability of Russian industries in order to counter the growing inflow of goods from China.

Chinese communities in Russia have been actively extending the sphere of their business. Their activity inflicts damage on

Russia's economic security and checks the development of a civilized market economy. Also, it strengthens Russia's position as a raw-material appendage of China. This turns Russia, primarily, into a market for Chinese goods, thus preventing economic growth, especially in the Far East, and contributes to increasing Chinese migration to Russia and, via Russia, to other countries.

POSSIBLE STRATEGIES

The manpower shortage threatening the Russian economy, together with the continuing social crisis, has caused some Russian experts to advocate the broad use of Chinese workers, which would call for introducing a liberal immigration regime in Russia. On the other hand, many others warn against en masse Chinese immigration to Russia.

Over the last decade, the Russian authorities have been seeking to build an effective administrative mechanism to control migration; these efforts have still not proven successful. An analysis of the situation suggests several considerations about a future state migration policy.

1. Russia has never had a consistent demographic policy. Now the country is reaping the fruits of its past policy when the citizen was not the central focus of society and the state. The entire organization of Russian life — transportation, shops, housing, public health, etc. — is not intended either for the population's expanded reproduction, or even for the maintenance of health. Russia must adopt a sensible demographic policy, as well as a comprehensive demographic and socio-economic strategy.

2. The Russian authorities must work out a comprehensive, long-term strategy for developing Eastern Siberia and the Far East, which would be basically different from all the previous programs. To this end, Russia must:

— *take into account possible changes in the political, social and economic situation in China.* In that country there are acute conflicts in all areas of domestic life. Under *The 21st Century Challenges to China* program, an opinion poll was conducted among China's 100 major scholars. In their opinion, the follow-

ing six social issues will be “extremely important” until the year 2010: unemployment (66 percent of those polled); relations between different sections of the population (64 percent); corruption (62 percent); ecology and resources (56 percent); overpopulation (54 percent); and “stagnation in the reform of the socio-political system” (52 percent).

Let’s examine in more detail the first problem since this is directly related to migration. At the end of 2002, China’s population exceeded 1,284 million people. Out of this total, almost 933 million Chinese live in rural areas; of them, 150 to 200 million are considered to be redundant manpower. About 90 million of these individuals manage to find work in the cities, but another 60 to 110 million fail to find employment. This poverty-stricken mass of people is steadily increasing. In the 1980s, a one-percent growth in the GDP was accompanied by the creation of 2.4 million jobs; in the 1990s this figure decreased to 700,000-1.1 million. This number represents an inflammable source of social discontent, as well as a giant migration potential in China. Russia is interested that China’s development is safe for the neighboring countries; should open conflicts arise there, Russia may find itself in distress.

Beijing plans to quadruple its GDP by 2020. According to Chinese expert estimates, China will have exhausted a large part of its natural resources by 2010. By 2020, it may even have difficulty meeting its demand for coal. China needs natural resources from the entire planet, including those of Russia;

– *make plans for developing Eastern Siberia and the Far East, bearing in mind that it is unable to compete with China.* According to figures of the United Nations, average per capita production costs in China are 48 times less than in the U.S., 30 times less than in Japan, 20 times less than in Taiwan, and 14 times less than in South Korea; they are also lower than in Mexico, Turkey, the Philippines, India and Indonesia. Therefore, companies from various countries have in the last few years moved the production of many goods to China. Thus, Russia will have to completely change the mentality of its business community, which has been trying to persuade China to buy Russian goods for many years now. Russian businesspeople

should learn from international experience and understand that China will buy only those goods which it badly needs – and only for a limited period of time. Several industries in Eastern Siberia and the Far East manufacture products that cannot stand up to competition with Chinese goods. It is inevitable that these production facilities will be closed. Russia would only gain if it uses Chinese industries for legal supplies of required products to its market, and if the “shuttle (people’s) trade” is gradually curtailed;

– *exempt investors from taxes (completely or partially) for financing the economy of Eastern Siberia and the Far East.* It would be expedient to study the experience of postwar West Germany in liquidating a housing crisis, as well as the U.S. experience in exploiting the natural resources of Alaska;

– *try to understand what Russia’s real, rather than illusory, comparative advantages are and on this basis build economic, social and immigration policies.*

3. Moscow must admit that Chinese migration will not solve the manpower shortage problem in the country. First of all, the Chinese leadership will not allow that, since it is using migration for implementing its global foreign-economic strategy. The manpower shortage problem can be solved through a wide use of tenders and orders that would provide for the temporary use of Chinese manpower in Russia.

