RUSSIA in GLOBAL AFFAIRS

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Passions Over Sovereignty

Fyodor Lukyanov, Editor-in-Chief

Of the many subjects of political debate in Russia in 2005, the main emphasis has been on national sovereignty. The protection of sovereignty against terrorists, destructive social elements, strategic rivals and external competitors has been the primary focus of statements made by the country's top officials and political experts.

In light of sentiments within the Russian leadership, this past year can be clearly divided into two parts. The first half was marked by near panic calls for society to rally in the face of threats to Russia's sovereign existence. The nervousness derived from a series of negative developments, the first being the terrorist attack on Beslan; next was Moscow's embarrassing defeat in Ukraine where the Kremlin's protégé lost in the presidential elections. Other scenarios, such as instability in Central Asia, attempts to revise the Soviet Union's role in the war against Nazi Germany on the eve of the 60th anniversary of the victory in World War II, the harsh reaction of the West to the centralization of power in Russia, and the guilty verdicts in the YUKOS case, only exacerbated the feeling of an "enemy encirclement."

Later, however, the psychological state of the Russian ruling class began to change. And although there are no grounds to rest on our laurels today – the way there were no extraordinary reasons to fear for the country's sovereignty and territorial integrity six months ago – Russia's position has really strengthened. A series of global developments have added to the self-confidence of the Russian establishment: the inability of the United States to solve many of the global problems it has undertaken to address, the ongoing crisis in the European Union, disillusionment with the outcome of the 'colored' revolutions, the rapid rise of oil prices, and the equally rapid rise of Asia. The recent 'contract of the century' – the construction of a north-European gas pipeline that will bring Russia and the EU still closer together – confirms that Russia possesses a real resource, the importance of which is hard to overestimate in the new century.

This issue offers a wide variety of views on the sources of Russia's sovereignty and threats to it, as well as Russia's ability to pursue an independent and effective policy.

Mikhail Leontyev describes Russia as one of the few countries in the world

that is capable of conducting a really independent policy. He believes that the country's sovereignty must rest on might, which the Kremlin must now restore. According to **Sven Hirdman**, to better understand Russia one must compare the perception of the notions of the State, Society and Motherland in Russia and West European countries. **Vladimir Ryzhkov** argues that genuine sovereignty is impossible unless it relies on law and democratic procedures. **Valery Tishkov** focuses on the formation of the Russian people as the basis of a new national identity.

Russia's identity must rest on its entire 1,000-year-long colorful history, rather than on individual periods chosen out of short-term political considerations, **Sergei Kortunov** writes. **Ivan Sukhov** analyzes the situation in the Caucasus, a region that poses the greatest threat to the integrity of the Russian Federation. **Leonid Grigoriev** and **Yulia Urozhaeva** argue that the sovereignty of this huge country can be strengthened only through the successful development of its constituent regions.

Sergei Karaganov warns about the danger of 'Eurasianism,' that is, Russia's attempt to isolate itself from the fast-developing global centers under the guise of an 'original path,' while **Fyodor Shelov-Kovediayev** advocates the earliest possible accession of Russia to NATO. **Vladimir Milov** analyzes Russia's role in the G-8, which will gather in St. Petersburg in 2006. He believes that Russia will guarantee for itself the role as a key energy actor on the global stage only if it proposes a joint program for ensuring universal energy security to the developed countries. **Vlad Ivanenko** discusses how distant the next chairman of the G-8, Russia, is from the standards of this group of countries and what consequences this factor may have. **Vladimir Dvorkin** proposes ways to use the legacy of Russia's strategic military confrontation with the United States for the benefit of a Russian-U.S. partnership.

Vladimir Frolov writes about dangers posed by elections in the post-Soviet space, which often become instruments for replacing power from abroad and thus violating the national sovereignty of the post-Soviet states. **Mikhail Delyagin** draws a line under the Commonwealth of Independent States – in his view, the incumbent Russian authorities have wasted the chance for this country to become the center of post-Soviet integration. **Robert Saunders** discusses the phenomenon of ethnic Russians in a foreign state – Latvia – following the breakup of the Soviet Union.

Finally, **Vladislav Inozemtsev**, the host of our journal's new section Personage, speaks with one of the most brilliant intellectuals in Latin America. **Fernando Henrique Cardoso**, former president of Brazil, which is often compared with Russia, speaks about democracy, reforms and globalization.

Russia's Global Strategies

A Russian Cossack leading a captive Chinese "Boxer."
Illustration from the *Moskovsky Listok* magazine, 1900

"Calls to embrace Asia should not be interpreted as the triumph of barbarian 'Eurasianism' under the guise of an 'original path,' an anti-Western policy or renunciation of the European choice. It should be viewed as a movement along the path of accelerated modernization, without which there will be neither prosperity, nor democracy."

New Contours of the World Order

Sergei Karaganov

In the past year, there have been several definite tendencies in international relations that indicate the beginning of a new political stage in the world's development. The period that replaced the Cold War era is over, while few people can say with any degree of certainty what will happen next in the world. Nevertheless, factors that will determine its future development are already obvious. The format of this article does not permit an all-embracing analysis of international developments; so many important factors have been left out, including the proliferation of nuclear weapons, the progressive weakening of international governance systems, and the growth in the number of failing or failed states.

ASIA BREAKS INTO THE MIDDLE OF WORLD POLITICS

The center of international politics is steadily shifting to Asia, demonstrated by the People's Republic of China, a sprawling nation that continues to increase its potential at an incredible pace. Since 1978, the year when its economic reforms began, China's GDP has increased four times, while the annual growth rate of the Chinese economy stands at 8.5 to 10 percent. There are some analysts, however, who speculate that Beijing deliberately conceals the

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true figures of China's economic growth, perhaps in order to conceal the true figures of its defense spending.

A majority of analysts have come to the conclusion that the economic growth rates of China will remain high and that within the next 20 years the country will become the world's second leading power in terms of its economic performance figures. It already ranks second in the world as regards the purchasing power of its gross domestic product, while the amount of U.S. securities owned by China provides influence on the United States and the global financial system. Meanwhile, many analysts argue that China's rapid reforms will inevitably bring about a crisis there; however, such prophecies have been popular for two decades now.

According to some forecasts, by 2040-2050 China will account for 14-16 percent of global GDP. These prospects magnify its present economic, political and military might, while increasing China's weight on the international scene. Thus, it is no surprise that other nations are struggling for influence on Beijing, as well as for access to the Chinese market. At the same time, efforts to contain China, or gradually integrate it into the world economy, are becoming dominant features of global politics.

Another Asian country making rapid progress into the top ranks of global powers is India. Over the last 10 years, the Indian economy has been growing by 8 percent annually. Moreover, this growth is arguably more stable and sound than that in China, as it is ensured by domestic, rather than foreign, investment. India is becoming a motor of global technological progress, and in 20 to 30 years it is expected to be the world's third leading power after the U.S. and China. India is one of the world's largest suppliers of software and other high technologies, and has more people who rank in the middle class than does the European Union.

Of course, India and China remain relatively underdeveloped, with many people living in poverty. Yet their people no longer starve as they did just five to ten years ago, and this factor adds to their stability, and especially in India which is a very stable democracy.

India's armed forces – relatively modest in strength considering the country's size (one million servicemen – less than Russia's

troop strength) – are capable of rapidly increasing their combat readiness. India is building a mighty navy that in the future will include four aircraft carrier groups, and may become an independent military and political guarantor of stability in South Asia and in the Gulf region. Furthermore, New Delhi is increasing its international activities, offering large military forces for UN peacekeeping operations.

To all appearances, India's main goal is to become a nation of major influence in the whole of Asia, including in the unstable region of the Broader Middle East, most notably Iran and the Gulf States. By pursuing a policy of gradual rapprochement with China, New Delhi simultaneously seeks to become a counterbalance to Beijing without turning into an instrument of its "containment."

Countries in South and Southeast Asia include a group of successfully developing "Asian Tigers." South Korea, for example, has achieved high growth rates, while Japan is overcoming a protracted economic crisis. In light of the aforementioned developments, there is no doubt that the competition for influence in Asia (just like the struggle for Europe was in past centuries) is becoming a major factor of international politics.

Tactics being employed against China include both its "containment" and integration into global structures, with emphasis made on the preservation of China's dependence on external energy supplies. India is no longer "contained;" on the contrary – active attempts are being made to "turn it Westward." Meanwhile, India is in no hurry to become anyone's ally, preferring instead to pursue a relatively independent multivector policy.

In Asia, there is an obvious move toward the formation of a regional economic center – a soft integration bloc capable of becoming a mighty center of economic strength within a decade, possibly built on the basis of the Association of Southeast Asian Nations (ASEAN). It is not ruled out that such an alliance will ultimately develop into a formal integration association, similar to the North American Free Trade Agreement (NAFTA), or the European Economic Community of the past. The yuan, the yen and the rupee may all strengthen at the dollar's expense. The

development of the new association will be met with serious resistance (above all, by the U.S.), but this process can hardly be stopped.

Simultaneously, the new phenomenon of nationalism is also growing in the fast-developing Asian countries, and is manifest in relations between these countries (witnessed in conflicts between Japan and China, for example, and between Japan and South Korea, stemming from differences in the interpretation of history), and in their attitude toward the West. The Asian nations, growing more and more confident about their strength, seek to remove the centuries-old ideological and cultural domination of the West. They declare their readiness to pursue independent economic and political lines – with their neighbors' support or (for the time being) through their own initiative.

THE MIDDLE EAST: NUCLEAR WEAPONS AND THE CONFIDENCE ISSUE

The probability for the increased proliferation of nuclear weapons in the world continues to grow. North Korea may already have these weapons, while Iran is about to develop them. A majority of analysts are skeptical about the chances for a global solution to the problems in Teheran; according to estimates by U.S. officials, a diplomatic or military solution is possible within the next 12 to 16 months. After that, the process will become irreversible and the price of settlement will sharply increase. The next U.S. presidential elections will be an important factor in solving the Iranian problem.

The leaders of Iran and North Korea believe there are high military and political threats to their countries, while the majority of their neighbors also feel concern for their security. The development of nuclear weapons by Pyongyang and/or Teheran may provoke a chain reaction and cause Japan, South Korea, Egypt, Saudi Arabia and other states to unfreeze their nuclear programs. No state has ever tried to combat the causes of the nuclear "disease;" emphasis remains on fighting its symptoms. Building the necessary confidence for such a program requires the creation of regional security systems, together with the creation of local

"Helsinki processes." This agenda requires the participation and guarantees of the Great Powers.

To date, all attempts to deliver democracy to the Broader Middle East have failed, although Washington has succeeded in bringing some of the local regimes (Syria, Egypt, Libya) around to its point of view by means of pressure. Meanwhile, the breakup of Iraq remains a probability; the most optimistic estimates show that the situation there will not stabilize for at least another 8 to 12 years. Another hotspot is the Palestinian-Israeli conflict, which may flare up again at any moment. The latest moves by Israeli Prime Minister Ariel Sharon indicate that, by sensing the approach of a new crisis, he is seeking to shift responsibility onto the Palestinians. It is not clear yet whether the U.S. and other external parties to the Middle East process, including Russia, are ready for the "imposition of peace."

In any case, the present concept of transforming the Broader Middle East, based not on modernization but democratization (this refers, above all, to the holding of elections according to the Western model), has failed, or at least postponed for an uncertain amount of time. A solution to the problems facing the Moslem Middle East can be accelerated through modernization. This process should begin with economic and educational reform, the improvement of the position of women, and the softening of particular religious postulates.

But modernization cannot be started before regional security is strengthened through systematic measures. The regional elites will use the pretext of external threats – be it "Western," "Israeli," "Saudi" or "Iranian" – for rejecting modernization.

THE UNITED STATES – POWERFUL YET WEAK

The United States is witnessing an unprecedented drop in its popularity, once the very foundation of its international influence, as developments in recent years have undermined Washington's prestige and authority.

At the beginning of the 21st century, the United States pinned its hopes on two factors in regional politics: first, "con-

trollable destabilization" of international relations which included the possibility of using its military superiority in this situation; second, the democratization of the Broader Middle East, with a view to reducing the terrorist threat while strengthening its own positions in the region.

U.S. attempts to achieve these goals, however, in particular by invading Iraq, failed. The Iraqi operation tied Washington's hands and limited its capabilities to influence other crises (Iran, North Korea, the Palestinian-Israeli conflict). For the first time in recent decades, the American elite divided over Washington's foreign policy. The United States had enough military power to win any war, but lacked the resources to achieve political goals and "win peace" – that alone would have been advantageous enough. Then, the tragic events in New Orleans demonstrated the ineffectiveness of the American government's response to natural cataclysms on its own territory. This served to highlight the limitations of the capabilities of the sole superpower.

Although the U.S. and Europe are still parts of one political, economic and cultural civilization, the divergence between them now is too great to be overcome. Washington does not conceal its intention to prevent a European integration that would turn the Old World into a global military and political actor. The United States is obviously giving up its orientation toward Europe as a key actor, giving long-term preference instead to Asia. In all probability, Asia will be a real factor in U.S. policy for the next few years.

In the intensifying competition for influence in India, the U.S. is displaying unprecedented interest. Washington proposes to New Delhi not only "special relations" and seats in the Group of Eight and the UN Security Council, but also cutting-edge armaments. America is ready to participate in the construction of nuclear power plants in India, while General Electric and Westinghouse – companies that enjoy political support from the White House – have already made construction proposals. These offers of assistance are made despite India's nuclear status, a relatively recent development that has delivered a severe blow to the nonproliferation regime.

U.S. foreign-policy difficulties are aggravated by structural problems of the American economy. U.S. foreign and consumer debt continues to grow, while overestimates in the real estate market have produced another bubble. Simultaneously, U.S. officials often utter super-liberal statements while pumping back door money and investment into the economy by means of the state debt mechanism (actually, by neo-Keynesian methods), thus ensuring very high and stable growth. The newly created bubble may harmlessly deflate, or, on the other hand, it could burst and bring about social upheavals.

The U.S. is the world's largest provider of the highest quality education, as well as major technologies. At the same time, however, American experts express concern over the level of technical education in the country. The shortage of highly skilled specialists in the U.S. is partly compensated for by an active policy of attracting educated immigrants into the country, and partly by outsourcing in technologically rising countries.

It seems likely, given these conditions, that America will eventually face serious economic problems. In the foreseeable future, however, it will remain the fastest-developing society and the main economic, military, diplomatic and ideological superpower. Moreover, it is very unlikely that the United States will give up its active global role: even circles that traditionally espouse isolationist ideology support Washington's energetic interventionist policy. Attempts to take avail of the relative unpopularity and partial weakening of the United States would be extremely dangerous and would cost any state dearly.

THE EUROPEAN UNION: A FAREWELL TO AMBITIONS?

The failure of France and the Netherlands to pass the European Constitution by referendum came as the gravest crisis for the European Union in its history, and revealed many of its structural weaknesses that had been accruing for years. These include slow economic growth, a consistently high unemployment rate (about 10 percent or even higher in the majority of the countries of "Old

Europe"), and the inability to carry out liberal reforms due to their rejection by the majority of their population. However, despite the awareness of the crisis situation, which includes stubborn low growth rates, there is little chance for a drastic change in EU economic and social policies. Europe simply cherishes its well-being too much to launch painful reforms. The causes that sparked two world wars have been eradicated, it is believed, and there is no more need to combat the Communist influence. Meanwhile, the Europeans have achieved almost all the goals set out in the original integration project. Today, it seems that power belongs to the younger generation, a group that has a tendency to take the presently favorable situation for granted. While the "new Europeans" may initiate reforms in "Old Europe," the potential of their influence is limited.

After the failure of the Constitutional referendums, the process of building a political union, or a quasi-state (the last shot of the older generation of Europeans), will most likely stop for a few years. A further enlargement of the European Union does not arouse much enthusiasm among the ruling elites, while it is not supported by the larger part of the population. The decision to admit Bulgaria and Romania into the EU in 2007 was made behind the scenes, almost in secret from the European public, at the level of foreign ministers rather than heads of state, as is the standard protocol. The question of Turkey's EU membership has been practically removed from the agenda for the next few years, while Ukraine's candidacy, let alone Russia's, is not seriously considered.

The European Union may spend another four or five years debating its future, while wasting precious time required for the reforms. Furthermore, it is unlikely in the immediate future that the EU states will draw up a common foreign policy, or, more importantly, a common defense policy. As a result, Europe's lag behind other world centers may increase and become irreversible. By 2030-2050, United Europe will fall behind the U.S. and China in the volume of its GDP.

In a world where military force is again acquiring weight, the EU is building a one-million-strong "post-military armed forces"

which are unable to fight, not to mention effectively participate, in the majority of peacekeeping operations.

In light of the above factors, there is a growing belief that the Old World, although still culturally attractive, is increasingly out of sync with global policy and that it has, in any case, lost its economic dynamism.

Thus, the European Union has actually begun to freeze its rapprochement with Russia, despite the continuing atmosphere of friendly rhetoric, and pursue a policy of "peaceful coexistence" and even stiff competition in the economic sphere. Against the background of outstanding problems, such as agricultural subsidies, energy prices and transit rights to the Kaliningrad Region, the EU is trying to undermine the competitive ability of Russia's civil aviation and aircraft industry, while threatening Moscow that it may withdraw from the agreement on Russia's accession to the World Trade Organization – even though Russia has met the request of Brussels and signed the Kyoto Protocol. At Russia's expense, the European Union seeks to create an impression that it has a common – and effective – foreign policy.

Moscow is now pursuing a policy that was characteristic of the West European states many decades ago

Hence the ongoing attempts to play the role of an arbiter in addressing the problems of "frozen crises," or rather "unrecognized states," and constant demands that Russia withdraw its troops from these states. The EU's appointment of a "special representative for Central Asia" falls into the same category of such moves. Meanwhile, the European Parliament almost always sides with the Baltic States which hold strong anti-Russian positions, while it has also supported Japan's demand that Russia "return the Northern Territories." The approval of the "Road Maps" document has failed to attain even the short-term goal of mitigating the crisis in Russian-EU relations.

The strained relations between Russia and Europe are provoked by difficulties inside the EU and the growing divergence of the ways of their internal development. Moscow is now pursuing

a policy that was characteristic of the West European states many decades ago. But these differences are surmountable, especially as a renunciation by Russia of the European path, which best corresponds to the Russian mentality and traditions, is very unlikely and would mean the nation's self-destruction.

Russia-EU relations have not yet reached the "end of history." In the future, the European Union may change its values and stop building a political association, returning instead to the model of an "extended common market and social union, plus a common currency." Besides, seeing the weakening of its positions, Brussels may finally assume a policy of strategic rapprochement with Russia. Therefore close interaction with the EU remains an imperative of Russia's policy.

OIL: THE RETURN OF GEOPOLITICS

Factors that caused the present relative oil shortage include increased oil consumption in Asia, and the uncertainty of producers about international political stability, which limits their readiness for investment. There is also the shortage of oil refining facilities.

The demand for oil is not expected to decrease even if Western economies slow down their growth or decline. India and China increase their demand by approximately 25-30 percent per year. The demand for oil products is rapidly growing in other Asian countries, as well. The demand for oil and oil prices will not fall also because the share of oil costs in the world GDP is much lower than the same figure during previous oil price hikes. Besides, consumer countries often earn on more expensive oil products through the tax system much more than energy-producing countries themselves.

Also, there is little hope that oil resources of Russia and the Caspian region will seriously reduce the general dependence on Middle Eastern oil. The Middle East (Iraq and Iran) boasts the most promising oil reserves. The convenience of transportation makes oil the main energy source for the foreseeable future, although it may make way for natural gas or, less likely, renewable energy sources. Electricity production is expected to increase at nuclear power plants. The U.S. and Great Britain plan to build

more such plants, while Germany and Sweden have increased allocations for nuclear power engineering and work to extend the lifetime of plants that not long ago were planned to be shut down. Also, there is competition among Western countries for the supply of nuclear reactors to China.

Oil geopolitics has entered a new era – that of struggle for control over oil fields and oil transportation routes. The new developments are best manifest in the U.S. policy. Washington seeks to deny China free access to energy resources and to diversify routes of oil supply from the Caspian region. The U.S. policy toward Russia is friendly enough, yet it is not based on deep mutual understanding; rather, it resembles the U.S. policy toward Saudi Arabia. Less manifest developments include the struggle for the future of Iraq, the aforementioned sharp buildup of India's Navy, and the rapprochement between Beijing and New Delhi which are not interested to see any third force use their competition in its own interests.

RUSSIA: TIME FOR SERIOUS DECISIONS

The recent changes in the world situation have brought about several historic challenges to Russia, causing it to amend its policy. The rapid redistribution of forces on the world arena in favor of "New Asia" (not to be confused with traditional Asia, whose values are the center of gravitation for Russian "Eurasianists") requires that Russia revise its economic and political priorities.

I do not mean the phantom axes between Moscow and New Delhi and between Moscow and Beijing, but specific moves to reinvigorate economic and political cooperation with the world leaders. These moves must include a long-awaited breakthrough by the Russian energy sector into the South and the East, an accelerated construction of oil and gas pipelines, and a marked increase in investment in geological prospecting. It is Russia, not Europe, that must seek to diversify routes for the supply of energy resources in order to raise their prices and prevent limitations on the country's exports and an increase of price diktat.

At the same time, the political and cultural line toward rapprochement with Europe must remain a priority of Russia's for-

eign policy. The pause imposed by Brussels must be used to reinvigorate the search for a "new beginning" in Russian-European relations. At the same time, constructive relations with the U.S. must continue to be viewed as a major resource. For example, Russia needs to launch a project to explore Siberia and the Russian Far East, in cooperation with the United States, European and Asian countries.

Moscow's policy with regard to the Commonwealth of Independent States also needs revising. The majority of integration projects, including the Common Economic Space, will not be fully initiated due to the position of Ukraine, as well as, to a lesser degree, that of Belarus. The only viable projects left are Russian-Kazakh and Russian-Belarusian interaction, that is, if Moscow decides to breathe new life into its Belarusian policy.

The majority of the CIS countries will inevitably see a changeover in post-Soviet political elites. The only country where the incumbent leadership theoretically can remain in the saddle is Kazakhstan. In this situation the conservatism in Russia's policy is not justified. Wherever possible (in Belarus and, possibly, Armenia), Russia should promote a relatively painless change of the ruling regimes, providing them with corresponding guarantees. In other newly independent states (first of all, in Central Asia), Russia should try to share responsibility for ensuring stability there with third outside forces (China, the United States, and the European Union) or keep itself aloof from that at all.

The chances are approximately 30 to 40 percent that Ukraine, which the West seeks to keep within its zone of influence, will join NATO in the next few years. There is no disagreement on this issue between the U.S. and the EU, which most likely have already agreed in principle to such a scenario. Ukraine will be followed by Moldova, Georgia and, possibly, Belarus (if Moscow fails to bring about changes in Minsk and if developments there unfold according to the Ukrainian scenario).

NATO enlargement will force Moscow to make one of the most difficult choices in its history. Should it demand NATO membership for itself at that point? That would be unrealistic;

moreover, it would prevent the necessary consolidation of the Asian vector in Russia's policy. The question is: Should Moscow introduce a regime of "real borders" with countries tied by close, human bonds? Or should it confront the West, despite the fact that it lacks enough resources for that? The latter variant would inevitably make Russia still more dependent on China.

For all its problems, Russia still has a high political, economic and foreign-trade potential:

– a relatively fast-developing economy (although this process is now decaying);

– rich mineral and energy resources (which can be used much more effectively);

– nuclear weapons;

– large general-purpose forces (almost equal to the forces of India, China, and United Europe);

– membership in the UN Security Council, the Group of Eight and, simultaneously, the Shanghai Cooperation Organization;

– advantageous geopolitical position (neither the U.S., nor China or Europe want Russia to be under the influence of only one of the centers, which gives Moscow wide room for maneuver);

– the immediate neighborhood with states that are sources of terrorism (the unstable Broader Middle East and unstable Central Asia) increases Russia's geopolitical weight.

Nevertheless, the unpredictability of the global situation and threats to Russia's security and geopolitical position increase its vulnerability to external challenges, which in some cases merge with domestic ones. The country's international position is becoming increasingly complicated and unpredictable, threatening to seriously worsen in several years.

Such developments can and must be prevented by stepping up domestic reforms and increasing the effectiveness of the political model, the decision-making system and general governability. Without these measures, as well as without stepping up state policy, including investment, in the basic sectors (education, medicine, the transport network, communication, geological prospecting, aircraft building, the exploration of outer space, and

others), Russia will not be able to change its image of a degrading state, which undermines all foreign-policy prospects.

Under the present conditions, the effectiveness of the political system cannot be increased without a combination of authoritarian and democratic principles. However, the excessive growth of authoritarianism is now depriving the "power vertical" of its basis – active support and participation of society.

The new conditions require increased attention to foreign and foreign-economic policies, as well as the coordination of efforts. But the main thing is that the Russian leadership and intellectuals understand the unprecedented nature and acuteness of our external challenges.

The aforesaid requires creating (or recreating) a non-governmental analytical and forecasting mechanism that would fulfill specific tasks set by Russia's leadership. This mechanism must rest on the potential of the Russian Academy of Sciences, on capabilities of the corporate sector, and on foreign intellectual resources. This task may require the establishment of several new-generation research centers (technology for creating such small centers has been developed and tested.)

Finally, it is time to implement the long-overdue idea of setting up a group of centers (institutions) that would analyze the situation in CIS countries and, simultaneously, serve as channels for influencing them. Borrowing from foreign experience, Russia should rebuild its research and analytical base at a new level for working out a modern pragmatic concept for developing Siberia and the Russian Far East.

Moscow must allocate funds (relatively small) for the training and retraining of personnel and adapt it to the new geopolitical and geo-economic situation. First of all, this refers to high-level personnel for work with the European Union. (According to different estimates, there are 20 to 25 highly skilled experts in this field in the country, and only half of them work in the state apparatus. This is even less than in the Baltic States.) What is also required is retraining specialists in Asian issues, most of whom still identify with "old" Asia, which now is actually non-existent.

* * *

Thus, in order to prevent the weakening of its positions in a changing world, Russia must carry out the following steps:

– change the philosophy of its approach to the CIS, focusing its attention only on those countries that play a key role and where Russia's active policy has good prospects;

– reorient and diversify energy exports to Asia or the world market as a whole;

– step up dialog with rapidly developing Asia;

– avoid sliding toward an anti-Western policy.

Calls to embrace Asia do not imply a multipolar policy directed de facto against the U.S. Such a move should not be interpreted as the conservation of backwardness, the triumph of barbarian "Eurasianism" under the guise of an "original path," an anti-Western policy or renunciation of the European choice. It should be viewed as a movement along the path of accelerated modernization, without which there will be neither prosperity, nor democracy. This is a call for a real multivector strategy aimed at using the new tendencies in the global development in the interests of the country.

Invigorating Russia's Foreign Policy

Sergei Kortunov

If the state of Russia's foreign policy could be summed up in one word, "crisis" would be the most fitting description. The crisis is wide-ranging, systemic, and structural. Furthermore, it is accompanied by highly coordinated pressure on Russia from the principal international players. Meanwhile, talk about the "pragmatism" of President Putin's course is only designed to cover up the obvious fact that the country's foreign policy is sporadic and based on a response-to-emergency formula. It is not built as a coherent system of pre-emptive measures. Not surprisingly, Moscow has been suffering one setback after another in international affairs.

At the same time, nobody doubts the high professionalism of Russia's diplomatic corps. What then are the causes of the prevailing situation?

CAUSES OF THE CRISIS

First, the crisis is conceptual: ***Russia lacks a viable, realistic foreign policy concept.*** The Foreign Policy Concept of the Russian Federation that the president approved in June 2000 contained many correct propositions and conclusions, but generally speaking, it was obviously out-of-date. More importantly, neither the concept nor the president's subsequent pronouncements (including his annual state-of-the-nation addresses to the Federal Assembly) answered the question about Russia's national identity.

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Unfortunately, not only the outside world but even Russian society itself still has trouble understanding what we are – an entirely new state that was put on the map only in 1991. Is the new Russia the successor to the Soviet Union who voluntarily "reduced" its territory and swapped a planned economy for a wild-market economy, or the legal inheritor of millennium-old Russian traditions?

Thomas Graham, a well-known U.S. political scientist, aptly observed that the key to success lies in Russia's new identity in the contemporary world, something that the majority of the Russian people and the country's political elite are not ready for yet. This lack of identity is the main reason why Russia has not yet made a strategic choice as to which nations it views as allies and which nations it views as adversaries.

Second, the crisis is institutional: ***there is no effective mechanism for preparing, making or implementing foreign-policy decisions.*** Unfortunately, during Vladimir Putin's presidency, the situation has not improved; in fact, it has worsened. The principle of collegiality and transparency of foreign policy decision-making is being applied much less consistently than it was under Boris Yeltsin. This raises many questions about the rationale behind specific moves, while the responsibility for foreign policy activity rests with just one person – the Russian president. Oftentimes, especially in dealing with the CIS countries (Belarus, Ukraine, and Georgia), the Russian Foreign Ministry, the Russian Security Council, and even the Foreign Policy Department of the Presidential Administration have been sidelined, while the head of state becomes a veritable hostage to his inner circle – a circle that is not always very proficient. Generally speaking, ***the trend toward a loosening of administrative discipline in the sphere of foreign policy,*** which emerged under Boris Yeltsin, has deepened greatly. Not even express directives from the Russian president are carried out any longer.

As is popularly known, during the Soviet era there was a coordination mechanism for the elaboration of foreign policy positions – namely, the Interdepartmental Commission of the CPSU Central Committee (the so-called "group of five"), which drafted resolutions on basic national security matters with the participa-

tion of the Foreign Ministry, the Defense Ministry, the KGB, and the Council of Ministers' Military-Industrial Commission. It was largely through this mechanism that the Soviet Union achieved great successes in nuclear arms control, nonproliferation, and the limitation of conventional forces in Europe. This mechanism helped neutralize the active opponents of disarmament and encouraged the country's political and military leaders to search for compromises with their partners.

In post-Soviet Russia, however, nothing has come anywhere close to such effectiveness. Attempts during the past several years to install an appropriate mechanism – be it inside or outside the RF Security Council – have been invariably thwarted by various state and government agencies. Interagency commissions, however, only lead to the dissipation of effort, duplication and, eventually, to greater irresponsibility and lower effectiveness of state policy. These commissions, which lie within the jurisdiction of the Russian Security Council, are meant to harmonize security positions. However, they are unable to take over the functions of drafting and preparing appropriate decisions, or synchronizing the activities of government ministries and departments. Furthermore, as it turns out, the Foreign Ministry plays merely a symbolic role as a foreign policy coordinator.

The truly titanic efforts by the RF president's foreign policy adviser are incapable of reversing this situation. Thus, there is in effect no foreign policy coordination on the state level.

Judging by the extent to which Russia's foreign policy objectives are matched by the available means and resources, it fails to rely on a system of strategic planning that considers short-, medium- and long-term foreign policy options. Nor is there a thorough analysis of the current international situation, which cannot be based on any of the patterns or stereotypes inherited from the Soviet era.

Perhaps only a handful of non-governmental organizations – such as the Council on Foreign and Defense Policy, the "Russia in a United Europe" public committee, and the Expert Board of the Federation Council Foreign Affairs Committee – can be seen

as an embryo of such a system. The Kremlin, however, is not particularly inclined to listen to the expert recommendations from these organizations.

The lack of a strategic planning system (the Strategic Planning Group that was recently created at the RF Security Council does not count), which would rest on a sound analytical basis, has in fact caused Russia's foreign policy crisis. After all, none of the strategic objectives formulated by the country's political leadership during the past 15 years have been achieved.

An important, although not necessarily the main cause of Russia's foreign policy crisis, is its ***visibly declining international image*** (although during the first several years of Putin's rule, it tended to improve). Unfortunately, in recent years Russia has ceased to be an attractive partner for its neighbors. In the past couple of years, Moscow has been confronting a barrage of criticism (for the most part fair and well-grounded) from the outside world. Experience shows that the semi-feudal relations that still exist in a number of Russia's internal-policy spheres are utterly incompatible with the post-industrial architecture of the developed world into which – judging by the Russian president's annual state-of-the-nation addresses to the Federal Assembly – it wants to integrate.

Finally, there is a lack of well-trained, qualified personnel, as well as a general degradation, of the diplomatic service. This is largely due to the fact that ***a diplomatic career in Russia*** (in contrast to all other countries, including former Soviet republics) ***is no longer seen as prestigious,*** primarily because of poor compensation. There are few young and talented cadres worthy of replacing the handful of Foreign Service veterans who received excellent schooling at the Soviet Foreign Ministry and are still at their posts. This means only one thing: Russia is doomed to being beaten by both its partners and opponents within the international arena.

RETHINKING THE STRATEGY

Sporadic, or purely subjective foreign policy decisions, ill-considered and based on considerations of expediency, are unacceptable in the modern world. This is what Russia – not only its political

leadership, but the entire political class – should think about today.

First, in order to overcome the conceptual crisis in its foreign policy, Russia should first correct the issue of its national identity. Russia must make a clean break with the preposterous attempts of the 1990s to come across as "pure and innocent" and strive for a kind of "new" Russia that builds its statehood from zero. The country should unequivocally and unconditionally ***define itself as a successor to the historical – i.e., millennium-old – Russia.*** It will of course have to assume responsibility for all of its past sins, including – unpleasant as this may be – the sins of the Soviet era. But the game is worth the candle; at this point, Russia will once again become a subject of world history, recognizable and understandable to all. Until it does this, our foreign partners, including the United States, will hardly be able to formulate a correct policy line toward Russia, maintaining their wait-and-see position.

In other words, we should define our identity and tell the whole world exactly what we are. This is critical, for instance, for Russian-U.S. relations. If we have been in existence for a mere 15 years, then we cannot claim a more significant role than as a U.S. client state. If we view ourselves as a mini-USSR, we are doomed to mini-confrontation with the United States, not to mention defeat in a mini-Cold War, and ultimately, mini-disintegration. If, however, we define ourselves as millennium-old Russia, then partnership and even strategic alliance with America, not to mention Europe, will be a natural option for us.

It is also time for Russia to ***declare its national project,*** which has yet to be finalized. As far as it can be interpreted from disparate statements by the Russian leadership, in general outline, this project boils down to two key ideas:

– modernization in the midst of a transition to postindustrial society with all of its trappings, including the appropriate quality of life and political freedoms for all citizens; and

– Russia's cautious but sufficiently rapid integration into the world economy as an equal partner of the developed countries, while preserving its national sovereignty.

These two objectives are inseparable from each other: one cannot be attained without the other. The first is directly linked with Russia's economic transition to an innovative development model (as opposed to mobilization-based development, which is no longer possible now); together with a move to a 'knowledge economy' that is today the key to development in the postindustrial world. The second task involves ensuring the competitiveness of sovereign Russia, its economy, specific sectors of industry, companies, businesspeople, and even ordinary citizens in the context of globalization – in short, the task that was formulated by Vladimir Putin in his 2003 state-of-the-nation address to the Federal Assembly.

A reasonable and carefully formulated transition to an innovative development model can, under certain circumstances, ensure Russia ***the status as one of the world's intellectual leaders*** (one of the world's principal science laboratories).

Postindustrial society as the basis of a national project also puts the country's foreign policy priorities into perspective.

In the foreign policy sphere, Russia should orient itself, above all, toward those states that have already embraced an innovative development model and built a postindustrial society, as well as countries sharing the same cultural and other values, with Russia. These are primarily countries of Western Europe and the United States that are the cradle and foundation of our common Christian civilization. It is important to uphold Russia's European identity. Russia is an inseparable part of Greater Europe, thus the European vector is paramount.

At the same time, Russia should not bank on modern Europe receiving it into its fold with outstretched arms. The Old World has not as yet fully understood its own identity, let alone formulated its attitude toward Russia (not least because Russia has not defined its own identity). We have yet to prove to the Europeans that Greater Europe – not the European Union as it is today, but a truly inclusive community of European nations, capable of developing dynamically and competing for influence with the United States and the rapidly advancing Asian region – is impos-

sible without Russia on the economic, political, cultural or military fronts.

Therefore, ***there can only be one principal development vector for Russia, and that is in Greater Europe, without the dividing lines*** where, for example, Ukraine would not be confronted with the dilemma of orienting itself toward either the East or the West. The contention that Russia is "too big for Europe" is ridiculous, to say the least. Even Zbigniew Brzezinski, who is not known for his sympathy for Russia, has no doubt about its European future. Russia's security and democratic freedoms hinge on Europe; of course, this is not going to happen next year, but in the next decade, as he predicted in an interview with the *Kommersant* daily in December 2004.

Geopolitically, Russia is a Eurasian and therefore a global power. This makes it inevitable that it has close interaction with key international players, above all China and India (these countries are rapidly emerging as an important part of the world's innovative economy), Iran, the Arab countries and Turkey. Finally, it necessitates a strategic alliance with the United States on global security problems.

Yet such foreign policy strategies as "multivector setup," "multipolarity," and "unique path" (as distinct from the European path), need rethinking. Upon closer examination, the idea of a "multipolar world order" that is upheld by many Russian politicians and diplomats, is actually extremely dangerous for Russia. In its present condition, it falls far short of the status as one of the "poles" in this construction. Given Russia's irreversible demographic decline, its territory will be literally torn to pieces by the more dynamic "poles." As far as the "unique path" is concerned, this road has already been followed on more than one occasion by Russia, each time resulting in a national catastrophe. Russia could tempt fate once again, of course, but it would probably be its last attempt.

If the European development vector is given priority, it will be much easier to build relations with the newly independent states as well. While integrating into Europe, Russia should not hinder its

neighbors' movement in the same direction. At the same time, Moscow does not have to pay for this movement by remaining the donor of a former empire. Russia will not force its neighbors into unions or alliances. But it will also abandon the practice of concessions for the sake of preserving a semblance of influence on the neighboring states and subsidizing their development at the expense of its own taxpayer. Strictly speaking, ***Russia should immediately pull out of the CIS and stop the "peoples' friendship" game wherein only the newly independent states stand to win.***

With this approach, the post-Soviet space will cease to be an arena of rivalry between Russia and the West. The European states of the CIS (Ukraine, Moldova, and Belarus) will become a field for partnership mainly between Russia and the EU; the Central Asian states and Kazakhstan, between Russia and the United States (in the not so distant future, also China); the South Caucasus countries, between Russia, the EU and the United States (eventually with Iran). This approach, among other things, unties Russia's hands in interacting with the pro-Russian opposition in those countries.

