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Transcript

RUSSIA IN 2020: SCENARIOS FOR THE FUTURE

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JAMES F. COLLINS: Ladies and gentlemen, I'd like to get started. My name is Jim Collins. I'm the director of the Russian Eurasia program here at the Carnegie Endowment. And it's my great pleasure to welcome all of you this afternoon to an event that we're very proud to host.

[00:04:06]

The book which is being put out today, "Russia in 2020," is a collected work of scholarship by some 30 scholars, edited by our own Nikolay Petrov and Masha Lipman. And I am very impressed with the degree to which this project has developed and really made a great attempt to bring perspective on what is a question, I think, pretty much on everyone's mind these days. And that is, where is the next phase of leadership going?

And what this study has done is looked at a number of different aspects of the Russia evolution over the last few years, during the tandem, and tries to make some judgments and – or at least give some thought to the question about what kinds of issues, what kinds of decisions, what kinds of forces are going to be present as Mr. Putin, when he assumes the presidency, embarks on the next phase.

What we're going to do today is have presentations from, first, Nikolay Petrov, who has a PowerPoint presentation with some of the key points from the book. Then our colleague Masha Lipman will give some additional commentary on her thinking about the conclusions. And then we will have comment on what they have had to say from two other authors in the book, Sam – well, I think we'll do Cliff Gaddy first, who I think needs no introduction to you in Washington, then Sam Greene who for a number of years was our deputy director at the Carnegie Moscow Center and is now at the – at a new project at the Higher Economics School. Am I right?

SAM GREENE: (Off mic) – yeah.

MR. COLLINS: Oh, the New Economic School. So I'm not going to take any more time. I would like to get started and begin with the presentation by Nikolay Petrov. I would ask everyone to please turn off cellphones, phones, BlackBerrys and so on because otherwise they get in the way of the microphone system. So, Nikolay, I give you the floor and you're welcome to begin the process.

[00:07:01]

NIKOLAY PETROV: Ok, thank you, Jim. I'd like, first of all, to thank everybody for coming. Last two weeks, it's pretty intensive season to speak about Russia and its coverage here in this town. And perhaps Russia's present does not deserve that much attention, but now we should speak about Russia's future, which definitely does.

Not only we are lucky to get all of you here, but we're lucky to get book out of publishing house. And it came just two hours ago. It's in very Russian style. (Laughter.) And I'd like to thank Ilonka Osvald and her team who did contribute a lot in order to make it possible. And last changes were put into the manuscript; it was last week. So I was – I am pretty much amazed by how fast it was – how, well, little it took to publish the whole thing.

And I'd like to thank, also, the Carnegie Endowment, starting from, well, Ambassador Jim Collins, Tom Carothers and our president Jessica Mathews, who at all stages of the project not only, well, did show their interest but help us

a lot. And I'd like to thank them for their patience as well, because you can imagine – there are 30 authors. The team is huge. It's like Golden Horde. And it's – it was pretty complicated to make it possible in such a short while.

[00:09:02]

So this brings me to our authors. And their names are shown here. And I would say that in my view this is a dream team from which I did learn a lot. And the great thing about the project is that we do continue our work, and this team, which was gathered and which spent many days in very fruitful discussions, it's still in place. And I do hope it will – it will work together for a pretty long time. Before starting the presentation itself, I'd like to thank one more person who contributed a lot into the project and whom we should thank for inspiring us. This is Russian leader forever – (laughter) – Vladimir Putin.

So there is no way to summarize a 700-page-long project in 15 minutes, so I'll focus on very general results. Masha will continue, and our two esteemed authors – and there are two authors more – Robert Orttung and Tom de Waal – in the audience. Well, they should add some real smell to this story. And they will participate in answering your questions.

So let me start with the tree of scenarios we came with in the end of our discussions, and look at the left side, there are two eagles – two-headed and single-headed one. They do symbolize the possibility to start either with the tandem or without the tandem, and with it make it a little less than a year ago. And we did decide not to change this. Not only due to the fact that – although it's promised that there will be no more tandem, but it's not finally done. And second, it's good to start with stating that although we did consider the option of keeping the tandem, our view is – was that it would not continue for long and it would come to the single-headed eagle scenario.

What else is important about this scheme? Well, there are different – well, there are two periods of instability – of huge instability shown here. And the general view is that Russia's development will be passing through crisis. So the problem is whether the existing system is capable to, well, survive – to become more sophisticated when passing through this crisis or not. And at the end, we do consider three basic options, and later I will describe them in a little bit more details. Although there are more – well, many possibilities of wild card scenarios which are shown here as well, and which were considered by us also.

[00:12:38]

So here these wild card scenarios are. While it's possible to speak about any of them for pretty long time, what I'd like to emphasize now is the fact that majority of them are negative options rather than positive. So among positive scenarios, well, I can mention only European choice, which doesn't look very probable, and perhaps bloggers revolution. But it's pretty questionable whether it's positive or not.

So here is the first bifurcation point after 2012 presidential elections. And the point is that there are no problems for the Kremlin to have good results in both parliamentary and presidential elections. Problems are appearing immediately after them. And it's important I think to have in mind that there could be two different options with regard to Kremlin's position in this, well, case.