It would also be expedient to follow in the footsteps of some European countries and attract Chinese specialists and highly skilled workers to Russia on a selective basis. The Chinese government is already conducting such a policy toward Russian specialists. Therefore, Russia should differentiate its visa practices, borrowing from international experience.

Simultaneously, Russia must work out a program for developing its industries on the basis of new and high technologies and venture capital. Maximum economy of resources and manpower must be the main development priority.

There are manpower resources in Eastern Siberia and the Far East. However, people cannot find a worthy use for their talents, while many must help accommodate the flow of Chinese

goods. The Russian authorities, therefore, must create prospects of permanent employment which will lead to a worthy existence for the local population and halt its moral degradation and lumpenization.

4. Of increasing importance are efforts to combat xenophobia and various kinds of nationalistic movements.

5. There is a possibility that students will make up the bulk of Chinese migrants to Russia. The high cost and low quality of a Chinese education prompt many Chinese to send their children abroad for schooling. The number of Chinese students in other countries has been steadily increasing each year. In 2003, however, only one in every 12 Chinese who left to study abroad chose Russia.

Russia could attract more young Chinese to its educational institutions by launching a large-scale publicity campaign in China. The success of such a program would help Russia solve, at least, two major problems: first, it would increase revenues of Russia's educational institutions and help them to carry out a modernization program; second, initiate a program to train Chinese students of secondary and higher educational establishments with a good knowledge of the Russian language, as well as specialists who could work in Russia. All those wishing to stay in Russia must be given the corresponding rights, including the possibility of receiving Russian citizenship. This goal requires serious changes in Russian legislation, as well as in Russia's Foreign Ministry's operation.

To evaluate the possible efficiency of the above measures, an opinion poll was conducted among Chinese students in Moscow, Irkutsk, Khabarovsk and Vladivostok. The poll shows that these measures deserve attention and state support, yet their implementation requires painstaking preliminary work. Presently, there are unemployed Chinese graduates in Moscow from Russia's higher educational establishments. They have been living in Russia for up to five years and show a desire to live and work here. They are looking for jobs in Chinese communities because they have failed to find work in Russian organizations. The time has come to make political decisions to drastically change this state of affairs, and to translate these decisions into reality.

Russian Colonization and Chinese Competition

Dmitry Schreider

*Chinese migration to the Russian Far East — a subject of intense debate today — first became an issue in the second half of the 19th century. At that time, the Russian Empire had established control over an area known today as the Maritime Territory. In a book entitled Our Far East (published by A.F. Devrien in St. Petersburg in 1897), Russian traveler and researcher **Dmitry I. Schreider** dedicated much space to the consideration of Russia's migration and resettlement policies with regard to China. Many of his observations are still relevant today.*

In the very first days of my arrival to our Pacific province, I continuously heard a phrase that accurately and vividly described the role the manzi — the local word for the Ussuri Chinese — were playing in that young and sparsely populated territory of Russia.

Strictly speaking, the Manzi (a Russian derivative from the Chinese words 'man zi') come from Manchuria and Mongolia. According to Archimandrite Palladius, an acclaimed researcher who visited the area in the 1870s, 'manzi' was once a derogatory name that the Mongols of the past used to describe the people from South China. Now it is applied to all the Chinese living in Russia's Ussuri area.

"Were it not for the Manzi, we'd have died of hunger here," the locals would say to me.

As I continued to gather details of the local life, I discovered that there was no exaggeration to the stories I heard. In the present situation, civilized life in the Ussuri territory would

simply cease to exist should the Chinese vanish for some calamitous reason.

This is easy to understand: the presence of the Manzi is essential for maintaining a basic level of living standards for the Europeans; the province has practically no permanent Russian population. Without the presence of the Chinese, those same Europeans would have no food, water or fuel and would face a shortage of basic social services.