Second, it is necessary to pass special legislation that outlines the procedures for formulating and implementing foreign-policy decisions, effectively synchronizing the activities of various government agencies under the general supervision of the president in the interest of pursuing a uniform foreign policy line. This procedure should follow the principle of collegiality, encompassing all foreign policy agencies and relying on analysis and expertise by governmental and non-governmental think tanks that Russia must establish and generously finance.

Under the guidelines of the Russian Constitution, it is the president who makes fundamental foreign policy decisions. There is, however, a pressing need for preliminary coordination between the relevant state officials – specifically, the head of government, the secretary of the Security Council, and top officials at the Foreign Ministry, the Defense Ministry, the Federal Security Service (FSB) and Foreign Intelligence Service (SVR). At the current stage of state-building in Russia, this procedure should also

be open to representatives of the legislative branch: speakers of the Federation Council and the State Duma. This is necessary in order to ensure a unified position by the top representatives of the two branches of government on major foreign policy issues, i.e., elementary administrative discipline. The aforementioned officials should form a new foreign policy and international affairs body under the Russian president. This should be a new organization since all of the existing bodies, including the Russian Security Council, have proven unfit to perform this function. This new organization would be analogous to the U.S. National Security Council. In this context, it would be necessary to introduce a position similar to that of the U.S. national security adviser, occupied by an authoritative diplomat (with a small but well equipped and efficient staff). A newly introduced bill, On Coordination of the Activity of State Power Agencies in the Foreign Policy Sphere, drafted by the Expert Board of the Federation Council Foreign Affairs Committee, is relevant to this issue and is pending.

Third, commensurability, that is, a balanced mix of objectives and available resources, is a major foreign policy principle. A carefully planned and prudent resource policy is not only vital to ensure an effective foreign policy; it is crucial for Russia's viability as a state, its national economy, specific industrial sectors, domestic business, innovative systems, etc., in the global world. This, in turn, is one of the prerequisites of national security.

Fourth, Russia's image definitely needs improvement. At the same time, it should be remembered that any PR efforts, any financial inputs, will prove useless unless the internal situation improves as well. To have a respectable image abroad, Russia must ***be*** attractive, not just ***appear*** attractive. Thus, the main effort to salvage the country's image should be deployed at home, not abroad.

Fifth, it is imperative to provide more prestige to a career in the diplomatic service. To this end, a Russian diplomat – regardless of whether he is posted abroad or in Moscow – should be able to enjoy a decent life style. Moreover, he wants assurances that the state will take care of him when he retires. In short, a diplomat

must not feel like a second-rate citizen, with his status on the social ladder beneath the dignity of his position.

THE USEFUL CRISIS

Despite the significance of the problem, the ongoing foreign policy crisis in Russia should not be overdramatized. Generally speaking, such a systemic crisis can actually play a positive role if steps are taken to drastically modernize and improve the system. Furthermore, the current stage in Russia's history is definitely not the worst-case scenario. The absence of far-reaching external threats enables Russia to concentrate on its internal problems perhaps for the first time. On the other hand, perhaps never before in its history have Russia's resources been so limited (paradoxically, the windfall oil revenues do not address this problem: these funds are all but ineffectual in the absence of mechanisms, principles and priorities for their effective use).

Russian Chancellor Alexander Gorchakov (1798–1883)

A balanced mix of ends and means prioritizes Russia's European development vector, especially considering its irreversible demographic decline. Given the overriding priority of sustainable, democratic development, as well as its limited resources, Russia cannot afford to get involved in foreign wars or reckless adventures. Its foreign policy should not be aggressive, not even overly ambitious.

The postwar development of Japan and Germany shows that a (de facto) great-power status can be maintained even with a considerable moderation of foreign-policy ambitions. In this respect, national history is also quite instructive.

Following the end of the Times of Trouble and the signing of the Deulin Peace Accords with Poland in 1618, Russia was not

only weak, it bled white. Until the late 17th century – that is, for about 70 years – Russia avoided any protracted armed conflicts against formidable opponents. During the same period, however, and without going to war, it incorporated the left-bank Ukraine and Kiev, as well as Siberia, all the way up the Pacific and along the southern Chinese border. These events happened thanks to a clever foreign-policy course and initiative. During this period, by staying out of serious conflicts and not pursuing an aggressive policy, Russia expanded its territory more than any other time in its history. Following a military-political "vegetation" that lasted 80 years, devastated Russia eventually built up such a military-economic capability that it subsequently emerged victorious against Sweden, at that time one of the most formidable European powers, in a 21-year-war.

After the death of Peter the Great (1725) and up until the Seven-Year War (1756-1763), Russia once again resembled an almost ruined state. However, once again it minimized its foreign policy ambitions, especially in the most risky region – Europe. It seemed that it did not have an independent foreign policy line, acting merely as the ally of others. Yet even that period of peace and humiliation was parlayed into a series of subsequent foreign policy victories and triumphs by Catherine the Great, when almost all of western Russia was reunited; Turkey was routed, and according to historian Vassily Klyuchevsky, "Russian state territory expanded and restored to its historical borders both in the south and in the west." Of the 50 governorates that Russia had, 11 were acquired under Catherine the Great. Whereas at the start of her reign, Russia's population was not more than 20 million, by the end of her reign, it was at least 34 million (i.e., growing by three-quarters). Meanwhile, state revenues had more than quadrupled. Russia firmly integrated into world (at that time this meant European) politics as one of the most influential powers. Count Alexander Bezborodko thus was able to tell young Russian diplomats: "I don't know how it is going to be on your watch, but on our watch, not a single cannon in Europe dared fire a shell without our permission."

In the wake of its defeat in the Crimean War in 1856 (just as at the end of the Times of Trouble and the death of Peter the Great), Russia once again moderated its foreign policy claims and geopolitical ambitions. For 21 years, in the expression of Chancellor Alexander Gorchakov, it "kept its cool and focused on getting things done," dealing mainly with domestic matters and building up its power base. At that time, the Russian Empire had no allies. Yet when Russia had to sign the humiliating Paris Treaty (1856), Count Nikolai Orlov, a Russian diplomat, exclaimed: "Yes, ladies and gentlemen, we've suffered a defeat, and we are withdrawing from the Balkans. But don't you worry: we'll come back." A mere 13 years passed, and Russia returned to the Balkans and the Black Sea. No country, not even the "only superpower" – Great Britain, which pursued an anti-Russia policy – could do anything about it.

Thus, periods of relative passivity in the realm of foreign policy are not always bad. This is something to be pondered by certain Russian "statists" who – some honestly, some disingenuously – are playing the "great-powerism" card without bothering to take stock of the country's available resources. Their recommendations could spell a national disaster, which the world witnessed twice in the twentieth century.

The other choice is to focus on internal matters, which includes the generation and effective use of resources, together with dynamic economic development in the next several years (or, the international situation permitting, even decades). All of this is a key to Russia's forthcoming triumphs, not least of all in the foreign policy sphere. An important factor in these future triumphs (hopefully a not-so-distant future) is a prudent, careful overhaul of the country's foreign policy mechanism.

Torn Between Two Choices

Fyodor Shelov-Kovediayev

In order to understand the controversies unveiled by the process of globalization, as well as to see Russia's actual place within these processes, we must first recognize two fundamental truths. First, competition between the two differing global projects has been unfolding within Eurasia since before the invention of writing. Second, it is important to discern the specific nature of the current moment apart from the hitherto unknown influences that have come into play today.

A look at inscriptions left behind by the first small lords who ruled in Mesopotamia 5,000 years ago suggests they proudly called themselves the rulers of all four sides of the world. They were the first ones to make claims to global domination; sometime later, the tendency repeated itself in China.

These historical truths reveal several important facts. First, the ***Oriental vector of globalization is antecedent to the Western vector*** and, second, it is ***soaked in ideology*** since its aspiration for standing at the helm of the world has no resources to draw upon.

The European model, on the contrary, has never, even in much later epochs – in ancient Greece, despite the fact that they viewed the rest of the world as barbarians, and in Rome in the first few centuries of its history – focused on ideology. Alexander the Great set out for the Orient only after two massive Persian interventions in the Balkans and a multitude of cases of repres-

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sion against the Greeks. Even then, his purpose for going to war was mainly to recover lost spoils. The official slogan of that campaign was to win back the desecrated shrines or, simply speaking, precious utensils and decorations that the Medes had taken out of continental Greece.

The Macedonian Military Council insisted that Alexander, their ruler, take hold – with a full measure of responsibility – of the huge amount of defenseless power lying prostrate before him only after he had defeated the Persian king Darius, whose armies had finally run away and dispersed, for a third time.

One possible conclusion from the above is that the Western geopolitical project has a secondary role compared with the Oriental project; it actually responds to the Oriental challenge and its basic difference lies in its pragmatism. It develops an imperial mindset only after it acquires the resources for implementing it.

A similar thing happened to the Quirites. Early in their history, they twice dealt crushing blows to Carthage on their own territory (first at a request from Greece and second while defending Rome from Hannibal). They achieved a third such victory in Africa, which made them conclude – only after victory – that they had responsibility for the entire Mediterranean region, although Conservatives in the Senate tried to block the people's willingness to take care of anything more than their own land. As for the Latin world's ideology, which was the first global power to embrace the whole civilized world, that appears much later than the events herein describe.

Byzantine, if viewed from the angle of this opposition, continued the political traditions of the Western model, while the Franks – who admired Byzantine on the one hand, and wished to destroy it on the other because it was the heir apparent to the Roman Empire – realized that perfectly well. Let us recall, however, that the Byzantine system had parties, municipalities, a parliament, and philosophy at a time when the West lacked anything similar, even in its basic outlines.

Democratic institutions and self-government were primarily revived in the West in the cities that provisionally returned to the

rule of Constantinople from the Goths – Venice, Florence and Genoa. They influenced the rise of parliaments in England and Iceland at a much later epoch. Interestingly, the fall of Byzantium, which signaled the end to the first stage of the Western global political project, coincided with a prelude to its transition to the second stage, manifest by the colonial system of European kingdoms through their great geographic discoveries.

As colonialism fell, neo-colonialism, economic transnationalization and finally, contemporary economic globalization as an offspring of its predecessor, rose up before our eyes. This means that the Western global project has proven to be successful and uninterrupted over a period of over two thousand years.

In the meantime, quite the opposite has transpired with its Oriental antipode, which arose much earlier than the Western project and ignited the latter's activity, but it has never come to maturity. The Arab Caliphate drew close to the might of Rome only in terms of territory, and that is why today's Arab extremists regularly evoke its power. It existed as a single organism for just a few decades and did not leave behind any successors that could compare with it in the scale and reach.

China of the Han era eventually collapsed as well, while external aggressors held it together. In later epochs, new aggressors – the Mongols and the Manchus – pulled it together once again. The same function was performed by an imported ideology in the 20th century.

The Ottoman Empire never enjoyed global power either – it had looser controls than the Caliphate, while large European colonial empires fringed its borders. Moreover, the whole notion of 'the civilized world' had changed by that time.

Thus, the Oriental project proved to be impracticable and infected with a virus of internal collapse.

It appears then that pragmatism is a stabilizing force, while ideologized projects, even derivations witnessed in Rome, Byzantium or the colonial networks, are not. What I am speaking about here is political models and their ability – or inability – to retain their main essence in the process of transformation and

adapt to new circumstances. I am not speaking about individual examples of those models, since we know perfectly well that Western empires fell apart as well.

However, if we look at the cultural aspect of history in its traditional sense, the picture is entirely different.

The Orient spreads its cultural influences right into the heart of the Occident. The tendency is traced everywhere, from the Roman cults of Cybele and Isis to Christianity and later to Hinduism, Buddhism and Taoism. In contrast, after the colonizers relinquished political control over different parts of Asia, Christianity — eagerly assimilated by the Europeans — failed to take root throughout Asia, unlike its native Islam. The Philippines seems to be an exception in this case rather than the rule.

The legend about the Rape of Europa offers the best metaphor for the real situation with regard to many basic cultural skills and knowledge. In light of this, the Americans should not have been so astonished by the turn of events, since globalization is a two-way street — they somehow overlooked the fact that this has always been so.

This opposite movement provides an explanation for the tense standoff evidenced in the situation. While one project is seeking to add its cultural preferences to political dominance, the other project is thrusting forward political ideas as an appendage to cultural dominance. However, Nature hates excessive uniformity, since uniformity is the soul of emptiness.

Now we must ask what part Russia plays in all of this. One of the theories popular inside and outside the country is that Russia has always been an Oriental satrapy. This is wrong, and there are many ways to prove it.

Varangians founded Russia, which built all of its contacts before the Mongol conquest and afterwards with the Europeans. Russia's dynastic bonds with Europe were abundant. The Golden Horde's control over Russia's principalities was purely formal already 80 years after the conquest, and the bows of respect Moscow Prince Ivan the Moneybag made at the khan's court were very pragmatic. Traditions of democracy in northwest Russia and generally among tradesmen are fairly well known.

Ivan the Terrible fell formally into the Oriental format with a project proclaiming Moscow to be the 'Third Rome,' but instead of waging war against Constantinople or the Western Christians, which he should have been expected to launch, he fought for control over Astrakhan and Kazan, the Tatar fortresses that blocked lucrative trade routes. As for Latin Christians, he voluntarily met with some of them on one occasion while searching for ice-free ports to trade with the Hanseatic cities, Holland and England. This act, however, was sheer pragmatism.

Another popular example is Peter the Great. We know quite well he did not introduce dramatic novelties into the policy of the early Romanovs, except for eccentricity and new resources, although he did enhance his measures with a strong new impulse. It was thanks to Peter that Russia gained membership within the European family of nations.

Russia began its first Oriental project in 1917. This was to be a global and permanent revolution, the logical extension of which was a global republic of Soviets. There was a great lack of resources, as the Russian Social-Democratic and workers' movement lacked the unity to implement their grandiose plans. The money was in short supply, too: the Bolsheviks had to become traitors in order to get the necessary funds for a revolution even in one country. The aid did not produce the desired effect, however limited (geographically) the actual use of the money was in reality.

The paradox is that Russia continued to implement Western-style initiatives in the East. Industrialization, its policies in Central Asia and in the Caucasus, in Afghanistan and in Chechnya – these were instances of Westernization, in terms of reproduced matrixes, not methods.

Since the Oriental project contains an inherent mechanism for self-destruction, the Warsaw Pact fell apart. The Soviet Union, which Gorbachev had failed to bring to the West, was the next to collapse. Other Communist federations – Czechoslovakia and Yugoslavia – collapsed, too. The Oriental mechanism is the root-cause of problems in Georgia, Ukraine and Moldova with their quasi-autonomous regions; it explains the feeble cohesion within

the Commonwealth of Independent States. Finally, it explains Russia's threat of disintegration as well.

Unless Russia works toward change, the threat of disintegration will be great. The belief that one's country is a great power without due care for its real dignity is nothing more than downright ideology. Become a great power if you can, and everyone will agree with you. This is how it happened with the U.S. in the 20th century after it got control of key international transport, energy, financial and information arteries. That was a pragmatic approach.

To avoid the worst, Russia must look westwards. Russia's readiness to join the West's two major structures, NATO and the European Union, will attest to its earnest intentions. Since joining the EU would inevitably be a dragged-out process for many reasons, NATO remains the only choice, at least its political wing.

Joining this organization does not menace our sovereignty in any way. The forty-year-long instance set by France, and the NATO members' refusal to send a collective contingent to Iraq, proves that the bloc offers a broad road for freedom. Nor should we demonize the procedure of decision-making within NATO, since cooperativeness and diktat are quite different things.

Frankly speaking, NATO does not yearn to embrace Russia, but there was a time when it did. In the early 1990s, I personally held consultations on this subject with NATO Secretary General Manfred Wörner and Ambassador Amedeo de Franchis. Then there was an unsuccessful attempt in 2001. Russia's best opportunity to forward its application for membership was on May 9, Victory Day. Sixty years ago, Russia and Europe confronted a common enemy and we united into a coalition. Today, we confront another common enemy, so why should we not be members of the same alliance?

Naturally, President Vladimir Putin will have to discuss the idea via telephone with key figures to avoid another flop, but I feel optimistic about the chances. Why? The West is beginning to develop a realization of the Chinese threat now, which it did not have immediately following the events of Sept. 11.

What does this mean for Russia? First, applying for NATO membership would be a patriotic move, as it will help to maintain our territorial integrity. Second, through our membership in the most powerful defense organization of the northern hemisphere, Russia will get an extra layer of protection in addition to our own forces. Third, we will drop at least one – Western – vector of the three existing vectors of rebuffing the external threat. Consequently, we will gain the freedom of maneuverability, a chance to reorient investment to fundamental research and development, including research in defense technologies that lie within our domain of responsibility. Opportunities for other forms of cooperation will also broaden. Finally, the doors to the defense sector markets may open for Russian and European technologies that are presently closed.

The West has its interest, too. In the first place, it will acquire a predictable ally. Second, Russia's membership will round out the Euro-Atlantic security system in the northern quarter of the globe in the Pacific, thus making the system complete and logical. Finally, the Western political project will regain its inborn pragmatism.

America's impetuous drive to democratize the East has thrust that project into a political heresy, as the Western powers idolize just one version of democracy, and this idolization does not bring the much-desired dividends. More importantly, it creates ever-greater economic problems. Coupled with the West's internal disorder and its incompatibility with the Oriental models of conduct, it places itself as much at risk of disintegration as Russia.

In the meantime, Russia's accession to NATO might generate a number of purely practical tasks, the solution of which will be essential for keeping up the bloc's stability after this giant country joins its ranks. There will be no time for fantasies then, and the balance will be restored. What seemed to be a drawback until fairly recently will turn into an asset.

One more point. If Russia makes a clear and unequivocal decision in favor of NATO, which will presume a radical change in its current course, then the drive for accession may get backing from some multinational corporations. These economic entities, that

wish to buy property in Russia and have influence with governments, are disappointed by certain obstacles in their economic path and by Russia's sudden about-face move toward China. Presently, they are not particularly well disposed toward us.

To make a long story short, Russia's move toward the West would be a lucrative decision, as well as nicely matching the psychological orientations of those individuals who cherish the idea of Russia's great mission. By going West again, we will rescue the entire European project and ourselves. More importantly, our possession of universal knowledge will make us its central think-tank – a position much more serious than even that of the grand masters of hi-tech. Is this not a worthwhile project?

Finally, we will play the role as a unification force in the CIS, where many member-nations are pushing for NATO membership. However, our present opposition to such a move obstructs their vision of how to carry out these dreams. Russia may open the door for them, while walking in the vanguard of the column.

Vladimir Putin and George W. Bush have a space of three years to implement this unique opportunity. They can secure the most prestigious place in history for themselves as great national and world leaders; men who ventured to step over provincial egotism on a large scale.

Unfortunately, however, Russia and the U.S. are merely trying to outpace each other by making under-handed arrangements with China. They are proceeding in vain, however, because the history of the standoff between the global projects precludes such arrangements. Furthermore, the degenerating Western versions are incongruent with the Oriental model. However, China, a nation that always developed in the format of that model, is congruent with it, and will therefore outmaneuver all of us.

It will simply refrain from coming to terms with anyone now seeking its favors. The Chinese view the Americans and Europeans as overseas goblins, a devilish force in the most literal sense. As for the Russians, the Chinese feel a mixture of delight, envy and contempt toward us. Such presentiments rule out any enduring commitment to agreements.

But why should China feel bound to any external powers? Contrary to Western hopes, it will never join the pragmatic Western project.

Culture in general and Chinese culture in particular, due to its unique antiquity, demands that nothing is forgotten or jettisoned. Chinese culture stipulates its solitary ability to rule the world. For the rest of the world, their duty is to be content with the status of provinces and servants of the Celestial Empire.

Beijing has drawn in huge investment and seized consumer markets for goods and electronics. It is buying industries the world over and supporting the *huaqiao* business. It is engulfing the entire consumer economy, without which the Western community could not imagine their present level of comfort. China is pursuing its objective step by step, and is not far from reaching it.

China's anti-Japanese gymnastics is also quite illustrative. Beijing keeps reminding to the Land of the Rising Sun that it is a younger civilization who learned everything from China.

This brings up yet another reason why NATO should unite with Russia. The options are quite straightforward: we either save ourselves together or perish together. Just look at China's defense achievements.

In conclusion, let us look at the re-emerging efforts of European and American analysts who attempt to predict the scenarios of Russia's disintegration. These predictions should not be looked at either too nervously or too placidly, while condemning them as part of another plot against Russia would be very irrational.

I find the whole case to be much simpler and deeper at the same time. The West realizes the self-destruction logic of the Oriental project that we are presently experiencing and it is preparing for a possible landslide, trying to predict what the self-destruction will look like in a nuclear country. That is not the only reason, though. The worst scenario, the Western analysts fear, is if sprawling Russia collapses and they are unprepared. Hence, their policy of befriending neighboring countries along our borders as an additional safety belt to protect the Western body against the approaching avalanche.

Of course, some people hope that during the long period of our disintegration, which may take several decades and may also require certain pragmatic demands, they will be able to find a loophole for themselves for the next 25 years. We will let others scratch their heads over these questions. The problem is that, unlike the deeply hidden codes of civilization, the technological solutions that the West takes pride in do not work if these solutions do not rely on broad cultural foundations, an asset that Russia has.

Unfortunately, our leaders have oriented their principal cooperation programs to the East; they will have to reconsider this trend, otherwise, the country will collapse. Since the current programs are embedded in the Oriental project – contrary to the *perestroika* episode or the first years of Boris Yeltsin's administration – that collapse will unavoidably be a bloody one.

It is time for Russia and the West to stop their mutual fear mongering. It is time the West stops fanning the flames of Russia's collapse, while we stop looking to China. Let us heed sober voices. The games of patriots of every color will only serve to make the world more feverish. This may eventually land us trouble, since the time left for calm and rational thinking is running out.

The Kremlin may miss its window of opportunities. Western partners will eventually decide that is it worthwhile just to wait for our controllable disintegration, at which point they will buy Russia up piecemeal. Ironically, some Russians have adopted this logic of European and American scenarios and are acting on it as if it were a user's guide.

These individuals prepare the material and psychological groundwork for carving the country up into pieces, but can anyone prove that attuning the nation to a collapse is an easier task than to cure a limited group of politicians of their anti-Western syndrome?

An Outlook for Joint Countering of Security Threats

Vladimir Dvorkin

What are the prospects for Russia's partnership with the West in countering security threats at the beginning of the 21st century? What still remains from the strategic legacy of the Soviet Union and what has been created in new Russia? Answers to these questions are key in preserving and modernizing this legacy and taking further steps in building a new partnership capability.

Before tackling this problem, however, it is essential to address the definition of 'partnership' since this term is often used too loosely. Thus, Global Partnership, an action plan adopted at the G-8 Evian Summit in 2003, provides for $20-billion aid to Russia for eliminating its stockpiles of chemical weapons, scrapping decommissioned nuclear submarines, improving the safety of its nuclear installations, etc. At the same time, the aid is to be provided not only by G-8 members, but also by at least other 13 countries, in particular Australia, New Zealand, and South Korea.

Although Russia agreed to allocate $200 million annually for these programs, this partnership still resembles "cooperation" between a sick patient hooked up to an IV and a team of doctors fussing around his bed. Thus, it is important that we discuss a partnership that is more or less on equal terms.

Vladimir Dvorkin, Head of Research of the Center for Strategic Nuclear Forces, senior research fellow of the Institute of the World Economy and International Relations, Russian Academy of Sciences; Major-General (Ret.)

EQUAL PARTNERSHIP: A VIABLE PROPOSITION?

There is no immediate threat of direct aggression against Russia on the part of specific states or their coalitions in the foreseeable future. However, other threats to the country's military security have increased. International terrorism and the proliferation of weapons of mass destruction are modern realities that are eroding the security of practically every civilized state. These threats are particularly dangerous to Russia due to its geo-strategic position and insufficiently protected borders.

Moreover, the outbreak and escalation of large-scale regional armed conflicts near Russia's borders, possibly involving the use of nuclear weapons, cannot be ruled out. Such a possible scenario demands special deterrence action by the Russian Armed Forces.

Furthermore, there is a need to protect Russian installations and facilities that are situated in the oceans and space infrastructure abroad, as well as facilities related to shipping, commercial and other types of activity in littoral areas and remote oceanic zones.

This proves that, far from diminishing, military force continues to play an increasing role at the beginning of the 21st century. However, the transborder nature of practically all of the aforementioned threats and challenges, coupled with an insufficient resource base even in the most powerful states (Russia not being among them yet), requires close international cooperation. This is why Russia needs military structures capable of smooth, hassle-free interaction with analogous structures in other countries. Cooperation on such a level demands at least two provisos: interoperability of structures between Russia and its allies and our partners' comparable contribution to addressing these shared threats.

At first glance it may appear that such a partnership is already in place – under the auspices of the Russia-NATO Council which provides guidance and recommendations for more than 20 joint working groups, the conduct of joint military exercises, peacekeeping operations, and other activities with the participation of Russian and NATO forces. It also provides the basis for the implementation of military-technical cooperation programs.

Yet there is little evidence of equal partnership, especially full-fledged participation in coalition forces dealing with regional armed conflicts, peacekeeping operations, WMD and other non-proliferation activities. This requires a high level of structural, operational, and technological interoperability between Russian and NATO military units, as well as comparable professional, legal, and humanitarian personnel training standards.

Meanwhile, the Russian military, which is the poor man's answer to the Soviet military, is not ready for such partnership. The Russian Armed Forces have emerged from unjustified shake-ups and reorganizations in recent years and are now an essentially obsolete structure, not speaking about the command and control structure. Nor has the progressive deterioration of arms and military equipment been halted: the obsolescence and wear and tear of the basic assets of the military-industrial complex presently stands at 80 percent – a very critical level. Meanwhile, the country continues to lose key technologies that are crucial for its defense. The technological gap between the Russian and U.S. (NATO) armed forces in intelligence, communication, command and control, and precision-guided weapons continues to widen.

To bridge this gap, it will not be sufficient just to modernize the military-industrial complex, create joint commands of compact mixed-arms forces and assets, introduce effective procedures and methods for conducting operations with the use of integrated intelligence, command and control and communication systems, together with air, ground and sea-based precision guided weapons. All of this already exists in the U.S. military and to a certain degree in the most developed European NATO member countries. So while (and if) Russia moves in the same direction, the Western-leaning nations will only increase their lead, thus broadening the gap.

For these reasons, no direct and equal military partnership between Russia and the West can be expected in the foreseeable future. At the same time, supplies of arms and military equipment to government forces in Afghanistan, for example, which are mainly trained to handle Soviet weapons, is an example of indi-

rect partnership in the military sphere. Certain structures of the Russian Armed Forces can also be involved in auxiliary operations, such as, e.g., making available their military bases, providing transport support, constructing pontoon ferries, etc.

ANTIMISSILE DEFENSE PROGRAMS

Other security spheres have the potential for full-fledged cooperation – partly as Soviet legacy and partly as input by new Russia. This involves, in particular, stopping the proliferation of missiles and missile technology, and building missile defense systems.

Yet how relevant is this line in dealing with new threats? After all, on the one hand, the missiles in the majority of countries with authoritarian regimes do not pose a serious danger unless they are armed with nuclear warheads. On the other hand, it is not difficult to secretly deliver nuclear explosive devices or nuclear warheads to big cities either complete or piecemeal with their subsequent assembly on the ground. This danger is more real than the possible use of missiles.

Furthermore, the rapid spread of new technology (including satellite navigation) makes it possible within a relatively short time span to convert ballistic missiles with conventional warheads into precision-guided weapons. Such missiles can be extremely dangerous if they hit nuclear power plants, installations or depots with radioactive materials, chemical or other substances, while hundreds of such installations and facilities can be found in any megalopolis. Second, many hundreds of ballistic missiles are deployed in countries with unstable political regimes, and should even a small part of these weapons be armed with nuclear charges, this will become a substantially more serious threat compared to other options for the delivery of such warheads. This is why cooperation in countering the further proliferation of missile systems is such a high priority.

By the mid-1980s, the Soviet Union had completed the construction and modernization of the ground-based component of the missile attack warning system (MAWS, which began in the late 1950s), comprised of eight radar stations along the border perime-

ter. These systems were built in Murmansk, Pechora, Skrunde, Mukachevo, Sevastopol, Gabala, Balkhash, and Irkutsk. The Daryal-type radars found in Gabala and Pechora are still believed to have an unmatched capability for detecting ballistic targets in their areas of responsibility.

Following the breakup of the Soviet Union, five of the eight MAWS radar systems ended up outside Russia. The Dnepr radar at Skrunde was dismantled. After that, its functions were partially performed by the Dunai-3U radar of the Moscow Region's ABM Defense System; eventually, this system was displaced by the new Volga radar based in the Baranovichi area, which was put into operation in 2003.

The main purpose of MAWS has always been to ensure the early detection of single, multiple and massive launches of U.S., British, French and Chinese ground- and sea-based ballistic missiles. Data received from MAWS systems are designed to serve as a basis for decisions to retaliate (such decisions are made within a space of just a few minutes by the country's top leadership) with a counter missile strike so as to protect own missiles from a disabling first strike.

The expediency of such plans for the use of strategic nuclear forces in a basically different military-political environment merits a separate analysis. It will only be noted here that in the prevailing situation, the fact that Russia and the United States have abandoned plans to withdraw their missiles to avoid attack – that is plans for retaliatory strikes – far from diminishing the role of MAWS, actually gives it a greater role in meeting new threats since these systems help rule out an inadequate, disproportionate response to provocative missile strikes by countries with unpredictable regimes, ensuring credible instrumental control over the proliferation of missiles and missile technology.

This is, in fact, an area of cooperation where Russia could play a leading role, principally because the Russian MAWS radars deployed in the south of the country possess a unique capability to monitor the southeastern, southern, and southwestern regions where the danger of a missile launch exists. These capabilities substantially exceed those of the United

States or other Western partners. This technology could be made more effective with the joint operation of Russian and U.S. early warning systems. This view is shared by leading U.S. experts in the field. Thus, a study involving the imitation of missile launches from many countries – from the Middle East to Europe – against different targets and with different flight paths, showed that (according to Dr. Bruce Blair, president of the Washington-based Center for Defense Information) a joint MAWS system is 20 percent to 70 percent more effective than a separate early warning system.

A very important step in this direction was made in September 1998, when the Russian and U.S. presidents decided to set up a Joint Data Exchange Center (JDEC) in Moscow to share information on ballistic missile and space launches. Pursuant to that decision, a corresponding memorandum was signed in June 2000. The JDEC is designed not only to ensure against accidental missile launches in either country, but also to monitor missile launches of third parties, including sea-based (submerged) launches. The two sides chose the location for the JDEC, developed a table of organization, defined staff functions, the type of equipment, etc. Under the memorandum, which went into effect upon signing, the Center was to have gone into operation a year later – that is no later than July 2001.

Russia's best possible policy in the face of mounting global security threats would be a de facto, as well as de jure, merging with NATO.

The project was considered at that time to be a breakthrough in strengthening mutual trust and proof of real partnership. Nevertheless, to date the project remains frozen, although it is ready on both the organizational and technical level: thus, in their declaration signed simultaneously with the U.S.–Russian Treaty on Strategic Offensive Reductions (Moscow, 2002), the two sides pledged to do what it takes to put the Center into operation.

There are many petty red-tape, bureaucratic impediments to this process, including, government officials say, the issue of covering civil liability for any possible damage. Yet with mutual polit-

ical will, this problem can be resolved very quickly since with the JDEC in place, potential damage will be negligible.

In addition to enhancing the effectiveness of missile launch oversight, close partnership between Moscow and Washington will help expand the JDEC's role by getting many other countries involved. This will lay the groundwork for a multilateral missile technology control and multilateral notification regime for missile launches, thus creating additional effective instrumental and legal safeguards against the proliferation of missiles and missile technology in the world.

While the fate of the early warning radar stations in Belarus and Kazakhstan is not as yet cause for serious concern, this does not hold true for the two radar stations in Ukraine and one in Azerbaijan.

Baku's drift toward Washington is quite discernible, as can be seen from, among other things, the heightened military cooperation between the two countries and the involvement of Azerbaijani troops in operations led by coalition forces in Iraq and Afghanistan. Thus, the future status of the Russian military base in Azerbaijan (the Gabala MAWS radar station) remains uncertain.

Nor does the situation with the two Russian MAWS radars in Ukraine provide much cause for optimism in the foreseeable future, due to Kiev's persistent striving to join NATO, which can happen fairly soon. This could cause, among other things, purely legal problems linked to the presence in Ukraine of foreign military bases maintained by countries that are not part of the North Atlantic alliance.

What policy should Russia adhere to in these conditions? Stopping the decline of Russian influence, not only in Azerbaijan and Ukraine but also in the entire post-Soviet area, is obviously crucial. This remains, however, a very bleak prospect: too much time has been lost and too many serious political mistakes have been made. To rectify them, it is necessary not only to build a politically and economically attractive country with stable democratic structures. It is also critical to overcome some glaring contradictions with regard to NATO: on the one hand, developing a partnership within the Russia-NATO Council, while on the

other, setting the Russian Armed Forces the priority task of repulsing an air (space) attack that no other force but NATO can carry out. Yet, at the same time, Russia's best possible policy in the face of mounting global security threats would be a de facto, as well as de jure, merging with NATO.

In the interest of preserving Russia's partnership potential for countering the proliferation of WMD-capable missiles, it would be essential, above all, to "unfreeze" the JDEC and subsequently expand its functions toward full-fledged international cooperation. Then not only the United States but the entire West would see to it that radar stations based outside Russia do not drop from the MAWS network.

A GLOBAL ABM NETWORK

Prospects for partnership in building a global ABM system look increasingly more encouraging. It would seem that in this field Russia has actually taken the lead since it is the only country with a credible strategic ABM system (the Moscow Region ABM system). However, neither Russia's experience in building such a system nor the underlying technology is of much interest to the United States or European countries. First, because Russia's system is based on the use of nuclear technology to intercept attacking missiles, and since they bear no indication as to what type of warhead is used – nuclear, chemical or conventional – retaliation to even a dummy launch can result in a nuclear fireworks display over Moscow with all the ensuing consequences. Second, the United States deployed an almost identical ABM system but it was dismantled exactly 30 years ago by Senate ruling.

At present, joint Russian-U.S. computer-assisted ABM theater exercises, staged alternately in Colorado Springs and Moscow, have been proceeding for several years now. These exercises have the makings for full-scale Russian-Western cooperation in building ABM systems on different levels. These exercises have been used, in particular, to rehearse the interoperability and coordination of such systems as the S-300 and Patriot in repulsing tactical ballistic missile attacks against theater targets. In 2004, a war game

of this kind was held for the first time between Russia and NATO at Colorado Springs.

One distinguishing feature of the U.S. ABM system is that it is probably one of the first large-scale military programs not designed to avert missile threats coming from specific adversaries, but developed in accordance with the "capabilities-based approach." This principle fits into the national security strategy that must take into account the unprecedented unpredictability of the military-political situation in the world following the breakup of the bipolar system, especially since the U.S. intelligence community, in 1999 and 2000, considered scenarios in which Russia acted as a U.S. ally and adversary. On the other hand, in the wake of September 11, it has become non-PC to refer to Russia, which fully supported Washington in its antiterror efforts, as a possible adversary. U.S. administration officials continue to repeat that the U.S. ABM program is not aimed against Russia's nuclear deterrence capability.

A CIA report released several years ago said that missile threats to U.S. territory from 'rogue states' could not realistically emerge before 2015, which almost completely coincided with Russian expert estimates. That forecast, however, did not suit all interests in the United States, and so a special commission under Donald Rumsfeld brought the threats forward a decade, "setting" them for 2005. This prediction became a strong argument for the administration of U.S. President George W. Bush to withdraw from the 1972 ABM Treaty (a decision opposed by Russia) and launch full-scale preparations for the deployment of a national ABM system. Today, no credible missile threat for U.S. security is expected: after all, 'rogue states' need considerable time to carry out test flights, which is impossible to do covertly.

Leaving aside for a moment the problems of Russian-U.S. cooperation in the ABM sphere, related to the lingering distrust on both sides, bureaucratic impediments, concerns over sensitive technology transfers, and so forth, there is good cause to say that the feasibility and expediency of this cooperation at the present stage is contingent on the status of the U.S. ABM program.

The work on a strategic ABM system in the United States has been proceeding continuously for several decades, but it received a particular impetus in the early 1980s. The perception that the Star Wars Program was never designed for practical implementation, but merely aimed to undermine the Soviet economy, is hardly consistent with reality. It will be recalled here that back in 1983, former U.S. President Ronald Reagan said it was an extensive program that would not be carried out in the 20th century.

An analysis of the U.S. ABM elements that are currently being tested shows that participation by Russian designers in these programs is difficult if only because Russian sensors, elemental-base, and other technologies are not attractive to the Americans.

At the same time, the United States' development of an intercept system that is meant to destroy ballistic missiles at their boost-phase has a host of shortfalls complicating their effective use. This conclusion was made, in particular, in a report by an American Physical Society (APS) study group entitled, *On Boost-Phase Intercept Systems for National Missile Defense* (July 2003).

Analysts from the study group showed that missiles could only be intercepted with speeds considerably higher than what has been achieved to date. Without this, missiles launched from inland areas by potential adversaries cannot be intercepted. In this context, cooperation with Russia, whose design organizations have the technology to create high-speed interceptor missiles and solid propellants, which are ahead of U.S. technology by at least a decade, could be extremely effective in building new-generation ABM systems to effectively engage all types of missiles at the boost phase.

This one area, however, does not exhaust the prospects for Russian-U.S. cooperation. Ground-, space- and sea-based information and reconnaissance capabilities are the keys to the success of missile defense systems.