One would be reforming the system. And in my view, this option was the major one sometime ago, when it was planned to start after 2012 elections with more or less large-scale political and economic reforms. And this was what the revision of the 2020 strategy is about. This was what – who, then, who should serve as the prime minister to lead these, well, painful reforms was about. And this is what much more sophisticated elections, which we've seen at the beginning with Mikhail Prokhorov, with Dmitry Rogozin, and some other things.

But later, this option was, well, pushed out. And what we see now, it's elections without any intrigue, elections without any real essence when it's no more needed for the Kremlin to get mobilization in result of this election. And what is important, it's the fact that if only you do plan large-scale reforms, you need much higher legitimation of authorities. And in result of these elections, although these results are easily predictable, authorities will not become more legitimate than now, meaning that window of opportunities, if there was any, it's closed again. And perhaps it's closed for six years because it's very complicated to provide modernization without elections.

[00:16:00]

So here is bifurcation point two. It's once again connected with both Duma and presidential elections. And you know that next time – well, the Duma, which should be elected next month, will serve for five years; the president, which should be elected in March, should serve for six years – meaning that next Duma elections and next presidential elections will be separated by two years. And, well, there are a lot of things which can happen before these elections. And the one I'd like to mention is that, in my view, these ongoing elections is the end of the chapter. It's the last election where the same players, the same leaders of the same political parties do participate and they do play by the same rules. And I do think – and we do think that next elections will be very different from this.

Here I am coming to three basic scenarios we've ended with. I'll start with the worst of them. It's called Stalin-lite, meaning that movement in authoritarization direction is possible. But full-fledged authoritarianism is impossible. And there are two major reasons why it's impossible:

First of all, due to the fact that there is lack of resources, and second there is lack – or absence of the political will. Political elite will never, well, back this scenario, meaning that they would suffer from it. So here are some basic features of this scenario, which, well, can be seen as a continuation of certain trends which we see now. And the problem is, and you've seen it at the three scenarios, that in our view, this scenario cannot last for long. But it can be the case.

The second scenario, it's a kind of moderate scenario. It's called early Putin, meaning that it will be a kind of modernization of the system, which we've seen in earlier 2000 during Putin's first presidential term. But this modernization will be very partial. And it will be, from the very beginning, under strong control of authorities. And here you can see there are some things which, in my view, are almost inevitable. Like, say, if you do plan large-scale reforms, which can cause breaking of the social contract and large-scale social unrest, you should invest in two political parties, meaning that political parties should emerge not only as electoral projects in this – in their present-day capacity, but as a tool – as a mechanism of communication between authorities and society.

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So I do think that many of changes mentioned here are almost inevitable. And I would say that in my view this scenario – well, two months ago I would say that this scenario is the most probable one, before the Kremlin changed its mind with regard to all these reforms.

And here is the "perestroika two" scenario. The difference with the previous one is that the Kremlin will start some reforms, and soon after these reforms, will go out of the Kremlin's control, like it has happened in case of "perestroika one" under Gorbachev.

It's – you cannot exclude this scenario, and this is exactly what Putin is afraid of when he rejects, when he opposes any, well, attempts to modernize the system. He is afraid that – well, he is pretty well informed. He understands that the system is in a very bad shape. But he's afraid that any attempt to fix some of technical problems to improve it in some details can lead to a real disaster and lack of the control over the system.

[00:20:58]

So with saying this, I'd like to let Masha to say not only about how the state will behave, but what are real conditions and real environment for this behavior.

MARIA LIPMAN: Thank you very much.

It's always a great pleasure to be here at the endowment, and today, a very special pleasure for me because of this book and because this is the first book with my name on the cover, actually, in my life.

I join Nikolay in expressing my gratitude to Carnegie Endowment and to all those whose hard work and thoughtful advice and honest criticism helped this book happen. It was indeed very hard work for all of us, and now that I see how thick the book is, I understand where they have – six months have gone, because I had a sense that I'm so swamped, I don't have the time for anything.

But the result is rewarding, and especially since the book now has been produced in no time, and it is in flesh and blood.

We've been extremely lucky with our authors, and it was sheer delight to work with such an exceptional group of first-class scholars who also turned out to be great company. In fact, we enjoyed our discussions of Russian future so much that we're now thinking of making it an ongoing project. At least – so at some point, we will be able to forecast with reasonable certainty that Putin is not forever. We do indeed plan to continue our project, to integrate the thematic scenarios that are in the book, and we also plan to look deeper into some of the themes that were mostly left out in the book.

I will now talk briefly about some of those subjects and mostly the intangibles, such as Russian national identity, its nationhood and the current ideological void.

If we probably can get to the first slide –

MR. PETROV: It's already here.

MS. LIPMAN: Yep, it's already there. OK. Good.

[00:23:06]

So the post-Soviet national identity is vague, and even its direction is uncertain. Are we moving toward an ethnic identity – russkie – or a civic one – rossiyane, the term that was coined under Putin's tenure? American presidents address the nation with "my fellow Americans." Yeltsin addressed his with "dear rossiyane."

Putin, not least because he sought to distance himself from Yeltsin, avoided the term rossiyane, but neither can he use the ethnic term russkie. He prefers evasive forms of address, such as "friends" or "colleagues," or sometimes

he opts for the formal "citizens of Russia." Evasiveness is the dominant quality of the realm where national ideas, national narrative or national heroes should be found.