A European colonizer cannot make a step without a Manzi. Whether you need a servant, a supplier of meat and vegetables, a workman for odd jobs, a carpenter, or a contractor, you must turn to a Manzi. A Manzi is a jack of all trades, and can perform the job of carpenter, gardener, meat trader, commissioner, shop salesman, and a farmer. Just about anything you want. The Manzi keeps a hand on virtually all spheres of manual labor and local manufacturing.

A surprising thing is that the Ussuri territory did not have a settled Manzi population before becoming a part of Russia. Immigration from the neighboring regions of dormant China only began after the Russians had spread their influence over the province [that is, after Russia and China signed the Peking Treaty of 1860 – Ed.] and established firm state power there.

This immigration grew stronger year by year, and was intensified by the level of poverty that was overwhelming the Chinese nation. Also, the Russian government required workers in the land it had just acquired. The number of new arrivals reached an apogee in recent years during the construction of the Ussuri Railroad; up to 12,000 Chinese were arriving annually to fill the ever-growing demand for labor.

At first, the Russian authorities accepted the immigration of the Manzi people – the Russian territory was practically void of people, while the scattered military bases and local administration outposts were separated from one another by vast spaces, many of them totally unexplored.

It was then that the peaceful Manzi, who had begun pouring in from China's border provinces, were viewed as being immensely convenient. With their arrival, trade began to flourish in the

Ussuri territory. These people gave birth to local handicrafts and farming, or became workers at the construction sites of various buildings and installations that could not be built by the rather limited numbers of soldiers and sailors.

The Manzi enjoyed amazing success over a period of just ten to fifteen years. Step by step, and without drawing much attention to themselves, their emaciated but prehensile hands came to grab all the trading, industrial, and manufacturing ventures in the territory. There might have been no serious purpose on their part; nevertheless, they became an integral element of civilized life in the new province.

A few years passed and the Ussuri's economic dependence on the Manzi had become intensified. The Chinese firmly settled on the Ussuri soil, sometimes accumulating large fortunes in all areas of labor and manufacturing. They bought land and homes and seemed to have assimilated themselves into the Russian province. At the same time, however, they never severed connections with their historical homeland – they remained the subjects of the Chinese emperor *de jure* and were alien to Russian life *de facto*. From a definite point of view, their accumulating strength in the region was not a promising situation for Russia. The Manzi were undemanding beyond compare, but they left behind only a meager share of

their revenues in Russia, while taking the bulk of their money back home. This meant their earnings were useless for Russia.

Although the contribution of the Manzi was not altogether “useless,” this was one of the main factors responsible for breeding a hostile attitude toward “the Chinese element.” While bringing back home the gold the Manzi had obtained in Russia, they left behind the tangible and precious equivalent of their labor, namely, the products of their work.



Illustration from *Our Far East*,
St. Petersburg, 1897

Other circumstances which proved highly disadvantageous for the Manzi soon emerged. In 1883, the Russian government decided to begin colonization of the territory by sea. The Russians had learned the Manzi's habits quite well by this time, and realized that to compete against them was next to impossible. The Chinese workers could be content with almost nothing. Whereas a Russian or a German, for example, would be leading a life of misery under such conditions, a Manzi would thrive — be it in trade, craftsmanship, or hard manual labor. This should not come as much of a surprise, however. After all, how big can a man's demands be if he is willing to eat mice and rats back in his home country?

There were growing fears that Russia's colonization of Ussuri would meet with disaster if the surprisingly undemanding and hardworking Manzi continued to enjoy similar conditions in the future. Very soon, such fears were transformed into a set of measures. Starting in 1885, the Manzi began to be gradually but persistently forced out of the region's internal districts. The Caucasians [Europeans, representatives of the white race — Ed.] found themselves in a more favorable legal position due to the change of views of the territorial administration toward them and anticipated a quick victory over the yellow race.

They had good reason for optimism — the changing conditions made the contention between the two races unbalanced, as the amount of rights bestowed on the yellow race, which is still an essential element of civilized life in the young Far-Eastern province, began to shrink. The Manzi began to lose one right after another. First, they were denied the right to purchase land. Second, they were prohibited to build private houses in local towns. A European victory over the Manzi was beginning to look like an accomplished fact, yet there are hitches that keep the bugbear of a “yellow encroachment” in the minds of the upper classes even now.