The unique capabilities of Russian MAWS radar systems, especially if integrated into a joint ABM data exchange facility, were mentioned earlier.

There are equally good prospects for cooperation in deploying a low-orbit satellite target designation system (STDS), which consider-

ably enhances the capabilities of the ABM system. STDS spacecraft, about 650 kg each, with IR and visible-band sensors, are to be put into circular orbits of 1,350 km to 1,400 km with a 60 to 70 degree inclination. Heavy defense-conversion (non-military) rockets, developed under the Russian-Ukrainian Dnepr Project, could be used to put them into orbit. During the strategic arms race, the rocket's output performance specifications were the world's highest in its class.

Several such rockets, converted from RS-20 ICBMs decommissioned at the end of their service life, showed an extremely high degree of reliability in commercial satellite launches for foreign companies.

Such a rocket with a boost stage and several restartable engines can simultaneously place two STDS spacecraft into circular orbits of up to 1,400 km with the required inclination degree. This makes it possible to deploy a low-orbit data support constellation for a global ABM system at a considerably smaller cost.

THE EUROPEAN VECTOR

Russia's cooperation with European countries in the ABM sphere is hardly feasible without U.S. participation. European states can apparently be counted on to make a technological contribution to a global ABM system, as well as make their territory available for the deployment of new U.S. ABM facilities, which, judging by media reports, is a subject of ongoing debate with the newly admitted NATO member states from Eastern Europe.

The perception that Moscow's proposals for a European ABM system are primarily a crude attempt to divide the EU and the United States is hardly justified. After all, in 2000, then Russian Defense Minister Igor Sergeyev submitted detailed proposals for a European ABM system not to the Europeans but to NATO Secretary General George Robertson. At that time, they only involved theater missile defense, as the ABM Treaty's limitations were still in effect and there was still hope that the Russian-U.S. agreement on the discrimination of strategic ABM and non-strategic ABM as part of a package to extend the START II Treaty would enter into force.

Yet under the new conditions, Moscow's offer to cooperate with Europe on non-strategic ABM alone appears anachronistic. This also applies to joint computer-assisted war games with the United States and NATO, confined only to theater ABM.

At the same time, the U.S. "capabilities-based approach" outside possible missile threats for the majority of European states will doubtfully be greeted with enthusiasm. Therefore, Europe will have to make preliminary analysis of such threats, taking into account missile technology transfers between North Korea and Iran, where the Shehab-5 missile, with a range of about 3,500 km, is being developed on the Taphodon-2 medium range ballistic missile platform. There are also missile technology transfers between China and Saudi Arabia (Dunfan-3 missiles with a range of more than 2,600 km).

Attempts by the European countries to stop the further widening of the technological gap with the United States can also provide a good incentive for European participation in such a large-scale program.

Thus, Russia's cooperation with the EU needs to be seen in the context of building a global ABM system which could in the long term effectively defend U.S., Russian and EU territory against missile attack since separate cooperation with the EU or EU states is evidently unrealistic for military-political and technological reasons.

Furthermore, other areas of cooperation with the United States that could be tapped for a European ABM program include advanced Russian radar technology, state-of-the-art software to detect early missile launches, the identification of warheads amid decoys and jamming devices, and other R&D projects. Russia also has developed test infrastructures, featuring a network of radar, optical electronic and telemetric stations.

* * *

There are still good prospects for Russian-Western partnership in countering proliferation threats, together with the construction of a global ABM system. In the foreseeable future, this

could be the only sphere of relatively equal military and military-technical cooperation.

Not only Russia, but also the West, is interested in preserving this partnership potential. It is important to face up to this need and deploy joint efforts as soon as possible. After all, as Russia's influence in the post-Soviet area progressively declines, it could be faced with the formidable problem of keeping all of its foreign-based radar stations within a single MAWS framework. At that point, global monitoring of missile proliferation would prove all but impossible.

Russian-U.S.-European cooperation in R&D programs, and in deploying combat and information support ABM systems, is equally important.

If the decision to work together in this area is made in the foreseeable future, it will open unique opportunities for cooperation between the military-industrial structures of Russia, the United States, and the leading European states.

It will be essential to work not only on the joint development of a global ABM system but also share its information components. This would be the most convincing evidence that the end of confrontation in any form is irreversible. It would also be a major step toward a genuine strategic partnership.

For more than three decades, missile attack warning systems have been major spheres of strategic rivalry in relations between the Soviet Union/Russia and the United States. In a new environment, with enough common sense and political will, they could become a no less important factor in the consolidation of efforts to meet global security challenges.

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On the Threshold of G-8 Presidency

Drawing by Lena Kramynina, 8 years old. Prize winner of the *Northern Lights* contest held by Tyumentransgaz company.

“Global energy issues could make the agenda of the G-8 summit in St. Petersburg in 2006, and help the parties to put aside their “marginal ideas” and focus on several important priorities concerning global energy security. If Russia comes out with such an agenda, it will have a good opportunity to improve its international image, as well as strengthen its role as a global energy power.”

Global Energy Agenda

Vladimir Milov

Global energy security will top the agenda of the Group of Eight's next summit, to be held in Russia's St. Petersburg in 2006. This is a major international problem, and a subject that is overdue to appear on the G-8 agenda. Power engineering is one of the few advantageous areas for Russia; it possesses an increasing energy potential available to its partners for discussion.

There is no clear-cut definition for "energy security." Experts from the International Atomic Energy Agency define it as a concept aimed to protect customers against any interruptions in their energy supplies due to emergencies, terrorism, underinvestment in infrastructure, or poor organization of markets. Developed countries have learned to protect themselves against emergencies with the help of strategic oil reserves of their own. It is probable that the energy security debate will soon focus on the organization of markets and on a wide range of issues pertaining to the access to resources.

If Russia considers itself a full-fledged member of the "elite club," it must approach this discussion from the perspective of objective interests of the international community, rather than try to use the favorable situation on the market in its own interests. Russia must avoid the temptation to merely "sell energy resources," but rather contribute to the creation of a more stable international energy mechanism, which, in turn, would broaden our possibilities on the international energy markets. With this

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Vladimir Milov is President of the Institute of Energy Policy.

goal in mind, it is important to ask what would be the most logical subject to discuss under Russia's G-8 leadership.

THE G-8 AND ENERGY SECURITY

It would be an illusion to think that discussions within the G-8 framework are capable of bringing humanity any closer to the solution of its energy problems. The G-8 is not a monolithic body, and its status is rather vague. At the same time, it is important not to underestimate the importance of discussions between world leaders concerning global problems – especially concerning those fields where Russia is evidently competitive and has vital interests.

In general, it is untypical of the G-8 to undertake a systemic approach to solving the specific problems facing humanity. Within the framework of this forum, contacts between the leaders per se are often more important than results. Nevertheless, starting from the 2000 summit in Okinawa, energy issues have been invariably mentioned in the final documents of G-8 summits (although in brief and mainly in the context of the development of renewable energy sources and efforts to combat global climate change). Over the last eight years, the G-8 energy ministers have held two special meetings where the focus was on global energy security. At one such meeting, held on May 3-4, 2002 in Detroit, the ministers formulated the basic principles of international interaction in ensuring energy security. The last few years have been marked by stepped-up bilateral "energy dialogs," in which Russia is taking an active part.

These discussions brought out several problems of top priority.

First, it is obvious that within the next few years the oil issue will continue to dominate the global energy dialog. Competition between different energy sources (natural gas, coal, nuclear energy, and renewable and alternative sources) is possible only in stationary power engineering (most importantly, in electric power engineering), where, incidentally, oil consumption has decreased to a record low in recent decades. However, humanity's "mobility" now directly depends primarily on oil: in the transport sector of the world economy, which is vital for global economic growth

and globalization itself, there are no alternatives to oil as a fuel. Moreover, oil is the most "globalized" energy commodity in the world: more than 55 percent of the world's oil output sells via transborder trading operations (as compared with 33 percent of the world's natural gas and less than 20 percent of the world's coal sold worldwide).

Second, deepening globalization, together with a move on the part of many national economies, including Russia, toward greater openness assigns special importance to the stability of global energy markets.

Finally, **third**, the development of alternative, environmentally friendly technologies for energy generation, which help achieve the "energy equality" of nations, as well as decrease humanity's dependence on fossil fuel, must be the genuine mission of the G-8. In order to accomplish this task, the mission must comprise not only the major net-importers of energy resources, but also those states capable of making a significant intellectual contribution.

GLOBAL ENERGY MYTHS

In organizing a discussion concerning the world's energy problems, it is extremely important to put aside the numerous superficial ideas about the functioning of global power engineering, and, most importantly, some misleading myths that have recently taken root in the world press and the expert community.

One of the main myths stems from incorrect estimations about particular developments on the global oil market, as well as the exaggerated negative influence that high prices have on the economies of developed countries, which allegedly forces world leaders to lower oil prices at any cost. Some analysts argue in earnest that the Western countries are interested in a "package of measures" to cut world prices. These measures, they say, may include the creation of "buffer oil reserves" that could be released on the market when prices hit a peak and need to be reduced.

Proposals of this kind are based, first, on an incorrect interpretation of the global oil price situation, not to mention the motives of the governments of developed countries. Second, they are based

on a simplified view of the system of price formation on oil markets. Undoubtedly, high oil prices do have a negative impact on the development of the world economy, above all the economies of net oil importers, many of which receive representation in the G-8. According to well-known estimates of the International Monetary Fund and the World Bank, high oil prices can reduce global economic growth rates in 2005 by 0.25-0.5 percent.

However, the integral influence of high oil prices is obviously positive for many parties. First, apart from Russia, three other members of the G-8 – the United States, Great Britain and Canada – are major oil producers and exporters; their oil exports amount to 50-100 million tons a year and the present situation on the oil market is very advantageous for a large part of their economies. Second, beneficiaries include Western oil and gas corporations (as well as financial institutions providing them with investment financing) which participate in oil extraction projects around the world, thus exporting highly qualified personnel and technologies, while often repatriating the capital earned.

Finally, since the mid-1980s, global oil prices form on the financial markets of Western countries, where Western financial institutions trade not in actual oil but in derivative instruments, as opposed to the "outlet" point of the producer countries (the "Franco border of Saudi Arabia"). Oil futures are a way to place capital, and good incomes are earned on the high prices, above all, by hedge funds. Of course, a large part of the incomes is redistributed in favor of the producer countries; however, it would not be right to say that their economies are the only ones that gain from the high prices.

Incidentally, in 1979-1981, world oil prices were 25 to 30 percent higher than current prices, if estimated by current exchange rates (by the 2004-dollar rate). Thus, although there are grounds for concern, it would be wrong to say that today's prices have reached their highest levels that are fraught with catastrophic consequences.

As for the system of price formation on the global oil market, Western leaders perfectly understand this mechanism and realize

that a policy of short-term influence on the market does not play a significant role, unlike fundamental factors. Indeed, there is no shortage of oil on the market, and the maximum margin between oil output and consumption over the last decade has stood at about 2.5 million barrels a day. Annually, this is about one-third of the total amount of the permanently maintained commercial oil reserves in the member countries of the Organization for Economic Cooperation and Development (OECD), which during the last decade have been alternating between 2.4 and 2.7 billion barrels. This shortage permits the market to operate at a rather comfortable level (the reserves easily cover the gap between oil output and demand). High oil prices are the result of investor uncertainty about fundamental factors (for example, if oil supplies will be able to keep pace with increasing demand, and how long the sharp increases in the demand for oil will last) which determine supply and demand in the long term.

In 2004, the growth rate of global oil demand hit a record 3.4 percent, with China and other developing countries of Asia in the lead (they accounted for about 0.5 percent of the increase in demand). The growth in oil consumption was particularly high in China – 15.4 percent (this country posted a two-digit increase in demand for the second year running). However, many experts allay possible fears concerning these figures: approximately half of the increase in the demand for oil in China, as well as in other Asian countries, was provoked by a shortage of electric power plants (the inert energy sector cannot keep up with the rapid development of the economy) and by the large-scale introduction of diesel generators. Obviously, this situation will not last long, and additional electric power plants are in the cards. These will operate on natural gas, coal or nuclear energy. However, even if the rapid growth of the Chinese and other Asian economies continues, it will no longer result in an astronomical increase in the demand for oil.

As for the oil supply, that is, the ability of the world oil industry to ensure at least a moderate increase in demand (within two percent a year), one cannot be as confident about this issue in the long term, despite the present calm situation. Although, even

according to the most conservative estimates, mankind is ensured oil resources for some 40 years ahead (these resources are regularly reproduced, although official estimates in 1980 said that oil in the world would end up by 2010), 75 percent of these resources is concentrated in the member states of the Organization of Petroleum Exporting Countries, where the ruling regimes are politically unstable and the future is obscure.

RUSSIAN RESOURCES AND GLOBAL DEMAND

Global oil security largely depends not on the present situation on the market or mechanisms for influencing it, but on the following two fundamental factors:

1) Confidence about the availability of oil resources, and transparency of information;

2) International access to oil resources.

Therefore, confidence building with regard to international oil resources can find a place on the agenda of a G-8 dialog on global energy security.

There is no need to invent anything special for such a proposal. In 2000, six major international organizations – the Asia Pacific Energy Research Center (APERC), the Statistical Office of the European Communities (Eurostat), the Latin American Energy Organization (OLADE), the International Energy Agency, OPEC, and the United Nations Statistics Division – introduced the idea to develop a unified international mechanism for collecting and universalizing data on global oil resources and access to them. This mechanism (since April 2003, officially named the Joint Oil Data Initiative, or JODI) ensures high oil data transparency. Moreover, it works to stabilize the global oil market by providing reliable information to traders, who often must rely on rumors.

Support for JODI may soon become a key element of the global energy dialog, and Russia must take this into consideration when preparing for the G-8 summit in St. Petersburg. It would be very useful for it to take the initiative in promoting standards of international oil data transparency. To this end, however, it will

have to resolve some important internal issues. First, information on oil resources in Russia is classified. Second, the Russian methods of evaluation of its oil fields do not correspond to international standards. Whereas the second problem, for all its complexity, is purely technical and therefore soluble, the first one is rather a matter of philosophical choice. It is difficult to name the reasons why it is disadvantageous for Russia to declassify data on its oil reserves, but it seems that such a move would add to Russia's status as a world energy power, while allowing international financial markets to re-evaluate Russian energy companies.

Access to resources is a more difficult problem. Its solution may take different approaches – from a possible revision of the concept of international sovereignty with regard to countries where vital natural resources are concentrated (such an idea is absolutely marginal and unacceptable in essence, however, looking at the international politics, it is difficult to assert with confidence that it has no future), to the stipulation of terms for the participation of transnational corporations in the development of oil and gas fields in various parts of the world, as well as in large international infrastructural projects intended to ensure the delivery of resources to the world markets.

Russia is interested in discussing these issues within the framework of civilized mechanisms that would rule out marginal scenarios and protect nations' right to an independent policy. It would make sense to focus the discussions on such issues as: 1) an international regime for implementing infrastructural projects (presently, multinational projects of this kind are implemented on an individual basis, and political risks are regulated in the "manual control" mode); 2) international standards for granting access to energy resources.

The solution of the first problem would greatly improve Russia's image as an international transit power, since high political risks now cause other countries to bypass Russia (e.g. the Baku-Tbilisi-Ceyhan and Baku-Tbilisi-Erzurum corridors; the TRACECA (Europe-Caucasus-Asia) transport corridor; the planned Turkmenistan-Iran and Iran-Turkey gas pipelines; and the idea to build trans-Caspian pipelines).

As for the second problem, Russia will most likely have to answer some inevitable questions during discussions in St. Petersburg. They concern, above all, terms for international corporations' access to Russia's oil and gas resources — a subject actively discussed of late in connection with the drafting of a new version of Russian legislation on mineral deposits. In addition, there are plans to limit the rights of foreign investors in the development of Russian oil and gas fields. However, the existing version of the bill on mineral deposits does not specify the legal regime for foreign companies in this sphere. It is believed that this regime will be largely determined by individual decisions of executive power bodies. In addition, there are no definite criteria for classifying oil and gas fields as "strategic" (where foreign participation is planned to be limited).

Russia should not avoid this discussion, but rather try to settle outstanding issues. For example, foreign investor limitations would only reduce the effectiveness of the Russian oil and gas sector and not bring any benefits to Russia. What ultimately matters is the effectiveness of state regulation, not the citizenship of the investor. If Russia really wants to be a full-fledged member of the community of civilized countries, it must make it clear what foreign companies can do and what they cannot do according to the Russian legal system. In the other member states of the G-8, the legal environment is built precisely on such principles. There is a general belief that even if Russia introduces stricter yet better-formulated, direct-action laws for foreign investors, the move will be met by the developed countries with more understanding than statements like "You shouldn't worry, the matter at issue is only five or six fields which we will name later." But if the law on mineral deposits is adopted before the St. Petersburg summit begins (which is possible), Russia will only gain in terms of its image and thus avoid unnecessary discussion at the forthcoming summit.

In comparison with such fundamental issues, it makes little sense discussing secondary issues like the use of strategic oil reserves of developed countries for short-term market influence. The G-8 energy ministers at their meeting in Detroit already

rejected such ideas. The main drawback of these proposals is that they look at consequences (current prices) rather than the cause, that is, the basic expectation of an oil shortage in the future. Furthermore, the fundamentals of the market economy do not inspire hope that the governments of the developed countries can determine the so-called fair oil price (or price corridor), or that a "fair" price, determined subjectively, is even possible (try, for example, to determine the "fair" market exchange rate of the ruble!). Incidentally, OPEC's idea of a "fair price corridor," proposed at U.S. $22-28 a barrel and widely publicized by the organization several years ago, was a complete flop because it was pure political speculation and had no relation to the real processes occurring on the world oil market.

The energy agenda of the G-8 will inevitably include the development of alternative energy sources. These comprise, most importantly, hydrogen technologies, which provide humanity's main hope for a possible oil substitute in the transportation sphere. Russia can make a major contribution to this discussion: Russian developments in hydrogen power engineering, financed by Norilsk Nickel, have received much publicity of late. Russia has good chances to become an international center for the development of economically effective hydrogen technologies, and the G-8 summit can assist in these efforts.

In conclusion, these global energy issues could make the agenda of the G-8 summit in St. Petersburg in 2006, and help the parties to put aside their "marginal ideas" and focus on several important priorities concerning global energy security. If Russia comes out with such an agenda, it will have a good opportunity to improve its international image, as well as strengthen its role as a global energy power.

The Importance of Being Normal

Vlad Ivanenko

The debate about "Who lost Russia?" has been proceeding in the West since the Russian sovereign default of 1998. It flared under a new heading when Andrei Shleifer and Daniel Treisman wrote, "Russia has become a typical middle-income capitalist democracy" in *Foreign Affairs* in February 2004. Many Western observers have expressed reservations about this conclusion. For example, in the *European Journal of Comparative Economics*, 2005, Steven Rosefielde claims: "Russia is an abnormal political economy unlikely to democratize, westernize or embrace free enterprise any time soon."

One of the reasons for this ongoing controversy is obvious. Participants in the debate define 'normalcy' differently. For example, Shleifer and Treisman argue that while Russia has similar political and economic institutions as the young democracies of Brazil or India, Rosefielde describes 'normalcy' as a regime where the 'median voter' determines government spending. As the result of this obscurity with definitions, both authors arrive at contrasting conclusions while debating supposedly the same topic.

It is a grave mistake to dismiss the debate on Russian 'normalcy' as a purely linguistic task. Western policymakers develop their stance toward Russia while making gross assumptions: "Does Russia continue its current policies? Do we have confidence in the integri-

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ty of its leadership?" One repeatedly hears such things. Academic debate, however, should provide the necessary background that bureaucrats need to answer these questions. Explaining the concept of Russian 'normalcy' affects Western public attitudes because it contributes to a better understanding of Russian processes.

A clearer definition of normalcy is necessary for making a comparative judgment of Russian strengths and weaknesses, while such a comparison helps to understand what position this country assumes in the world. In addition, it reveals potential benefits that Russia sees advancing on different fronts. For example, the compatibility of its market infrastructure is an important factor that affects the level of foreign direct investments (FDI). Russia would attract comparably more FDI if its utilities provide better services, for example, and its transportation network is more developed, than, say, in China. The commonality of corporate practices – accounting standards, attitude to property rights and labor training – raises the chances of Russian firms forming international alliances. This may also help increase Russia's chances in economic diversification since global integration benefits high-tech industries first.

From a political point of view, Russian adherence to democratic principles facilitates the defense of its national interests through the Group of Seven or the OECD. Furthermore, the EU set conditions for Russia's access to its markets on the compatibility of Russian institutional norms with EU standards. These and other considerations suggest that progress toward 'normalcy' is beneficial to Russia. Finally, determining Russia's relative strengths and weakness helps to understand current political processes that take place in this country and to evaluate its current policies.

WHAT IS 'NORMALCY'?

The word 'normalcy' has two different meanings. The first definition is pragmatic and describes normalcy as the recurrence of particular situations. Facing repetitive tasks, people develop habits or 'norms,' which have practical importance in the realm of commerce and politics because they simplify social interactions. The second meaning of 'normalcy' is cultural and defines commonalities within certain

boundaries. When used in public debate, the two meanings are often indistinguishable. The pragmatic interpretation has apparent advantages in our case. First, it avoids conflating debate on Russian 'normalcy' with meaningless discussion on whether this country is 'civilized.' Second, the pragmatic interpretation limits the set of features to consider. From our perspective, 'normalcy' is the ease of interaction in commerce and politics. Defining who interacts and for what purpose suffices to make a clear judgment about 'normalcy.'

This paper defines three categories of 'normalcy' that correspond closely to the criteria that the OECD uses to invite new members. The OECD strategy for enlargement and outreach, designed in 2004, mentions two fundamental parameters that its members share – free-market economies and democratic principles.

Free-market economy. The basic idea of a free market economy, shared universally by the OECD countries, is that private agents are free to produce and to trade while the state guarantees their property rights. Among its basic tenets are the requirements that citizens command productive facilities and financial funds; that they have the right to own assets privately or to rent from other agents; and that they are able to accumulate resources through long-term investments. The government's role is limited. It protects property and arbitrates conflicts between private agents.

In reality, this idealized account of a free market economy is uncommon. There are several reasons for expanding the role of the state. First, unfettered markets ignore social conventions that embody values whose significance goes beyond economics. For example, using *reductio ad absurdum* argumentation, James Arnt Aune points out in his *Selling the Free Market: the Rhetoric of Economic Correctness* (2001) that the logic of unfettered markets justifies an organ donor's right to sell his or her body parts, while permitting parents to actually sell their children. Second, unregulated markets ignore externalities such as the social costs of environmental degradation or health hazards. In both cases, the OECD countries maintain that it is 'normal' for the state to intervene. However, to limit the abuse of power, the state should follow certain procedures, namely, the popular vote and the respect

of certain inalienable rights. The last observation is important because it suggests that the West values democratic principles as much as or more than free-market standards.

Democratic values. The previous discussion indicates that democratic 'normalcy' should complement its economic analog. Certainly, democratic values are widely recognized as important in the modern world. Amartya Sen – reflecting on the major events that took place in the twentieth century – concludes in the *Journal of Democracy* (1999) that the focus has clearly shifted in the twentieth century from the discussion of "whether one country or another was 'fit for democracy'" to whether "it has to become fit *through* democracy" (*italics* in original). While the causes for the growing importance of democracy are numerous, historical reasons explain why the West attaches high value to democratic traditions. The twentieth century witnessed horrible instances of human suffering. In the aftermath of the last world war, the Western countries have become convinced that democracy safeguards against destructive conflict resolutions. In this respect, the creation of the OECD itself has served the objective "to permit the emergence of political and social conditions in which free institutions can exist" (speech given by George C. Marshall at Harvard University on 5 June 1947).

Democracy, in its modern liberal variant, is a system of governance where "The majority rules and minorities have rights." It comprises periodic change of leadership, defined and legitimized by elections, and incorporates the protection of certain individual rights. These two features – regular elections and the protection of human rights – are essential. The first stipulates that citizens choose their candidates and elect leaders using transparent procedures. The second feature says that the elected authority is not free to adopt rules that are unnecessarily unfair or justifiably intolerable to the minority who opposes them. For example, even if sacrificing one life may save many more lives, it is inappropriate to vote on a list of candidates using the majority rule in a liberal democracy. The right to live belongs to the set of inalienable rights, upon which the majority cannot vote.

RUSSIA'S INSTITUTIONAL STRENGTHS AND WEAKNESSES

The concept of normalcy implies the absence of considerable deviations in all categories rather than in total ranking. This consideration justifies investigating individual parameters, which determines a country's adherence to free market principles and democracy, rather than simply their aggregates. This study uses mostly data derived from two closely related studies: the index of business competitiveness developed by the World Economic Forum (WEF) and the World Bank (WB) economic surveys. Because the goals of both projects are rather narrow, they underestimate the importance of democratic institutions. We complement these data with democratic indicators constructed by Polity IV, Amnesty International and other organizations that monitor democratic institutions worldwide. The WEF and WB reliance on survey information is potentially troubling due to its biased findings that stem from the 'halo effect.' Later, we will show that Russian respondents show unwarranted pessimism, a finding that supports our inference about the high incidence of mistrust in this country.

We omit direct comparison of Russia with the G7 group countries, which seems obvious because Russia still struggles to establish its reputation as a full member of this prestigious club. The contrast between Russia and the G7 institutions is so stark as to be uninformative. On the other hand, a comparison with the B5 (or "Big Five") group of middle-income large countries – Brazil, China, India, Indonesia and South Africa – is more instructive. The choice of countries follows the OECD list of "strategic non-members" whose importance the organization expects to grow in the near future. A "horse race" between Russia and the B5 group allows a prediction as to who among large non-OECD members is likely to increase its political weight and who will lag behind. To avoid excessive statistics, we present the comparative results with a single indicator – the ratio of Russia's estimate to the average value shown by the B5 group. The lower the ratio, the comparably worse is the situation in Russia relative to the reference group. The range between about 0.95 and 1.05 does not reveal any distinction

because it is statistically insignificant. We divide the concept of free-market economy into two parts for expositional purposes.

Free-market economy 1: infrastructure. Economists agree that a healthy physical infrastructure, an efficient labor market and the absence of monopolies are important public conditions that create a favorable economic environment.

Modern firms rely heavily on transportation facilities, communication networks, water supplies and electric utilities. Russian managers appraise the physical infrastructure in this country as similar to the standards of the B5 countries. Russian roads and the water supplies received the lowest mark of 0.87, while the railroad system received 1.16.

The availability of a well-educated and healthy workforce is another condition indispensable for the operation of many economic sectors. Well-educated and professionally trained workers are able to produce sophisticated goods that have high value-added content. In addition, the international division of labor benefits those countries that are capable of innovative research and development. Russia performs relatively well in this category, with the ratio ranging from 1.09 for the availability of engineers to 1.32 for the quality of public education. Other surveys corroborate the claim that the situation on the labor market is positive. For example, WB reports that finding qualified personnel is less a problem in Russia than in the B5 states. In the category of health, the situation is a bit worse as there is a disparity in medical treatment available between the rich and the poor. Here, the ratio of Russia's estimator to the B5 average is 0.83.

Robust competition among suppliers and consumer dominance is the third parameter that determines a favorable market environment. The Russians consider the price and market power environment to be slightly worse here. Monopolies are the main problem (0.80), while the adverse effect of state subsidization is equal with the B5 group (0.98).

In general, the evidence suggests that the quality of the Russian market infrastructure is about equal with the B5 average. This implies that Russia has decent prospects for FDI, especially in

technologically advanced areas where it has the advantage of a better-developed labor market.

Free-market economy 2: corporate practices. Good business practices are important in a free market economy. Companies develop conventions that govern inter-firm relationships and shape their attitude to suppliers, customers and public agencies. Here, we will consider how Russian firms protect ownership rights, train workers, design incentive schemes for managers, organize technological chains, compete in markets and retain customers in comparison with firms in the B5 group.

Data indicate that Russian firms are more secretive in comparison with their peers in the B5 group. Because of greater informational uncertainty (0.65), it is unsurprising to find that minority shareholders and banks are reluctant to invest and to provide credits. Consequently, Russian firms rely more on internal sources of funds than do firms in other countries. However, it is premature to conclude that companies hide information deliberately to cheat hapless investors or creditors. Secrecy is imperative in Russia where property rights lack protection. For example, the risk of falling prey to hostile takeovers is more common with Russian firms than with companies from the B5 group (1.14).

The estimation of corporate labor practices reveals two paradoxes. First, Russian managers are less trustful of their workers than are managers from other countries. They avoid delegating authority to workers (0.78). This finding does not square well with the high grade that Russian labor receives on education (1.32); one would expect that more qualified workers require less supervision. A closer look indicates that labor relationships are more controversial in Russia than elsewhere, where firms spend less on cultivating employee's loyalty. For example, Russian companies pay less attention to training and retraining employees (0.73). They are quicker to lay off employees in times of trouble because the expected cost of firing an employee in Russia is only a fraction of costs in the B5 group. The adversity in manager-worker relations provides an answer to the second paradox. According to the FOM survey conducted in 2002 (1,500 respondents), Russian

managers believe that workers get what they deserve (the ratio of pay and productivity index is 1.14), while the workers argue that they do not. The latter opinion sounds more plausible since managers argue that their pay is unrelated to productivity. Management compensation includes less significant bonuses and stock options in Russia than in the B5 group (0.92).

Data indicate that Russian companies fare about the same in competitive practices and cooperation. Their attitude to customer retention (1.01) and cooperation with suppliers (0.90) are about on the same level with the B5 average. Paradoxically, this result contrasts with low opinion that corporate ethics receives in this country (0.84). Apparently, the Russians are more pessimistic about their business partners and expect worse treatment than they receive. They exhibit the same pessimistic attitude toward public agencies as we see below.

The previous indicators show that Russia has strong positions in labor and research, while retaining a decent physical infrastructure. Yet these factors do not help Russia's attempts to penetrate global markets (0.86). Given the caution with which companies in this country approach partners, they are slow to develop long-term connections. Such sluggishness does not only limit Russian participation in the global division of labor. It has detrimental effects at home because suppliers are overly confident in customers' loyalty (0.91) and are slow to adapt new technologies (0.91).

In general, statistics show that corporate practices in Russia are below average. The situation is particularly stark in the area of control over assets. We argue below that this feature is a consequence of a general level of mistrust.

Democratic values. The Polity IV Project – administered by the Center for International Development and Conflict Management (U.S.A.) – evaluates democracy as the process of power change and political innovation. It has three elements. The evidence of formal procedures to choose leaders and to express public preferences is the first feature of democratic process. The second category comprises constraints that a particular society exercises in order to limit executive power. The third feature combines mechanisms that guarantee civil liberties.

Elections are considered to be democratic if the process follows well-established rules and any citizen can compete for the top position. A composite of these factors comprises executive recruitment processes. By this standard, Russia outperforms the total average of the B5 group (1.20). Yet this indicator does not capture one important aspect in the selection of executive authority, and that is how top candidates appear on the ballot sheets. This is the area where Polity IV detects a problem. Its analysis suggests that Russian candidates get their endorsements from groups organized around regional as opposed to national interests. Such a situation is conducive to political fragmentation and discontinuity of the political power elite. In its turn, fragmentation creates favorable conditions for corruption while discontinuity raises apathy among the citizens. Facts support the latter inference. Corporate support of volunteerism, which is indicative of political activism in this country, is weak (0.73). Leadership in informal organizations is the first step to a public career in the democratic countries, but Russian companies fail to see it this way.

The second set of democratic elements deals with the abuse of power that democratic countries control through a regular audit by legislative authority. The Russian parliament (the State Duma) has less supervisory powers than the legislatures of the B5 countries (0.86). The power of the judiciary to check the observance of laws is an alternative method. Here, the situation is worse. To impose effective constraint, courts should be independent from political interference. However, Russian courts are highly dependent on powerful interests, both public and private, compared with the B5 countries (0.50). In addition, courts have the reputation of being less fair (0.72), reliable (0.68) and lacking authority (0.77).

The public's perception of the integrity of its politicians is a measure of moral constraint, which a society believes its authorities should have. Data show that the Russians are more cynical about their leaders compared with citizens of the B5 group (0.58). Many think that the abuse of status for financial gains is rampant in this country, while evidence suggests that politicians gain predominantly for serving private interests. For example, the state practice of granting contracts and amending regulations in

response to requests of well-connected companies is more common in Russia than in other countries (0.68). It is also noteworthy that the dynamics are stable, which suggests that powerful private interests have captured public agencies in this country.

Overall, evidence indicates that Russia performs significantly worse than the average B5 country by democratic standards. Furthermore, it is particularly backward in controlling abuses of power by the executive office. The performance of alternative centers of control – judiciary and legislature – offers little comfort in this respect. A recent poll by the Levada Center (May 13-17, 2005) supports this pessimistic assessment. It finds that 83 percent of respondents think that a small group of individuals, whom voters cannot control, maintains power in this country. Interestingly, many Russians believe that big business wields power but politicians and public agencies are simply corrupt.

Summing up. Russian institutional development cannot be described as normal by the standards of the B5 states. On a brighter side, Russia provides relatively good opportunities for FDI, particularly in the least advanced industries where cooperation with suppliers is unimportant. The situation is less favorable for Russia's attempts to integrate into the global economy and to diversify economically because poor corporate practices limit the development of stable partnerships. Symptomatically, OECD researchers Rudiger Ahrend and William Tompson find that the current institutional situation in this country is conducive to continuing Russian dependence on the export of natural resources. Russia performs particularly badly by democratic standards. The combination of unconstrained bureaucrats and widespread violations creates the impression of an authoritarian state. Such an impression certainly tarnishes Russia's image abroad.

THE GREAT RUSSIAN CHALLENGE: DEALING WITH CORRUPTION AND MISTRUST

The collected evidence has provided a rather somber assessment of Russia's current institutional development. Particularly troubling is the duo of unethical businesses and uncontrollable executive powers. Such a combination appears to nurture one of the

most severe institutional challenges that Russia faces, and that is the spread of corruption. To understand how to confront this problem, it is important to understand its driving forces.

Private interests of public agencies. In the light of this assessment thus far, it should come as no surprise that public agencies operate poorly in Russia. Efficiency is particularly low for the federal government (0.65), the State Duma (0.78) and the tax agency (0.80). Arguably, the pattern of state inefficiency fits well the argument of weak democratic oversights; operating with impunity, bureaucrats neglect the concerns of private residents. This line of reasoning provides a natural explanation for corruption. If the authorities are omnipotent, they can pressure businesses to pay bribes. It follows that in order to contain corruption, the Russian government must curb discretionary power that bureaucrats exercise over companies today. Is this true?

Corruption is a common phenomenon in Russia and, as the recent study by InDem Fund indicates, it is predominantly concentrated within the executive branch of power (77 percent). However, three facts contradict the hypothesis that omnipotent bureaucracy harasses businesses in Russia. First, statistics show that businesses view regulatory costs to be relatively low in this country as compared with the B5 group: for example, compliance costs with labor regulations are 1.57. If businesses are harassed systematically, we expect compliance costs to be high. Second, recent data shows that corruption actually decreases compliance costs. For example, the customs agency is most corrupt in Russia (0.76), yet companies claim that it is easy to deal with it (1.20). Interestingly, the situation is just the opposite in the case of the least corrupt tax agency. This observation suggests that Russian firms are willing victims of corruption. Data on the effectiveness of corruption confirms this inference. Russian companies are more assertive in claiming what they have received from bribes (1.31). Recalling that corporate ethics is low in this country, many firms are likely to see corruption as a convenient tool to get around regulations. Third, in spite of common complaints about the unpredictability of state regulatory innovations (0.59), Russian firms claim that public agencies are less intrusive in business affairs than agencies from other

countries. For example, government interference in mergers and acquisitions is 1.49 of the average for the B5 countries. Moreover, businesses claim that the consequences of political donations are profound in this country (0.72), implying that "to buy a favor" is not difficult. These observations suggest that Russian bureaucrats are not as powerful as many believe. In fact, it proves just the reverse: private interests capture public agencies and not vice versa.

Coalition building and breaking. There are several reasons to claim that big business dominates the bureaucrats. Three are obvious. First, following the collapse of collectivist ideals, many Russians embraced capitalism as a system where one is free to extract profit at any cost. Business managers, entrepreneurs and bureaucrats have uncritically equated capitalism with the "get-rich-quick" formula, implying that reneging on contracts or cheating customers and partners is appropriate as long as it pays. Clearly, making money is easier through business operations, which gives an upper hand to businesses dealing with bureaucrats. Second, the diminishing authority of vertical administration corrupted the institutions of power. Bureaucrats realized that serving the state was less advantageous than working for private interests. Many switched sides and continued to be "servants of the state" in name only. Finally, the method of Russian privatization provided substance to the "get-rich-quick" formula. It entailed a massive redistribution of state property that private groups captured through their alliances with supposedly public servants. These groups continue competing lobbying for regulatory changes with the entailing regulatory chaos.

The above reasoning suggests that coalitions of private interests and public agencies hinder Russia's institutional development. The dynamics of corporate indicators shows that corporate practices are improving over time and no intervention is necessary on this front. Existing private-public alliances are naturally unstable because they have outlived their short-term objective of dividing state property. Today, businesses and former public servants turned private entrepreneurs do not need to share with acting bureaucrats. However, the stability of the corruption indicators suggests that Russia has settled for a sub-optimal equilibrium in bureaucratic

preferences. Businesses cannot sever their link with bureaucrats now. Bureaucracy are on the losing side, of course, but they may initiate a destructive process of re-nationalization that voters will support. The next logical step that the Putin administration should take is to provide incentives for bureaucracy to leave businesses alone, but without initiating massive re-nationalization.

Russian policy options. The Putin administration appears to be re-establishing its control over bureaucracy with a two-prong strategy. The first dimension is to put local administrations under central oversight. The center has already succeeded in reestablishing control through governors' appointment. By making regional bureaucracy accountable, the Putin administration has made it costlier for local bureaucrats to serve private interests with impunity. The second dimension is to initiate a limited re-nationalization of corporations. In perspective, the last move is crucial in winning bureaucratic loyalty to the state. A greater public control of currently private funds secures the financial position of public servants and, consequently, they are less likely to risk their good positions for a bribe.