There is no broadly accepted narrative regarding the substance or origins of the Russian statehood. It was all so easy and clear in the USSR. The Bolshevik Revolution marked the beginning of a "brave new world" and Lenin was the founding father. But who are the founding fathers of post-Communist Russia? And what marks the beginning of the post-Communist Russian statehood?

[00:24:13]

Most post-Soviet countries celebrate independence or liberation dating back to 1991. In Russia, the events of 1991 are seen as the disintegration of the USSR that left Russia, the successor to the USSR, smaller and weaker, with a diminished role on the world scene. No wonder Russia does not celebrate the liberation from Communism. Twenty years since the collapse of Communism in August this year was a nonevent.

The absence of nationally shared symbolic narrative is a serious obstacle to national development. If there is no sense of us Russians or what we as Russians stand for, there is no basis for a national mobilization, whatever the course of Russia's development.

An attempt during Putin's tenure to invent a new national holiday has been so far a huge failure. The holiday was called the "day of people's unity" and referred to the events of 1612, yet the official interpretation of what we're actually celebrating was vague, and there was even less clarity of what we are supposed to do on that day. What slogans, decorations, or ceremonies should accompany it?

As a result, November 4 has been appropriated by ugly nationalist xenophobic forces. They stage, on this day, this so-called "Russian march," and the day has since become an annual headache for the government authorities.

This year, the turnout was the biggest ever. And you can see – is this the slide we're showing? Yeah, OK. At least 7,000 young men and women took part in it.

The Kremlin organized youth – Molodaya Gvardiya, the youth section of United Russia – it staged another rally across town. They may have exceeded the nationalists in numbers, but these conflicted rallies compromise the very idea of celebrating people's unity.

Just like the 20th anniversary of the collapse of Communism, Putin and Medvedev had nothing to say to their compatriots on November 4. In yet another demonstration of evasiveness, they were not even in Moscow on that day. But evasiveness is hardly a way to deal with xenophobic nationalism, which is easily the only idea that, today, is broadly shared in Russia.

[00:26:30]

During the current parliamentary campaign, the Kremlin made an attempt to absorb national sentiments and keep them under control with the help of Dmitry Rogozin, the charismatic nationalist, currently Russian envoy in NATO. Rogozin came to Russia and gave a fiery speech about ethnic Russians as a discriminated majority, but he almost instantly went back to Brussels after that. It may be speculated the controlled nationalism project was scrapped because the appearance of an ambitious and talented politician created unnecessary risks for the political establishment.

If Rogozin was a risky choice, Vladimir Zhirinovsky can always be relied on to rant out nationalist speeches in adoring Russian cities with his posters as we see in the streets of Russian cities these days, which say "za ruskikh" – "for ethnic Russians." The threat of growing nationalism thus remains untended.

Can we get to the next one, please?

[00:27:31]

If you travel around Russia and look at street names, monuments and portraits that adorn government offices, you will get a very incomplete sense of whom the Russians perceive as their greatest compatriots. I mean, first and foremost, Stalin, who, over the past decade, has ranked 3rd in the list of the greatest Russians. Yet all of his images had been scrapped back in 1956, when his repressive regime was exposed and condemned by Khrushchev. The officialdom, Medvedev and Putin in particular, mostly avoid mentioning him in their speeches. In recent years, if they do mention Stalin, they refer to him negatively.

Peter the Great, number two on the list of greatest Russians in national polls, is not broadly celebrated either. But – and Peter the Great is also a controversial figure, because he is too much of a Westernizer, because he unambiguously proclaimed Russia "backward" and insisted that it should learn from the West, and made his subjects – or, rather, brutally coerced them to adopt Western ways. And he himself, humbly and ardently, learned from and in the West.

Of the three most popular Russians named in the national polls, only Pushkin is unambiguous.

In 2008, Russian state television launched a project called "Imia Rossii" – "the name of Russia." The TV show was aimed to come up with names of greatest Russians, and it lasted for about six months. Its result should not be seen as reflecting genuine perceptions. Rather, it was an attempt to come up with a set of appropriate national heroes, and the list was repeatedly readjusted throughout the six months of the show.

When the project was just launched in June 2008, the result of the viewers' call-in vote were fairly similar to what the polls showed. In the poll by Levada Center, the list – the first three was Pushkin, Peter the Great and Stalin. In "Imia Rossii" on television, it was Peter the Great, Pushkin and Stalin.

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Probably Stalin's high position was deemed inappropriate, so closer to the end of the show, the troikas at various times included Dostoevsky, that you can see on the slide, or chemist Mendeleev. Eventually, St. Aleksandr Nevsky appeared at the very top of the list and was proclaimed the name of Russia. Aleksandr Nevsky, a 12th-century prince, is a combination of ancient history, noble warrior and, probably, not least importantly, he defeated Europeans in 1942. I'm sorry, in 1242. (Laughter.) Sorry about that. In the sociological polls conducted around the same time, Aleksandr Nevky didn't even make it to the top 25.

No less interesting was the television number two, Pyotr Stolypin, Russian prime minister during a brief period between 2006 – sorry – 1906 and 1911. He, too, didn't make it to the top 25 in the – in the sociological poll, so his emergence as number two on television is obviously an attempt at political and ideological engineering – which is perfectly fine if this would have brought at least some consistent narrative on the national identity.