The problem is that the Manzi's rights have been slashed to an extent that makes living still possible for them — the Ussuri territory cannot do without them now, as it could not do in the past. The Manzi are gradually losing their preferential positions as the Russian colonization of the territory proceeds. This means that the

first day when the Europeans fully occupy the territory will likely be the last day for the Manzi settlers.

The Manzi, however, are perhaps the only people who find it possible to live in a region where they are denied almost all of their rights. People of all other nations would flee, or would simply return home. A Manzi, however, will not do this. He has at least a handful of rice a day here in Russia, while back home he will be doomed to starve.

The policies that were begun in the 1880s, however, began to produce an effect. The numbers of the settled Manzi population began to decrease sharply in the inland parts of the Ussuri territory. Eventually, Vladivostok, where the seasonal Manzi workforce is concentrated, became the center of the Manzi population.

Five years later, God seemed to shed a new grace on that hitherto remote and half-forgotten province as construction began on the Ussuri section of the “great Siberian railroad.” And shortly before that, the construction of the Vladivostok dock was begun. These two projects ushered in a new stage of life in the Ussuri territory; thousands of new workers were needed. Naturally, immigration from China shot up immediately. Rumors about the high demand for workers spread far beyond the borders of the Ussuri territory, prompting crowds of hungry people from neighboring provinces of the Celestial Empire to cross over into the Russian Far East. These people were lured by the stories of abundant and well-paid work in the “golden” land. The inflow of immigrants intensified to the extent that three years later the number of Manzi coming to Vladivostok during a single navigation season exceeded 10,000 people!

These newcomers differed from the previous Manzi, however. They were not the unrestrained vagabonds or courageous hunters of the past. Nor were they like their compatriots who had been arriving in the hope of becoming rich. These were the outcasts of their motherland whose labor resources were unwanted at home. They came to earn their daily bread in Russia.

As it turned out, too many new arrivals entered that year — much more than the territory actually needed and much more

than Vladivostok's Chinese barracks could handle. Thus, the daily pay of work fell to just 30 kopecks from one ruble the previous year.

Yet many Manzi remained in the Ussuri territory. There, the exiled Russians, convicts and the military were not enough to meet the swelling demand for labor. Even now, Manzi in the capacity of unskilled workers are a crucial factor for the region's development, and Russian colonization will obviously need quite some time to attain the successes that will make it possible to rely solely on Russian workers and thus remove the dependence on the Manzi – an alien and haphazard element.

In the years that followed – or more precisely, three years later – the authorities made a first attempt to secure a reliable source of Russian workers in order to curb the endless Manzi immigration.

In January 1893, the defense minister issued permission to the lower ranks of army men to find private jobs locally. He also gave them the right to return home for free during the twelve months following their discharge from the army. His order allowed more than 400 retiring servicemen of different ranks to get jobs in the Ussuri territory that year, as seen from a resolution by the Amur Governor General, Dukhovskoi. These former servicemen secured employment at the Ussuri railroad, as well as in other places.

While making an inspection of the railroad works in the same year, Gov. Dukhovskoi “got convinced that the measure was useful and that it would be desirable to continue with the practice in the future.” Also in 1893, the governor asked for the Emperor's consent to allow retiring army men to temporarily settle in the territory and to enjoy a free return home within three years upon retirement. This privilege was soon applied to naval retirees, as well.

The above measures mark the first step to rid Ussuri of dependence on Manzi laborers. As a regional newspaper commented, they apparently aim to “give patronage to regional colonization and put it on a new footing, and to ease the Russian workers' competition with the Chinese engaging in manual labor.”

The earlier system of thwarting the ever-increasing immigration of the Manzi boiled down to containing the spread of the

Chinese across the country; it let the competition between Russian and Chinese labor take its own course. That stance has obviously given way to a direct patronage of the Russian worker.