However, there is a serious danger that the current process of centralization and re-nationalization will not lead to the demise of private-public coalitions but only change their ranking. Many observers already treat the oncoming presidential election of 2008 as the "succession game." Central bureaucracy will strengthen its position but its power is virtually unchecked. Currently, the legislature and judiciary exercise only token control over the executive branch. Another consideration is that an attempt to win bureaucratic loyalty through re-nationalization does not have a natural limit. Politicians have various private incentives to expand the roll of enterprises slated for increased state control. Symptomatically, the State Duma has not agreed on the list of "strategic sectors," which is just a euphemism for re-nationalization. In addition, greater state power raises the specter of authoritarianism. The incumbent leader who risks the greater cost of losing his position is more interested in twisting the voting process to his liking.

To avoid the danger of incessant infighting among various "Kremlin clans," the appeal of the top governmental job should be

restricted. The most obvious solution is to ensure the inevitable rotation of power within the political elite, while keeping top bureaucracy out of competition for direct state control – as it is in the G7 countries. However, to become operational, this approach requires a stable political elite, the appearance of which depends on a national consensus about the country's political future. This brings up another serious problem: the low level of trust that Russians express in their political system, elite and government.

Public mistrust. A median Russian voter has little faith that any candidate for the top government position will uphold his or her interests. In this respect, Russia is "normal." Politicians lack credibility in young democracies because even if they promise to "work for the people," the incentive to renege after the election is high. To substantiate the pledge, politicians need to establish a reputation, for example through party membership. Such a membership provides a certain level of commitment because a party policy serves as a "trademark" assuring continuity.

Apparently, the Putin administration understands this argument because it pays attention to raising the profile of the political parties. It has introduced a new system of proportional representation in the State Duma that favors party membership. Importantly, the reform envisages public sponsorship of successful parties. Currently, party funds come mostly in the form of corporate donations, which erodes party credibility, as businesses are quick to solicit political favors. The change in the source of financing frees parties from obligations to corporate sponsors.

However, the Putin administration runs a political gamble that may do more harm in the end. The concentration of power is dangerous because it is conducive to authoritarianism. The current initiatives do not increase popular oversight over the central power. This does not seem to be a significant problem as the Kremlin enjoys popular trust, however, the situation may change after 2008. New initiatives, such as the creation of a Public Chamber, are not enough. Yet in spite of the threat that the Putin administration abuses political technologies, devising non-elected forms of public oversight, it may have no better option today than to experiment.

Sources of Sovereignty

Yermak Timofeyevich,
Cossack leader and explorer of Siberia

“The civilizing mission of the Russian nation comprises two basic aspects – an internal mission and an external mission. The internal mission concerned itself with economic, ethno-cultural, and political intercourse with Eurasia within the Russian nation. The external mission involved the economic and industrial development of large tracts of Eurasian territory and the spread of European norms of law and cultural values.”

Russia as a European Nation and Its Eurasian Mission

Valery Tishkov

The annual state-of-the-nation address to the Federal Assembly is a political document reflecting the views, concerns, and aspirations of Russian President Vladimir Putin and his administration. This article examines the president's perception of the country and its people, the objectives of nation building, and Russia's place in the modern world. It analyzes the doctrinal essence of some of Putin's most important statements, their evolution in time, and the modern context. After all, statements by the head of state are not simply target-setting guidelines. They are also directives that not only reflect reality, but also create reality per se.

Russian and foreign experts underestimated the linguistic and symbolic aspects of socio-political life in the country, despite the recognition and usage of these in practice.

THE RECOGNITION OF THE RUSSIAN PEOPLE

Vladimir Putin has made an important move toward asserting the concept of "Russian people" in political language and in public awareness. The term is used in the text of his state-of-the-nation address as a historical category ("the Russian people has for centuries remained silent"), as an analog of the Soviet people ("the breakup of the Soviet Union became a real drama for the Russian

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people"), and as the contemporary "people of Russia." Prior to this address, one of the president's most definitive statements occurred during his address on Russia Day, June 12, 2003: "Wherever we might have been born or wherever we might have grown up, this is our Motherland. All together, we are the single, undivided, and powerful Russian people."

Strange enough, this basic concept has yet to catch on. Those who understand the concept exclusively in the plural ('the *peoples* of Russia') reject it, as do those who believe there are only one people in the country, constituted by ethnic Russians (*russkie*). The concept of the 'Russian people' (that is, the citizens of Russia, or *rossiyane*) is a malicious invention, they believe, designed to abolish nations or, on the contrary, to downgrade the status and role of the Russian nation. Such views are popular not only among ethno-nationalists of various descriptions, but also among a substantial part of the academic and political community. These individuals developed the belief that 'peoples' and 'nations' are ethnicities of different degrees of maturity, while persons living in the same state, working at the same enterprise, and residing in the same town – even members of a single family – with different ethnic backgrounds cannot be a single people or members of the same nation.

In the Soviet era, political advocates and apologists of 'mature socialism,' stretching the bounds of credibility, classified the Soviet people (a phenomenon that existed in reality), as a 'new historical community of people' since the terms 'peoples' and 'nations' applied to ethnic communities. This classification produced a clumsy theoretical innovation regarding a purportedly new type of community of people.

In fact, there was no new historical typology in that community. The representatives of large states always have a multiethnic makeup, but this does not prevent them from acquiring the label of, for example, Brazilian, Indian, Chinese, or Spanish.

Soviet social engineers were somewhat perplexed by the need to come up with a descriptive name of the people from this new state – the Soviet Union. This new name was critical because 'Russia,' as an administrative/state designation, ceased to exist,

while the concept of the 'Russian people' dropped out of the language. At some point, the officials decided in favor of 'Soviet.' In the 1970s and 1980s, this title struck such deep roots that the outside world, especially amongst the more educated segment, came up with the description 'Soviets' (along with 'Russians') with reference to people hailing from the Soviet Union, and occasionally used disparagingly – 'Sovs.'

Later, during the Gorbachev-era liberalization, 'Sovietness,' especially its ideological component, became a subject of criticism and denunciation. That gave the opponents of the Soviet Union, and therefore of the Soviet people, cause to say that it was an ideologically unviable construct.

Today, we conveniently forget that the population of the Russian Empire was called the Russian people; it was one of the basic concepts and on par with the concept of the 'czar's subjects.' Furthermore, the concept of 'government by the people,' which had gained ground since the 18th-century French Revolution, was not much in favor with contemporary monarchical rulers, while the Jacobin understanding of the nation as 'co-citizenship' was rejected so as not to undermine the divine origin of ruling authority.

It should be added here that before the Soviet era, *rossiyane* and *russkie* were interchangeable since "Russian" applied not only to the Great Russians (*Velikorossy*), the Minor Russians (*Malorossy*) and the Belorussians, but also to all those who had adopted the Orthodoxy or, according to liberal Russian economist and political scientist Pyotr Struve, were "culturally involved." This is borne out by, among other things, the lately re-issued edition of Mikhail Zabylin's pre-revolution (pre-1917) book about the customs and traditions of the Russian people. It includes a wealth of information on Cheremiss, Tatar, and other cultural traditions within the population of Russia.

The concept of 'Russians' acquired a narrow ethnic meaning during the period of 'socialist nation-building' when, beginning with the 1926 census, the term 'Russian' applied only to the Great Russians. Eventually, the designation 'Great Russians' fell out of use as a societal description and subsequently as a form of ethnic

identity. Yet, following the introduction of internal passports in 1932, many Soviet citizens insisted that their ethnicity indicate 'Great Russian.' Today, young Russians are puzzled to see such an ethnicity description in their grandparents' passports that is no longer on the official list of ethnic groups. Thus, a purely formal re-designation of ethnicity caused a change in reality, while there were no particular 'ethnic transformations' or 'nation-building' to support it.

The change of ethnic identity from Great Russian to Russian affected the former Minor Russians and Belorussians. In the 1920s and 1930s, many of the Russified Minor Russians converted into Russians as opposed to Ukrainians on the basis that Russian was a more prestigious and even secure ethnic group (especially during the period of political reprisals). This is why, according to the 1937 and the 1939 censuses, the number of Ukrainians declined, while the number of Russians grew by several million, even in Ukraine. Incidentally, this fact is ignored in estimating the number of famine victims in the early 1930s. The increase in the number of Ukrainians, together with the decline in the number of Russians by almost 3 million between the 1989 and the 2001 census in independent Ukraine, shows that re-registration was commonplace. "The birth rates have not dropped; there has been neither an exodus of Russians nor a massive influx of Ukrainians. Who has 'eliminated' the three million Russians then?" opponents to the campaign for famine reparations to Ukraine may ask.

Since the once broad and non-ethnic category of Russians was divided into three ethnicities – Russians (the former Great Russians), Ukrainians (the former Minor Russians), and Belorussians, the strictly ethnic interpretation of 'Russian' and things Russian is still valid. It will hardly be possible to reintroduce the former interpretations – that is to say, restore the category of 'Great Russians,' let alone 'Russians' in the broad sense of the word. For this to happen, Ukrainians would have to agree to become Minor Russians and, together with Belorussians, recognize the double (vertical and not mutually exclusive) form of ethnic identity – Minor Russian and Russian at the same time, as

Ukrainian-born Russian writer Nikolai Gogol once identified himself. This form of identity is no longer possible for political, cultural, emotional, and purely psychological reasons.

Members of the Russian Cabinet – Alexei Kudrin, Victor Khristenko, German Gref, Mikhail Fradkov, Sergei Shoigu, and others – are representatives of one people regardless of the unfortunate formality that the question of ethnicity has taken in Russia. These are people with the same culture, yet different ethnic backgrounds. A Russian Jew or a Russian Armenian, for example, are quite respectable samples of multiple ethnic identity among Russians, that is to say from among the Russian people (incidentally, quite common in the pre-Soviet era). It is along these lines that the notion of the 'Russian people' and a Russian national identity asserted itself. In the view of some pundits, "it is time that Russia be entrusted to Russians" (Alexander Tsipko); such writings and appeals by ethno-nationalists represent the path of regress and ruinous for the country.

AMBIVALENT LANGUAGE – MURKY POLITICS

Political and public figures in contemporary Russia already make a distinction between *rossiiskiy* (related to Russia) and *russkiy* (Russian), even though the former replaced *sovietskiy* (Soviet) – or rather, it returned from the pre-Soviet era – as a form of national identity a little more than 10 years ago. Nevertheless, it is still difficult, for example, to describe Alexander Pushkin – long heralded as a "great *russkiy* poet" – as a *rossiiskiy* poet. The Brockhaus and Efron Encyclopedia (Vol. 50, 1898 edition) describes Pushkin as "the greatest Russian poet," while Gogol is mentioned as "the greatest writer in Russian literature" (Vol. 17, 1893 edition).

Russian literature still has every reason to be called not only *rossiiskiy*, but also *russkiy*. A wealthy Russian Jew established a prestigious prize for literature, for example, the winners of which are referred to as "Russian cultural figures" even though by their ethnicity they are not only Russian, but also Jewish, Uzbek, German, Ukrainian, and so forth. There is nothing contradictory

about this linguistic heterogeneity. The Russian language, which is not the exclusive property of Russians per se, allows to describe the authors who write in the Russian language and their works as *russkiy*. Nonetheless, it is acceptable if the attribute *rossiiskiy* characterizes all of these modern meanings, carrying the Soviet-era connotation of exclusive ethnicity, including, e.g., articles on Pushkin and Gogol in the upcoming edition of a new Russian encyclopedia.

What is clearly unacceptable, however, is another instance of linguistic ambivalence with regard to the terms *russkiy* and *rossiiskiy* that exists beyond Russia's borders. To date, there is only one word and its derivatives there: 'Russia' and 'Russians.'

The overwhelming majority of the outside world believes that exclusively Russians populate Russia, while these people are waging a war against a tiny nation, the Chechens, who are fighting for their freedom. Meanwhile, the speaker of the Russian parliament who declared the Dzhokhar Dudayev regime unlawful was a Chechen (Ruslan Khazbulatov); a Jew (Lev Rokhlin) commanded the federal army that destroyed Chechnya's capital Grozny, while there were people of different ethnic backgrounds among the Russian servicemen. The world at large ignores these crucial facts in order to portray Russians as ruthless colonizers. To the outside world, Russians rule their country and oppress ethnic groups. Thus, the concept of the 'Russian people' does not really exist for the outside world: otherwise, the legitimacy and integrity of the state formed by this people would have to be recognized.

What is the solution to this situation? Russia must introduce into foreign languages, through a more accurate transliteration, two words that represent the two different notions that actually exist in the Russian language. This requires that the letter 'o' replace the letter 'u' in the word Russia. Then, foreigners will not immediately connect *Rossia* – its citizens, economy, army, culture, and so forth – to just one ethnic group, a community that will preserve its current designation as 'Russians.' Thus, the outside world will not perceive the Russian army, its generals and servicemen who fought the Chechen separatists as "Russians fighting

against Chechens." The present author in the mid-1990s made the proposal to amend Foreign Ministry records accordingly (see: Tishkov V. What Is Rossia? Prospects for Nation-Building. *Security Dialogue*, Vol. 26, No. 1, March 1995). Only a handful of our foreign colleagues, however, started using the country's name in the more accurate transcription (for example, *Anthropology and Archeology of Eurasia*, a journal published by Russia specialist Prof. Marjorie Balzer, adopted the term). Presumably, the change of even one letter in a word that has worldwide significance requires considerable efforts at the official level. In fact, a precedent was set when, following the breakup of the Soviet Union, the names of some newly independent states were changed: e.g., Kyrgyzstan, Moldova, and Belarus.

Why is it so important to assert the notion 'Russian people' as synonymous with 'Russians' and not as the refusal to recognize the existence of other ethnic groups amongst the people of Russia? Because the plural form ('peoples') weakens the legitimacy of the state, necessarily formed by a territorial community, or demos, which, in accordance with the rules of international law, is a self-determined people.

The Soviet Union's People's Deputy and poet Yevgeny Yevtushenko once proposed an amendment to the draft text of the oath of allegiance to be taken by the first president of the Soviet Union, namely that in the phrase "I hereby swear to the people of the Soviet Union" the single noun be replaced with the plural form. The poet may not believe it, but this symptomatic amendment played a destructive, even if not immediately obvious, role in the disintegration of a once single country.

Many people strongly believe that it is not politically correct to designate the population of a country as a single people. Here is just one example. As a member of the editorial board of the *New Russian Encyclopedia* and one of its authors, I failed to get an entry titled *Rossiiskiy Narod* (the People of Russia) included in its volume devoted to Russia. Just as in previous editions, I had to write an article entitled *Peoples of Russia*, not the *Ethnic Composition of the People of Russia*, as I should have.

Due to outdated perceptions as to what actually constitutes a community known as 'people' or 'nation,' there is a misrepresentation of the country's image: it has a territory, it has an economy, it has a capital, and it has bureaucracy, but there is no people or nation as such. Article 1 of the Constitution (adopted in 1993) recognizes the existence of a "multi-ethnic people," but a "multi-people nation" would have been preferable. I reminded Sergei Shakhrai about that proposal when the work on the draft Constitution was still in progress, but stubborn stereotypes prevailed.

In the new Russia, just as in the Soviet Union, the fundamental categories 'people' and 'nation,' which are key to the legitimacy of the State, are relegated with increasing frequency and imprudence to the disposal of ethnic groups. Furthermore, these groups are rather hypothetical, constituting not actual groups per se but, rather, forms of collective identity that exist within the people of Russia. They are constantly changing, have a complex, multi-tier nature, and are of but secondary importance for each specific individual, compared to other forms of identity. These are the axioms of modern science, but not of the domestic social sciences poisoned by the quasi-scientific theories of ethnic "passionarity" and thinly veiled nationalistic views.

This is why even loyal and patriotic politicians and scholars still perceive the notion of 'people of Russia,' which is of fundamental importance to the country, as an agenda for the future. "We are now building a Russian civil nation," Yevgeny Trofimov, chairman of the State Duma Nationalities Committee, and other high-profile politicians usually say. Meanwhile, the opponents of President Putin and the Russian political establishment, not to mention the diehard nationalists, maliciously write about the failure of the Russian nation-building project. Actually, this is the same pattern of thinking – positing that it is necessary to form a new body comprised of diverse ethnicities – for a new nation to be born.

However, this is a serious mistake. No one will ever "reform" ethnic Ossetians, Tatars, or Yakuts, for example, into Russians or vice versa. These people are already *rossiyane*, the Russian nation, while at the same time they are ethnically what they consider them-

selves to be. Nation-building should be interpreted as a kind of social engineering designed to unify the cultural identities of the people of Russia. Most importantly, it is the practical work of forwarding ideas that reflect and stimulate common features and values, including civic nationalism or Russian patriotism, that are vital for the State.

This program does not require centuries, or even decades, as some people believe. Thus, for example, the concept 'British nation' did not replace 'English nation' until quite recently. This change did not occur, however, for the Irish, Scots, or the descendants of the new migrants to become English, but for all of the country's residents to feel themselves members of one nation. Englishness, which has not disappeared into thin air, has taken a subordinate position to Britishness, and everyone has benefited from this.

Nation-building should be interpreted as a kind of social engineering designed to unify the cultural identities of the people of Russia.

Likewise, following the collapse of the Franco regime, the concept of 'Spanish nation' struck root not as a designation of the dominant Castile component, but as an inclusive category comprising Catalonians, Basques, and other regional/cultural communities. Overall, the word 'nation' is generally used today not in its ethnic but civic, multicultural meaning. Even the most avid proponents of the concept of ethno-nation, the Hungarians, have surrendered their positions in favor of its dual usage – as citizens of Hungary (a political or civic nation) and as ethnic Hungarians (an ethno-nation or a cultural nation).

Some linguistically-nationalized minorities or majorities may worry by the prospect that the formal introduction of the concept of civic nation could cause them to lose their national status. These concerns, however, are groundless since incorporation into a civic nation is even more beneficial for minorities than for majorities. Majorities do not stand to lose anything, nor do they gain anything. The Castilians, for example, as the ethnic core of the Spanish nation, realized that establishing their own ethno-nation meant the destruction of Spain. The English tolerated the formula 'British nation' to weaken separatist nationalism on the

part of the Scots, Welsh and Irish. Han Chinese, in the name of the country's unity and stability, accept innovations, including a new hieroglyph designating the nation (*mingdu*) as the entire Chinese population where non-Han minorities number more than 100 million people. To ethnic Russians, this form of nation-building or national identity appears to be the only viable proposition. The essence of nation-building, however, consists in its formal recognition, which begins with a verbal act.

In this context, it would be appropriate to recall President Vladimir Putin's statement at a conference in Cheboksary on February 5, 2004: "I suppose that today we have every reason to speak about the people of Russia as a single nation: representatives of various ethnic and religious groups in Russia perceive themselves as a single people. They use all of their assets, their cultural diversity in the interest of the entire society and the State. We are obliged to preserve and strengthen our national historical unity."

Therefore, the Russian (*rossiisky*) nation is undoubtedly a project that has taken shape, formalized by the Russian Federation's statehood, and consummated in the historical-cultural and socio-political commonality of the country's population. Russia's unity is ensured not only by the task of preserving the State within the existing territorial borders. As Vladimir Putin noted in his state-of-the-nation address, the recognition of a common identity and its acceptance into Russia's socio-political consciousness – based on Russia as a heterogeneous whole – is no less important than the protection of State borders. States exist principally because each new generation of citizens reproduces and shares a common perception of their country, recognizing themselves as a single people.

AN INTERNAL AND GLOBAL MISSION

Vladimir Putin has on many occasions referred to the historical community known as the 'Russian people' or the 'Russian nation,' and every time the expert and political community was either confused or oblivious to the comment. The 2005 state-of-the-nation address not just mentioned these two concepts, but even forwarded an apparently provocative and non-PC proposition: "There is

no doubt that the civilizing mission of the Russian nation on the Eurasian continent should be continued."

I am not in a position to judge about the whole continent, but with regard to the former Soviet Union's area, the proposition about a civilizing mission (understood not as Messianism but as a general cultural and *Kulturtraeger* role) appears correct although the words 'civilization' and 'mission' are not purely academic. This interesting statement, at least in some way, stands up to the stereotype about the fallen "Soviet Empire" that purportedly oppressed and obstructed the historical development of the ethnic periphery with the Russians playing the role of assimilators. The imperial paradigm as an explanation of the nature and causes of the breakup of the Soviet Union is inconsistent, and rejected by the more astute historians, political analysts, and politicians. For example, studies on the history of 'nation-building' and 'national policy' – that is to say, the history of the country as a multiethnic State and its policy toward Soviet minorities – have been published in the United States (Suny R.G. *The Revenge of the Past. Nationalism, Revolution, and the Collapse of the Soviet Union.* Stanford, 1993; T. Martin. *The Affirmative Action Empire. Nations and Nationalism in the Soviet Union, 1923-1939.* Ithaca, 2001).

This refers not to the mission of ethnic Russians but of the Russian nation, which has always comprised people of various ethnic and religious backgrounds. Thus, for instance, Russian (above all Kazan) Tatars played an important role in pre-Revolution colonization and the Soviet cultural modernization of the Central Asian region and its population. Russian Ukrainians accounted for a substantial share of the original inhabitants and settlers in East Siberia and especially the Russian Far East. They influenced the development of these regions, including the sparse population of native peoples. Descendants from the Baltic region, Transcaucasia, and Ukraine constituted the core of the Soviet political and party leadership, especially during the period of the so-called nation-state building and industrialization.

What is the essence of this mission? The civilizing mission of the Russian nation, including its State as represented by the

Russian Empire and the Soviet Union, comprises two basic aspects – an internal mission and an external mission. The internal mission concerned itself with economic, ethno-cultural, and political intercourse with Eurasia within the Russian nation (its geographic borders and ethno-religious composition constantly changed). The external mission involved the economic and industrial development of large tracts of Eurasian territory and the spread of European norms of law and cultural values.

The civilizing mission of the Russian nation consisted in spreading across a large part of Eurasian territory (the European North, the Volga region, Siberia, and the Russian Far East) the norms of the world's two principal cultural systems, together with their inculcation among the local population. One of them was Christianity in the form of Russian Orthodoxy. This civilizing mission targeted not so much the followers of other world religions (Buddhism or Islam), which had long been practiced by a part of the Russian people, as it did that part of the population that had not been converted into any of the world religions (following the so-called traditional faiths and practices). Christianity played a similar role in other parts of the world, especially in America, with regard to the native population.

The second cultural reproduction and dissemination system is the linguistic system, based on the Russian language and the Russian-language culture. The Russian language and Russian-Soviet culture (from Alexander Pushkin to Nikolai Gogol, to Mikhail Sholokhov to Chinghiz Aitmatov) played a prominent civilizing role on the Eurasian continent, not confined to the territory of the historical Russian state. Russian has been and will remain the language of cultural interaction and mutual enrichment by representatives of various ethnic cultures within the bounds of one national culture. It has been and will remain the language for spreading the achievements of world civilization throughout the former Soviet Union. Russian is a vehicle through which the majority of the population in most of the newly independent states comes into contact with the world's cultural heritage and modern mass culture (in recent years this function in the Baltic countries

has also been performed by the English language), thereby also broadcasting their own cultural achievements to the world.

The Russian nation has made an invaluable contribution to the cultural legacy of the peoples of Eastern and Western Europe. The European culture of the past is inconceivable without the Russian cultural component, and this contribution will continue in the future, albeit on a more limited scale (without the new national cultures of the former Soviet republics that were once part of Russian and Soviet culture).

Following the disintegration of the Soviet Union, the internal component of the civilizing mission of the Russian people has gone into retreat, while its external component has grown. In this respect, President Putin is right when he refers to the Eurasian continent as the territory of the former Soviet Union beyond Russia's borders. This mission existed in the past and it still exists today, no matter how much Russia's detractors denigrate the value of the modern cultural process. It is only necessary to consider the kind of books and magazines that are read, the music that people listen to, and the language spoken by the citizens and political leaders of the newly independent states.

Of course, the content and value of the civilizing mission evolves historically, and it is not always an exclusively positive, one-way process. Nor is it always viewed in the same way by representatives of different generations and different regions within the zone of cultural influence and cultural intercourse. It is not only the exponents of Russian culture, or even the Russian-language culture, that have contributed important civilizing contacts as part of the internal mission. As the Russian people incorporated elements of different cultures and developed contacts with the outside world, it took in and assimilated much of that foreign experience. Some components of Russia's culture were the result of extensive evolution, including the experience of many peoples and regions (Transcaucasia, Central Asia, the Baltic region, Moldavia, Buryatia) in state-building, literature, and religion.

These mature and highly respectable cultural traditions formed complex interactions with the dominant Russian cultural compo-

nent and the central ruling authority. Much was lost or destroyed, but not more so than in the evolution of the German nation on the basis of the Prussian component, the evolution of the British nation on the basis of the English component, or the evolution of the Chinese nation on the basis of the Han component. The civilizing mission of the Russian nation in Eurasia bore especially little resemblance to the missions of external colonial empires that also contained a civilizing component, yet the nature of relationships therein was based not on interaction (even if not always equivalent), but on a rigid domination-subordination pattern along the mother country-colony lines. The inclusion of the human resource and religious-cultural components of the former subjects into the dominant nations of the colonial civilizing mission is occurring today, albeit via mass migration of people from former colonies to their mother countries.

How is it possible for this mission, in Putin's expression, to carry on? The future civilizing role of Russia and the people of Russia is in some respect preordained and unmistakable. However, this role sometimes also seems barely distinguishable, and on other occasions, unfathomable. So why should the mission continue? Can it be just bravado of a "failed country," a term many domestic and foreign experts apply to Russia? Russia's predestination to carry on this mission remains inviolable if it continues to control a substantial part of the world's mineral resources, and, furthermore, that without these resources, civilization, at least on the Eurasian continent, will not be able to exist or develop. The Russian nation remains the only custodian of the cultural value system based on the Russian language, the Cyrillic alphabet and Orthodox Christianity, which is still highly relevant for Eurasia, even though other cultural systems remain and new ones will grow within the Russian nation, including other world systems (Judeo-Christian, Euro-Islamic, Buddhist-Mongolian, and others). Judging by the state of Russia's resources, intellectual potential and cultural production, the mission in these two spheres has a viable future.

There is yet another new purpose in the continuation of Russia's Eurasian mission within the next several decades. This

purpose is to preserve the memory and identity of former Soviet citizens, concerned with their affiliation with the Soviet people, as well as to perform the function as a host country for all those who continue to feel an attachment to Russia and would even prefer to work and live in Russia.

The president's state-of-the-nation address highlights the need to eliminate anti-migration attitudes and xenophobia toward our former compatriots – attitudes deeply ingrained in the minds of both politicians and ordinary citizens. The rapidly developing economy and labor market in Russia, together with its shrinking and aging population, confront the country with the formidable problem of population reproduction. Other countries in Western Europe face exactly the same problem. Nevertheless, in 2003, the 25 EU countries managed to increase their population by 1.9 million, with immigrants accounting for 90 percent of this growth. By contrast, Russia has been pursuing a policy of reducing migration from the former Soviet republics, thus undermining its own national security.

The president's state-of-the-nation address does not say that migration from the newly independent states should be an objective or a yardstick in evaluating the performance of the country's migration services. Rather, it states that Russia is interested in an inflow of qualified, legal labor resources and that "ultimately, every legal immigrant must be given an opportunity to become a citizen of the Russian Federation." Furthermore, the current law and citizenship acquisition procedure, as well as the inherent corruption, do not allow a newcomer to become a "legal immigrant." Over the past decade, the Russian people and its State have been performing the unseemly role of alienating and exploiting their former compatriots, at the same time deriving huge profits from their labor. There is a glaring gap in the civilizing mission here, caused not only by the narrow-minded considerations of political expediency and security, but also by selfish motives. There is even some partial revenge for breaking away from Russia.

The most attractive territory for internal migration within the former Soviet Union was the Russian Soviet Federative Socialist

Republic – that is to say, modern Russia. RSFSR residents also moved to other Soviet republics. As a rule, this movement was due to labor migration, oftentimes tinged with propaganda and youthful romance. In fact, migration exchange was one of the components of the civilizing mission since qualified cadres from the central part of the country and "ethnic Russian regions" created an economic and cultural capability that constituted the foundation of independent statehood of the newly independent states following the breakup of the Soviet Union. Local cadres, trained at universities in central Russia, and specialists who went to the Soviet republics under a program whereby graduates were required to perform some service to the state after graduation performed an extremely important *Kulturtraeger* mission by wedding rich local tradition with Soviet cultural achievements. In the past several decades of the existence of the Soviet Union, more Soviet citizens came to the RSFSR than left it. Those were for the most part young specialists and workers at priority construction projects, as well as military servicemen who wished to stay in Russia upon demobilization. Furthermore, military service in the RSFSR or in other regions played a significant role in the cultural and educational development of residents of the Union Republics.

The fact that migration to Russia continued after the Soviet Union disintegrated was not a new phenomenon. Furthermore, during the period between the 1979 and 1989 censuses, the number of people who had moved to the RSFSR from other republics was higher than in between the 1989 and 2002 censuses. It is another matter that in the past decade, migration from Russia to the newly independent states practically ceased. Russia will remain attractive to our former compatriots for a long time yet – at least as long as the living standards, employment and career opportunities here are better than in other countries. However, this situation cannot last forever. The discrimination, deception, humiliation, harassment and even violence that immigrants have been experiencing in Russia of late have already discouraged many people from taking such risks, turning the tide of migration toward Eastern and Western Europe, Turkey, and even China.

Despite the ongoing population decline and the growing labor market, as well as the recognition by a small part of the state bureaucracy that immigration is necessary and useful for the country's development, Russia's migration and other services continue to put the main thrust in their work on "migration control" and the deportation of illegal migrants. While in 2004, Russia's population declined by 700,000, the authorities deported 90,000 potential employees and citizens, spending more than 100 million rubles of the budget in the process. At least as many people had to leave under the threat of deportation and violence.

In this respect, the results of Russia's civilizing mission are rather controversial. On the one hand, for more than a decade the country has served as an employment market and a source of sustenance for millions of citizens of the newly independent states. On the other hand, Russia has placed these people in a humiliating position, limiting the number of those who would like to live in Russia while giving them a raw deal. As a result, the country lost a historic chance to attract a segment of the people from the former Soviet Republics. Russia took its guidance from utopian notions that say "ethnic Russians" should return to their "historical Motherland" while others should remain "in their states." This ignored the fact that Russia's civilizing role with regard to its former compatriots had made them in many respects not simply Soviet people but people of Russia, regardless of their ethnic backgrounds (Russian, Tatar, Kyrgyz, Uzbek or Georgian). Russia imprudently decided to abandon this mission. Today, we must resume this mission and take it to a new level.

Sovereignty *vs* Democracy?

Vladimir Ryzhkov

The issue of Russia's sovereignty has recently come into the foreground of the country's national politics. This is a surprising development, which requires explanation and analysis. The Russian leadership, despite its earlier pronouncement that it had considerably strengthened Russia and its international positions over the last few years, as well as averted the threat of the country's disintegration and international isolation, nevertheless introduced the sovereignty issue.

Another factor making this move surprising is that Russia's major political forces, including those from the political opposition, have never doubted the sovereignty of the Russian Federation — nor has any entity abroad. Thus, why the sudden fears concerning the future of Russia's sovereignty? Alternatively, does it all mean something entirely different?

The first time the Russian president spoke about external threats to Russia's integrity and independence arose when terrorists seized a secondary school in Beslan in September 2004. In his address to the nation, the head of state mentioned several powerful external forces that were seeking to weaken and even dismember Russia. Although he did not name those forces, his emphasis on the possibility of an external threat was very strong.

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Russian sovereignty became an even more acute issue following Victor Yushchenko's victory in Ukraine's presidential elections. Many official commentators and those close to the Kremlin explained the defeat of Moscow-supported Victor Yanukovich by external (that is, Western) interference, and called for preventing such developments in Russia. The head of Russia's Federal Security Service (FSB), Nikolai Patrushev, addressed the State Duma, warning the legislature about the situation and naming international organizations and foundations, which he said, organize 'colored' revolutions. The Kremlin interpreted the developments in Georgia and Kyrgyzstan in the same manner.

In his April 25, 2005 address to the Federal Assembly, Vladimir Putin stated that the sovereignty issue was brought to life by active discussions about "freedom and democracy" in Russian society and abroad. The president described the discussions as simulated, adding that they exaggerated the difficulties faced by the democratic processes in contemporary Russia. At the same time, he said Russia has a right to establish the pace and form of its move toward democracy. The address contained a hidden reaction to the developments in Ukraine. The president said: "Democratic procedures should not develop at the cost of law and order, at the cost of stability, achieved with so much difficulty, or the consistent implementation of the chosen economic line. Here is the independent nature of the democratic path we have chosen. And this is why we will keep moving forward, taking into account our own internal circumstances and certainly relying on the law, on constitutional guarantees."

According to the president, "Russia will decide itself how it can implement the principles of freedom and democracy, taking into account its historical, geopolitical and other specificities. As a sovereign state, Russia can and will independently establish for itself the timeframe and conditions for moving along this path." The head of state warned all political forces against resorting to "unlawful methods." The president said, "The state will react to them in a lawful and tough way."

The chief of the presidential staff, Dmitry Medvedev, said in an interview with *Expert* magazine in April 2005 that the main and

only task of the Russian state and the political elite is "the preservation of effective statehood within the existing borders." He described "the destabilization of public life, caused by acts of terror and gross economic mistakes, taking place amidst an all-out struggle between the elites" as the primary threat to Russia. Several months later, he went even further, suggesting that the threat to the state's stability might result from general elections. Simultaneously, Russia's leadership began to make a connection between the preservation of state sovereignty and the preservation of state control; this includes Russia's control over the major industries – from extraction and pipelines to communications and banks.

In a recent speech, one of the Kremlin's main ideologists, Vladislav Surkov, elaborated on a new concept for state power – the concept of "sovereign democracy." Here are its main elements.

The globalization processes have made the concept of national (state) sovereignty partially outdated. Yet, nation-states continue to play a very important role, for example, in preserving national cultures or combating terrorism. The "national elite" must lead the state (as opposed to the "offshore aristocracy" which actually runs the country from abroad). Domestic capital or the state must dominate the strategic industries, as Russia's "sovereign democracy" will face bitter competition from other states. Russia attaches great significance to historical memory and, most importantly, concerning its imperial greatness. This fact makes it impossible for Russia to equate itself with small European nations. Russia must move toward democracy cautiously, under permanent control by the authorities, in order to prevent any destructive and unqualified forces from coming to power. ("We are checking [democracy] not artificially, as many think," stated Vladislav Surkov. "We are simply afraid.") Democracy will continue to strengthen as society objectively prepares for it. Presently, however, there is no such readiness ("The democracy issue does not only mean painting democratic institutions, but the people must also be ripe enough to reach such a culture.")

Surkov links the haste with which democracy has been developing in Russia with the possible exacerbation of certain threats.

Among them, he named not only terrorism, but also the loss of Russia's economic competitiveness and economic independence. He then cited the country's breakup, the chaos of a parliamentary republic caused by the low culture of political coalitions and agreements, and the coming to power of religious radicals in individual regions of the Russian Federation.

Vitaly Tretyakov, a well-known pro-Kremlin analyst, writing in a series of articles published in the *Rossiiskaya Gazeta* in June 2005, summed up the preliminary results of this intriguing discussion. He named Russia's loss of its international and even domestic sovereignty among the four main threats faced by the country today (along with the threats of the country's breakup or cession of its territories, extinction, and moral, legal and state degradation).

Tretyakov draws a simple conclusion – the country needs, among other things, a leader who will effectively counter these threats. For now, there is no other candidate in sight, apart from Vladimir Putin, who could at least remotely fit that description. This means that Putin's power must extend beyond 2008. Otherwise, Tretyakov warns, Russia would simply "not survive!"

Therefore, all these problems intertwine in a tight knot. Moscow's primary task is maintaining the country's integrity and sovereignty, which requires promptly averting threat against national sovereignty. The main source of these dangers is possible public protests, including those taking place in the form of democratic procedures (for example, mass disorders or elections). Of course, democracy is the best form of statehood for Russia. There are doubts, however, that Russian society is "ripe" for such a move; democracy may be a source of various dangers. Therefore, preserving the country's sovereignty requires a special Russian model for democracy known as "sovereign democracy," the essence of which calls for government supervision over the methods and rates of democratic institutions and procedures being introduced. In other words, "sovereign democracy" is nothing more than democracy under the authorities' supervision. Finally, if there is no other candidate who could reliably preserve the country's sovereignty, the task of preserving state sovereign-

ty requires "imperatively" (Tretyakov) preserving the incumbent authorities.

Here we see a bitter clash between two concepts and value paradigms, both of which are equally dear to the heart of every patriot and citizen. One of them is ***freedom and independence of Russia, or its state sovereignty***. The other is ***political and civil freedoms of the Russian people, or Russian democracy***. Inconceivably, these concepts have come to be in direct opposition to each other! Tretyakov writes unambiguously that in order to solve the problems of strengthening the state, ensuring the citizens' safety, and establishing order in the country, the president "has worked out and actually implemented a policy that calls for selective limitations on some civil rights and freedoms." Tretyakov likens this policy to "freezing to some extent public and political democracy."

Thus, Russia has had no other way for strengthening the state and its sovereignty than by "freezing to some extent democracy." On the contrary, "rampant democracy," like that experienced by Russia in the 1990s, poses a direct threat to Russia's existence, not to mention its sovereignty!

HOW DOES DEMOCRACY CORRESPOND WITH SOVEREIGNTY?

Can democracy really threaten the sovereignty of a state? Moreover, can the task of saving sovereignty justify limitations on democracy?

The French jurist Jean Bodin introduced the notion of sovereignty into political and legal thought with a work entitled *Six Books of the Commonwealth* (1576).

In Book I, Bodin gave his famous definition of a state as "the rightly ordered government of a number of families, and of those things which are their common concern, by a sovereign power."