Recently, Putin has repeatedly mentioned and quoted Stolypin, especially his best-known line: They need great shocks; we need a great Russia. In fact, Stolypin has a line that fits Putin's vision even better: First calm, then

reforms. Putin also favors calm, which these days is referred to as "stability," but he has not made it clear whether he wants calm for the sake of reforms. Rather, with him, it is: First, calm, and then we'll see about reforms.

Russian people have, at best, a vague idea about Stolypin. What Soviet schools taught was that Stolypin was a reactionary who suppressed Russian revolutionary movement and dissolved the Duma. Stolypin's reforms would be less-known than Stolypin's wagon – a reference to railroad carriages that carried convicted revolutionaries to Siberia – and Stolypin's tie, "Stolypinskiy galstuk," a euphemism for gallows used to hang them.

Can we have the next slide, please?

[00:32:02]

So this one shows – oh, that's not the one. OK. Then – all right. It's all right.

MS. LIPMAN: Yes. These images. So these just shows different sets of greatest Russians as they – as they were readjusted at different times in the course of Imia Rossii. So if Imia Rossii, "the name of Russia," this television show that I mentioned, was an exercise of political and ideological engineering, it did not achieve much.

There's a chance that Stolypin will be endowed with some symbolic meaning next year in 2012 because Putin is the head of the commission to celebrate his 150th anniversary. Stolypin was a conservative who realized the urgency to reform Russia. Unlike Putin, however, he was not risk-averse. He pushed his reforms against powerful resistance and lost dramatically and tragically. He was assassinated by a radical in 1911. His vision for a Russia of more than farming and effective local government was drowned in the developments that eventually led to the Bolshevik Revolution. So it will not be an easy task to come up with a consistent symbolic narrative about Stolypin and why he's so important to us today.

For now, Russia still has a void in place of an established national narrative or established national heroes, and a lack of clarity as to whither it's headed. And then – and now we can get to the last one.

So another subject that we will be looking at as we follow up on our Russia 2020 project is the new Russia constituencies, the Russia of the web users, the global communications and social networks. These days, Putin, Medvedev and United Russia – commonly derided and are objects of anger, outrage, pity, irony and poisonous humor on the Web. Such angry sentiments, on- and offline, have already led some analysts in Russia to predict a revolt of urban Russians, something of an Arab Spring type.

After Arab Spring, it's been common to associate hopes for powerful popular movement with social networks – bloggers, Twitter, et cetera. Indeed, Russia has a fast-developing blogosphere, and the Web remains a vehicle of free expression. But the Internet community is ridden with the same problems as the Russian society at large. This has been demonstrated in a recent research done by Berkman Center at Harvard – and this is their image on slide.

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In their report on the political and public affairs conversations in the blogosphere, Berkman researchers point out that the blogosphere debate is intense and increasingly politicized in Russia. Yet there are significant distinctions between Russians and their counterparts in other countries. These distinctions include, in the language of the Berkman report, weak commitment to any defined collective position, a nonalignment trend, participations in discussions without choosing a theme. Unlike politically oriented bloggers in the United States or Iran, the Russian

ones, according to the Berkman report, prefer to declare an independent intellectual poster and eschew group affiliations.

These observations suggest that the blogosphere is characterized by the same fragmentation that is so common of the Russian offline constituencies and the same grumbling instead of organization. Frustration and anger are a far cry from developing a collective voice and the bargaining power required for raising serious demands vis-à-vis the government.

There were some changes in the Russian mindset, and this cannot be denied, that 20 years without Soviet regime plus the fast-developing modern communications helped the Russian people to develop some skills of group-forming organization and small-time activism. At least one impressive popular leader and blogger, Alexey Navalny, has emerged. But as long as he's just one successful community organizer in Russia, he remains vulnerable, even despite his political talents and his strong spirit.

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Can rising public activism and skills of organization, complete with freedom of expression, contribute to a return of public politics to Russia? The answer is likely to be a cautious yes, and we will continue looking at these developments. Societal change is a necessary, though not a sufficient condition, for a dismantling of the Russian political monopoly. A dismantling will take substantial external or internal shocks, and/or, most importantly, a definitive schism of the elites. Thank you.

MR. COLLINS: Well, thank you both. And I would like to give the floor now to Cliff Gaddy, perhaps to give us a few thoughts of his own, and then I'll turn to Sam Greene. So Cliff, the floor is yours.

CLIFFORD GADDY: Thank you very much, Jim.

Nikolay or Masha made reference to this book being delivered at the last minute in Soviet style of storming, I guess. And I don't know if you've seen it. Masha mentioned – or Nikolay mentioned that it's 700 pages. It's a real doorstop.

That reminds me of another Soviet link. My professor in graduate school down at Duke, Vladimir Treml, was an expert on Russian – on the Soviet economy, and especially certain informal aspects of it. And he always used to brag that you could open up any Soviet book anywhere randomly, hand it to him. He would look at it and he would immediately tell you what year it was published, roughly, within certain years.

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The punch line of that was that the quotas for the publishing companies in the Soviet Union changed. Sometime it was the number of words published, and then you would find incredibly dense small type, small margins. Other years, the quota was in the number of pages printed. And then the print was big and the margins were big. So I think maybe the quota for Carnegie is number of pages.