Adepts of the new system view it as a firm guarantee of a future domination of the Russian element over the Chinese element in the remote eastern province. They may cherish the hope that the low-rank military personnel who remain in the area after retirement will annually produce a small percentage of the regular population, as has been the case from instances in the past. Their hopes may have some basis, as work will be thriving there for many more years. Incidentally, labor costs in the Ussuri territory are still rather expensive.

And yet the system gives rise to certain doubts, and its proponents make no secret of them. Will the soldiers and seamen who voluntarily remain in the area live up to the expectations that the others pin on them? Will they stay as workers or will they eventually shift to higher-earning trades, such as craftsmen, farmers, kitchen gardeners, house servants, traders, etc.? Some people fear that this is exactly what will happen. They say the government's measures will only have a provisional effect that will last as long as the size of construction projects keeps up the demand for workers, and will vanish right after those facilities are commissioned and the shortage of labor disappears. Critics argue that the servicemen of lower ranks will unlikely remain in the territory after the need for workers and the price of their labor fall. Thus, as the argument goes, the authorities will have to accept Manzi labor once again. At the same time, a different solution envisioning barriers to Manzi immigration is impossible, as the need for workers totals several thousand a year, while only a few hundred decommissioned servicemen remain in the Ussuri territory. This means the Russian population alone will be unable to complete the projects.

The issue also has a different side. As stated earlier, Manzi labor is extremely cheap, which makes competition against them impossible, while the Russian worker, including the former military personnel, gains no benefits from competing with the Manzi. The absence of benefits explains why this way of solving the Manzi problem is viewed as a doomed one.



Illustration from *Our Far East*, St. Petersburg, 1897

Chinese competition is a perennial and incessantly pressing issue for Russian tradesmen and manufacturers in the Ussuri region, and that is why the local media have been debating it endlessly over the past several years. But not much has been done in practical terms to sort out its essence, and as years pass by, it is getting more and more complicated and obscure. Debates on the issue involve too much frustration and emotion, the two things that deny unbiased judgment.

Anyone who has lived in the Ussuri territory knows that Russian employers always give preference to the Manzi, whose labor is cheap beyond parallel. This fact has led to the conclusion that the province will entirely depend on Chinese workers for many years to come, if not forever.

“The labor productivity of the Manzi people is far lower than that of the Russian workers,” say the rank-and-files. “The Chinese are too small and weak. In a single day, a Manzi can do just 40 or 50 percent of what a Russian worker can do. But he has some really invaluable assets, too, and they make it possible to forget about his shortcomings. The Manzi don’t drink, don’t observe

holidays, they work one day after another, they don't demand much, and they are obedient."

"But a Manzi loses half of the work for you," some may object. "The way he works means you actually pay him two rubles for a job that is worth one ruble, because he spends two days doing an assignment instead of just one day."

"Arithmetically speaking, what you say is true," the employers reply with a smile. "But reality is altogether different. The Manzi's work actually costs us not a ruble but 50 kopecks. Russians who enter into contract with us work 26 days a month, on average (usually the amount is 24 days, as two days are taken up by holidays, apart from regular days off on Sunday). A Manzi works 30 days, which means we get a surplus of six days to our benefit. Food for a Russian worker costs us 30 kopecks a day and we feed him 30 days a month, but they only work 24 days. Feeding a Manzi costs five kopecks, he doesn't need much, indeed. Once again, this is simple economy. Russian workers living here don't agree to less than 25 to 30 rubles a month, or one ruble per day. And why should they, after all? Any business where the Manzi are losing positions — craftsmanship, trade, market gardening, farming — will mean more earnings for the Russians. And if you take the Manzi, they're left with nothing else to do than to engage in hard manual work. The reason is the Manzi are arriving by the thousands, and the competition is so high between them that we offered them 30 kopecks a day this summer and they rushed to accept those jobs all the same. Remember now, just one year ago they charged a ruble a day or 80 kopecks as a minimum. The only thing we don't like about the Manzi is they're slow and love smoking. Don't expect fast work from them. But their results are always nice — accurate and very clean. The Manzi show taste for work and give their products model finishing."