All elements of Bodin's definition are important. "Right ordering" emphasizes the law-based nature of the state. (Bodin distinguishes a state from a band of pirates or robbers, denying them the right to proclaim themselves a state.) "Government" means "non-possession" through the right of ownership; this distinguishes a

rule-of-law state from despotisms and states based on inheritance. Sovereigns rule, as well as own everything, including people in their states. Government limits the state's ability to interfere in the property and private affairs of the subjects, thus establishing the right to private life and ownership.

Finally, Bodin defines "sovereignty" as "absolute and perpetual power." The sovereign is one who has absolute and perpetual power without any limitation. A sovereign may make the decision to give this power to another individual for a period of time and within determined limits. Bodin makes the qualification, however, that "even while they enjoy power, they cannot properly be regarded as sovereign rulers, but only as the lieutenants and agents of the sovereign ruler, till the moment comes when it pleases the prince or the people to revoke the gift. The true sovereign remains always seized of his power. Just as a feudal lord who grants lands to another retains his eminent domain over them, so the ruler who delegates authority to judge and command, whether it be for a short period, or during pleasure, remains seized of those rights of jurisdiction actually exercised by another in the form of a revocable grant, or precarious tenancy."

Hence, the conclusion that ***state bodies, even dictatorships, do not have the rights of sovereign power***.

According to Bodin, there can be only three forms of sovereignties. "If sovereignty is vested in a single prince, we call the state a monarchy. If all the people share in it, it is a popular state. If only a minority, it is an aristocracy."

Bodin lived in an epoch when absolute monarchies reigned throughout Europe; for him, a sovereign monarch was the ideal form of state government and a guarantor against defeat in the ongoing wars of religion at that time. He perceived absolute monarchy as a rule-of-law state that protects the legitimate rights and property of its subjects.

The later development of the state sovereignty theory continued along the lines established by Bodin; his ideas were expanded and further specified.

Germany's legal and political philosopher Georg Jellinek, for example, wrote that state power is power that knows no superior

power; therefore, it is independent and supreme power. He distinguished between ***external sovereignty*** (independence of a state) and ***internal sovereignty*** (the sovereign's right to arbitrarily decide any issue pertaining to domestic development).

Today, moves to limit state sovereignty are more often than not insignificant and conditional measures. For example, the right to a pre-emptive strike against a sovereign state can materialize only when the policy of the targeted state seriously threatens international stability; the approval of the UN Security Council is also required. Outside interference in the domestic affairs of a sovereign state is found acceptable only if the state commits human rights violations en masse or for other critical reasons – and, again, on UN approval. The limitation of the sovereignty of nation-states within the frameworks of interstate associations, for example, the European Union, is voluntary. The EU member states have delegated their powers to the EU bodies in Brussels voluntarily; theoretically, they can revoke these powers at any moment.

Thus, sovereignty remains a generally recognized foundation of contemporary states, including Russia.

WHO IS THE SOVEREIGN IN CONTEMPORARY RUSSIA?

Undoubtedly, the sovereign in Russia (that is, the owner of power and jurisdiction) is its people. The Constitution of the Russian Federation unambiguously states this – according to it ***the multinational people of Russia is the only bearer of sovereignty*** and source of power in the country.

Therefore, ***state sovereignty cannot be confused with state power*** as it is done by many members of Russian society and even some specialists. Thinking that sovereignty is the property of state power is a serious error.

In our case, the sovereign is the people of Russia, and its interests are represented by ***the entire state***. Individual state bodies – from the president of the country to a district judge – perform their powers, received for a strictly specified period of time and in keeping with the law, on the people's behalf and within the frameworks

established by it. In other words, state power does not have sovereignty in Russia (within the frameworks of the scientifically recognized triad: popular sovereignty – state sovereignty – state power).

The understanding that the people are the only sovereign in contemporary Russia has the following important consequences.

First, it is necessary to consider the fundamental significance of the present Constitution adopted by the people in a December 1993 referendum. The Constitution proclaims the basic political and civil rights of the Russian people, including the right to power through free elections and referendums. Everything preventing the guarantee of the people's right to elections and referendums is unconstitutional and limits the sovereign right to power. Hence, the doubtful constitutionality of the latest version of the Law on Referendums; it makes a people-initiated referendum a virtual impossibility.

Equally doubtful are the latest innovations in the legislation concerning elections, in particular the liquidation of single-member constituencies (together with the right of every citizen to run for the State Duma), raising the election barrier for political parties to seven percent and the possibility of reducing the required voter turnout to less than 20 percent. There is also the possibility of abolishing the "against all" option found on ballot lists. Add to this the difficulties with the registration of political parties and candidates; the facilitation of procedures for taking candidates out of the election race; and limitations on public control over elections. Along with the abolition of general elections of regional governors and the formation of the Federation Council [the upper chamber of the Federal Assembly] from unelected people, these innovations create the impression that state authority, not having the rights of a sovereign, hired only for a certain period of time and having limited powers, has been consistently and systematically removing the true sovereign from governing the state that wholly belongs to it.

Second, the dubious policy of limiting the citizens' rights and freedoms, notoriously known as "freezing of democracy" in the name of preserving and strengthening state sovereignty.

As we have concluded, the sovereign in contemporary Russia is its people, which perform its power through democratic elec-

tions and referendums. Limiting its sovereign power in the name of Russia's sovereignty is outright nonsense! The genuine sovereignty of Russia is the full-fledged power of the sovereign, that is, the people – full-fledged democracy without any exemptions! ***Sovereignty does not contradict democracy; on the contrary, it is democracy. The fuller the democracy, the fuller the sovereignty.***

The limitation of democratic freedoms by the state is comparable to the limitation of a landowner's rights by his own tenant. The Constitution classifies such things as usurpation, which is a crime. The Constitutional Court and other courts of Russia, which, regrettably, do not always perform their public duty in good faith, must protect the rights of the sovereign people. In particular, the Constitutional Court has not yet reacted to the abolition of the elections of regional governors, the ambiguous situation with the Federation Council, and to the contradiction between the political structure of the State Duma and the outcome of the parliamentary elections. Furthermore, there are antidemocratic innovations in the electoral legislation, as well as gross transgressions against the Constitution by the state.

Third involves the full and irrevocable right of the people to implement its sovereignty with regard to the state in general, and state authority in particular.

When the state abuses the powers entrusted to it for a certain period, that is, it usurps the rights of popular sovereignty and begins to violate the people's inalienable rights, then the people have the right to resort to civil disobedience against such an authority and to remove it from power, even before its term of office expires.

Germany's Constitution, for example, provides for the people's right to resistance, up to and including the use of force. This is a lesson learned by the German people from their horrible experience of the 1930s when the Nazis usurped power and dragged Germany into the most dreadful abyss in its history.

The Russian Constitution does not provide provisions of this kind, but this does not mean that the Russian people do not have a right to resist an unlawful authority. The power of the sovereign, the people,

has supremacy over the state authority, and the people have the full right to deprive the authority of its powers, even before its term has ended, if the abuses of power become significant and obvious. This is especially justified if the authority violates the basic rights of its citizens, for example, the right to free and unlimited access to information, as well as the right to choose and elect candidates in corrupt-free elections. Thus, what happened in Ukraine or Georgia was nothing else but the restoration by the sovereign peoples of their violated rights. In this sense, their actions were unquestionably constitutional.

In the same way, the people have the right to stage "unsanctioned rallies" if receiving approval for one becomes dependent on the "law," which actually violates the constitutional rights of citizens and makes the citizens' right to rallies and demonstrations dependent on the will of bureaucrats. In this case, we witness "unlawful law" typical of unlawful states, when ***the state authority – the usurper of the sovereign people's power – adopts "laws" of an unlawful nature***. Regrettably, we have witnessed the rapid growth of such "unlawful laws" in Russia in the last few years, which testifies to the usurpation of power in the country by government groups.

LIMITATIONS ON SOVEREIGNTY

On the face of it, internal sovereignty can be limited in order to preserve external sovereignty. Everybody is familiar with "martial law," that is, when all the resources of the state mobilize for a victory over an enemy, while the rights of the citizens diminish.

Political and civil freedoms, however, are not always restricted during a war. Besides, contemporary Russia is not in a state of war. Therefore, there are no grounds today for restricting the civil and political rights of citizens and the whole of the sovereign people.

During World War II, the British Empire underwent all the hardships and privations of wartime – from food rationing to the mass mobilization of the female population for difficult industrial work. The imperial government, led by Winston Churchill, was given broad additional powers, yet Churchill emphasized that the government used those powers under permanent parliament control, while society had the right to the

freedom of opinion. He pointed out that Britain's public figures were proud that they were servants of the people. Churchill said that his government was open to sound criticism from anyone wishing to win the war, and that there is nothing more dangerous than the fear of criticism.

The British democracy and the principle of popular sovereignty were fully subordinated to the cause of the defense of state sovereignty, without any conflict between the two important aspects of sovereignty – internal and external.

Churchill never divided the struggle for external and internal freedom. In July 1940, he spoke proudly that he led a government that represented all the parties in the state, all religions, all classes, and acceptable movements in public life, adding that his government was supported by a free parliament and free press.

Churchill viewed dictatorships and regimes that suppressed freedom as weak and doomed to defeat. The fear of criticism poses the greatest danger for dictatorships, he said. They stifle criticism, so people at the top often receive only the facts that they want to hear. Scandals, corruption and mistakes remain in the shadows, since any independent voices that could expose them are non-existent. Instead of exposing problems as they appear, they continue to rot behind the pompous façade of the state, Churchill noted.

The struggle for the preservation and consolidation of Russia's external sovereignty is not in conflict with the development of Russian democracy. On the contrary, the development of democracy and the ensuing consolidation of the Russian state will better promote the strengthening of the country's international positions than the dubious experiments for limiting political freedoms under the ambiguous slogan of "sovereign democracy."

* * *

The notion of "sovereignty" has been absolutely distorted in Russia of late.

First, the sovereignty most often discussed is external sovereignty, that is, the integrity and independence of the state of

Russia. The threat to this independence is often exaggerated or invented in order to impose various kinds of domestic restrictions.

Second, in the name of the struggle against a non-existent external threat, the people must live according to wartime laws interpreted by the limitations of political and civil freedoms. Even if there were a war in progress, the justifiability of such limitations would not be obvious.

Third, an unconstitutional principle of "sovereign democracy" is replacing the constitutional principle of popular sovereignty. This trend implies the limitation of democracy and political competition, and the wish to keep the incumbent government in power whatever the cost.

Actually, this is a barely disguised attempt to usurp power in the state, an attempt to replace the power of the sovereign people with the power of specific groups that have been brought to the top of state power by fate.

Unfortunately, such attempts have a long-standing tradition in Russian history. The best-known examples of the unlawful usurpation of power are the seizure of power by the Bolsheviks in October 1917 and the dissolution of the generally elected Constituent Assembly in early 1918. A 70-year rule by the usurping party ended in the natural breakup of the state, since no lawful sovereign was present to protect it.

Any attempts to usurp the people's sovereign power in contemporary Russia may have similar consequences. By a merciless twist of fate, those who seize power under the slogan of saving Russia are unable to maintain their power and, at the same time, place Russia on the brink of disaster. The unconditional implementation of popular sovereignty through free and honest elections protects the independence and integrity of Russia, together with its inner strength and freedom.

My Perception of Russia

Sven Hirdman

I do certainly not claim to understand everything about Russia. However, I have devoted myself to Russia since 1958, and I have lived in Russia for two periods of altogether 12 years: 1964 – 1966 and 1994 – 2004. Unfortunately, I miss the period 1987 – 1992 which so strongly impacted on the life of all Russians living today.

Two books have taught me something about Russia: *Russia Under the Old Regime* by American Professor Pipes, and *Natasha`s Dance, a Cultural History of Russia* by British Professor Figes.

To me, Russia is foremost an old European nation state, an intrinsic part of European history and culture. I stress European, not West European. There are substantial historical differences between Russia and Western Europe:

- The Tartar Yoke versus the Renaissance,
- The Orthodox church versus Protestant reform,
- The 75 years of totalitarian society.

With democratic freedoms in Russia, globalization, information technology and international travel, these differences between Russian and Western societies are gradually disappearing, and Russia is becoming more transparent to its citizens and to foreigners. Transparency breeds democracy.

If I compare my Soviet and Russian periods, a few things stand out:

- Fear, and cautiousness in the exchange with foreigners, are gone;
- The freedom to travel – one of the most important democratic rights;
- The new materialistic, consumer-oriented way of life in Russia.

One strong factor remains, though, and makes Russia different from the rest of Europe. That is the role of the State, which has grown in recent years, and the correspondingly weak role of non-state society.

Let us look at the three notions of the State, Society, and Motherland in Russia and in Sweden, and we will see substantial differences.

In Sweden, the State is a rather amorphous notion, associated with high taxes, the capital Stockholm, a few state agencies, the Prime and Finance

ministers. The strongest notion in Sweden is Society, which encompasses everything: the welfare society, local authorities, the media, trade unions, traditional Swedish values. Motherland is a non-articulated notion of history as well as something that is defined negatively as opposed to the EU or to immigrants.

In Russia, it is the other way round. The State is the strongest concept, the Holy Russian State, whose main task is to defend the Russian nation and Russianness. This goes back in history to the czars' owning the land and everything on it. The State should be respected but also feared, having precedence before the interests of the individual. Represented by the President and the Kremlin, it provides legitimacy to the bureaucracy.

Society in Russia is a much weaker notion as a consequence of the strong State. Russia has no long tradition of strong, well-developed non-government organizations. On the other hand, the personal networks of the individual Russian are by necessity much more developed than those of the individual Swede.

Motherland is a much stronger value in Russia than in Sweden. This has to do with all the sufferings that the Russian people have lived through over the centuries, threatened by annilation on at least three instances: the Tartar invasion in the 13th century, the Polish invasion in the early 17th century, and Hitler in the 20th century. Historical consciousness and knowledge are very strong in Russia, which I regard as a very positive factor that brings people together. Interestingly enough, when in 1991 the International Organization of Migration in the wake of the collapse of the Iron Curtain made a study of the propensity of various East European peoples to leave their country, 50 percent of the Albanians said yes against 2 percent of the Russians.

Furthermore, the bureaucracy works differently in Russia and in, say, Sweden, partly because of the the strong State concept. What strikes me in Russia is the verticality of all State institutions with bosses deciding everything and subordinates waiting for directives, anxious not to commit any formal mistakes. Horizontal cooperation is not very well developed, which sometimes creates problems, for instance in crisis management and in unforeseen situations.

Another striking factor, rooted in Russian history, is the uniformity and universality of Russian culture. People everywhere know Pushkin and speak the same way with almost no dialectical differences all over the Russian Federation. This is very similar to the situation in France, which is also an old

centralized nation-state, but different from Britain, Germany and Sweden.

While the role of the State is strong in Russia, in economic terms the public sector is much smaller in Russia than in most European states. This leaves a great deal of room for dynamic entrepreneurship in Russia – both of positive and negative kind. What really impresses me most in Russia is that after a long period of Communist stagnation when everything turned upside down, there appeared people – the entrepreneurs – who saw the new possibilities much faster than the rest ot us. The same was partly true after the economic "revolution" in 1998. Generally, in comparison with Western practices, I have found that the time spans for economic and commercial decisions in Russia are often much shorter, which sometimes causes problems and misunderstandings.

Over the years I have served in Russia I have seen many factors at play. There have been several political and economic crises, many of them serious, sharp and deep, but not long-lasting. I am saying this under the influence of living for four years in China during the 1970s. With respect to Russia, I see the following long-term positive changes which move the country forward:

- the openness to the outer world and the globalization process;
- generational change – in 10 years the people born since 1980, that is, after Communism, will be in charge;
- the still high educational standards and the eagerness to adopt new knowledge, particularly among the young;
- the vast natural resources, which will remain in high demand on the world market. I for one do not believe that the oil price will drop below 20 USD/barrel for a long period;
- a sensible economic policy after the "best" thing that happened to Russia in the 1990s – the economic crisis of 17 August 1998 – instilled a strong measure of realism in Russian economic affairs.

I have travelled extensively in Russia over the last ten years and visited about half the Federation entities. What impresses me most is not just the extraordinary boom in Moscow but the economic and other progress in most of Russia's regional capitals with 0,5–1,5 million inhabitants. Although uneven, the modernization process affects the whole of Russia. The spread of mobile phones epitomizes this. Last summer I visited the Novosibirsk, Irkutsk and Krasnoyarsk regions. The rich natural resources, the introduction of new technologies and the quality of the hands-on political and economic managers should contribute to substantial growth in these regions.

One sad factor in Russian public life, to which I have devoted considerable attention, is the demographic situation. Two aspects stand out. One is the incomprehensible and depressingly low average life expectancy of Russian males – only about 60 years. The other is the fact that Russia's population diminishes by about 800,000 people a year, of which about one-fourth, that is, 200,000 people – die from unnatural causes – murder, traffic incidents, fires, drowning, suicide, alcoholic and narcotic poisoning.

Turning to foreign affairs, I see Russia as a traditional European nation-state trying to find its new place in the changing environment. What Mr Primakov said in his Gorchakov lecture in 1996 still holds true, namely that Russia must first of all build up its domestic economic and political strength to be able to play a respected role on the world arena. A lot has been achieved in this respect during the last five years, and Russia is now again taking a more active role in world politics. Importantly, Russia has learnt the lesson after the Kosovo crisis in 1998 that Russia must not be isolated in world affairs but be a real participant.

I firmly believe in the strength and tenacity of the Russian nation and the Russian people. The richness and warmth of its culture has made a strong impact on me. Over 40 years, I have seen Russia change for the better and become an open society, which has very much to give to the rest of the world.

Much remains, however, to be done. The disgraceful war in Chechnya must be brought to a decent end, ensuring that Chechens enjoy a normal life within the Russian Federation. The rule of law must be further developed, and the courts become independent from the political tutelage of the State and other powers that be. Excessive centralization should be restrained, and bureaucratic interference in business reduced. State owned television channels should regain more freedom and independence in their news coverage and commentaries. The economic and social reforms should continue in order to reach the two goals set by President Putin – double GDP and reduce poverty. I believe Russia is set on this course and I look with optimism to Russia's future, which is very much in the hands of the Russian people itself.

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Restoring Russia's Future

Mikhail Leontyev

Russia's list of achievements in the past five years must include its stopping the degeneration of the state, together with its associated institutions, thus allowing the country to build up considerable resources for a potential breakthrough in the future.

More importantly, Russia stopped the seemingly unavoidable rise of an oligarchic dictatorship disguised as liberal democracy. This dictatorship was a potential liquidation committee set out to destroy the great project captioned "Russia." Omens that the oligarchy may regain its power, which slipped from its grip in a miraculous way, will hang in the air until we decide whether Russia has a future and what kind of future that is.

STARTING POINTS

Collapse. Unexpectedly for many people, the collapse of the Soviet Union turned into a collapse of the state and its institutions. It was a ***systemic*** crisis manifesting itself in the inability of the Communist system to react adequately to challenges of the time.

The disintegration process was a ***betrayal*** of the country by its political leadership that used slogans like "new mentality" and

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"common human values" to conceal an actual squandering of values – both tangible and intangible values alike.

A new ***post-collapse Russian elite*** came into being as a coalition of werewolves from the top Soviet ranks. They also included businessmen from amongst the New Russians flocking in and around the Kremlin, and former dissidents turned reformers.

The collapse of Russian society in the 1990s was peculiar in that society did not truly sense it. That very society, or rather, the profusely pro-democratic and pro-Western Soviet intellectuals which made up that society, recognized the catastrophe only after they had been displaced and turned into the "recipients of budget money," to cite the terminology of Russia's financial and statistic agencies. By that time, they had largely abandoned their democratic pro-Western stance and ceased being a society.

Society's new offshoots could only imitate the popularly known civic and political institutions of the West, and the only institution fully accepted was that of the President, elected through a universal vote. The presence of this institution helped Russia to avert final collapse.

The division of property. An evaluation of former Soviet assets provides a realistic picture of the extent of that catastrophe. Not only did the country's Gross Domestic Product shrink by 50 percent during the reforms (in fact, it might be considered as a natural consequence of the decay of the inefficient Soviet industries). McKinsey's data indicates that labor productivity in basic industries fell by a factor of three, and ***the aggregate value of assets as such plummeted more than 97.5 percent***. Construction of the capitalist system devalued the whole country.

Despite a diversity of the forms of privatization, the division of former Soviet assets boiled down to fragmenting the long chains and amalgamations of industries. Any elements that could not be sold fast were forced to degrade and die out. This was not the way to create real owners who understand the real value of the assets they acquired or the knowledge of its proper use.

It is noteworthy that state institutions were commercialized at much the same time and along much the same principles as the former Soviet economy. Quite naturally, the government dissociated itself from any responsibility for economic performance and focused entirely on its market function, namely, on selling its own services. It became acceptable then to brand this policy as "liberal."

Debts. Nonetheless, a new class of owners came into being that was comprised of two quite unequal groups. The first group includes big property owners, above all those controlling natural resources – Russia's only highly marketable commodity. These are the so-called ***'oligarchs'*** who acceded to the top positions upon special arrangement with the authorities, or by grabbing up property indiscriminately.

The second group is rather populous and includes the owners of medium-sized, small and very small businesses who have survived a terrible battle against various government agencies, competitors and gangsters.

These two groups, however different, share a common characteristic: they believe they are totally free from any obligations to their society, to say nothing of the state.

Privatization in Russia was remarkable by its almost complete appropriation of assets that was not, however, accompanied by an appropriate compensation of the relevant costs. While the government parted with property virtually for free, it retained many debts to its citizens, and the absence of the necessary assets made paying off those debts all but impossible.

When the nation came to realize how catastrophic the situation was becoming in the country, it raised claims against the state – very mild claims in the form of vague electoral and political expectations.

The nation realized its need of government, embodied in legitimate ***power*** (in the direct meaning of the word) and legitimate ***ownership***. Legitimacy can have only one ground in Russia, and this is ***justice***, and no legislative or juridical procedures can substitute for it.

Legitimacy. The legitimacy of presidential power relies on general elections. Representatives of the post-collapse political elite

demanded that the new President, Vladimir Putin, ensure their proprietary legitimacy – they needed guarantees. In 2000, there was endless talk about guarantees, against a revision of privatization, about taxes and capital amnesties, and so on. Yet ***no one*** can explain the justice as to how Russia's huge government property was distributed. The President does not have a mandate for such confirmations. A president who affirms the unacceptable results of privatization immediately loses legitimacy and becomes simply redundant, which is exactly what Mikhail Khodorkovsky dreamt about before his arrest.

On the other hand, a radical revision of privatization means ruining an entire existing system of economic relations. It implies yet another revolution, which post-disaster Russia could not survive. More importantly, the current condition of government institutions and the composition of the elite dooms any revolution ordered from above.

At the same time, it is equally impossible to create effective economic and political institutions without a real nationwide process of legitimization. Nor is it possible to defend elementary proprietary rights. That is why a step-by-step transformation of the relationship with the largest owners is the only possible method of achieving success. Property as such must transform in step with the rehabilitation of basic government institutions. This requires the gradual transformation of the elite through the removal of the most odious and treacherous elements within it.

Oligarchy and democracy. The so-called YUKOS affair, wich actually meant the removal of the oligarchs from the commanding heights in politics and the economy, was unachievable under the former media-dominated, corrupt liberal procedures. The Russian state did not have levers to act either way given the conditions it had found itself.

Regardless of the time or place, a liberal democracy always implies a mechanism for the ***domination of the elite*** with attendant instruments in the form of political parties, elections of various colors, together with their elaborate financing, as well as control

over the ostensibly independent mass media – the very ones who belong to different groups of the elite ***(mediacracy)***. Generally speaking, there is nothing disastrous in such a system per se, as it has been functioning successfully in many countries.

And yet there is a vital condition to such a system: the elite must be loyal to its homeland. In Russia's case, that condition is more than simply neglected (according to Khodorkovsky, "this country looks like a good place for game hunting"). The new Russian elite seeks guarantees of its status and security abroad rather than at home.

Thus, a system called 'controllable democracy' – that is, the partial restoration of government control over the largest mass media outlets, as well as the legitimization of those ***political entities*** that used to represent the interests of different groups of post-Soviet elite – removed those members of the oligarchy who relied heavily on the mediacracy. The development that demagogues called "the wrapping up of democracy and freedom of speech in Russia" meant, in fact, actions to keep the state united (as an institution and as a territory).

While some quarters make attempts today to decry the restoration of vertical power as one more method of curtailing the democratic system, it is worthwhile recalling that by the end of the 1990s the regional elites and leaders had begun to make outright claims for dominance over Russia's sovereignty, or for multiple sovereignties, which would spell the automatic loss of Russia's national sovereignty. The need to void the regional leaderships of general political functions made the elimination of direct elections of governors the only feasible move. Importantly, the political procedures of parliamentary and presidential elections remain in place and cannot be 'wrapped up.' Those elections represent the groundwork for the legitimacy of the acting Russian government.

Challenges. The huge drop in Russia's combined economic and political power did not merely accompany the process of post-reform transformation – it coincided with the plans of individuals who had ordered it from abroad and the ones who executed it inside the country.

There was no primordial, or specifically anti-Russian scheming behind those moves. Every nation has a normal political objective to rule out the emergence of an outside force that is capable of overpowering it.

However, there is another matter of more importance, and that is for the first time in centuries Russia had become ***an object of history making, as opposed to an active subject***.

All the problems which existed in relations between contemporary Russia and its Western partner – and in essence there is only one partner – pertain to Russia's claims to re-impose itself as an active participant in world politics, i.e. make claims to genuine sovereignty. In other words, so long as Russia did not exhibit any particular ambitions about becoming active, it did not feel any special hostility on the part of others.

Terror. As long as Russia was collapsing through its own initiative and inertia, real terror against the Russian state was rather restricted and could be described as subversive separatist movements and political operations; however, after the authorities stopped the process of disintegration, its character changed radically. We are now witnessing an ***unprecedented type of terror that aims to break up the very institution of the state*** and deny the legitimacy of government.

Presently, the state is being subjected to a form of public torture, including a type of persecution by the mass media, that must eventually either make it assume full responsibility for the death of innocent people, or disband of its own will in the face of the terrorists' ultimatum. The intensity of that torture is growing – terror is working in close affiliation with separatist groups, religious extremists, political oppositionists of every imaginable color, and the 'fifth column' in the business community and government agencies. The process receives powerful overseas support that is not limited to only the media. No separatism agenda can provide material backing, coordination and specification of goals of such magnitude.

The overt hostility of the majority of Western mass media toward Russia is caused by the mere fact that this country has openly stat-

ed its ambitions for becoming an active player in the vital neighboring zones of the post-Soviet space, that is, in Ukraine and Georgia. And if the restoration of Russia's might becomes a reality, the reaction will be close to hysterical; this is something we must be prepared for. This fact, however, should not discourage Russia from rebuilding its political and economic power.

GROUNDS FOR BEING OPTIMISTIC

Nonetheless, Russia retains the military, economic, moral, and political grounds for rebuilding its might.

1. ***Strategic nuclear arsenals.*** This is the only area where Russia has a semblance of parity with the world's only domineering superpower. Russia can maintain such an arsenal that will be sufficient for a modernization breakthrough, at the very least. Rehabilitation of the nation's nuclear deterrence may lay the foundation for the real maintenance of Russia's sovereignty.

2. Over the past five years, we managed to stop the collapse of our major government institutions. ***The institution of the presidential office*** is functioning, and there is little doubt that it is functioning of its own accord. The government is diversified yet controllable; the administrative reform, although not fully assimilated, has been launched. Today, it is technically possible for the government to perform the tasks that are essential for an economic breakthrough.

3. Russia, in one way or another, has built for itself the foundation for a ***self-regulating market economy*** that is adapted to normal market standards. If the conditions are created for fair and tough internal competition, without the government meddling in business matters it has nothing to do with, then a free economy will ensure the powerful support necessary for an economic breakthrough.

4. Russia has preserved its ***natural resources*** and maintains them under state control. These resources are the world's largest and not only make Russia a crucial element of the world economy, but also furnish this country with a sufficient degree of economic security even in the most unfavorable economic conditions.

5. Russia has accumulated huge (some experts say 'excessive') ***financial resources*** over the period of stabilization. If that money

is not squandered, we will be able to apply it to a rapid modernization, including in the military sphere, and Russia's power will exponentially increase then.

6. ***This country maintains a leading position*** among the neighboring former Soviet republics, since virtually all of them are experiencing a civilizational degeneration. Only Russia has retained its scientific, educational and technological potential, although not without a loss.

7. Last but not least, the post-reform trauma did not shatter ***Russia's psychological health***. The initial mess following the collapse of the Soviet Union has largely given way to strong expectations that must be met. Public consciousness is yearning for its historic revenge, and whether this desire takes a productive or destructive form will depend on the adequacy and efficiency of the government's policy.

TASKS

The re-establishment of the sense and objectives of Russia's existence as a state, society and civilization, together with the restoration of its strength and power for implementing those objectives, are the main tasks for our government.

Justice. Justice is a fundamental value for our society, for nothing can be built anew without remedying injustices.

As political analyst Vitaly Naishul noted, "while the first revolution in the early 1990s promulgated the slogan of freedom, the next revolution will wave the banner of justice."

One can add that the implementation of freedom produced a severe shortage of justice, and we must find ways of meeting the demand for that basic value unless we want to stir up more social revolution. Today's government is trying to identify ways of reconciling with society without rupturing the existing ownership relations. Thus far, the results are rather unimpressive. This is due not only to the insufficiency of the resource base, but also to the impression of injustice and the real humiliation that the reconciliatory approaches evoke (recall the notorious replacement of ben-

efits with monetary compensations). It is important to pursue the general principle of ***'social reforms as popular reforms,'*** meaning that everyone understands who benefits, how big the benefits are, and on what grounds they are offered.

The problem of income distribution, social security and the distribution of property is, to a great degree, connected with the ***government's debts to the population***. Those on government payrolls are entrusted to a state that had handed out for free the sources of the funds for paying off debts. One of those sources should have been found through the tax base.

Yet the taxes, which are enough to guarantee the normal functioning of the economy, are not enough to pay back government debts to the people. The current level of taxes cannot cover such debts as the compensation for Soviet-era bank deposits that were razed to zero by rampant inflation in the early 1990s (these are acknowledged debts), as well as payments of back wages to public sector workers and back pensions. The resources for paying back these debts lie in the property that has been taken away from the government.

An issue tightly linked to the debt issue is the legitimization of the largest property holdings, which cannot occur given the current amounts of foreign debt that must be repaid. The only way for these owners to make that property legitimate is to engage in the repayment of debts. An investment company servicing securities issued against debts to the population must be insured by the assets of the largest companies, above all the producers of mineral resources. This scheme may become the basis for signing a New Social Contract between society and the largest businesses.

Big economic growth, along with a much steeper rise in the value of assets, could offer a tangible prerequisite for the Social Contract. This is the only way of peacefully building the institutions that will distribute national wealth in the manner that the people will deem acceptable. This implies a mutual engagement toward an economic breakthrough, not the expropriation of property. Society can be reconciled with the results of privatization only through a ***wide-ranging contract.***

Public reconciliation. Russia has not solved the problem of social reconciliation either on the historic plane – between the supporters and adversaries of Bolshevism and Communism – or on the social plane (between the rich and the poor). The Civil War of 1918 to 1921 continues, in fact. The incumbent government is trying in earnest to develop a unified history of Russia and a united Russian statehood. But the Day of Concord and Reconciliation, a former national holiday, has been abolished. Since we cannot come to terms with one another regarding the past, the only possibility for us is to come to terms on ***the future of a Great Russia***. The ***Restoration of Russia's future*** is the essence of Russian policy at present, and our authorities must design the image of that future and guide the country to that end.

National might. Any policy that aims at increasing the power of the nation, will also work toward ***sustaining freedom***. The degree of might determines the ability of any politician, political group or state to make and implement sovereign decisions. No kind of sovereignty or law can rely on legislative acts, contracts, coalitions, guarantees or promises if it does not rely on power as well. In the end, the might of a country is the only basis for its sovereignty.

A strong economy is a crucial element of a powerful state, however, military might, as well as political and diplomatic weight, are the most important and sometimes most decisive part of economic strength. America's economic might rests to a great extent on the number of its aircraft carrier groups and their combat capability. One can easily surmise that the value of the U.S. economy would drop by a factor of three if its military power shrank to that of Japan.

Capital strength and political power are the two interrelated components of freedom and independence of any country. If either part sustains a setback, then encroachments on freedom and a loss of independence are pending. These factors mean that Russia must choose its criterion for attaining power on its own, not from the norms and rules dictated by "civilized" mentors.

Sensible goals and guarantees. Russia's main resource is found in the propensity of the Russian people for having clearly identified goals. The people find sense in government if they have a goal and a momentous and detailed task. Then the people develop energy – the very machinery of economic growth – the efficiency of which can be judged by specific criteria inherent in the goal. The presence of a goal sets conditions for building state and economic institutions. A country's long-term goals and, consequently, long-term money enables businesses to engage in long-term development projects. These projects stimulate making money through development rather than on corruption or other methods that tear the country apart.

The government has a major goal in its relationship with the business community, and that goal is to provide tough ***guarantees for the immunity of property***, as well as guarantees for legitimate deals. For large property holdings, the issue of guarantee rests on legitimization. As regards the bulk of medium-sized and small businesses, the main problem of proprietary guarantees boils down to protective measures from state agencies, that is, institutions acting on behalf of the government.

Thus, the government's major task in a market economy is to launch ***institutional reform***, or to create the institutions whose basic task with regard to market relations is to defend proprietary rights.

There is also a crucial task of ensuring ***maximum free competition***, above all domestic competition. If Russia wants to develop a car-making industry, for instance, the government must also provide for competition through the introduction of two – or better, three – national manufacturers with comparable capabilities. To make this possible, one or two modern car factories of foreign origin might be built in Russia.

To set the scene for tough and equitable competition, we must ***defend our domestic market***. Its defense should be an absolute priority in two cases. First, the protection of those industries, manufacturing facilities or technologies, the loss of which might mean an impending threat to ***national security***. Understandably, this suggestion refers primarily to defense industries, financial institutions

and vital infrastructures. Second, we must control strategic resources. Selective protectionism is imminent in those areas where an open market would bring about the expulsion and/or destruction of national manufacturers. Only then will the government be able to open its doors to a tough and efficient ***competition of manufacturers within the domestic market***.

National projects. Apart from market-oriented institutional reforms, the government has a strategic goal in specifying long-term priorities and making them known to the business community.

The government also shoulders ***responsibility for organizing the investment process***. This is essential, unless we want to be witness to a situation where the invisible hand of the market brings structural degradation to the Russian economy to the point where the Russian state becomes all but redundant. This brings up the issue of an advanced ***industrial and growth-oriented policy***. Let our government finally get down to the business of adjusting economic mechanisms inside separate industries and groups of industries that would stimulate growth and development.

The government should focus on ***strategic national projects***, which private companies are unable to implement independently or cannot due to the current situation in Russia. These projects pertain to our ***national security*** and the development of our intellectual potential, not to mention ***high technologies*** (since the state has an indisputable duty of keeping up the industries and research schools where Russia enjoys world leadership). Russia must promote the growth of projects that are the engines of economic growth, or help at facilitating a sizable expansion of the domestic market.

One such engine involves the ***fundamental modernization of the Russian Armed Forces*** that can ensure economic growth and protect research and technology potential. Unlike in the U.S. where this lever is broadly used to stimulate the economy, Russia really needs an amassed modernization of its military hardware to ensure a minimum level of security. ***An impressive increase of defense spending*** for the re-equipment of the Armed Forces appears to be essential from both the political and moral point of view.

The list of other high-priority national projects may include:

– ***rehabilitation of commercial aircraft manufacturing;***

– ***a national space project*** (contrary to the current trap of the International Space Station);

– ***transport projects of intercontinental strategic importance;***

– ***a system of widely accessible mortgage loans*** (unlike the dismal undertakings of the Ministry for Economic Development and Trade, Russia needs a project with a fairly limited initial government financing that could produce a real construction boom and get millions of people, not a few dozens of thousands, engaged in housing construction.) Mortgage loan programs have an important advantage: they can be substituted for by imports by a small degree, boost the domestic market and have a quick and obvious social effect.

Such national projects have an important result and by-product, that is, a ***new national elite*** within the business community and state machinery. This will be a ***creative elite*** that will replace the post-collapse collaborationist elite. In a nutshell, the enactment of national projects will serve economic goals and also help to solve the dramatic task of replacing the elites. This, in turn, will open up the sole opportunity for Russia's development along the path of democracy.

Even a small part of our excessive reserves will suffice to set these national programs in motion. At any rate, it will not exceed the funds that will vanish in plugging numerous budget failures that are bound to happen should the present economic policy continue.

Russia is bound to have no less than $200 billion at its disposal by the end of this year, even by official estimates. Those funds are being used with utter inefficiency, while losing their value by inflation or an unfavorable exchange rate. Transferring them into the currency or securities of the potential enemy is not only unprofitable; it makes those assets highly vulnerable.

Finally, Russia must design a ***sovereign monetary policy*** instead of the "currency control" patterns that presuppose printing certain amounts of rubles depending on the arrival of hard currency revenues. Let us decide for ourselves on whether a fully convertible

ruble might be more lucrative for us. If it is, let us sell our natural resources abroad for rubles.

Another option is to renounce the ruble's internal convertibility (like in the Chinese model) and to turn monetary policy into an efficient instrument of stimulating the economy. However, given the structure of our exports and the cost of the workforce, renunciation of the internally convertible ruble will hardly bring us benefits similar to the ones China is getting. But we must make the choice immediately since continuation of the current policy line would mean mocking common sense.

And of course, the state has an obligation to make ***social investment*** (not to be confused with social obligations). Social investment in education, public health, science and culture is always efficacious, and the beneficiary is the whole national economy, not just a separate corporation.

Civilization-state. The essence of Russia's existence as a state and nation is preserving and developing the ***Russian civilization*** as a unique way of life, culture and system of values that, although being different from all other civilizations, incorporates many of their features and serves as a foundation for state and public institutions. Individual material successes and money grabbing, for instance, will never be a dominant attribute in the Russian system of values, nor define a person's social status.