It's 700 pages, and my contribution to this and the book is really very modest, given the volume of this. So I hopefully won't take up many minutes just saying a couple words about the article that is included there that I did together with Barry Ickes.

I do want to say that this whole experience – I have not been part of every one of these meetings by any means, but I am – I was highly impressed by the group of people we had at the most recent meeting in Vienna, and you can see yourselves by the – by the authors and the contributions they make that this is, like Nikolay said, kind of a dream team. And I don't necessarily include myself in that, but there's some really outstanding people that you will recognize.

[00:39:18]

The article that I wrote was obviously about the economy to 2020, so it was looking at this – at this coming decade. And Barry and I, we simply tried, rather than give a lot of details – because you can't do that in a forecast for as far as eight to 10 years – we wanted to simplify and conceptualize what we considered to be the main factors that would shape the Russian economy over the coming years.

So in line with what we tend to say in every article we write, we identified three facts or maybe three factors for the future of the economy.

Number one is the rents from oil and gas. The Russian – this is the source of value to this day for the Russian economy. And those rents are distributed to the rest of the economy, but you're making a big mistake if you think there are independent sources – major independent sources of value added in the Russian economy beyond the resource industries. This means the Russian economy is like an inverted funnel, with the oil and gas value at the top in the narrow neck flowing down to the broad base of the economy.

And that broad base of the economy still is characterized by the structural legacy from the Soviet Union, from 40, 50, 60 years – a legacy of mis-development and mis-location of production and population. It's a structure that is, in this core, non-competitive in a market economy – remains so to this day – but remains also socially and politically extremely important, cannot be ignored, has to be considered by all policymakers.

Those two facts together – the source of value being from the rents from oil and gas, and the second the incredible role played by this – the basic industries of the Soviet period – the dinosaur industries if you like of the Soviet period – means that a system to manage the rents, the flow of rents from the narrow source to the broad base, is critical. Russia shares that problem with every rent-abundant economy from Nigeria to Norway. It's just that there are many different systems to do that.

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Putin has his own system. And we mentioned that in the article, though that's not exactly the focus of it, but basically we describe some of the mechanisms by which the rent is distributed through production. And this is the key – that it's rent distribution chains – the production and supply chains – from the oil and gas industries through the transportation, namely the pipelines and the railroads, the metals industry, down to these machine-building industries, many of which are the old defense industries. This is the real story about how rent is distributed.

We say in the article that from the years 2000 to 2010 – right, even beyond 2000, and certainly from 2000 to 2008, but actually through the crisis and beyond – this model worked, if "worked," in quotes, means it was able to continue to create rents and to distribute rents in the way that the leadership found important and necessary. There will be a big test, however, in the next decade or the next eight years.

And they will – the problems and the crisis, the challenge will be identified on all three of those points that I mentioned – the rents, the structural legacy, this basic foundation of the economy, and the management system.

Clearly, nobody knows where the oil price is going to go. Therefore, nobody knows how much wealth Russia will have in the next 10 years from its oil and gas. It is, however, I think – it's just not going – it's just not likely that there's going to be the same growth – you know, rise in the oil price – the same growth in rents that we found in this first decade.

During this past decade, the rents were used to support that old dinosaur base that I referred to, in some sense even revive it. Barry and I call these industries – they're like addicts, rent addicts. They need it and they need it desperately and they need more. And they became even more addicted; therefore a mere high oil price alone is not going to do the job. It would have to continue to grow. And it's not likely to.

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This means that the rent management system that Putin has is facing some major challenges. What clearly we can see are efforts to tweak the system. Nikolay asked the question: Will this system be able to adapt and survive as far as the economics is concerned. That's pretty much what all of these discussions about innovation, modernization and et cetera are all about.

I tend to broadly separate the discussion about modernization and innovation. I like to think of modernization, more associated perhaps with Putin, is a campaign to reform this addicted sector – see if you can make it less dependent on the inflow and subsidizations from these – from the rents. So you modernize. You get new equipment; you bring in some foreigners to re-equip these industries.

The other approach, innovation, at least in some sense of it, is the opposite. You sort of ignore these old industries and you try and see if you can create a new sector of the economy that is – it is quite different from the beginning. It is not dependent on the subsidies on the rents and being part of that. You – even isolate them – insulate them from the old system; a Skolkovo-type approach, or some of these free-economic zones that are – have been created inside of Russia.

And in the article, we discuss that both of these just won't work – are not likely to work – almost not – impossible to work. And in the end, the crisis, in our opinion, unless there were a phenomenal growth of oil and gas rents, a – some kind of a crisis is inevitable. It's going to put at least a great deal of tension on the system of management of the political economy.

And at that point, it becomes, I think, extremely interesting, what Masha and Nikolay were saying about the political system. Is there any kind of an adjustment or reform of the political system that could be undertaken that could somehow assuage, could mollify the very dangerous sort of tensions that'll arise from an economic situation that has, I think, very poor prospects if you look at it over a 10-year period?

[00:46:00]

MR. COLLINS: Sam?

MR. GREENE: Thank you, Jim. I also, like everybody, would like to thank very much the initiative of Nikolay and Masha in putting this project together, and the faith that the Endowment had in seeing it through. It was a daunting project as I looked at it and thought about contributing to it. And I wasn't as convinced as I am now that I look at this.