I eventually got a chance to witness the Manzi's special ability for work, so much praised by local employers (most of them vehement adversaries of the Chinese element, by the way). I went to a site not far from Vladivostok where a large stone bridge was being built, and work was in full swing when I arrived. Everyplace near

the bridge, which included a small dell nearby, the bare backs of the Manzi workers were visible. They were sitting astride huge stones and striking them with small hammers. That was how they prepared stone for the facing of the bridge. The Russian laborers worked nearby. The difference in the methods of work struck me at the very first glance. I saw tall muscular men. On the other side, small lean males with narrow chests and with hair braided tightly on their napes. With the Russian workers, there were powerful and deft blows of hammers. Strike after strike pounded away at the stone blocks, producing sparks and metal chips that flew sideways. On the other side, by comparison, were the seemingly shy, diffident and slow strokes of the Chinese workers, similar to grownup children in an imitation of work. Compared with their Russian counterparts, the Manzi looked like gnomes stirring a heap of stones.

But on closer inspection, the scene revealed details that gave the Europeans a far more disadvantageous characteristic. It is true that the Manzi produced a much smaller amount of stone, but all of their produce went straight into the construction process. Their strokes did look rather feeble, barely touching the stones, and yet they did not spoil a single rock. They worked as if half-asleep, yet one of the Russian supervisors described their facing work as “heavenly.” On the contrary, the Russians made fascinating blows of the hammer worthy of being painted on canvas. And yet, instead of rough-hewing the stone, they often beveled the cut. As for the facing — “a subtle thing” — it looked considerably worse than the product made by the men with long hair. There was the stunning realization that those mighty men had problems controlling the power of their hammer blows.

“They’re not fit for this laborious work,” the supervisor who escorted me said. “It’s only the Manzi who can cope with such unrewarding tasks. He will sit for hours upon a lump of rock and hammer slightly at the same place, and not a single line will be out of place.”

As I listened to those two men and watched the stirring Manzi, an observation on the Chinese that the Russian traveler Sergei Maximov had made 30 years before came to mind. I believe he

highlighted the specific traits of that bizarre people that are made manifest even in things quite trivial.

“The reason why China is motionless lies in the fact that, having made great achievements once, the Chinese have immersed themselves in further developing them to the tiniest possible details, in a minute polishing of what has already been done,” Maximov wrote. “A Chinese does not paint a picture in broad brushwork on canvas, he fashions hundreds of figurines instead, and he does this on a spot so small that it would not be big enough for a European painter to sign his name. The Chinese do not create plastic beauty of marble and granite, but rather cut astonishingly detailed landscapes on stone plates. One needs a European-made microscope to appraise the ugly laboriousness of that temperamental southern nation, whose veins contain intrepid blood and whose character is marked by tropical passions. One is puzzled while trying to identify what is most amazing about it – the cheapness of the notion of time in China, the uselessness of life predetermined by that cheap, senseless and obliterated labor, or the excessive population, which the government finds appropriate to load with strange, unproductive work.”

Meanwhile, these scruples concerning labor go hand-in-glove with the incomprehensible laziness that is duly called Chinese sloth.

I spent three hours in the place where the bridge was being built, and during that brief period of time each Manzi stopped working six or more times to have a smoke. No one would have made any complaints about smoking had they done it in the process of their work, but the problem was that each Manzi treated smoking as a kind of sacred ritual. Each worker would unhurriedly stuff his pipe with finely meshed tobacco, then squat with comfort, light the pipe, and draw in a bluish smoke for five minutes or longer without paying much attention to the people around him. “As if stones could be rough-hewed without them at the same time,” the displeased supervisor said.

“Hey you, Manzi, why are you sitting?” the supervisor would shout at the Chinese. The latter would unhurriedly shake tobacco out of his pipe by beating it against his shoe, spit and answer indifferently: “Me smoka little-little.”

Then he would just as slowly rise to his feet, take up the hammer and get down to his delicate task once again.

All their actions seemed rather reluctant and sluggish. During the lunch break, they would slowly return to their barracks. There was not a loud word or joke from them, nor a fast movement. They would walk while looking down at the ground melancholically — half-naked, not uttering a sound, never looking directly in front of themselves. It seemed their thoughts were hovering high above the earth, in a realm that is free of work or any other things around them.