Many talk now about the decay of the nation-state and national sovereignty, not to mention the collapse of empires. All of that refers to globalization. The problem is that globalization presumes the survival and swelling of one global empire against the background of dissolution or fragmentation of former nation-states within global entities of some kind reporting to the empire.

On the other hand, there are liberals and Russian fascists who try to spellbind the public with the chimera of an "ethnic state" with the underlying suggestion "Why don't we drop off all those people from the Caucasus, Tatars and elsewhere?" No single state can structure itself on these idea, as they pave the road to carnage and, as a consequence, to the fragmentation of and tribal feuds on

the entire post-Soviet space. Ironically, it is precisely this path that some former Soviet republics have taken after they made a 'European choice.' Some have already sensed the phenomenon, while others are yet to sense the energies of national conscience that suddenly burst forth from the peoples inhabiting multiethnic territories; and the energies do burst despite the stringent "humanitarian guardianship" of the global arbiter.

Russia has always existed as an empire. It can exist only as an empire in the modern sense of the word, which stresses a harmony of all the constituent elements and cultures and their synthesis, as opposed to a system of power and a form of external expansion. Russia is a ***civilization-state*** where the ethnic Russians are a cornerstone people that cannot exist outside the multicultural environment of other peoples making up and filling that civilization. ***The imperial mentality is a profound foundation of our anti-fascism***. Any chauvinist who calls for the repression of non-Russians and non-Christians is a foe of the empire and a menace to its existence.

The future world should be seen as a multifaceted amalgamation of civilization-states, each having an identical tradition, lifestyle and hierarchy of values. This country has the goal of reserving a place for Russian civilization and state among other civilization-states.

We must convince those peoples who are close to us in spirit, history and culture about the importance of building a state together unless we want to be turned into objects of manipulation, with the nation being partitioned amidst competition for our resources and their transportation routes. In essence, this is the basis for post-Soviet integration. ***A modern centralized democratic civilization-state*** can alone maintain its might and ensure justice on its territory that is bound by a common civilization. The latter must be durable, as well as hospitable. It must be ***comfortable for its friends and invulnerable to its foes.***

Statehood: The Regional Dimension

Leonid Grigoriev, Yulia Urozhaeva

In the past 15 years, relations between the federal center and the regions have varied from the "take as much freedom as you can" attitude to serious concern about the problem of separatism and the inability of the regions to run their own affairs. Meanwhile, it is no secret that Russia does not even have a regional economic policy.

Presumably, during the crisis of the transition period there were no resources available for regional development. At the same time, however, the net-recipient regions actually received huge resources from the net-donor regions for maintaining social stability, supporting various political projects, and perhaps investing in some sort of corruption-tainted schemes. The resources depleted, but there was no coherent policy course. The failure to develop a system of priority objectives, together with the instruments to achieve them, derives at least partially from the magic charm of simple solutions dictated by macro-economic policy that purportedly leads almost automatically to the bliss of modernization. Russia passed through five years of a consumption boom (60 percent growth!), as well as an energy export explosion, to understand that things are not quite so simple.

Does Russia really have such diversity in its regions that the situation calls for a case-by-case approach? Intuitively, most peo-

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ple respond to this question in the affirmative. Nevertheless, it is time to make a simple analysis of the regions concerning their level and pattern of development under free market conditions and exposure to global competition.

STATES WITHIN THE STATE

We have divided the Russian regions into three separate groups according to their development levels: developed (Group A), moderately developed (Group B), and less developed (Group C) (see Table). The approximate cutoff levels of per capita Gross Regional Product (GRP) (indicating price levels by region) in 2003 are as follows: in Group A, the figure is 70,000 rubles or more; Group B, 50,000 rubles to 70,000 rubles; Group C, 45,000 rubles or less. At this stage, the three groups comprise 27, 26, and 29 regions with the population constituting roughly 50 percent, 30 percent, and 20 percent of the country's total, respectively.

Table 1. The Share of Regional Groups According to Major Macroeconomic Indicators, %

	GRP	Population	Employment	Investment
	2003	2003	2003	1999-2003, average
Developed (Group A)	71.0	51.4	54.0	69.9
Capitals and suburbs	29.8	16.2	17.2	22.8
Exporters	17.1	7.9	8.8	24.1
Balanced industry	24.1	27.3	28.0	23.0
Moderately Developed (Group B)	19.2	26.9	26.9	21.2
European Russia	13.3	19.5	19.2	16.7
Coastal regions	8.1	11.1	10.6	11.2
Inland regions	5.2	8.5	8.6	5.5
Siberia and the Far East	7.0	8.5	8.8	6.3
Coastal regions	2.6	2.8	3.0	2.1
Inland regions	4.4	5.7	5.7	4.2
Less Developed (Group C)	9.9	20.9	19.1	8.7
European Russia	6.6	13.0	12.7	5.9
Siberia and the Far East	2.1	4.1	3.8	1.7
North Caucasian republics	1.1	3.9	2.6	1.1

As will be shown below, the principal differences between the moderately and less developed regions are not only and even not so much in the GRP level as in the type of resources (own or subvention resources) that are used to achieve a certain GRP or consumption level.

The disparity between some Russian regions on key development indicators (GRP, investment per capita) can be as great as 20 to 30 times – roughly the same as the gap between UN member countries except for some extreme cases, which include the most developed countries, sub-Saharan Africa, and the South and Southeast Asian countries. The wide disparity of resources in countries sharing the same continent, reflecting their uneven development, has re-emerged within the boundaries of individual countries.

Russia must find a way to harmonize its national interests and regional specifics – for the third time since the onset of capitalist development – for the purpose of common progress. Russia must approach this challenging task with the maximum pragmatism possible, as well as with an understanding of the depth and specificity of the problems it faces.

Capitalism in the Russian Empire developed for too short a period and amid serious impediments and constraints. Therefore, it was unable to resolve the problem of naturally adjusting labor productivity levels across an entire continent. The Soviet era, which depended on a high level of state planning, was marked by a robust productive-force distribution policy based on low transport and energy tariffs. The adjustment methods were far from effective and only appeared practical and successful with an artificial system of domestic (relative) prices that were greatly at odds with global prices.

With the onset of free market reform in Russia, the ineffectiveness of a considerable part of industry emerged in the form of an uneven structural crisis with irreversible consequences for a number of sectors. Due to the effects of the crisis during the transition period, the adaptation to new prices as planned adjustment (especially in the investment sphere) was almost completely lost:

human resources were eventually concentrated in the wrong sectors and wrong regions. Since the transition period began 15 years ago, the different sectors of the planned economy had been downsized and restored unevenly, thus the regions were also affected to differing degrees. The global economic upturn that began in 2002, together with the growth of export prices for a majority of raw materials, gave many Russian regions new potential resources for development. However, this scenario highlighted, at the same time, the uneven distribution of those resources.

Economic growth over the past five years has improved the situation in most of the regions, but not as substantially as the political elite and the public had expected in terms of modernization. Economic growth, including the doubling of GDP, cannot be uniform across the country. The less developed regions are to a large degree catching up with the more developed regions not only because of their own advancement, but also due to growing consumption through the redistribution of resources from net-donor regions, that is, at their expense.

BREAKDOWN BY CLASSES

Our economic policy sometimes naively combines the conflicting ideas of even regional growth (the ruling authorities require that all regions double their gross product in accordance with the plan) and identified growth areas that are supposed to be the pacesetters of economic development. However, before addressing growth areas and the related problems, it is essential to take a closer look at the configuration of resources available in Russia's three main regional groups. To this end, it is important to show that these three groups have a very complex structure. First, it is important to acknowledge that not every member of the Group A regions is prosperous. By Russian standards, however, they constitute our "developed world" which concentrates the main human and natural resources.

Group A includes, first, Moscow City and St. Petersburg with the surrounding Moscow and Leningrad Regions that constitute two distinct socio-economic organisms. Population patterns, the labor market, and the transport and banking systems are unified in

both cases. The Russian Empire and the Soviet Union invested colossal resources in developing the transport infrastructure of both regions, concentrating a huge amount of human resources and production facilities there (apart from private business). Both regions have robust services industry, financial, education, and strategic sectors.

The two other (developed) subgroups of Group A depend on natural and human resources, as well as their own production capacities. Most importantly, these realms of activity depend on the export and raw materials sector. This scenario came about because of free market economic development in the midst of private ownership, free price formation and the liberalization of foreign trade. The raw materials producing regions gained control of a greater portion of the revenues generated by the enterprises located on their territory than under the State Planning Agency of the Soviet Union (Gosplan). This group, however, features substantially weaker manufacturing industries both in the civilian and defense related machine-building sectors. Generally, the share of exports in this subgroup varies between 30 percent and 50 percent of the entire added value produced in a particular region, while oftentimes it is a single product (such as oil and natural gas for the Khanty-Mansi Autonomous District and Yamalo-Nenets Autonomous District) or a combination of two or three export products, e.g. natural gas and timber in the Komi Republic. In addition to the aforementioned the Khanty-Mansi and Yamalo-Nenets Autonomous Districts and the Komi Republic, this group includes Krasnoyarsk Territory with its non-ferrous metals, the Republic of Sakha with its gold and diamond resources, and Vologda, Lipetsk, and Belgorod regions with their deposits of ferrous metals.

The third subgroup has a more balanced structure of industry: it combines export sectors (mainly raw materials and semi-finished products) and sectors targeting the national and regional emerging markets, as well as the defense industry. Although the export sector is also important for them, it is not a single industry as in the case of the previous subgroup. It is our belief

that these territories objectively comprise the country's industrial (manufacturing) core, capable of meeting the formidable challenge of adapting to global competition, as was the case with the super-industrialized regions of Europe and the United States. They can play the role of the driving force of regional development in Russia, and their focus must be on growth: these regions will emerge as growth centers in their geographical areas, spreading their economic expansion to neighboring regions.

Should the industrial regions fail to adapt to the new competitive environment, Russia could become dependent on agrarian and raw material producing industries and regions. These industries would have to support the capital cities and the military with revenues from the export of raw materials. The industrial regions – not Russia as such – may be forced to find their own way to a post-industrial society. In other words, Russia may or may not be able to integrate into a post-industrial society together with these regions since the other regions have a much longer path to traverse. These regions, of course, have tremendous human and management potential necessary for their development; however, ways need to be found to help them tap their inner resources and potentialities.

Group B is comprised of a relatively homogeneous mass of regions, characterized by not only an average level of development and the presence of several viable enterprises and educational establishments, but also, principally, by the lack of a powerful resource base that could lead them to international markets. In general, these regions have lost a part of their population and employment opportunities to Group A, yet they continue to constitute an important base for the spread of new production capacities to regions with available space and human resources, as well as administrations ready to work hard to ensure the survival of their regions in a new environment. Within this group, there are marked differences between inland and coastal regions in the country's European, Siberian and Far Eastern parts, respectively.

Europe's entire history – from Greece to Ireland – shows that the coastal regions in a free market economy should have higher development rates.

Finally, Group C consists of less developed regions with their distinct specifics, including the ethnic republics in Siberia and the North Caucasus. It is vital to find effective ways of addressing the specific problems of these regions for ensuring sustained growth, as well as dealing with unemployment and an over-reliance on agriculture.

Every region of the Russian Federation, of course, is interesting, valuable and unique in its own way: such are the country's specifics. To understand these specifics better, the next two sections will take a closer look at the subgroups (10 in all) and the problems of regional development in a highly competitive environment. We should try to formulate federal, as well as various regional interests in a more forthright manner so that each region has a chance, as well as its own path to the future.

DIFFERENT CONDITIONS, DIFFERENT OBJECTIVES

Russia's regional differences are continental in scale. In terms of their resource structure, we have the analogs of Portugal and the United Arab Emirates among the Russian regions. An effective regional policy in such a country should take into account the objectives of all sides concerned, both at the center and on the periphery.

There are at least three major players, each with several specific objectives: the federal center, the regional elites, and financial-industrial groups (private or state-controlled).

Either most countries in the world have fewer players and interests or, by virtue of their historical development, less pronounced regional differences. Russia, however, does not fit into any known pattern: a multitude of contrasts plagued the Russian Empire (from nomads to German burghers), while the Soviets tried to merge and level out everything. These historical factors make the task facing modern Russia even more challenging – to

find a path of sustained development for all of its components, each with very different start-up positions. Adjustment is not so much about local per capita consumption as it is about the development of human resources, democratic institutions, private property and fair competition.

The new regional classification shows specifically what particular groups of regions have in common. For example, it makes clear that both the most and least developed regions follow similar paths in terms of their GRP dynamics, while the moderately developed regions take a more independent course. This leads to two conclusions: first, the economically weaker regions have sufficient bargaining power to grab their share of the country's advancement via redistribution mechanisms; second, the developed regions are also in a position to keep the dynamics of this redistribution within their growth dynamics.

This observation points to two pronounced groups that have distinct regional policy interests – net-donor and net-recipient regions. Krasnoyarsk Governor Alexander Khloponin spoke about these interests without mincing his words: "The net-donor regions know in advance that the results of their efforts to ensure regional economic development will be redistributed by the federal center through the budget in favor of a backward neighbor via federal transfers." The federal center pursues an explicit policy of adjusting regional development through budget adjustment. Presumably, the federal center rationalizes this behavior and thinks, "We follow a budget adjustment policy, and this is adequate." But is it?

The federal center, with its political authority considerably augmented in the past five years, has several regional development objectives that it is compelled to pursue – consciously or maybe even unconsciously. By far the most conspicuous is the maintenance of socio-political stability in the country and the preservation of its integrity by supporting the budgets of the less developed regions. Incidentally, this kind of support between countries is usually impossible where resources are transferred from one country to another as small-scale direct assistance or via complicated credit mechanisms.

THE FAILURE OF ADJUSTMENT POLICY

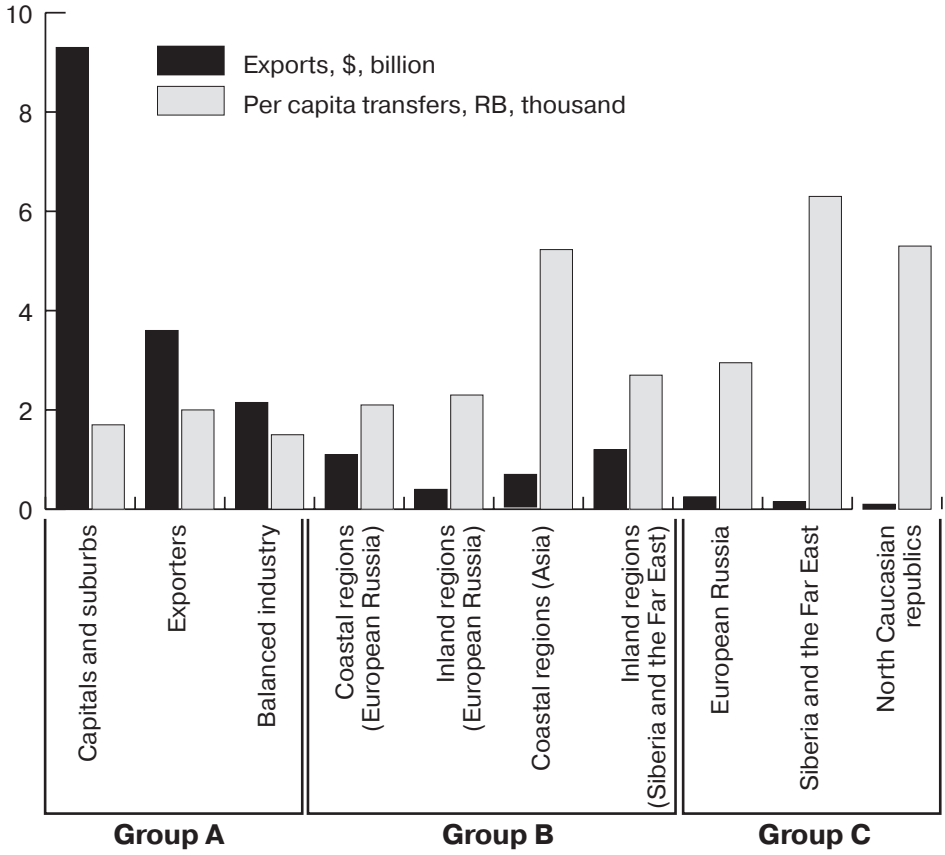
Here we must note that the international financial institutions have for decades engaged in something similar to 'budget adjustment' but without particular success. Just recently, the G-8 finance ministers, with the U.S. and the UK calling the shots, approved a plan to forgive the total debt for the world's 27 poorest countries; this is especially remarkable since this forgiveness included their debts to the IMF and the IBRD. There is no need for such a mechanism, however, within an individual country: simply, the effectiveness of resource redistribution should be measured not in terms of consumption adjustment but in the degree to which available resources are used for development purposes. With regard to Russia, this move would look like "restructuring" (forgiveness) of all budgetary loans to our "IMF+IBRD" – that is to say, the RF Finance Ministry.

This comparison is important because the RF Finance Ministry also redistributes large amounts of money. Analysis shows exactly how this happens (see Diagram 1). The exporting regions receive small per capita transfers from the federal budget. Less developed agrarian regions and Russia's Far East receive quite considerable amounts of money – up to 5,000 to 6,000 rubles per capita (as of 2003 – that is to say, before the 2005 'monetization'). This accounts for up to 20 percent of apparent consumption in the least developed regional groups, while the resources are redistributed via the budget sector.

One of the main clashes in the budget policy of recent years involves the 'center vs. regions, net donors vs. net recipients.' This is, in effect, a clash between the exporters of resources and agrarian regions, a conflict between accumulation and consumption. The transfer of resources from the rich to the poor has two effects: the recipient becomes accustomed to free handouts, while the donor cannot invest them.

This problem is international in scope. Thus, the EU budget has become a controversial issue: donor countries (Germany, France, Great Britain, The Netherlands, Sweden, and Austria) are ready to redistribute 815 billion euros in favor of the less developed members. The EC is asking for 1,022 billion euros in an effort to provide finan-

Diagram 1.



cial assistance to the newly admitted EU members without greatly reducing its assistance to the "old poor" regions of Greece, Portugal, Spain, and Italy. The EU adjustment concept, however, boils down to classic ('anti-liberal' in Russian terminology) formulas: job creation programs in the less developed regions, assistance in developing infrastructure, and, ultimately, making Europe more competitive.

Russia's main problem is that its budget redistribution plan does not address the federal center's long-term strategic problems: economic modernization, making the manufacturing and services industries more competitive, and, ultimately, achieving higher growth rates. Until now, leaders explained the absence of a coherent regional policy with the logic that the best regional policy is for everyone to develop within a unified, common space. Thus,

the raw materials exporters and industrialized regions automatically acquire the role of donors. The federal center must have some covert revenue-sharing agreement with the developed regions or otherwise impose its own policy on them.

Although such an adjustment is a national policy objective, it is actually a complex, long-term process of regulating development, and not simply a budget adjustment.

AMBITIONS

When speaking about nations, accumulation and saving rates are interrelated and can be subject to statistical analysis. In the case of the regions, however, the picture is rather blurred. On the regional level, just as in a small UN member country, growth can be predicated either on an external donor (the RF federal budget as opposed to the World Bank for Africa) or on one or two major projects. On the level of small, medium-sized and many large companies, growth will be directly contingent on investment in this particular region.

On the other hand, if a region is a capital exporter, its rate of reinvestment relative to its internal saving rate may be low (just as in Russia as a whole). In this case, even a developed region could in the future face the threat of stagnation. Therefore, the objectives of the local leaders vary depending on the character of their specific region. All would presumably want more freedom in spending their resources, as well as more mechanisms for increasing their development. Yet, depending on the scale of development, some need to have freedom in decision-making to spend the resources transferred to them, while others need it to make an effective use of their own resources. Within the confines of this article, a summarization of the principal objectives of different groups and subgroups is as follows:

– the capitals desire to be on par with the world's leading capitals, host Olympic Games, for example, and receive federal funds for reconstruction programs – the rest would be paid for by rich residents and newcomers;

– the exporters of raw materials attempt to control the maximum share of revenues generated by extracting companies, ensure normal living standards in the region, deal with environmental and

infrastructural problems and, as a general rule, undertake large-scale, cutting-edge projects;

– the developed regions, naturally, dream about preserving their human resources, finding a new application for them, and graduating from "planned super-industrialization" to a post-industrial society;

– the moderately developed regions hope to pull a lucky ticket, land a major investment project (the principal attractions being their available territories and workforce), and achieve a breakthrough;

– the less developed regions hope to discover oil on their territory, thus guaranteeing a new pool of resources for their development;

– the coastal regions will have everything they need naturally arrive to their doorstep: they only need to create a favorable institutional environment for investors and harmonize local interests with the interests of the federal center and financial-industrial groups.

THE THIRD PLAYER: FINANCIAL-INDUSTRIAL GROUPS

In the Russian context, in addition to the federal center and the local elites, there is a third player pursuing (this depends on the characteristics of the region) various objectives – from maintaining the inflow of redistributed resources to promoting regional development. In small countries, this third party is a foreign company. In the Russian regions, however, they are financial-industrial groups (FIG), or, in the best-case scenario, foreign companies. Unlike small and medium-sized businesses that generally invest locally, FIGs pursue their own (oftentimes global oriented) policy with regard to the centralization of financial flow and regional investment. The most important thing is that these groups are not obligated to reinvest their profits in Russia or in the region of their origin. Their effectiveness hinges on effective decision-making. The Russian regions, not much different from nations for multinational companies, ensure the reproduction of the work force and the stability of the production (usually extraction) environment. The objective interest of the FIGs is their maximum amount of freedom in the movement of capital – that is to say, the freedom of investment nationwide as well as worldwide.

During the reform period, the regions were initially dominated by local governments, until the financial-industrial groups (private or state controlled) greatly strengthened their positions. Of course, local elites in the more developed regions, which enjoyed several economically developed sectors together with several FIGs, had greater room to maneuver and greater bargaining power in dealing with the powerful financial-industrial groups. The federal center finally intervened in these relations, creating a complex and dynamic balance between federal interests (national or departmental interests, which is not always the same thing), FIG interests, and the interests of regional development.

What is critical for Russia's future is how clearly the three major groups of regional policy players view their interests, together with the future of the regions and the country as a whole. Either they can attempt to cut each other out, or they can move along together. Russia is a complex and mysterious country: everything here is arcane, especially in regional politics, so it requires resources, common sense and lots of patience.

DEVELOPMENT PATHS

Thus far, modern Russia's federal budget never guaranteed the country funding for real development. Economics Minister Yevgeny Yasin apparently made the last known attempts in the mid-1990s. The formation of an investment fund in the 2006 budget, however, gives hope for investment in modernization projects. Although the creation of state investment mechanisms appears rather belated (15 years since the start of the reform process and 5 years since the economic upturn), the period of uncertainty and suspense seems to be over now.

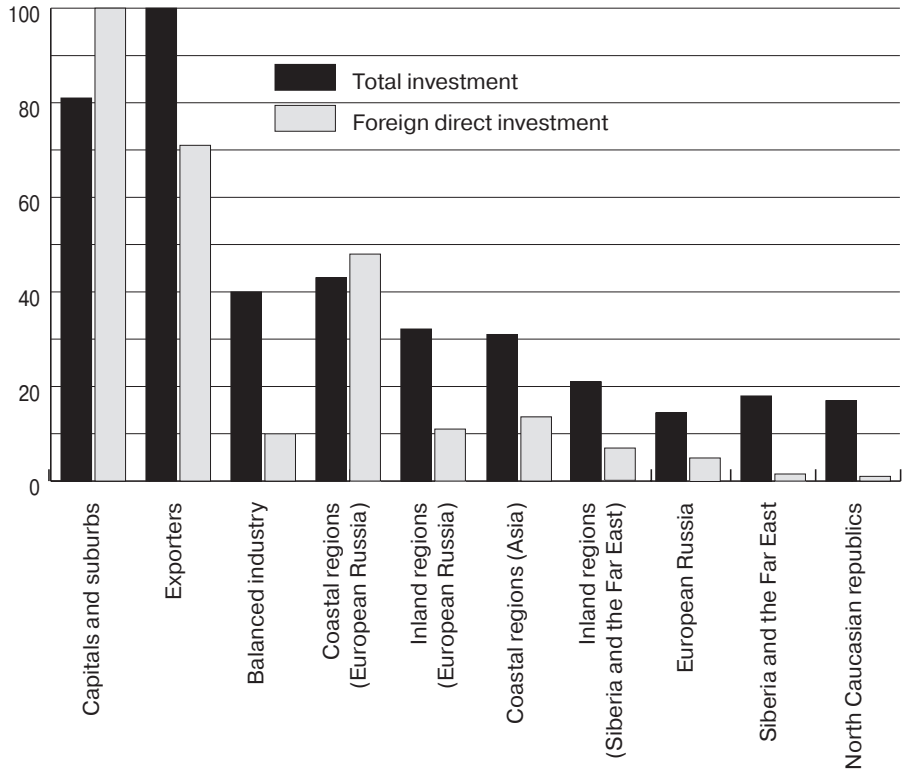
In the past few years, the federal authorities have been preoccupied with restoring controllability (the vertical chain of command), creating a unified legal space, and dealing with demographic and migration problems (although no radical measures were taken). The creation of a unified investment environment in the country contrasts with the huge (and growing) gap in labor productivity and per capita GRP. In the budgetary sphere, the innovations manifested themselves particularly in the increased share of

budget revenues redistributed through the federal center and in favor of the federal center. Therefore, up until now, there has not been, nor could there have been, regional investment policy.

WHERE THE MONEY GOES, AND WHY

The private sector is the principal investor in Russia; the state has fled this sphere. The bulk of investment (see Diagram 2) goes to four groups of regions: capital cities, exporters, industrialized regions, and coastal regions. In per-capita terms, the exporting regions and capital cities are in the lead. Traditionally developed industrial regions maintain a fairly high level of investment, featuring the highest share of investment in equipment and facilities (e.g., the Samara Region). These regions of the Urals, the Volga, Siberia, and the central part of Russia have a relatively well-devel-

Diagram 2.



oped and diversified production, transport, and scientific infrastructure, which enable companies to invest in modernization programs. Still, the rate of accumulation in these regions is insufficient for a rapid breakthrough into a post-industrial society, one indication being the small share of foreign capital. Foreign investors, who are more stringent and more effective, do not go into regions that lack political stability. Low taxes and other breaks are not as important to foreign investors as is stability and predictability of the investment climate. This is graphically illustrated by the fact that the regions with the highest share of foreign investment include both the Krasnodar Territory and the Samara Region – regions with stable institutions and administrations, but with very different political environments.

DIFFERENT MAKE-UPS

The task of "strengthening the Federation" and "nation building" that President Vladimir Putin put forward is a means of ensuring economic development and boosting consumption, as well as the ultimate objective of effectively running "a huge territory, unique in its composition" (as quoted by the president's 2005 state of the nation address). Apart from political means and methods, history shows that the most important role here is played by the regions' own development. Every region should have the power to see its future, its immediate development horizon, its chance to improve the living standards. Above all, it should be able to accomplish these tasks through its own efforts.

The Russian Federation's developed regions believe – and with good reason – that they know their needs better than anyone else and are in the best position to make an effective use of their resources. The objective interest of the regions consists in expanding their rights and powers. In particular, they want to retain a part of the growing tax revenues for re-investment in development rather than for automatic redistribution (the Chinese scenario). Net-recipient regions, which do not always have definite prospects for their accelerated development, are in a far more difficult situation. The role of the federal center here is also much greater

since the use of transferred resources imposes a special responsibility and presupposes oversight and control by the provider of these resources, as may also be observed in international practice (cf. IMF and IBRD loan conditions).

The financial-industrial groups, which have the ability to calculate their investment projects in minute detail, thus enabling them to build on regional potential and regional differences, conduct their own regional policy. The resources for pursuing a regional policy on a nationwide level cannot be overestimated: it is critical to identify the limits within which each of the three sides (the federal center, the regional elites, and the FIGs) can make their contribution to the development of the country's regions and republics. The federal center is objectively interested in the maximum possible mobilization of local efforts both in formulating development aims and negotiating with other sides on the different ways of achieving these aims. International experience shows that the key here is not so much controllability as interaction between the three groups of objectives and instruments. After all, one can only rely on something that offers resistance.

The newly established Ministry of Regional Development is generating much hope in the expectation that it will introduce a new regional development concept. We support the view that is being actively promoted by representatives of the developed regions: all regions should be guaranteed a certain social standard, while the leaders should be given an opportunity to make a breakthrough.

Economic modernization in Russia is contingent on the initiative and activism of the business community and the intelligentsia. It also depends upon freedom of enterprise (not least freedom from "rent seekers"), freedom of creativity, and strengthening property rights to the products of innovation and investment activities. The uneven distribution of human resources cannot be rectified by an executive order. The developed regions, in the midst of a prolonged economic upturn, will support elements of the federal program, such as the lifting of barriers to the movement of work force, goods and capital. The program also includes a change in the structure of property.

EU LESSONS

In formulating a regional policy concept, it would be useful to take into account the EU's positive and negative experience in this field. The advantages of the EU approaches are well known: stage-by-stage integration, support for the poorer regions (not countries), creation of a common legal space, dissemination and consolidation of European institutions, and reliance on solidarity in addressing regional problems with a limited scale of resource redistribution. The essence of EU expansion consists not so much in infrastructure grants as in expanding the markets and adjusting the quality of free market institutions to a more advanced level.

The disadvantages arose quite unexpectedly in the course of the discussion and ratification of the EU Constitution, and these included an excessive reliance on political and bureaucratic solutions, as well as the abrupt change in the living conditions of EU citizens in recent years. As a result, there existed a public backlash against the reforms – which the politicians had placed such high hope on – due to the lack of public debate on the issues.

With regard to Russia, there would need to be better preparation and elaboration of reform programs (especially considering the experience in the hasty monetization program). The process would demand more time and patience in persuading various groups, together with more analysis and public discussion. The authorities would have to take into account the interests of various social and regional groups before they could conduct a regional policy in such an unevenly developed country.

RELIANCE ON LEADERS

Russia's regional development during its relatively long period of economic growth has identified a number of leading regions by the level of their advancement and the quality of their economic, legal, and civic institutions. This makes it possible, in searching for the driving forces of development, not to adopt artificial schemes but to rely on the "footpath principle" common to an English lawn: people walk along the most convenient paths, which eventually become paved footpaths.

Russia clearly needs to rely on a couple dozen big and prosperous cities (agglomerations) capable of developing rapidly in some key areas. These cities are located especially near seas and oceans, and at communication hubs in important border areas. It is equally important that they have a business and political elite with a sense of local patriotism; individuals who are not prepared to jump ship and move to Moscow at any moment, while sending their offspring abroad with the bulk of their capital.

Such cities could realistically form Russia's backbone for socio-political stability. Thus, with limited resources, it is critical to look upon the federal center's regional policy as a means of eliminating bottlenecks in internal development and promoting global competition. It is possible to fund a number of large-scale projects jointly with the regional authorities and private business companies through national bond loans. Such a move would generate an energetic movement toward reform after a 15-year hiatus.

As concerns regional integration, it is important, wherever possible, to eliminate hierarchical divisions and integrate natural neighbors. At the same time, however, each regional merger should be seen as a complex business project with all of the ensuing benefits and risks. The recent comment by Regional Development Minister Vladimir Yakovlev about the formation of approximately 60 regions is reassuring. Oftentimes there is a need for new transport arteries since Russia did not (unlike Germany or the United States) pass through a period of federal road projects amid severe economic crises. It should be noted that many federal infrastructure and cooperation programs with FIGs are possible even without a formal merger.

It is essential to improve the quality of administration and management, reinforce the law and property rights, fight corruption and not let standards decline to the average group levels. Regional policy in Russia is not so much about money as the improvement of market institutions, the development of business self-organization and the advancement of democracy.

Russia's principal yardstick should be the development and modernization of its leading regions – keys to the country's success in global competition.

North Caucasian Map of Threats

Ivan Sukhov

Recently there has been an increase in reports that a threat has materialized within Russia's current borders, that is, a threat inferring the possibility of territorial losses. High-ranking officials are using this thesis as an argument for convincing the so-called 'healthy forces of society' to cooperate with the powers that be. This catchy and intimidating metaphor – devised by individuals who must care for the country's national security and integrity by virtue of their occupational duty – can actually become a reality, as happened fourteen years ago during the disintegration of the Soviet Union.

The North Caucasus is often cited as the most problematic region, a statement that includes the possibility of territorial losses. However, although the localization of the threat is quite precise, attempts to comprehensively analyze the situation on the southern flank of European Russia are rather inadequate. In the meantime, it is clear that the sweeping economic depression in the Caucasian territories (all survive by subsidies of the federal government, have skyrocketing unemployment, a crisis-stricken industrial sector and earnings that fall behind the rest of Russia by dozens of percent) has caused a rapid process of ***latent separation***: the population is developing a steady estrangement from the state and the country while simulating superficial loyalty to it.

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Thus, the social and political fabric of Russian statehood is degrading while a kind of parallel social, political and legal structure is taking shape. This structure exists within Russia formally but it is de facto independent from the country's political and social institutions. The governmental system in the Caucasus is inefficient and falls short of current challenges. The regional power elites are going through a crisis of legitimacy, which isolates them from the masses of the population that holds them in total disrepute. The situation rules out efficacious government and frustrates the political, economic and legislative relations between those territories and the federal center.

The informational isolation of the regions from the center – which resulted through no small contribution by the local elites – puts the federal and regional authorities worlds apart in terms of thinking and action. The center and its "field command," in the form of the Office of President Putin's Plenipotentiary Representative in the Southern Federal District, based in Rostov-on-Don, do not have full information on the ongoing developments. Quite often their decisions lag many steps behind the dynamically changing situation. On the face of it, pure procrastination aggravates the risks from week to week.

The regional authorities are corrupt, shackled by clan interests and often simply incompetent. As a consequence, Russia is compelled to defend its interests in the Caucasus, while resorting to unacceptable methods and instruments. This situation has led to the rapid emergence of a 'gray zone' along Russia's southern borders where its control is rather nominal. What is happening there is not just a threat to Russia's sovereignty – it signifies a deep crisis of sovereignty. The inability of the state to ensure the supremacy and efficiency of its laws in that area embodies ***the loss of control over the Caucasian territory***, even though no one (or almost no one) speaks out loud about its secession from Russia. The 'gray zone' is very special in that it is a nestling place of powerful groupings interested in aggravating uncertainties. A list of such groupings in the North Caucasus may include: local authorities and groups close to them who retain levers of influence on the situation and access to

resources; local alternative leaders who shape up these parallel social and political structures (like the so-called 'Islamic jamaats'); federal power agencies that try to manipulate the situation in the Caucasus according to departmental interests. They do this by creating 'controllable conflicts' in several zones at a time, but they do not have enough potential to control them strategically.

THE WESTERN CAUCASUS

Regions of the Western Caucasus, i.e. Russia's constituent territories located to the west of North Ossetia (Kabardino-Balkaria, Karachai-Cherkessia and the Adygei Republic) and the unrecognized Republic of Abkhazia make up a special segment of the Caucasian area. Their main feature is the presence of a strong Abkhazian-Adyg element: Kabardinians, Cherkessians, Adygs, Abkhazians and less populous ethnic groups like Abazinians and Shapsugs belong to the same Abkhazian-Adyg language and ethnic group. This is not just a linguistic and cultural relic, but also a plausible factor influencing the current political development of the entire region. These are links in a single chain, as the above-mentioned territories are all connected with Georgia's secessionist region of Abkhazia.

Russia is compelled to defend its interests in the Caucasus, while resorting to unacceptable methods and instruments.

As is well known, Georgia passed through a pivotal change of elites more than a year ago, and the new government in Tbilisi began the restoration of the country's territorial integrity as a major priority. It declares that it will solve the ethnic and territorial conflicts in Abkhazia and South Ossetia, another breakaway region, within the next few years. There are grounds to believe that the presidential election in Abkhazia in the fall of 2004 and during the winter of 2004-2005, and the victory of political moderate Sergei Bagapsh have set the scene for a smooth rapprochement between Georgian and Abkhazian leaders. Meanwhile, the Georgian-Abkhazian situation exerts a powerful impact on the general social and political climate on the northern side of the

Caucasian Mountains. Some observers argue that by incorporating Abkhazia, Tbilisi seeks to weaken the Russian positions in the Caucasus. Yet the obvious fact is that ***the attitude of the Abkhazian-Adyg population toward Russia is changing as long as Moscow continues to lose influence in Abkhazia.***

Another considerable threat to stability in the Western Caucasus comes from the ***Islamic factor***, even though the degree of religious devotion has traditionally been less strong among the Moslem population there than in the Eastern Caucasus (Ingushetia, Chechnya, Dagestan). Naturally, the Islamic factor is the least significant in Abkhazia where Moslems are few and the people mostly follow indigenous creeds. There are some indications, however, that cells of Islamic fundamentalists have appeared on Abkhazian soil, too. Against this background, Islam is visibly turning into a social and political factor to be reckoned with in Kabardino-Balkaria and Karachai-Cherkessia, which are immediate neighbors with the smoldering Chechen conflict. Proceeding hand-in-glove with the idea of so-called 'pure Islam' (the followers of which are typically – and not quite correctly – called Wahhabis) is the Pan-Turkic movement, supported by Turkic nationalists throughout the world and, more specifically, by a range of political and public organizations in Turkey proper. Pan-Turkic moods are spread widely enough among the communities of the Turkic peoples – the Kabardinians, Karachai and Nogai Tatars, all scattered across the region.

It would be unreasonable to play down the fundamentalist threat in Kabardino-Balkaria and Karachai-Cherkessia, for here exists a powerful destabilization factor accelerating the loss of Russian influence in the region. Radical religious groups in both territories maintain regular contacts with twin groups in Chechnya and establish their own contacts across Russia's borders, including in the Middle East. The radical Islam they espouse does not differentiate between ethnic groups and does not recognize *adat* – the traditional local law. It replaced quite aggressive ethnic movements that had been shaking the region before the end of the 1990s. Their influence dropped by the end of the last decade as a stable system of control

over resources had formed in each region. But resources thinned quickly while corruption, poverty, unemployment and consequent social protests continued to grow. At the same time, the people increasingly chose religious extremism as a form of protest — or rather, as a form of escape from traditional Islam. Religious radicals have an expansive network in the Western Caucasus. One can say definitively that their cells exist even in the regional authorities.