Anyway, we've gotten through all the good news, right, so now I can – I can talk a little bit about Russian society and civil society – as a result of which, my focus on Russian civil society, that – my chapter, I think, is the shortest in the book. And it's probably as it should be. But let me run through a couple things quickly. I'll talk a little bit about what we need to know about Russian society if we're thinking about the future and why we should be thinking about Russian society and civil society if we're thinking about the future.

[00:47:03]

Four things I think we need to understand about Russian society. Number one, Russians aren't passive. We've talked about Russians being passive for 20 years, but they're not. They're aggressively immobile. And that's more than a – (laughter) – that's more than a semantic difference. In an environment like Russia, in which formal institutions are weak and there are few, if any, institutional pathways to success, one's own relative comfort and prosperity is a deeply individual achievement. You haven't looked at how your father or your friends or your neighbors or your relatives have gone off and become successful. You've had to negotiate things very much on your own in a very hostile environment.

And because the success that you've achieved is not transferable or immediately replicable, almost any kind of change, whether it's institutional change or the change of picking up from one dying town and moving to another – a hopefully less dying town – is threatening. And thus, Russians are very much incentivized to hold on to what they've got, rather than to seek other sorts of solutions – particularly collective solutions that would require a change in the rules of the game – the rules that have gotten them to where they are. And remember, this is not the early years anymore after the collapse of Communism and the Soviet Union. This is 21 or so years on into post-Soviet life. And people have built new lives in this very difficult environment.

Number two, what's often referred to as the Russian social contract – or Putin's social contract is more of a divorce settlement than a prenuptial agreement. It is in essence, in the words of sociologist Lev Gudkov, a non-interference pact in which citizens stay out of politics not necessarily in return for prosperity, but in return for the relatively meager right to pursue that prosperity relatively unimpeded by the state and by its representatives. The elite and the state are free to play their politics, which is largely irrelevant to most citizens, while citizens are more or less free – certainly much freer than they were 20-odd years ago – to pursue their own lifestyles and livelihood.

Number three – a growing elite and bureaucracy with growing appetites for rents but a shrinking pool of those rents, or at least a potentially shrinking pool of those rents, as Cliff has discussed, leads inevitably to more friction with a population that, you know, as it has been able to partake to some degree of the rents and the liquidity that natural resources have provided to the economy, has its own growing consumer and lifestyle aspirations and appetites.

[00:50:17]

And so as the government encroaches, as bureaucrats seek to extract more and more from the economy, as more and more of Moscow's and other cities' open and public spaces seem to be taken up by elite or high-end housing developments and other things that the elite seem to enjoy, we do see more and more protest from activists who are mostly coming from a – either a not-in-my-backyard sort of position or from a simple position of, well, that's not really the way it was supposed to be, right? It's – it is essentially a breach of contract on the part of the government – or at least it's seen that way from the point of view of many citizens who thought that the government would not get involved in their – in their private lives, or do much in a concerted way to reduce their livelihood and quality of life.

[00:51:26]

Number four, the easiest and most intuitive reaction to the discomfort that arises from this friction is to get out of the way, right? For – I think this is true for both the elite and the citizenry. But while the elite tend more often to leave the country, in part because they can fund their exit better than the middle class can, citizens – particularly in the middle class – are more likely to retreat to a form of internal immigration that I refer to in the chapter as individual modernization. Taking advantage of the Internet, of globalization, of cheap air tickets to – or what used to be cheap air tickets anyway – to Europe and the Mediterranean and other parts of the world, they build a personalized world around themselves that allows them to avoid or at least ignore many of the harsher realities of contemporary Russian existence.

So why does this matter? Two things – we have elections coming up. And by virtue of the non-interference pact, Russians don't care about the elections, which are seen as an intra-elite trifle, which isn't to say they don't talk about the elections and they don't talk about politics – they do. But – and in many ways, they do so as passionately, or even sometimes more passionately, than Americans do. But they do so in a way similar to the way you talk about football or basketball. You can get very agitated, jumping up and down and yelling at the screen, but you're under no illusion that it's going to have much impact on what happens on the field.

And – but this isn't to say that there's no importance, right. We as political scientists and social scientists often attach more importance to the elections than citizens do. And that's probably true not only in Russia. But I think it's remarkable the degree to which these particular elections are not present in the Russian public space. There are campaign advertisements and there are campaign events and that sort of thing. But it's not something that people are talking about very much. It's not something that the campaigns are talking about very much.

We don't have hard and fast data, but what we do have suggests that campaigns and political parties this year are spending considerably less money than they have in the past. And I think that the population generally is fairly happy about that. But the politics go in other directions. The fact that elections are not politically relevant doesn't mean that they're – that they don't have consequences and that there isn't politics happening in other places.

[00:54:19]

If the regime is campaigning on a promise implicit that nothing changes – and that's a promise to the elite, a promise to the bureaucracy and a promise to the citizenry – it will run into two challenges almost immediately after the elections. There are those within the elite and within the bureaucracy, and not just former finance minister Alexei Kudrin, upon who's quiescence the regime relies who are not happy with the status quo and are going to have an increasingly hard time deluding themselves that there is a possibility of gradual change. Again, the point of Putin coming back is nothing changes.