As they passed by in files of two or three, the meagerness of their bronze bodies struck me even more. They were so lean, overworked, and exhausted as if they had withered. Their motherland had apparently never caressed them, and life in general had not been kind to them. This conviction of mine intensified when I visited them at lunch, which was served to them in small Chinese cups by a little grayish Manzi.

Frankly speaking, lunch is too great a word for what they were given to eat — some rice, herbal seasonings, and lots of ramson. But the workers looked quite content with it — back home, even that meal might look wonderful. Is it really astonishing then that an average Manzi is so weak and lean while his labor productivity as well as consumption demands do not compare with any other nation in the world? I had heard before about the modesty of the Manzi's demands, and yet the scene of their "lunch" shocked me.

As if to forestall a question that was perched on the tip of my tongue, a Manzi contractor, a man with a good belly and a semi-silk shawl over his shoulders — a kind of labor agent who was always near me — pointed with a smile of superiority at his subordinates and said with a good deal of irony: "He don't needa muts. In Tsina he don't eata muts before."

That fat and merry Manzi was very close to the truth. Those impoverished men who had been born at the low depths of Chinese society, did not see much sweetness at home. Maximov wrote in this connection: "Not a single remote province in the

world offers as revolting a picture of popular mischief and suffering as the colossal Celestial Empire.”

...Upon their arrival to the Ussuri territory, the companies or, rather, the crowds of continuously hungry people discovered that they had gotten out of the frying-pan and into the fire.

The newcomers do not know a word of Russian, and have no idea about the conditions of the territory that has become their provisional home. They immediately become dependent upon the person who takes patronage over them. In most cases, this patron is a Chinese who has already established himself in Russia. He recruits the workers in China and brings them to Russia at his own risk. The person is usually a contractor who has become accustomed to the local situation. For the new arrivals from China, he is a landlord, a liaison with other people, an employer, and a translator.

Incidentally, the lack of knowledge of the territory and the dominating language has paradoxically generated a class of people with a strange social status of “translators” or “interpreters.” Most of these are Manzi who have spent some time living in the Ussuri territory. They have learnt a handful of Russian phrases and are building their welfare on that shaky ground. The uneducated masses of the semi-beggar workers have the same trust in their “trung-lators” [translators] as they would have in God. In many ways, they entrust their fate to those dubious representatives. Frankly speaking, they have no other option. Their lack of understanding the native language of this new land denies them any opportunity to make direct transactions with Russian employers.

The absence of language skills and knowledge of local life puts up an insurmountable barrier between the workers and their new world. In one way or another, they become actual serfs of the labor agents or translators, without whom they cannot make a step. The essence of their relationship remains an enigma for many, but many signs indicate that the Manzi’s position is a difficult one and they are practically enslaved by their compatriots who have had more luck in Russia.

The situation has opened the door for the brutal exploitation of the poor Manzi by their smarter fellow countrymen. I have heard

that except the labor agents and translators, the vast majority of Manzi return to their homeland after a summer of toiling, eventually becoming even poorer than they were before coming to Russia.

The contractors manipulate the Manzi's poor knowledge of Russian, while using their rapport with employers as an iron rod for handling their vassal teams. While the hardworking Manzi are subsisting hand to mouth, some of the agents and translators have turned into millionaires. One of them is Ti Fungtai, well-known to the entire Maritime Region [a businessman who offered to organize a Far-Eastern intelligence network for the Russian Army for three million rubles; the Army command turned down the proposal, saying the price was exorbitant. — Ed.].

Occasionally it happens, however, that even the philosophers with braids, the Manzi, lose their plentiful patience. Outbursts occur when the more enterprising contractors begin exploiting the Manzi too unscrupulously, or when the Chinese contractors themselves become subject to exploitation by the still more enterprising European businessmen and there is no money to feed the hordes of workers. Punishment is quick in that case. Unless the contractor or translator manages to escape from the outraged Manzi, he will face a bizarre punishment that occasionally ends tragically.

Once the Manzi workers exhaust the resource of verbal arguments, they will hang their guilty compatriot "little by little." They tie a knot over his neck and hang him at a height barely allowing his toes to touch the ground. The poor man's body becomes elongated unnaturally as he tries to stand on his toes, and this continues until he meets all the demands of the outraged mass of workers. If he does not comply, he is bound for a slow and painful death.