Add to the above the ***serious reactivation of ethnic conflicts of the early 1990s***, sparked by the adoption of Federal Law 131-FZ on General Principles of Local Self-Government, which demands that regional legislatures fix the administrative borders of municipal entities at the earliest possible date. In Karachai-Cherkessia, litigation was quick to arise from calls to create a specifically Abazinian municipal area around the town of Kubina, as well as Nogai Tatar municipalities in Adyge-Khabl. In Kabardino-Balkaria, the Balkarians are protesting vehemently against a regional law on municipal borders. The Shapsugs living along the Black Sea coast in the Krasnodar Territory are also making demands for an ethnic district of their own. Finally, as the project of a merger of nesting-doll-type areas goes ahead in Adygei, interethnic tensions are rising there, too.

On the other hand, it is exactly in the Western Caucasus that the largest communities of Russians have remained to this day. Their strength varies from 30 percent of the population in Karachai-Cherkessia to 70 percent in Adygei. Despite the continuous decrease of their share in the ethnic makeup, the ***Russians remain a factor of social and political stability***, even though they live in a de facto isolation from the indigenes like in Karachai-Cherkessia or in Abkhazia. By and large, they are the most educated and qualified part of the locals; and they tend to conserve their Russian identity, legal awareness and loyalty to social and political institutions of the Russian Federation.

THE EASTERN CAUCASUS

Territories of the Eastern Caucasus — Ingushetia, Chechnya, and Dagestan — also make up a subregion with persisting "specificities." While the Abkhazian-Adyg ethnic groups constitute the axis

along which political life revolves in the Western Caucasus, the Nakh-Dagestani group of peoples does not. It is clear, however, that the numerically larger Chechens have a strong influence on all the three republics, and the common linguistic and cultural roots fasten together the two Vainakh republics of Chechnya and Ingushetia, a part of Dagestan (Novolakskoye and Khasavyurt districts where the Akkin Chechens live) and the Akhmeti district of Georgia, which is home to the Kistin Chechens.

An important factor in the political and cultural spheres in the Eastern Caucasus is ***the wide spread of Sufi interpretations of Sunni Islam***. The local population has a much greater religious devotion as opposed to regions to the west of Ossetia. Furthermore, religious leaders of the Sufi enjoy great public influence, although they have recently ceded some positions to the adepts of so-called 'pure Islam' (incidentally, the total number of jamaats in Dagestan, Chechnya and Ingushetia currently exceeds 500).

A second crucial factor in the Eastern Caucasus is the virtual ***absence of an ethnic Russian population***, which played a stabilizing role and a "shock-absorbing" factor there until the early 1990s. "Relic" communities of Russians have remained in Dagestan, but their numbers fell by one half during the 1990s. At the start of the last decade, Russians were the fifth largest ethnic community in Dagestan; today, they still retain seats in the republic's State Council, which includes representatives of the 14 largest ethnic groups. The leadership in all three republics has declared the return of qualified Russian specialists a priority, essential for the post-crisis (or post-war in Chechnya's case) rehabilitation of the economy and for ensuring social and political "shock-absorption." As one sign of this new mindset, there are plans to install a monument to a Russian teacher in the Dagestani capital of Makhachkala, but practical achievements in this sphere remain rather modest. The scarcity of jobs, combined with the hostility of the local population, makes many Russians consider resettling elsewhere. The low efficiency of the law-enforcement system in those territories leaves little hope for the ethnic Russians that they will be ensured adequate protection of their life and rights.

The third factor is ***Russia's non-interference in the political life of those three restive regions***, together with its merely symbolic presence of troops there. The local regimes tend to create heavy information filters that prevent the bulk of information on regional developments from reaching the federal center, while the officials ensuring Russia's political presence there do not hold their offices long enough or are eventually absorbed into the corrupt system.

Paradoxically, despite the emergence of several theaters of military operations in the Eastern Caucasus in the 1990s and the early 2000s, the federal government's military presence there has been insignificant. Suffice it to recall that the Defense Ministry placed the first regiment in Ingushetia (in the town of Troitskaya) in 2002. That army unit, however, lacked the courage to resist those militants who intruded into Ingushetian territory on the night of June 21 to June 22, 2004. As for Chechnya, the seemingly unprecedented concentration of Russian forces there (up to 80,000 men and officers) is symbolic as well: given 30,000 armed and conditionally loyal locals among them, the force cannot aspire to full control over the situation.

The picture is rather sad, as ***the Eastern Caucasus has de facto fallen out of Russia's sovereignty***, unlike the regions of the Western Caucasus where the 'gray zone' is still in the initial phase of formation. That impression is getting stronger in view of the fact that the administrative border separating the Stavropol Territory and North Ossetia from the three East-Caucasian territories is guarded as a state border. Incidentally, the local people call any trip northwards as a "trip to Russia," that is, a trip to a neighboring territory of some kind.

To sum up, the following are the problems that we face in the territories of the North Caucasus:

1. All of these regions without exception are experiencing a deep economic depression, with unemployment soaring above Russia's average rates. The Gross Regional Product is extremely low or decreasing, vital manufacturing facilities are stricken by crisis or simply ruined, while the ruling interests have privatized the surviving functional remainders of the infrastructure. Federal sub-

sidies, praised as reliable conveyor belts between the center and the regions, are so insignificant that any serious discussion of their effects on the economy is out of place. The ruling circles absorb the subsidies like sponges, and the funds never reach the rank-and-file who survive mostly thanks to a system of financing by their kinsmen diasporas in Russia who disburse cash from their wallets; this money exceeds official investment many times over. The irony is that the corrupt local officials impose arbitrary taxes on those alternative quasi-investments.

2. The regional — as well as federal — authorities are witnessing an unparalleled credibility crisis and are practically void of legitimacy in the eyes of the local population. In some cases, this is due to the obtruding of a definite candidate in the elections, but always because of disgust with a corrupt system of government that hinges on clans and crime. Practically all the regions can expect to face a challenging change of power involving the carving up of the spheres of influence and control over resources.

3. Against this background, a parallel social and political structure of Islamic *jamaats* is rapidly taking shape. They are not necessarily bent on terrorist methods or radical fundamentalism, but they set up a system where Russian social and legislative norms have no effect and, as a result, Russian sovereignty dissipates.

4. A link between the federal center and the regions — something referred to as the "power vertical" — relies on just two elements in practical terms. First is the Rostov-based Office of the Plenipotentiary Representative in the Southern Federal District and the representative, Dmitry Kozak. Second involves the sacks of cash that the regional rulers prefer taking to the Kremlin personally.

5. The instruments that the government typically resorts to in emergencies are inefficacious, as the local police are perceived in each region as just another mob, albeit dressed in uniforms and having specially colored vehicles. The courts are corrupt and subjected to clan influences. The federal agencies of power are mostly focused on operations of the Unified Operative Staff of the Antiterrorist Operation in the North Caucasus and may score successes at times, but the aftereffects of their activity only drive the

crisis deeper. It is tempting to guess that military clashes occur sporadically in Dagestan, Ingushetia, and Kabardino-Balkaria as a consequence of big-game hunting operations launched by the secret services, or we may heed the thesis that the developments in the Caucasus are part of a controllable mega-project of the FSB and Russian military intelligence GRU. Yet these audacious theories must not dispel the truth that any such conflict may eventually get out of control.

6. The idea of appointing regional governors upon consent from local legislatures may be reasonable in the Caucasus where elections held in the 1990s or early 2000s seemed to be based on some blockbuster flick or police movie. However, this idea will deliver the goods only if the appointees are able to break up the clan-ridden and corrupt regimes and make the government popular among the locals once again. Only very independent-minded people are fit for the task, while experience proves that Moscow tends to dislike them. In the meantime, controllable appointees who are unfit for governing can only aggravate the crisis; the "gray" dusk presently covering the Caucasus will quickly descend into pitch-black night under such circumstances.

The Distant Near Abroad

"OSCE, Awake! Stop Being a Shame of Europe".
Andizhan, May 2005

"Russia and other countries of the CIS cannot ignore the fact that Western structures have the available effective technology to control election results and, consequently, to form the composition of the power per se. However, today Russia and its allies have no system of their own to legitimize the election procedures and results as a mechanism of sovereign and democratic self-defense."

Russia's Solitude After the CIS

Mikhail Delyagin

The recent series of 'colored' revolutions in several post-Soviet states has dramatically altered Russia's immediate neighborhood as it has created a fundamentally new geopolitical reality. Unfortunately, the Kremlin has not attempted to amend its foreign or domestic policies to meet the new challenges; moreover, it has failed to rethink the scale of the changes.

THE 'BIG SWAP' PRINCIPLE

An analysis of Moscow's foreign-policy moves during the first five years of Vladimir Putin's presidency makes it seem that the Kremlin has been renouncing the possibility of influencing countries beyond the former Soviet Union. This policy includes Russia's withdrawal from strategic military bases in Lourdes, Cuba, and Cam Ranh, Vietnam, its conditional position in international organizations, and the writing-off of colossal debts owed to Russia, which still could be instruments of influence even though there was no hope the debts would be returned. The latter move has turned Russia, which does not exactly qualify as a prosperous country, into a major donor to the third world.

The general trend and specific shortcomings of Russia's foreign policy in the last few years have been motivated not so much by ideological precepts as by the wish to interact with developed countries – above all the United States. The so-called "big swap"

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principle motivated these moves. The Kremlin has been pursuing a specific goal of swapping the remainder of its influence in regions outside the former Soviet Union (which the Kremlin inherited from the Soviet Union but which it does not really know how to use) for the recognition by developed countries of its dominant role in the post-Soviet space. This would exclude the Baltic States, which have been absorbed by the European Union.

Naturally, the lack of specialized structures in Russia that are capable of guiding its foreign policy and coordinating it with domestic agencies and foreign states has had an impact on the quality of Moscow's foreign-policy moves. After all, even the famous "situational reaction" strategy will be unsuccessful without some general paradigm. Actually, the policy itself may be only half shaped, but a majority of the participants in the foreign-policy process must at least understand it.

Overall, the "big swap" principle did work. Throughout the "orange revolution" in Ukraine, for example, U.S. officials were uncommonly neutral: they did not oppose a possible victory of Victor Yanukovich, or the potential implementation of tougher scenarios that could later be supported by Russian officials.

In Georgia, where many believe that Western foundations have played a major role, a significant part of the revolutionary tasks at the first – and most important – stage was actually the work of Russian actors who sought an early solution to several specific problems. Their goals included, among others, the termination of flights by AWACS planes along Russia's southern border, and the organization of joint patrols along the Russia-Georgia border. As for the "tulip revolution" in Kyrgyzstan in late March-early April 2005, this event came as a complete surprise to the developed countries.

The West, it seems, was ready – until the last moment – to turn over to the Russian authorities the global responsibility for overseeing the relatively insignificant yet potentially dangerous post-Soviet space. In the end, however, the plan collapsed. This was due to its unilateral violation by the Russian officials who demonstrated, once again, their inability to manage anything.

Another reason for the plan's collapse was the notorious administrative reform that paralyzed the state machinery. This was made all the more obvious by the inefficiency of the bureaucratic mechanisms, which are now void of any public control.

THE MEANING OF POST-SOVIET INTEGRATION

Following the fashions set by some Russian politicians, the Commonwealth of Independent States is now universally known as a "liquidation firm" intended to ensure a "civilized divorce" between the post-Soviet countries and alleviate Russia's "imperial phantom-limb pains." If the meaning of the CIS has come to be interpreted in such a narrow sense, then it is obvious that its mission is really over. It has fulfilled its mission and, therefore, it must be reorganized into a club of regional leaders who would occasionally meet to discuss non-binding solutions and joint humanitarian programs.

The aim of post-Soviet integration as such, however, is not only for the past but also for the future. For the relatively undeveloped countries, regional integration is the only way to survive amidst the increasing international competition prompted by globalization. Russia's need for post-Soviet integration is purely practical: the Soviet Union, however heterogeneous its territories were, was a single living organism, all parts of which were dependent upon each other. It has been 14 years since the breakup of the Soviet Union into independent states. Since then, many of the economic, political and interpersonal ties that linked the former Soviet republics into a single body have been disrupted.

The CIS countries have failed to create the appropriate conditions for their successful evolution. Moreover, despite some individual achievements, none of these countries displays an ability to develop independently and, therefore, to function normally in the future. (Russia may be the only exception among them – with very serious reservations.)

The ease with which Poland, Finland and the Baltic States seceded from the Russian Empire after the 1917 Bolshevik revo-

lution was largely due to the empire's approach to those territories: before granting them their independence, it had developed them to a level that later enabled them to exist independently in Europe. One of the basic distinctions between the Russian Empire and the Western variety is that the latter often granted independence to nations that were unprepared for independent development. This state of affairs often brought about social cataclysms and abject degradation – the very plague now ravaging a majority of states in contemporary Africa. The breakup of the Soviet Union was dreadful not per se, but because so many nations achieved their independence despite the fact that they were not ready for it – they were simply not mature enough to shape their own destinies. When Russia declined to provide further assistance to these states, it displayed culpable irresponsibility and ultimately brought innumerable misfortunes to the peoples it allegedly liberated.

Throughout the post-Soviet states, bureaucracies took over the power of the state; these mechanisms, however, are never able to ensure efficient governance in general. None of these former Soviet states is economically independent and capable of developing on its own (even relatively rich Ukraine meets its needs by stealing Russian gas). None of the CIS countries (besides the Baltic States, which were immediately brought under the wing of the European Union) has managed to achieve even the minimal standards of living, not to mention those they enjoyed in Soviet times. These difficulties stem not only from the totalitarian regime with its "corrupting influence," they also result from objective economic processes.

Thus, Russia now finds itself half-surrounded by territories that are unable to develop on their own. These states require outside support in many realms, including financial, political, organizational and moral. In fact, the post-Soviet countries, most of which have witnessed the mass expatriation of ethnic Russians (which in fact is a form of ethnic cleansing), together with the mass emigration of specialists, are facing the unenviable task of rebuilding their societies anew.

The developed countries, however, have undertaken to lend their assistance to the most civilized part of the post-Soviet space – the Baltic States. Even the most optimistic forecasts rule out the possibility that the developed countries will assume responsibility for the remaining states – except, perhaps, in tiny Moldova. (China, as a member of the Shanghai Cooperation Organization, is displaying much interest in the stabilization of Central Asia, but it would be unable – and would hardly wish – to pursue this challenge without the help of Russia.)

The remaining post-Soviet countries will have to either develop with Russia's effective assistance, or not develop at all, thus continuing their slide into degradation. The disintegration of the post-Soviet space would bring about a level of chaos that would threaten Russia as well. Fighting against chaos in the post-Soviet countries would be more effective and less costly for Russia than combating chaos at home.

In other words, if the Kremlin does not want to see another million Azerbaijanis, for example, in Moscow, reluctant to integrate with the Muscovites, it must make efforts to normalize Azerbaijan's development and steadily raise the living standards of its population. If Russia wants to stop the pandemic of drug addiction, it must boost Tajikistan's economic development to a level that would enable its population to earn their livelihood by working, rather than by trafficking heroin from Afghanistan.

In short, the process of post-Soviet integration must be steadily intensified. Obviously, these efforts will take a long time and prove successful only if they provide mutual advantages, as well as deliver commercial benefits to non-state actors, both in Russia and abroad. Russia's reasonable approach to its immediate territory, not to mention its own products and labor markets, could underlie its policy toward the newly independent countries from among the former Soviet republics.

The post-Soviet states take it for granted that they enjoy access to Russia's domestic market and can ship their goods across the vast country in transit. Meanwhile, mere respect for their sovereignty requires treating them as equal and, therefore, sepa-

rate agents of international life – which also concerns their access to Russian markets and territories.

This does not mean Russia's return to isolationism; rather, Russia must simply start treating its possessions in a proprietary manner. In particular, it must view its markets and territory as its own, rather than as someone else's or as freely accessible to all. Within the framework of this paradigm, it would be logical for Russia to view access to its market and territory as a service implying reciprocal services from other countries. This would include providing Russian capital the preferential right to purchase property, as well as granting Russian citizens a special status on the territories of those countries. Such reciprocal services would exist as a kind of "payment for development."

COOPERATION WITH UKRAINE

There is no doubt now that the "orange revolution" in Ukraine has ruined all hopes for integration in the CIS – at least in its present form. Indeed, only Russian bureaucrats, with their habit of staunchly ignoring the reality, can pretend that the strong pro-European orientation of the incumbent Ukrainian leadership does not undermine the idea of a Common Economic Space between the two countries. Although the European Union does not wish to talk about Ukraine's possible integration into the EU, this does not mean that Kiev cannot make unilateral steps that would rule out its further integration with Russia and bring about the inevitable disintegration of the two economies.

For example, Ukraine is planning to reduce import duties for European foodstuffs (whose producers are best subsidized in the world) from the present prohibitive rate to 10-20 percent. Apparently, this move will cause Russia to introduce tough new limitations with regard to Kiev in order to prevent the collapse of its agriculture. This, in turn, will severely complicate the negotiation process for Russia's accession to the World Trade Organization. Furthermore, it will strain Russia's relations with the developed countries, and aggravate Moscow's relations with Kiev.

Meanwhile, in a bid to meet Western interests, Ukraine is cutting down its defense industry, including enterprises vital to Russia's defense sector. There is also a possibility that this military change in Ukraine – supported by U.S. money or, at least, U.S. promises – will even create complications for the strategic aspects of Russia's defense capability.

The next few years may bring into the foreground the issue of Russian property in Ukraine, above all, real estate in the Crimea belonging to Russian citizens. At the same time, Ukraine will most likely become a haven for Russian businesspersons, primarily medium and small-scale proprietors seeking protection from the "security oligarchs" (the term used to describe the dominant social group in Russia, linked with state structures and using – or threatening to use – violence in the name of the Russian state and for personal enrichment).

Traditional differences between Russia and Ukraine will intensify. The list of grievances include the charges Moscow must pay to Kiev to transport its gas supplies, the "unsanctioned tapping" of Russian gas by Kiev, and the cost of Russian and Turkmen gas – a very sensitive issue for Ukraine. Finally, efforts by the Ukrainian leadership to curb oil product prices can potentially hurt Russian oil companies. (These efforts can also affect the "security oligarchs," with whom Russian oil companies operating in Ukraine have to share a considerable part of their incomes. Since the "security oligarchy" plays a decisive role in mapping out Russian policy, one can expect essential political steps, although asymmetrical ones.)

The Russian leadership has not yet worked out its attitude toward the aforementioned problems, which means they will become more aggravated. Moreover, over time, the problems will become increasingly internal, as opposed to external.

THE ONSET OF ISLAM

The primary threat of Russian destabilization stems from the rapid expansion of radical Islamism. Contrary to popular belief, the proliferation of Islamist sentiments in the post-Soviet states derives

not so much from external as by internal factors: the social, economic and administrative policies conducted by the governments of those states and supported by Russia make Islam the only generally available instrument for achieving the people's natural hope for justice.

Islam, which teaches social justice, is making new gains everywhere. In the post-Soviet space, this tendency is particularly manifest due to the sharp decrease in the living standards in the post-Soviet years, together with the general feeling of despair. Owing to its social nature, contemporary Islam is actually taking the place of the discredited Communist ideology. (Interestingly, the Hizb ut-Tahreer party, which has a ramified network across Russian territory, seeks to build a global Islamic state, starting with individual countries, including Russia.)

The uprising in Kyrgyzstan, for example, found its roots in the unbearable living conditions for the majority of the country's population. Similar problems exist in Uzbekistan, Tajikistan and Turkmenistan. The Kyrgyz revolution has brought to power representatives of the so-called southern clans, which traditionally harbored members of the Islamic Movement of Uzbekistan – despite harsh measures of President Askar Akayev. Many of these groups are allegedly linked to the drug mafia.

Another Central Asian uprising, this one in Uzbekistan's eastern city of Andijan, was harshly suppressed by the Islam Karimov regime. This outcome, however, is not strategically significant since it has not removed the main causes of the uprising: mass poverty and despair. Nor did it confront the "subjective factor" of the future revolution: the Islamic Movement of Uzbekistan. In light of these ongoing factors, toughening of repressions will only provoke further protests against the ruling regime.

The overthrow of Karimov seems to be an inevitable conclusion. Meanwhile, those forces linked with radical Islamists usually reap the fruits of popular uprisings in the Islamic countries. The revolution in Kyrgyzstan is no exception. It will inevitably boost the activities of radical Islamist organizations and possibly bring about the formation of an Islamic state, at least in the Fergana

Valley. This hypothetical state would largely exist on revenues from drug trafficking. In this way, it will be similar to Afghanistan in the days of the Taliban – only this time it will be a thousand kilometers closer to Russia. Therefore, Moscow must make every effort to prevent such developments from happening. Above all, it must convince the Kyrgyz leadership to change its social and economic policies; this is the only way to prevent mass disorder in the country. The Russian bureaucracy, however, is unlikely to cope with this task due to its ineffectiveness and traditional disregard for the social interests of ordinary citizens even in Russia, let alone other countries. If things develop according to this scenario, there will be quite predictable consequences: the further advance of radical Islamism, the division of Russian society into two separate communities, a rise in acts of terror and an expansion of the drug-trafficking pandemic.

'COLORED' REVOLUTIONS AND RUSSIA

Russia's weakening influence on the post-Soviet countries has given rise to new problems that it is unable to solve. This scenario can add to the destabilization of Russian society, as well as increase the probability of revolutionary developments.

For all their national specificities, the 'colored' revolutions have common generic features. These include, above all, forced takeovers organized by small groups of energetic people, carried out under the cover of democratic procedures and slogans. The Kyrgyz experience has shown that a revolution does not necessarily require a strong and well-organized opposition, let alone popular and effective leaders. What is most important is the mass nature of discontent (among the elite, as well) with the ruling regime, and the latter's inability to prevent a revolution by meeting, at least, the most acute needs of society.

The latter prerequisite has already surfaced in contemporary Russia. According to sociological studies of the Yuri Levada Center, 85 percent of the Russian population is low-income (that is, people who cannot afford to buy even basic household products). This group, already hit by the monetization of benefits, is

mistrustful of the forthcoming reform of the public utilities sector. Under Russia's present political system, both the state and the bureaucrats serving it are free of any responsibility to the population. The bureaucracy, who demonstrates its formal loyalty to the supreme authority, has received complete freedom of arbitrariness, while democracy, as an institution for compelling the state to bear responsibility to society, no longer really exists.

The ruling bureaucracy has managed to turn the most significant "groups of influence" in Russian politics against itself. Regional elites have been deprived of political rights without any compensation. Even the security agencies – the buttress of the ruling bureaucracy – have been seriously humiliated through the monetization of benefits program. More importantly, there is frustration with the obvious inability of the government to defend the country's interests; this includes the Kremlin's setbacks in the post-Soviet space, which the security agencies regard as Russia's "backyard."

Russia's present economic model is not capable of self-development. It represents an increasing symbiosis between liberal fundamentalists who, on the one hand, rob the people in favor of businesses in the course of pseudo-liberal reforms, and the so-called "security oligarchs," on the other hand, who rob businesses for non-productive consumption. The growing appetite of the security oligarchs prohibits any normal development for the majority of businesses. In 2004, the security oligarchs owned an estimated 25 percent of the turnover of several large commercial enterprises.

These factors attach special importance not just to the issue of a power takeover, but also to the type of takeover model.

Obviously, the Russian variant will differ from the Ukrainian one. In Russia, one can expect a different degree of public rage, as well as the presence of the Islamic factor (Islamic communities are presently not represented at the federal level). Furthermore, there could be a real influence on the situation from international – rather than only Chechen or Dagestani – terrorism.

Should such a situation arise, there will be differences from the Kyrgyz model as well. Since Russian society has no attachment to

tribal clans, Russian "revolutionaries" will have to rely not on "people of their own kin," but rather on attractive and well-planned ideas. At the same time, there is no doubt the Russian authorities will put up serious resistance to any such moves. This will bring to life reliable and effective leaders from among the presently unstructured opposition.

To sum up, the instability in some of the CIS countries has been brought about by the failure of the post-Soviet integration process, which in turn was due to the insufficient actions of the present Russian bureaucracy. This scenario may serve as a catalyst for dramatically improving Russia's political system. A new generation of politicians must come to power that would be responsible to their country and capable of modernizing Russia and, finally, carrying out post-Soviet integration.

Democracy by Remote Control

Vladimir Frolov

At no other time in history have election campaigns in the post-Soviet space attracted more attention than in the last few years. This is rather understandable since the majority of these countries have suffered political cataclysms, as well as the active involvement of outside forces. While the Western mass media broadly described Russia's interference as a bid to realize its "imperial ambitions," as well as to prevent the free expression of other peoples' will, it pictured Western involvement in these contests as an indisputable good that contributes to the proliferation of freedom and democracy.

In this context, the article entitled *The Orange Revolution* by Timothy Garton Ash and Timothy Snyder, published in the *New York Review of Books* in April 2005, is quite characteristic. The authors bluntly claim: "Some 'interventions' by foreigners are justifiable, some are clearly not. There should be an open debate about the ground rules of external, mainly financial intervention to promote democracy..." The authors understand "justifiable interventions" to mean Western financial and organizational aid in election monitoring, training of opposition activists and conducting independent exit polls. Inadmissible methods of interference are considered to be the pre-election visit by Russian President Vladimir Putin to Ukraine, participation of Russian political technologists in the pre-election campaign (incidentally, not only on the side of Yanukovich) and funds, allegedly spent by Russia on Yanukovich's campaign.

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The authors' ideas concerning external control of the election legitimacy and its results require careful examination. These are, after all, new instruments of Western policy that Russia will have to consider in the future. For example, their claim to legitimize an outside interference into the domestic affairs of a sovereign state falls under the heading of 'limited sovereignty' – a concept that has never been internationally recognized. Another concept involves the development of criteria for armed 'humanitarian intervention' – a policy that has become the pastime of a small group of Western political scientists and legal experts.

Today, Russia is facing a fundamentally new phenomenon in the post-Soviet space – one that is radically changing the role of election procedures in the formation of legitimate power. Elections in the CIS countries are turning from an instrument of the people's will into a convenient pretext for outside multilateral interference. This new environment is aimed at creating international legal conditions for changing a regime by challenging election results, claiming as illegitimate the existing constitutional procedures and provoking an acute political crisis. As a rule, the crisis either turns into a "color" revolution, that is, an unconstitutional change of power through a coup that is automatically recognized by the "international community," or else it leads to long-lasting political destabilization that is controlled from outside and which ultimately paralyzes the legally elected power.

The outside factor – represented by an integrated network of Western nongovernmental organizations; mass media (above all television), international observation organizations, such as the Office for Democratic Institutions and Human Rights (ODIHR), OSCE and PACE; public opinion agencies and the political leadership of Western countries – now plays a crucial role in managing election results in the post-Soviet space. They have accomplished this role by claiming to know which elections are legitimate and which ones are not. Thus, an election is legitimate and corresponding to international standards if the results satisfy these organizations in terms of the makeup of the winning forces. If, however, the probable winner does not suit their needs, they portray the election as illegitimate, not free and unjust. Paradoxical

as it may seem, same teams of "observers" declare election results as illegitimate in some countries of the former Soviet Union and legitimate in others despite the almost mirror-like coincidence of claims (as was the case during the March parliamentary elections in Moldova that were conducted with considerable violations).

Thus, the issue of election legitimacy and its correspondence with international norms amounts to a pretext for taking away the legitimacy of the governing authorities, with the help of outside forces and the coordinated efforts of the opposition; it becomes a political and legal instrument for regime change. The winning party – should it be recognized by the international organizations as "unfair and unjust" – is declared illegitimate by international legal standards and thus "legally" becomes an object for tough outside pressure. The very threat of internationally recognizing election results as illegitimate – together with the subsequent crisis and regime change – becomes an effective instrument of influence in all post-Soviet countries, including Russia. (The OSCE and PACE supervisory structures attempted to cast doubt on the legitimacy of Russia's State Duma election results in December 2003, and again on the presidential election in March 2004.)

Starting with the presidential election in Armenia in the spring of 2003, international election observation organizations, together with the EU member states and the U.S., failed to recognize a single legitimate and democratic election campaign in the post-Soviet states. In 2003-2005, five election campaigns ended with massive protests; in three cases they led to the unconstitutional change of power (Georgia, Ukraine, Kyrgyzstan), while in two cases (Azerbaijan, Armenia) they resulted in a political destabilzation. In Belarus, the parliamentary elections and a referendum for prolonging the authorities of Alexander Lukashenko in October 2004 were recognized as "totally undemocratic and illegitimate." Today, Washington and Brussels use this conclusion as a legal basis for publicly arguing the necessity for overthrowing the ruling regime in Belarus.

In all cases, these organizations delivered guilty verdicts against the elections of those regimes whose policies did not suit the U.S. and the EU, yet had the support of Russia. They also delivered similar verdicts against those countries where opposition to the West is strong. In those

CIS countries where the geopolitical orientation of the ruling regime is acceptable for Washington and Brussels, and where there is no viable alternative to the ruling power, the criticism has been much more moderate. Moreover, there have been no "far-reaching" organizational conclusions (as regards, for example, the parliamentary elections in Kazakhstan, Tajikistan and Moldova in 2004 and 2005).

The model of externally controlling election results through managing election legitimacy looks practically the same everywhere, with minor differences depending on the specifics of local political process, of course. The important components of this model are as follows.

Long before an election process begins, the Western mass media (as well as the opposition-controlled mass media of the given country) begin an intensive information campaign with the participation of leading Western experts and public opinion leaders (including former heads of state). This campaign aims to convince the world at large that the ruling regime of country "X" is undemocratic, corrupted and authoritarian, and that it intends to falsify the forthcoming election for the sake of keeping power. There can be no fair election under such a regime because "a corrupted regime will never win a fair election."

In order to add legitimacy to their claims, the West must pressure the authorities of country "X," threaten to seize the foreign assets and property of regime leaders and their family members, and refuse to issue them visas. More often than not, such actions receive legal support (one example is the bill forwarded by Dana Rohrabacher entitled *Ukraine Democracy and Fair Elections Act of 2004*, which provided for such sanctions should the outcome of Ukraine's presidential election be recognized as undemocratic and unfair). Additionally, country "X" receives support in holding fair elections by financing the oppositional mass media and establishing non-governmental organizations for training election observers and opposition lawyers to make continuous complaints, as well as organize information campaigns in the mass media in order to "expose the facts of election falsification."

Under the motto "There can be no fair election under the criminal regime," the opposition conducts its own election campaign

with the predetermined result: the election results were false, the ruling power officially designated itself the winner, while actually the opposition believes that victory belongs to it. This conclusion is further replicated at all levels and in all forms. Opposition lawyers file piles of suits with election commissions and courts dealing with the most insignificant contraventions of election norms (in fact, they engage in petty caviling). Information about "numerous violations" becomes proof of the "resultant mass falsification."

Western NGOs begin to spread their "enlightening activity" in country "X." International election observation organizations, above all, the ODIHR of the OSCE, start monitoring and fix "numerous violations in the election."

It is crucially important to quickly announce the election results based on the exit polls, as these tend to lean heavily in favor of the opposition. The difference between this data and the preliminary results of the Central Election Committee in favor of power is used as a basis for appeals by the opposition to its supporters to crowd the streets and block government buildings (importantly, the technology of "crowding the streets" must be practiced in advance).

Then the most interesting thing happens. Missions of international observers (OSCE, PACE, Western NGOs) make official statements declaring the election undemocratic, unfair and contradictory to international norms. This serves as a basis for the U.S. authorities and EU leadership to declare that they do not recognize the voting results in country "X" and argue that it is thus necessary to hold a new "fair" election. This is the key point: non-recognition of the voting results by the world's leading states turns country "X" and its power elite into international outcasts. The country's constitutional power also becomes illegitimate; hence, its overthrow — perhaps even its violent overthrow — becomes justifiable.

At this point, powerful outside pressure exerts itself on the victorious authorities. It is also targeted at all forces in the country that support them — businesses, middle class, culture elites, i.e. those layers of society which are most sensitive to international isolation and which, at the same time, act as communicators with the electorate inside their own political systems. For example, according to

reports of the Ukrainian and Western mass media, the decisive role in preventing Ukraine's President Leonid Kuchma from the use of force against the opposition and making him agree with Western demands for a second election was due to his daughter Elena Franchuk and her husband, billionaire Victor Pynchuk.

In the autumn of 2004, the presidential election in Ukraine carried all of the modern pre-election procedures. An elaborate system of election monitoring, legal support, vote denial, complaint procedures and mass media involvement were mobilized for the first time as a single technological system to provide all of the resources for achieving one result: the recognition of the election as illegitimate. The country's authorities were taken unawares and could not counter such an onslaught.

In 2005 and 2006, the Western mechanism of "controlling election legitimacy" will be perfected in time for the presidential election in Kazakhstan, parliamentary elections in Azerbaijan and anticipated parliamentary elections in Transdniestria. However, the main event is expected to be the election of the head of state in 2006 in Belarus where the system of preventive election delegitimization should undergo a general rehearsal before "the main battle" in Russia in 2007 and 2008.

It is obvious that Russia and other countries of the CIS, which consider themselves really sovereign, cannot ignore the fact that Western structures have the available effective technology to control election results and, consequently, an opportunity to form the composition of the power per se. However, today Russia and its allies have no system of their own to legitimize the election procedures and results as a mechanism of sovereign and democratic self-defense.

Thus far, the only answer to the West's challenge has been Vladimir Putin's tough statement that Russia, as any state with self-respect, "will not allow the foreign financing of political activity of public organizations," together with the call by deputy chief of the Kremlin administration Vladislav Surkov to build "a sovereign democracy" in Russia. However, this is not enough. Russia needs to master the Western tools of legitimizing the political processes in the post-Soviet space.

Between Assimilation, Irredenta and Globalization

Robert A. Saunders

Russians have had acute difficulties in coming to terms with their status as minorities in the unwelcoming—sometimes openly hostile—successor states of the Soviet Union. This situation has been extremely difficult in the Baltic Republics of Estonia, Latvia, and Lithuania. Among the majority populations of these small states, deeply resonant historical memory associated with the loss of independence in the 1940s colors the daily relations with the Russian minority. Additionally, the significant influx of non-titulars after World War II remains controversial and further complicates interactions between the indigenous populations and national minorities.

Today, ethnic Russians are scrambling to retain a position of equality in lands where Russian hegemony had once been an indisputable fact. Severed mentally, politically, and geographically from their homeland, these "new" immigrants have had to rethink what it means to be part of a diaspora community and to mentally place themselves within that conceptual space. This process has been easier for the younger generation of ethnic Russians who have chosen to pursue assimilationist (or more accurately accommodationist) strategies such as learning the titular language, embracing cultural symbols of the new state, taking loyalty oaths, etc.. However, older generations and disaffected subsets of Russian

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youth have not adjusted as well. Many have chosen exit (emigration) and voice (protest) to show their disapproval of their states' nationalizing policies and/or their inability to cope with new challenges that accompany their newly bestowed minority status. There is also a third manifestation—a deterritorialized, globalist clique who readily embrace the increasing flows of goods, technology, ideas, and people across borders. These Russians use globalization as a tool to cope with the negative effects of their state's restrictive social, economic, and cultural policies which might otherwise turn them toward radical nationalism.

The following article is based on interviews conducted among the Russian populations of Riga and Daugavpils in the immediate aftermath of Latvia's accession to the European Union (EU). It seeks to explore the divergent identities emerging among ethnic Russians in Latvia and offers recommendations on how Riga, Moscow, and Brussels should respond to these changes.

THE POLITICS OF IDENTITY IN POST-INDEPENDENCE LATVIA

There has been a spectrum of responses to the presence of Russians in the Newly Independent States of Eurasia – from polite disinterest to seething animosity. In the Baltics – Estonia and Latvia in particular – nationalizing states disenfranchised a large number of Russians and other non-indigenous nationalities. In order to meet the stringent citizenship requirements, Russians and other non-titulars had to meet historical residency requirements (typically requiring an individual or his or her forebears to have been living in the state prior to Soviet annexation in 1940), prove language proficiency, make loyalty oaths, and satisfy other benchmarks. Many have been unable or unwilling to meet these metrics (which are not required of titulars). In the case of Estonia, the Law on Aliens (1993) went beyond simple disenfranchisement and implied that Russians and other non-citizens (Jews, Ukrainians, Tatars, *et al.*) may be subject to expulsion in the future.

As a result of this denial of citizenship, the Russian community complains of loss of jobs (e.g., pharmacists, lawyers, firemen,

doctors, policemen and elected politicians are no longer careers open to non-citizens regardless of talent or experience), complications traveling abroad, attempts at forcible assimilation and other calculated policies intended to provoke people into emigrating. Thus many Russians, who form majorities in many areas of these states (upwards of 95 percent in some localities), are now stateless people without the ability to vote for their leaders or run for office, and whose guarantee of basic human rights within their state of residence remain tenuous. Latvia and Estonia defend the actions taken against their minority communities as an appropriate response to illegal migration conducted under the aegis of the occupying Soviet Army. In addition to the juridical problems, Russians (citizens and non-citizens alike) must deal with the growing enmity of their titular neighbors who increasingly brand all Russians (Old Believers, pre-1940 Russians, and newcomer Russophones) as aliens and occupiers.

RUSSIA AND HER MAROONED COUNTRYMEN

While Moscow is most concerned with strong ties to its Baltic countrymen, Russia has not ignored its other co-nationals in the near abroad. The Russian Federation's initial approach to Russians (and Russophones) living in the Newly Independent States was rather ambiguous. Rather than granting automatic citizenship to all 25 million ethnic Russians and possibly creating a massive immigration dilemma, or announcing that Russians would be forbidden to return, the Federation instead opted for a middle path allowing all former Soviet citizens who felt ethnically or emotionally attached to Russia to apply for Russian citizenship. Consequently, international law allows a state the right to protect its citizens abroad, and Russian authorities have on numerous occasions insisted that they will defend the rights of the near abroad Russians.