Number two, fiscal difficulties may force the government to demand certain sacrifices – whether it's demand – or giving – or allowing fewer rents to the elite, fewer bribes to the bureaucracy or requesting from the population acquiescence to fewer benefits and services or, God forbid, higher taxes, or some combination of all of the above – after 11 years of really never asking any of these groups of people to make any sacrifices. That would be, from the point of view of any of these groups, a unilateral abandonment of the divorce settlement, and one that would have unpredictable but potentially very dire consequences.

When this will happen we don't know. And I think that the government will do everything it can to postpone that day. It does see fiscal challenges on the horizon, but it does have various ways of, again, trying to deal with them in

the short run. But it does seem likely that sometime between now and 2020 there will be a moment when that becomes increasingly difficult and a reckoning – and a reckoning occurs.

[00:56:23]

But, as I've said, the problem is the absence of a change constituency. The problem for any political entrepreneur or any opposition party that wants to mobilize Russians to provide an alternative to the fairly ineffective and ham-fisted policies that the government has been proposing – whether in social, political or economic arenas – is going to have to grapple first with a population that is not used to being a constituent of its state, that has found ways to be prosperous – relatively prosperous and relatively comfortable without being a constituent of its state, and will see any kind of new institutionalization or imposition of new collectivizing, in a liberal sense, rules of the game as a threat to that livelihood and that prosperity that they've built for themselves over the last 20 years.

So as I said, enough with the good news. And thank you. (Laughter.)

MR. COLLINS: Well, thank each of you very much. I would now like to open this up to begin a discussion with the audience. If you have a question that's specifically directed to one or another of the people, please indicate it. Otherwise I will more or less let the panel suggest who is best qualified to either discuss or answer the observation. Please do wait for a microphone and identify yourself when you ask the – make a question or make your comment.

So, yes, let me start right here.

Q: (Inaudible) – how do you see the success or failure of the Sochi Olympics playing on Russia's identify – and also, China and India rising in influence sort of affecting the psyche of the Russian people too?

(Cross talk.)

MR. COLLINS: Let me take a couple of other questions, we'll see – yeah, John, yeah?

Q: John Evans, formerly of the State Department. I'm interested in Alexei Kudrin and the way, Nikolay, you have linked him with the decision not to go forward with reform. And I'm just wondering – there's something that – there's more to this story. And I just wondered if you could flesh that out. And in particular, is there – is there any prospect of Kudrin's somehow being used or coming back into the equation?

[00:59:08]

MR. COLLINS: Yes, over here. We'll take one more and then we'll –

Q: I'm Aleksei Pimenov, the Voice of America Russian Service. And my question is to Ms. Lipman and to Nikolay Petrov. And it refers to the debate over the growing Russian nationalism. And in particular, the question is whether or not the liberals should collaborate with at least some nationalist groups. Some insist that such a coalition would be productive, but there is certainly the opposite opinion too. I would like to know yours. Thank you.

MR. COLLINS: OK. Why don't we go ahead and start then. And, Nikolay, I'll let you start and then – (inaudible) –

MR. PETROV: OK. Thank you.

[01:00:03]

I'll start with social impacts, but I'll attract your attention to the fact that Tom de Waal, who is the great specialist on Caucasus, is here, and perhaps he will add something or he will correct me if I am wrong. In my view, the role of social impacts in terms of, well, consolidation or cultivation of national glory is much less than the danger connected with Sochi Olympics, the danger of the real explosion at the Caucasus. And in my view what is important, it's the fact that Sochi Olympics does not make it possible for the Kremlin to undertake any serious moves in Caucasus, where political elites are very old-fashioned and very corrupt, and the only possibility to fix the problem is to implement long-term strategy.

Instead of doing this, Putin, when taking Sochi Olympics, put himself into a very complicated position, and the way our authorities are dealing with the problem now not only is able to fix the problem, but it aggravates the problem. So in order to keep stability at the surface, they are eager to offer huge money to buy loyalty of local political elites, but this is exactly what creates increasing problems. Because the essence of this problem, it's not the fact that there is some crowd in forest. The essence is that there is a reproduction of this, and it's growing reproduction. And the reason why is exactly this huge lag between wealthy, corrupt, local elites and well, ordinary citizens who are not able to make any kind of career, if only not belonging to these families of corrupt elites.

The second question is about Kudrin. It's not exactly – well, I'll try to answer it in short because it's important to understand why the Kremlin did change its mind. So my – the view, although this is mere speculation, is that initially it was planned to start large-scale reforms immediately after elections. That's why a year ago Putin ordered for the big group of liberal economists to revise the strategy 2020 for economic development, and this work was supervised by Kudrin. And Kudrin, starting from this time, made several statements saying that political system should be modernized because we should increase the trust, we should increase legitimacy of authorities because otherwise it's impossible to make any unpopular moves. And in my view, he did subscribe to make all these unpopular reforms, and it could be done in case of both Medvedev's presidency and Putin's presidency. It should be Kudrin who would implement all these reforms.

[01:03:23]

And when he was informed about the fact that Putin did change his mind – well, Putin's position is or can be explained in rational way as well: There is growing instability in European economy, and it would be perhaps too risky to start large-scale reforms in Russia when hearing the threat of this instability of the crisis to come back to Russia. The only problem is that decision made means that the government is going further with its populist politics, spending huge money accumulated by Kudrin, by the way, in order to buy time. And nobody knows when the money's over in, say, two years from now, whether the government would be in a better position to start these reforms or in the worst position, being forced to start these reforms without giving any money for maneuver.