The punishment is called "hanging a little" in Chinese, or "doing little killy-killy."

The Manzi will be worse off, however, if he reports to a small labor agent or translator and not to a large-scale entrepreneur. Part of the reason is that the smaller labor agents have to pool together their efforts to find work for their teams, in which case the laborers have to work for the labor agent, his companions, and the translator. Incidentally, the agent's asset is not the size of the business

handled but, rather, the presence of acquaintances among the Russian inhabitants and “knowledge” of the tongue. And if unemployment begins, the Manzi have only two options – to return home or to press the contractors, companions, and translators for better terms with the aid of the above-mentioned lynching.

The prospects for becoming a labor agent or translator may be a temptation for the Manzi, yet he understands that the roses lining his masters’ paths have thorns. A Chinese labor entrepreneur must have a great maneuvering capability, shrewdness, craftiness, and slyness; otherwise he may eventually fall back to the position of a worker. Chinese agents and translators often have to maneuver between two fires, between Scylla and Charybdis; any collision could break their unsteady skiffs to pieces. Sometimes the risk could be as great as the loss of their lives, the greatest asset given to a human.

On the one hand, a translator must work through the disadvantages of being situated on the outskirts of a big country, but on the other, he always must remember the possibility of “being hanged a little.”

The real problem, however, is the general risk associated with his work. This list includes his poor command of the Russian language, which creates opportunities for all sorts of mishaps. This, in turn, jeopardizes his situation.

The translator has a very limited vocabulary, a mix of confused Russian-Chinese-Manchurian words, which he pins his welfare on. Of course, even this limited knowledge provides him a huge advantage and propels his status amongst the Manzi. When it comes to dealing with the Europeans, however, those advantages disappear. His standing in the eyes of a European is as lowly as the worker’s standing is to him. No doubt, the lessons the translators have drawn from life, together with their natural cautiousness, have compelled them to make most transactions in writing – “writa-writa” as the Manzi call it. They feel more secure when they receive written documents, since they have much greater trust in “writa-writa” than in themselves. In the meantime, I saw cases when the authors of those documents replaced the terms of, say, the delivery of firewood with witty phrases like “O ye, the woeful human word, of which the wrath

defies the Lord.” The issuer of this particular contract, which was made out in copperplate handwriting, took the trouble of clearing himself of possible charges of plagiarism. He indicated in the “writa-writa” that the quotation had been borrowed from the 18th century Russian poet, Gavriil Derzhavin. In another instance, a no less witty counteragent used the text of a post office receipt for dispatching the telegram as the “official document.” To produce a more impressive effect on the Manzi, the issuer attached a cancelled postal stamp with the double-headed eagle to the paper. Incidentally, the Manzi place unwavering faith in those stamps.

The Chinese agent or translator does not spare the workers under their control in a bid to make up for the losses – and avoid lynch at the same time – that they incur from poetic exercises of his European counterpart. If an occasion comes his way, however, an agent or translator will gladly make up for the losses at the expenses of some other European and will exploit him extensively, even though the latter was unconnected to the humorist inclinations of his fellow Europeans.

The instruments of exploitation are the same as anywhere in the world – deceit, shrewdness, and slyness, but contrary to the traditional stereotype it would be wrong to call them the traits of the Chinese national character. Like many others who have lived in the Ussuri territory and had immediate contacts with the Manzi, I can attest to their amazing trustworthiness. The same Chinese that will cheat you in everything concerning weight and measure, will never let you down and will keep his word without any kind of written pledge when it comes to returning his debt. The latter is proved by an extraordinary fact that astounded me. Out of all the lawsuits filed with the Ussuri territory courts, nine lawsuits in ten are initiated by the Manzi seeking justice in their relations with the local populace, whereas only one in ten of the cases involve a lawsuit that a local launches against a Manzi.

The conclusion is clear – the Manzi, and not the residents of the territory, are victims in nine cases out of every ten, and the commonly held belief that the Manzi are wily and unscrupulous exploiters is thus a far cry from truth.

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