Ultimately, this ambiguous approach to citizenship vis-à-vis the near abroad Russians opened the door for Russia to become increasingly involved in the domestic politics of its post-Soviet

neighbors in order to advance its own national interest. The Baltics have been the focal point of much of Russia's posturing over the issue of its external countrymen. Perhaps this is due to the high level of integration the Baltics have pursued with Europe since independence combined with clear signals that Estonia, Latvia and Lithuania wish to distance themselves from Russia (none joined the Russian-dominated Commonwealth of Independent States though all three quickly initiated talks to join the EU and the North Atlantic Treaty Organization after independence). Lacking tools like the CIS, the Kremlin has used the diasporic issue as a platform to influence the policies of Tallinn, Riga, and Vilnius.

The Baltics' traditional role as a window on the West for Russia has made the management of the post-Soviet relations with Moscow of particular interest. One of my respondents felt that the Russian Federation took special care in maintaining relationships with the "Baltic Russians" (of which she counted herself as one) as a way to buttress Russia's interests in the region. The reasons for doing so are threefold: the first is related to the transnational nature of Russians living in the Baltic States; their strong and sustained contacts with Western businesses, politicians, and non-governmental organizations are clear assets to the Russian Federation. The second reason is the fact that a substantial number of Russians are now European Union citizens (and an increasing number is expected to join this group in the future), thus giving Russia more leverage in dealing with Brussels. And, thirdly, the frequent movement of Russians back and forth between the Baltic States (especially Latvia) and Russia is helpful for Russia to maintain economic and social influence in the region.

Until quite recently, Moscow had been rewarding Latvian Russians who chose not to pursue citizenship in their state of residence. For non-citizens, the costs of visas for travel to the Russian Federation were quite low and required one simple fee for multiple entries. Latvian citizens – regardless of their ethnic affiliation – paid a higher fee and were unable to take advantage of the single fee, multiple-entry option. This division between citizens and

non-citizens functioned as a symbolic reward for ethnic Russians who assumed a "middle ground" approach to state loyalty; by not becoming Latvian citizens, they were in effect declaring their status as "post-Soviet citizens" and were entitled to a set of benefits therein. The Russian Federation recently altered the two-tiered system and now employs the same regime for citizens and non-citizens alike, thus tacitly encouraging an increase in applications for citizenship among the Russian population of Latvia.

Evidently, Moscow has decided that EU Russians are better than Russian "non-citizens" for its purposes. Perhaps the Kremlin hopes that ethno-linguistic affinities and the sticky bonds of "Russian" culture are strong enough to ensure an enduring relationship between the Russian state and its countrymen abroad. However, my research suggests a rupture in Baltic Russian identity—while Baltic Russians continue to believe there is a "connectedness" between them and Russian Russians, there is less agreement on "commonality" as these two groups see their historical paths diverge. Only time will tell if this rupture will grow larger or reverse itself.

LATVIAN RUSSIANS AND THE "BRUSSELS FACTOR"

Within Latvia, ethnic Russian opinion on the European Union and Latvia's place within it is at best ambiguous. In fact, the majority of Russians opposed Latvia's membership prior to EU accession. Russians, while recognizing the benefits of accession (increased mobility, more occupational opportunities, greater economic stability, etc.), tend to regard Brussels as unforgivably blind to their treatment by the Latvian authorities. Ostensibly, the European Union is charged with ensuring that its aspiring and current members respect their minority populations; however, Estonia and Latvia have not been subject to the same sort of rigor that other states are governed by when it comes to nationality policy. In fact, both countries deprived large percentages of their residents of citizenship upon independence creating the category "non-citizen" to refer to these stateless peoples. In doing so, these

ethno-nationalist democracies complicated relations with their eastern neighbor Russia, the European Union, and other states. Subsequent policies related to the Russophone minorities have done little to improve the situation.

Latvia, which has the highest percentage of non-titulars in the Baltics, and likewise the greatest number of "non-citizens" (500,000 out of a population of 2.3 million) residing on its soil, has drawn the most attention as of late. On the day of EU accession (1 May 2004), Russians took to the streets of Riga in substantial numbers to protest Latvia's anti-Russian language and education policies which they felt were being sanctioned by Brussels. In a moment of post-modern ecstasy, the Russians demonstrated their keen knowledge of Western culture by chanting refrains from the British rock band *Pink Floyd*'s "Another Brick in the Wall" which includes the chorus "We don't need no education." The protestors were reacting to Latvia's proposed "school reform;" the policy limits Russian as the medium of instruction in schools to 40 percent of the time as of the 2004-2005 school year. While conducting my research in summer of 2004 in Riga and Daugavpils, I found "education reform" to be the most salient issue in the minds of Latvia's Russian and Russophone population. The roughshod "Latvianization" of the education system has even drawn the ire of the High Commissioner for Human Rights of the Organization for Security and Cooperation in Europe (OSCE), Rolf Ekeus, who called the policy "devoid of sense" as it currently stands. Despite the criticism of the policy at home and abroad, Riga has stuck to its guns.

There is a pervasive sense among Latvia's ethnic Russians that the "West" pursues a blatantly hypocritical set of policies in post-Soviet space. There is the perception that both Washington and Brussels employ a double standard on nationality issues, applying one set of rules to Russia and another to the Baltic States. The U.S.A.'s recent demand that the Kremlin recognize that "protection of minorities were central and universal attributes of democracy" while tacitly backing the Balts in their coercive policies toward Russophones is a case in point. Recent high-level discus-

sions between the Russian Federation and the European Union have also been complicated over what Russia sees as prejudiced application of minority rights on the Continent. In late February 2005, the Putin administration responded to Brussels' criticism of its human rights record in Chechnya with calls for better treatment of its co-nationals in the Baltics. These diplomatic volleys are carefully monitored by Russians living in the Baltic States.

Despite the rancor, the Russian Federation and Latvian Russians both recognize the importance of EU membership as a mechanism for managing Latvia's treatment of its minorities going forward. Latvia's recent municipal elections, in which hundreds of thousands among the country's minorities were not allowed to participate, drew to the surface the failure of EU membership to fix lingering inequities. Riga's decision to bar some 450,000 of its own residents, most of them Russians who settled there during Soviet times, from taking part in local elections triggered howls from Moscow especially when it was made known that Latvia allowed some 4,000 foreigners from other EU countries to vote.

Activists in Latvia were just as unhappy; outraged protestors carried placards bearing the slogan "Latvia shames Europe." In an effort to support the rights of its countrymen abroad, the Kremlin recently made a formal recommendation that Estonia and Latvia (which constantly affirm their Balto-Scandinavian identity) should adopt Finland's policies toward enfranchisement; such a policy would allow all residents to vote in municipal elections. Latvia's continued – some would say worsening – recalcitrance to adhere to commonly-held European notions about the treatment of minorities is starting to wear away at Brussels patience. According to an 11 March 2005 *Wall Street Journal* article, some European Union officials, while reluctant to publicly criticize a member state, say Latvia's own policies may be to blame [for worsening relations in the region]. These officials are increasingly worried that discrimination against Russian speakers here could turn into a flashpoint in relations between Moscow and the West, as well as undermine Europe's claim to be a standard-bearer of democratic values... Similar concerns are voiced by Alvaro Gil-Robles, human-rights commissioner for the

Council of Europe, a body that includes all EU members and candidates and that promotes democracy on the continent. "This is no longer just an issue of Latvia dealing with its minority, it's an issue of the entire European Union," says Mr. Gil-Robles.

While the EU seems to have given the Latvians and Estonians a "pass" on their un-European behavior prior to admission, it now seems that the EU is being forced to deal with their new members' problems rather than treating them as justifiable reaction to the "illegal annexation" of 1940.

MANKURTS, IRREDENTISTY, AND BALTO-GLOBALS

Dr. Valters Ščerbinskis, a professor of political science at Riga Stradinš University, told me prior to my field research that "There are two worlds in Latvia," obliquely referring to the mutually exclusive spheres of the Russians on the one hand and the Latvians on the other. Despite Dr. Ščerbinskis' stark and rather pessimistic view of the social divide in Latvia, it is clear that many ethnic Russians are traversing the boundary between those two worlds. In my own research, I discovered there are at least three "worlds" in Latvia:

- Ethnic Latvians who have no limits on their mobility or choice of occupation;
- "Latvianized" Russians (or Russophones) who enjoy citizenship and official access to state jobs, but are confronted with informal barriers to certain careers and occasionally suffer from slights by ethnic Latvian counterparts in their daily lives;
- Non-citizen Russians (or Russophones) who are explicitly barred from state jobs, are disenfranchised, face bureaucratic nightmares when traveling or seeking state aid, and who are regularly treated with disrespect by ethnic Latvians in their daily lives.

To gain access to the first category, one tends to need a Latvian surname, have parents who both speak fluent Latvian, and can trace his or her roots to the Latvian nation either in the country or through the diaspora (Latvia's current president is in fact a remigrant from Canada).

The second category is increasingly common in Riga (though less so in Daugavpils, Latvia's second city). These individuals speak fluent Latvian and use it in their daily lives. Most are in jobs where they come in contact with a large number of Latvians on a daily basis. These persons also tend to include a number of ethnic Latvians among their friends and close acquaintances. These individuals are still emotionally bound to the Russian nation but typically not the Russian state. They may have some positive impressions of the pre-1991 system and the Soviet Union, but tend to be forward looking and are strongly supportive of further European integration – something which they feel will further their own integration into Latvian society. They generally hope to be able to eventually identify themselves with the Latvian state in what is reminiscent of British or French "civic nationalism," although there is the feeling that Latvia's current leadership are working against this goal. Such pessimism has predictably worsened in the wake of president Vaira Vike-Freiberga's incendiary comments on the eve of Moscow's V-E Day celebrations in the summer of 2005 in which she criticized the habits of veterans of the Great Patriotic War, referred to the Salaspils camp in Latvia where the Nazis carried out medical experiments on children and 90,000 people were killed as simply a "corrective labor camp," and accused the Russian Federation of presenting a false view of history regarding World War II.

Many Sovietologists (reformed and otherwise) have failed to take into account the importance of class in formulations of identity among the Baltic Russians. Time and again, my own research showed that upwardly mobile, Latvian-speaking Russians treat their nationality with almost a sense of historical coincidence – much like an Irish- or Italian-American might. For them, Russia represents little more than a repository of history and/or a place where one has familial relations – similar to the way a second generation American might feel about the "old country." This is in stark opposition to those Russians whose opportunities within the new Latvian state are limited by education, age, language, or other factors who cling to their "Russianness" like a raft in the storm.

The last category strongly identifies with the Russian state. Such individuals tend to see the Russian Federation as the natural successor to the Soviet Union which provided them with greater rights and unfettered access to public life. This group tends to romanticize the situation for the "average Russian" in the Russian Federation and draws distinct contrasts between the ways that the Latvian government treats its own "Russians." In speaking with members of this third category, it is clear that rapid privatization that has occurred in Latvia since 1991 is being conflated with their increasing marginalization in society under the current government. Such notions predictably result in strong anti-Latvian, anti-EU, and anti-American positions.

In addition to the two Russian archetypes discussed above, there is a third category of Latvian Russians: the globalists. These Russians, whom I found to be quite common among the well-heeled elites of Riga, are Web-savvy, English and Latvian-speaking, globe trekkers, with personal, familial, and business contacts in the Russian Federation, Western Europe (particularly Germany), and the U.S. These globalist Russians have a patently deterritorialized view of their identities, unlike either their ethnic counterparts among the Latvianized assimilationists or the Soviet nostalgics. While they recognize the institutional barriers to the personal advancement within Latvia's public sector, this is not a pervasive concern. With EU membership, the relocation of multinational corporations to Latvia, growing Russian *Gastarbeiter* communities in Western Europe, and increasing opportunities for employment and educational opportunities abroad, these Russians are developing novel approaches to personal advancement. Their identities are also coming along for the ride.

The changing nature of the global economy is opening doors for these globalist Russians as fast as the nationalizing state of Latvia can close them. Through a combination of EU-enabled mobility (occupational, social, and actual) and robust, evolving Internet-based networks across Europe and the former Soviet Union, these globalized Russians can now confront, contest, and usurp the constraints put on them by Latvia without relying on the

intervention of Moscow. This is done by placing oneself in a global rather than a state- or ethnic-based social space. By using the term "global" here I do not mean to imply that ethnic Russians feel as bonded to Ouagadougou as they do to Omsk, but instead I suggest that the mental mobility enabled by cyberspace and "Europeanness" allows these Russians to conceive of denationalized personal trajectories which are not constrained by their minority status within Latvia.

WHAT IS TO BE DONE?

Despite the marginalization that many Russians have experienced in Latvia, the country's vibrant information economy, enhanced mobility enabled by EU membership, and widespread knowledge of the global lingua franca of English have enabled the new elites among the marooned Russian diaspora to sidestep political radicalization. My research suggests that those elements of society, which would naturally take up the banner of irredentism, have opted instead for other, more individualistic pursuits. Widespread denationalization—a rejection of the nation-state as the basic building block of economic, political, and social interactions—ensures that Russian elites pose no danger to the Latvian state in the foreseeable future (thus differentiating the near abroad Russians from the interwar Germans of Eastern Europe). And as history demonstrates, the hopes and wants of the masses are meaningless without a dedicated elite to shape and project the power of collective will.

Latvia should recognize this fact and cater its policies to support further integration of its Russian community into the global village. Convincing the Latvian Russians that globalization can aid their personal development much better than irredentism debases the ability of Russia (or, more appropriately, nationalist elites within Russia) to manipulate the offshore Russians for their own purposes. The benefit/risk ratio of actions taken by offshore Russians clearly favors global integration over revanchism. The short-term, concrete personal gains enabled by the Web, EU membership, and familiarity with global norms are certainly more

attractive and entail less risk than long-term, nebulous *national* gains promised by jingoistic agitators in the Russian Federation. Riga would be wise to support greater Internet use, increased levels of English proficiency, and more foreign travel for its Russian minority. Such actions could prevent the development of a permanent underclass among the Russians and would undoubtedly aid Latvia's economic development in the long term.

Russia should lessen its political focus on the diaspora and increase its economic connections with the near abroad Russians, especially those in Latvia. As Riga increases its profile as a regional hub for multinational corporations, the city's Russophone community (which currently represents a majority) is an exceptional asset to Moscow. Just as Beijing has learned to reach out to the *hua qiao* (overseas Chinese) in San Francisco, Kuala Lumpur, and Sydney, so should Russia do likewise with its beached countrymen in the Baltics, the Caucasus, and Central Asia. Lastly, the Kremlin should avoid actions which either its diaspora or the Newly Independent States could deem "meddling," since such behavior jeopardizes its countrymen's fragile political position, and will thus weaken Russia's interests as well.

Lastly, Latvia is in need of a strong dose of *Vergangenheitsbewältigung*; but without external pressure, such a "getting over the past" is unlikely to be realized. Brussels and the individual nation-states of the EU must make it clear that Latvia needs to harmonize its nationality policies with European norms immediately. The OSCE and other pan-European organizations can support the growing drumbeat in Brussels by calling for better treatment of non-Latvians. If Latvia's European partners form a united front and make it clear that past grievances do not justify the country's current anti-Russian policies, Riga is likely to change course on its treatment of its minorities (citizens and non-citizens alike). Germany – a country with a bit of experience dealing with the after-effects of vengeful nationality policies in Eastern Europe – should take the lead on this.

Personage

“In big countries like Russia or Brazil, it's not easy to go to the grassroots. But you have to make the effort at least, and try to convince. Inasmuch as you can give good information and the chance to make a good choice, you can win in the end. If you believe that people cannot understand you, that you have to manipulate the public, it's the beginning of a disaster in an open society.”

Fernando Henrique Cardoso:
“We Need More Democracy to Tame Markets”

Fernando Henrique Cardoso:

"We Need More Democracy to Tame Markets"

Fernando Henrique Cardoso, a brilliant Latin American intellectual, was born in Rio de Janeiro in 1931. A democrat and socialist by conviction, he actively joined Brazil's political life after the fall of the military junta. In 1988, Senator Cardoso founded the Social Democratic Party of Brazil and was its leader in the Federal Senate until October 1992 when he was appointed Minister of Foreign Affairs. As Finance Minister (March 1993-March 1994), he carried out an effective plan to combat hyperinflation and stabilize the national currency. He was elected for two terms as the president of Brazil in 1994 and 1998. Since 2003, Cardoso has been at the head of the Fernando Henrique Cardoso Institute (iFHC) in Sao Paulo.

Professor Cardoso is a classic representative of Dependientism which asserts the possibility for limited independence of peripheral economies, with national goals and tasks taking priority over the interests of international capital. He is the author of over 20 books. In August 2005, Cardoso received in his Sao Paulo office Vladislav Inozemtsev, the Chairman of the Advisory Council of Russia in Global Affairs.

Inozemtsev: Mr. Cardoso, you were a very successful finance minister in Brazil who managed tight economic and financial reforms, as well as the stabilization of the Brazilian currency, the real. These moves were of a magnitude comparable with Russia's reforms in the early 1990s. Following this period, you rose as a national leader and were eventually elected president. Would you explain the main focus of your reforms and why they were maybe

unpopular, yet people understood it was necessary to follow your proposals?

Cardoso: It was probably a convergence of various trends and factors that helped me. One of the most significant factors was that I was against the military regime[1] in Brazil. So I was perceived as a person coming from the left who was against the military. I was not considered a leftist, but my itinerary was against the established order, and mainly the order imposed by the military.

Second, when we produced a program to stop inflation, the so-called "the Real Plan *(Plano Real)*[2] I made an unusual decision that had tremendous success. The idea was to explain to our people every new step to be implemented beforehand. I was the finance minister, but I am not an economist – I am a sociologist. However, very good economists surrounded me, and I was a kind of translator of the economic proposals to the nation on radio and TV and in the press. It took a lot of time to prepare the program and to have it approved by the Congress, to struggle against all the ideas in the Congress. Not just entrepreneurs backed my project, but the middle-class, who were well informed, were also in favor of my proposals. The unions, or the more populist parties, however, as well as popular parties like the PT *(Partido dos Trabalhadores)*,[3] were against the reforms. But since inflation stopped, it was clear to everyone that the workers were gaining.

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[1] The military regime established by General Humberto de Castello Branco in 1964 drastically curtailed democratic freedoms and led to the dissolution of the National Congress. The regime began to move toward liberalization in the late 1970s as General João Figueiredo, who ruled Brazil between 1979 and 1985, laid the foundation for the country's return to democracy (hereinafter the footnotes by V. Inozemtsev).

[2] The plan for combating hyperinflation, which depreciated the Brazilian currency, was devised by the chairman of the Central Bank of Brazil, Gustavo Franco, and provided for a series of monetary and fiscal measures. These included the freezing of salaries, termination of state borrowing, budget sequestration, the establishment of outside control over the credit policy of the top 40 banks in the country, and the introduction of a conventional monetary unit. In July 1994, as inflation eased, a new currency emerged – the Brazilian Real.

[3] The Workers' Party of Brazil *(Partido dos Trabalhadores, PT)* – one of the most influential leftist political parties in Latin America. Representatives of the Brazilian intelligentsia and activists of the labor movement founded the party in 1980. It controls 18 percent of the seats in the lower house of parliament.

So, the sense of being better off as a result of my program was clear. I won my first presidential election in 1994 because of that. And when I became president, I started proposing reforms. That was much less popular than stabilization because I had to propose social security reform, tax reform, all kinds of reforms. Nevertheless, I was re-elected four years after that. Incidentally, I got 54 percent of the votes in my election in 1994, and 53 percent in my re-election in 1998. This means that the population was rather in favor of our initiatives. Why? Because there was a sense that Brazil had to move faster toward a more open society and open economy. This idea was disseminated by the mass media, and by some leaders in Brazil.

Then, we had the devaluation of the real in 1999;[4] thus, after my second election, the situation went against me. The mood of the population became much more skeptical. So, it was not so easy in the second half of my second mandate. That's why we – not me, but my candidate – were defeated in 2002.[5] I suppose my party will be victorious again in the upcoming elections.

Inozemtsev: In the parliamentary elections?

Cardoso: The elections for both the presidency and the parliament. No one party has ever had more than 20 percent in parliament in Brazil because it's a big country, like Russia. It is fragmented, it has many parties, and it is difficult. As for the presidency, maybe we will revive the old trend, that is to say, Brazil has to move faster because the world is moving ahead, and because of the sense that we are losing ground to China, India, and maybe to Russia and the rest of the world. Now we are in the middle of a political crisis because of corruption and things like that. This will open windows of reaction to the proposals made at

[4] In early 1999, Brazil was hit by a financial crisis provoked by financial upheavals on the East Asian and Russian stock and debt markets. The government was forced to depreciate the real by eight percent. Although the rise of the dollar rate against the real (slightly more than 55 percent) was insignificant compared to the depreciations in Asia and Russia, Cardoso still views this event as a major setback of his policy.

[5] Luis Inacio "Lula" da Silva, a co-founder and leader of the Workers' Party of Brazil, won the presidential elections in October 2002 with 53 percent of the votes. His rival, Jose Serra, proposed by Cardoso as his successor, won only 32.5 percent of the votes.

the beginning of my mandate, and to the way I presented the program and used the mass media as an instrument.

Inozemtsev: Presumably, your talents as a sociologist were of importance at that time because there was so much explaining, as well as convincing the people to go to the elections.

Cardoso: It was quite new and not easy. You can imagine our technicians and economists saying that it was impossible because everybody would engage in speculation. But I think it was a wise decision. One of my friends, an economist who has a much more open mind, said: "Okay, let's do simple and clear things." So, we used what I call "democratic pedagogy." And the people believed it. I think it is important to explain to the people again and again... In big countries like Russia or Brazil, it's not easy to go to the grassroots. But you have to make the effort at least, and try to convince. I am a profound democrat, so I think that inasmuch as you can give good information and the chance to make a good choice, you can win in the end. I think that if you believe that people cannot understand you, that you have to manipulate the public, it's the beginning of a disaster in an open society. And Brazil is an open society, which is also amazing because, if you look at our past, at where we are coming from now, together with the inequality in Brazilian society,[6] it's hard to understand how that kind of disparity and freedom can be compatible. But it is like that here. And it is a kind of engine moving Brazil ahead. It's an open society.

Look at what is going on in our country now. It's just impossible not to explain things to the people, not to tell the truth, because everyone sees it. This is an important characteristic. Another thing is that Brazil is a culture of tolerance. It is a paradox that, being so unequal, it is possible to be open and tolerant. There are some cultural explanations. It is also true that we are like America and different from Russia. We are composed of many

[6] According to official statistics, in the late 1990s the poorest 10 percent of the Brazilian population accounted for 0.7 percent of the aggregate income, while the richest 10 percent accounted for 48 percent. The Gini Index, which shows the gap in income between the rich and the poor, stands in Brazil at 0.607, twice as much as in the EU countries.

different people. I don't know how many Brazilians are now of Portuguese descent. Maybe they are in the minority. We have blacks and mulattos and we have Germans. No less than ten million Brazilians are of German descent. There are no less than 25 million Brazilians of Italian descent. We have many Poles, as well as people from Ukraine, and no less than three million Arabs, mainly Lebanese. We have Japanese – perhaps two million of them, or more.

So this is a melting pot. In the 1950s, sociology explained America in terms of a big melting pot. America, however, is not a true melting pot because the different nationalities are there, but each one is a pot, a special area with its own community. We mix it up. And we are proud that we have this tremendous blend of people. This is also very important to stress. This is our national ideology. So, we have to accept differences as a natural thing.

If you compare what happened in the Spanish nations in America with Brazil, you will see that we have always been a little more prone to conciliation, to accommodation. This has been highly criticized, mainly by the left who say that this prevents the country from benefiting from a more genuine clash of classes. We have been much more prone to conciliation here. Of course, there have been moments of conflict, but we are more pragmatic in dealing with conflicts.

Now, let's compare Brazil with America. America is fantastic in that they were able to change the situation with their black population in a very short period of time. But how did they accomplish this? First, the struggle was very hard. Second, the law enforced it; the American people are equal by law. We in Brazil don't care about laws; we have much more flexibility. While it is true that we may lack the institutional instruments to enforce equality, we still have much less discrimination here than in America. We are equal yet we are different.

Inozemtsev: If Brazil has had such a huge success in uniting its people and creating tolerance in society, do you think there are prospects for other South American nations? Can they follow this example?

Cardoso: In Latin America, you have different styles of culture and national integration. If you compare Brazil to countries in the southern part of the region, you will find they are very similar to each other. I would say the southern part of Brazil, Uruguay and Argentina are all about the same. And what I said about Brazil, with some exceptions, can also be applied to Argentina, Uruguay and even Chile. These are open societies with much less inequality, and much less differentiation in terms of race, than in Brazil.

In the Caribbean and Central America countries, they are perhaps more unequal and more differentiated in terms of race, but this is because of the blacks, not because of the indigenous population. Furthermore, they are highly influenced by the U.S. In the Andean nations, the situation is completely different: in countries like Bolivia or Ecuador and, to a lesser degree, Peru, there remains the problem of how to integrate the indigenous and the non-indigenous populations. It is a matter of national identity.

Look at what is happening in Bolivia. The size of the indigenous population is by far the biggest in the region. However, they are not asking to be integrated into the white or non-indigenous population, they are asking for power for themselves. Bolivia is much more fragmented, including in terms of geography. Some parts of Bolivia are now discussing autonomy.

In Ecuador as well, you have the coastal area and the highlands. The highlands are much more indigenous, the coastal area is much more Spanish and black. So there are problems of national integration. That's not the case in Argentina, Brazil, Uruguay or Chile.

Even in Central America they have different problems. Only Guatemala has problems with the indigenous population. Latin America is highly differentiated. The Atlantic nations always looked much more to Europe, but now it's different. They are looking north, to North America. As for the Pacific area, it has always looked much more north than to the west.

The European influence has been much more profound in these parts of America, including Mexico. Mexico also had a strong

European influence – French and Spanish. That's not the case with Central America, which was much more influenced by the U.S.

In terms of economy, globalization has been a sort of earthquake across the world, and some countries have been able to recover from the earthquake in time to become integrated in a favorable way; others have failed to do so. I would say that, in terms of investment – foreign capital investment and increasing domestic investment – Brazil ranks number one in terms of foreign investment since the 1990s, when globalization was already there. Now Brazil is becoming much more integrated into the global production system than other countries. Mexico, for example, basically became integrated into the United States. We are more removed from the United States, so we have more chance to polarize here, to be more independent in our decisions. Not just in our decisions, however, because investment came to Brazil not just because of Brazil, but also because of the southern part of America, probably from the period of stabilization on. I mean, in 1994, 1995 and on. We have received no less than $150 billion in foreign direct investment in Brazil. Compared to the past, that's an enormous sum. When I was the finance minister, Brazil used to receive between $1 billion and $2 billion a year. In 2000, we received $33 billion. Today, as the country is steering through a bad moment, we are receiving about $15 billion. So we are escalating in terms of our capacity to attract foreign capital.

Now look at Chile, which has a smaller economy. The Chileans have been wise and are now able to utilize globalization to export some crucial products and manage trade circuits in the world. They are exporting things such as wine, fruit and salmon. And they have also become very good in services. Thus, they are accumulating far more capital than they can absorb and are investing abroad, in other parts of Latin America.

If you look at Argentina or Uruguay, it's different. They do not know yet where they have to move. If you look at the Central American countries, you will see that the Americans have always considered this region more carefully than other parts of the

region because of their strategic interests – Venezuela because of its oil and energy, for example, and Colombia because of its guerrilla activities. What did Central America really do? It opened the doors for Central American exports into America.

So, economically speaking, the chances presented by globalization are unequal. Some countries had more chances, and some countries were able to seize the moment, others have failed. If you compare Brazil to Argentina, you will see that Brazil was much quicker in moving toward what was necessary at that time. Argentina is moving much more slowly in the sense of globalization. So all this introduces vast degrees of differentiation in the Latin American region.

It is interesting that, with globalization, foreign investment in Brazil is coming basically from the Latin countries in Europe. The U.S. has always been present here and continues to be. In the past, we had foreign investment from the UK, Germany, Sweden, and Switzerland. They are all still here. But new investment is now coming from Portugal, Spain, France and, to a lesser degree, Italy – all Latin countries.

Inozemtsev: Indeed, I know from statistical data that the Europeans are surpassing the Americans in investment in Brazil, in Argentina, and in various Latin American countries. But speaking about globalization, a book by Professor Jagdish Bhagwati of Columbia University appeared not long ago. As I understood it, the main idea of his book is that it is not globalization that causes damage to the peripheral economies of the world. It can cause huge harm, like an earthquake, only if governments oppose globalization processes in an unsophisticated manner. Do you agree with this?

Cardoso: It depends. I would say it's true with some of the more developed countries. If a government were wise enough to understand new opportunities and move toward them, globalization would be helpful for them.

That is the case with Brazil. It was also the case with Chile. But if you look at Africa, it's much more difficult to blame governments because the situation is so hopeless there. And global-

ization can be productive not by itself but in terms of comparison: people look around and see things are going fast and they are still in bad shape. This can provoke unrest.

None of the Andean countries are going back at this point. If you look at social indicators in Latin America, the situation is not worsening. Even if you take the problem of unemployment, which we often hear is being destroyed by globalization, we should look at the facts with some caution. Globalization requires integration at a global level; it requires the sophistication of technology, a high level of education, and institutions. If a country has all these conditions and the government is able to take the leadership, you can enter the globalization process in a positive way. If you don't have these minimal conditions at the starting point, you are left aside.

Inozemtsev: That's a very interesting opinion. Was the quality of government, of life, of people different here – in Brazil, Argentina, Chile, Venezuela – twenty or thirty years ago? I think they were somewhat similar, but some governments fight for national sovereignty, for their rights, for the chance to manage their own economy, while others accept the globalization process. It's not about endorsing it and going faster than other countries. It's the question of acceptance...

Cardoso: There's no alternative, no other way.

Inozemtsev: So the problem with globalization, in my view, is that some governments do not really want to fight globalization or allow it to happen either. And it will not happen in their countries. If they just fall aside, like in Africa, they are not globalized. The world is happy to live without them.

Cardoso: You are right. What is globalization basically? It's the integration of the world financial market plus the capacity to take control of the production system across the globe. It is a new form of capitalism. Capitalism today is dead. Globalization moves due to big corporations, those with the capacity to rationalize the production system and with a sophisticated information system to make proper decisions. That's what globalization is. In some sense, this is the progress of our days.

Inozemtsev: In some sense.

Cardoso: You can compare it with the beginning of industrialization in Europe in the early 19th century when the workers were prepared to break the machinery because they were against it. To be against globalization is a similar situation, to some extent. I would say that if Karl Marx were still alive he would say: "You people are crazy. This is the means to progress."

Yet there is another question: Who will control the progress? What class? You must have additional elements to tame globalization because it's a fact that the markets become very powerful and may be cruel to some people. That's why you have to compensate by having governments, an active civil society, an open society, by people moving in defense of their interests, and so on. So, we need more democracy and more governmental capacity to tame markets, for the market is becoming a ferocious animal. That's the way I see it.

Inozemtsev: I absolutely agree with you here. Now, in connection with what you said about some of the historical links between South and Latin America and Europe, can you imagine something like European projects emerging here?

Cardoso: Well, that was the original idea behind Mercosur.[7]

Inozemtsev: Yes, but I don't think Mercosur exists now. Is it anything more than an economic union?

Cardoso: At the beginning, in the early 1990s, it was our peculiar way of aiming for more political solidarity. The project had more prospects then than what it became in the end. It seems that we are moving toward trade treaties. Earlier, however, the economies of the base countries, Brazil and Argentina, were in bad shape and faced some financial crises and, as a consequence, had problems with exchange rates due to different kinds of systems of exchange. Thus, we clashed more frequently, and it became very difficult to make progress and have good trade agreements.

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[7] Mercosur *(Mercado Común del Cono Sur)*, a common market in South America, comprises Brazil, Paraguay, Uruguay and Argentina. Founded in Asunción on March 26, 1991, it was intended to be precursor to a customs union between the countries. In 1996, its four countries plus Chile and Bolivia set up a "political Mercosur." In recent years, Mercosur has had difficulties implementing earlier approved economic measures. Mercosur and the European Union are linked by the Interregional Framework Agreement for Cooperation, signed on December 15, 1995 in Madrid. The agreement went into force on July 1, 1999.

Thus, the presidents decided to move toward joint infrastructure projects. I proposed to hold a presidential meeting in Brasilia in the year 2000,[8] composed not just of Mercosur representatives but South American people. We asked the Inter-American Development Bank (IDB)[9] to present some programs for the physical integration of the region, to integrate the infrastructure in terms of the axis of development. The bank proposed several actions to promote the integration of the railroads, roads, energy, electricity, telecommunications, and so forth, to imitate what had been done in Europe when they started the coal and steel community.

We skipped a bit past trade because it proved difficult. We moved to other more basic integration, and now we still do not know what to do with it all. Some political convergences still exist, albeit very small political convergences, because even now, in this year's elections at the IDB and the WTO, the Brazilian candidate was quite alone, with even some people from Mercosur voting against him. So, we are at a bad moment in terms of this movement. This is not our finest hour.

Regardless, I believe it's important to keep the idea of a more profound integration in the area. We are also starting to engage with Europe, to have a direct relationship between the European Union and Mercosur. For example, we have proposed to convene a conference in Rio, but the Europeans have their own problems now; they failed to get enough votes for the EU Constitution. Thus, we have to wait to re-establish a link between Europe and Mercosur. But I would say it is important.

The FTAA[10] was an American proposal. Brazilians were skeptical about the FTAA – we sensed American competition. Now

[8] The first summit in Latin America held in Brasilia in August 2000. The summit established a standing Latin American Business Council.

[9] The Inter-American Development Bank (IDB) is the world's first regional interstate bank for financing development programs. The bank was founded in 1959 on the initiative of Brazilian President Juscelino Kubichek by 19 Latin American countries and the United States.

[10] The Free Trade Area of the Americas (FTAA) is a regional organization intended to ensure the free movement of goods and capital in the Western Hemisphere. However, the general slowdown of the world economy's growth and other numerous problems has caused delays in the negotiating process, which continues to this day.

the Americans have moved toward regional pacts in Central America and with the Andean countries; they have one with Chile. They are isolating Brazil and Mercosur to some extent by closing bilateral trade agreements with other countries and groupings of countries in the region.

I think we have to revisit all the subject matter, to see how to overcome the present situation for integration. And it's very difficult – Russia understands this – to convince a big nation to integrate with a small nation and make concessions. The thing is that the idea of sovereignty is still very profound and well entrenched in Brazil, but I think we have to move to other countries and integrate early into South America. Brazil has a responsibility to move ahead because we are more powerful than our neighbors.

Inozemtsev: I have been dividing my time in recent years between Moscow and Paris, so I see European processes and European society. The processes in Europe involve a huge social, personal and psychological integration. We are witnessing something like the birth of a European nation. Maybe you have to see it one hundred years later, but something is happening. In Europe, around 5 percent of marriages are between different European nationals. Can you imagine something like this happening here, between Chile and Argentina or Paraguay and Brazil? Do the nations understand each other, and not just the politicians?

Cardoso: I lived in Chile for five years, and I would say that we possibly have less difference among Latin Americans countries than do the people of Europe. The first thing to consider is the language; the basic language here is Spanish. Brazilians understand Spanish, but they don't understand Portuguese; they understand Spanish. So, it makes contacts much easier. We are Latinos. Maybe it's too vague, but it's true. There are some similarities.

Inozemtsev: But distances are much greater in South America than in Europe. All of Western Europe could fit inside Brazil. I saw my ticket to Lima for tomorrow and it's about a five-hour flight. You could go from London to the Urals in that time.

Cardoso: From the southern part of Brazil to the north takes a jet six to seven hours. East to west, it's like Russia.

Anyway, what is moving ahead is tourism. It is now an instrument of integration, corporate integration, because Argentines come to Brazil, Uruguayans come to Brazil, Paraguayans come to Brazil. They all come for the beaches. And Brazilians go to Buenos Aires and Chile. This is increasing our mutual understanding. We also have trade, and maybe, to some extent, universities.

Here is a small personal story. I was in Paris in 1961 and spoke French. And I realized that, in spite of the fact that I was fluent in French and my academic training in Brazil was influenced by the French, I felt more at ease with Spanish-speaking people, with Latin Americans, than with the French, because our sense of humor is similar. The lack of formality is similar.

There are some cultural traits that do not come from the Portuguese. They are not like that. Maybe it's because we are a migrant people and an open society, with open spaces. It's not difficult for this kind of people to interrelate. I am not saying that we are always able to understand each other but, as far as we have contact, we realize that we have similarities.

Inozemtsev: There will be a general assembly this autumn to discuss the United Nations reform. Do you think it is possible to speculate about some kind of new world order that is not quite so American?

Cardoso: I am personally involved in UN reform. I was heading a working group on it, and we were trying to deal with ideas around a real global civil society and the extent to which NGOs can be included in the UN.

I think there is, again, a twofold movement toward the reorganization of the world order. One is vaguely based on different movements, the NGOs, civil society. The fact that cities are now asking for more of a voice shows that there is a kind of democratization process concerning the issues of the world order. On the other side, there are movements originating with some governments and states saying that it's no longer possible to have this kind of unipolar order.

The world is unipolar to some extent, yet we still have five big countries that do not want to open their doors to the others. I

think that, if we could imagine a stronger Europe in the future, and China playing a more active role, as well as countries like India, Brazil, Russia and Mexico also, it would be possible to imagine a more balanced order.

So far it's difficult to imagine how such a new order would really be implemented. I think that we have to move using soft power, rather than hard power. I think it is possible to move slowly toward a better world order, because certainly the order based on this unipolar system has limitations. Look at Iraq. They were able to destroy the former regime, but they are unable to build anything else and they had to request help from the UN.

The threat of terrorism, for example, could unify the global order in a different way, because we have a common threat. It cannot be dealt with because one power is so powerful that it can stop it – it's not powerful enough to stop terrorism. This requires soft power in order to try ideology and persuasion, the idea that I was emphasizing, tolerance and new approaches.

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