And the last question on nationalists – and I'll try to say a few words, and well, other authors will add.

In my view, the initial plan was to play with these nationalists. And this is very important thing, starting from December 2010, when these events took place at the center of Moscow. The problem for our authorities is that there are two kinds of nationalism: Russian nationalism and anti-Russian nationalism. And they should find the right balance between these, dealing with Russian nationalists and Caucasian nationalists, first of all. And that's the problem.

And I would say that I do see some growing nationalism and – in behavior of different politicians from different parts of the political spectrum, from liberals to communists, due to the fact that authorities are not sophisticated enough in order to prevent them from doing these. And it can be easily illustrated in case of the Communist Party, which recently claimed for restoration of the fifth graph in our passports – it's about nationality. The problem why is connected with the fact that no more any other force except for the United Russia can get any votes from Caucasian republics, meaning that Communist Party, when, well, participating in elections, is not threatened by the possibility to lose voters' support in the Caucasus – because these voters' support does not exist anymore – which puts them into a position when they can try to exploit these nationalist feelings. And this is a very dangerous thing.

Thank you.

MR. COLLINS: (Inaudible.)

[01:06:24]

MS. LIPMAN: I will pick up on the nationalism issue. Growing nationalism is an undeniable fact, and I mentioned it in my talk. On the question of whether or not liberals or whoever should collaborate, I'm not in a position to say what they should do. But what you're probably referring to is that some among the marginal liberal forces are reaching out to the nationalists. And first and foremost this applies to Vladimir Milov and also Alexey Navalny, who actually never claimed he was a liberal, at least not in this sense, and has been known to share such sentiments for several years now.

Well, I would say it's natural for a person with political ambition to reach out to a constituency that potentially is the broadest in Russia. As I mentioned in my talk, nationalist sentiments is [sic] probably the only – the only sentiments that are broadly shared in Russia that potentially can bring people together. So it's only natural for a person with political ambition to do that. What we think about it is another matter, and I would not comment on that.

There's certainly a demand in some – among the liberal politicians and, as Nicolay mentioned, Communist politicians are trying to come up with supply. The most alarming development so far was the one mentioned by Nicolay, which was riots in Manezh Square in the end of 2010. So far we have not had anything of this sort. Russian march on November 4 proved to be much calmer, did not produce any of the violence that we saw in Manezh Square in December 2010 – and whereas it may be a piece of luck.

The government certainly does not have an answer. Nikolay said something about – and I also mentioned in my talk that the only thing they could come up with was Zhirinovsky. Now, they used the Zhirinovsky weapon once again, get them – rant out nationalist speeches. And that's the only thing they can offer. They are in a difficult position because of – they cannot side with xenophobic nationalists in Russia because of – we have national republics, and people would not at all like it, and they're also citizens of Russia, and the government has to consider it.

[01:08:52]

What maybe some would posit it [sic] is what Sam was talking about as far as the general attitudes, the general perceptions are concerned; this aggressive immobility. People may share the sentiments but they are not eager to organize or take action. And in this case, this is a blessing, not a curse. They may share the sentiments, and indeed some 35 percent of Russians in a recent poll said they shared the slogans of the Russian march. However, Russian

march has amounted to 7,000, and all the rest who share their sentiments stayed home. So this is maybe a questionable or a temporary blessing, but the government certainly takes advantage of it.

Also they do not have necessarily a single leader, I mean, the nationalist forces. It may be broadly shared, but there is no single leader that they would rally around. And the government certainly takes advantage of that, and special measures are being taken. Of course this milieu, this environment is being infiltrated, no question about that, and I think they are taking measures so that whatever desire or drive to come together among the nationalists would be undermined by government action. So so far they've been successful, and they play different games, co-opting some, harassing and even prosecuting some others.

[01:10:29]

Now, I would touch very briefly on China-India and peoples' sentiments. I don't think people feel strongly about China or India, especially not India. At the time of the Georgia War, when anti-American sentiments were fairly strong, we saw a rise of and a hike in pro-China sentiments. But I think it was purely complementary. The more we dislike America, the more we like China. The thing is that people know very little about China, or nothing at all, and look at it as another big one that's not America, whereas America is something that Russian perceptions are focused on. And in a way, Russia continuously measures itself against America, with which it used to be on a par only some two decades ago.

It is interesting how whatever political, you know, vision or trick is played, the Russian government looks for justification of this in the American experience. And most recently Medvedev in a, I would say, rather lame manner tried to justify the swap, the trading places by saying it's not unique that he and Putin agreed who would run the next time – because they belong to the same force. And then he said it would be inconceivable to even imagine that Hillary Clinton and Barack Obama would compete against each other. Of course they too arranged and came to terms of who would run. Well, sound pretty – sounded pretty ridiculous, but this is but one example out of many how, you know, America is something that is always in the field of attention of both the Russian people and the Russian government but certainly not China and certainly not India.

[01:12:23]

MR. COLLINS: Tom, did you want to say anything on the Olympics? You've just been in the region.

Q: I don't want to want to take up too much of your time. I was just in Georgia. It strikes me that on the Georgia – that I think Alexei talked – sorry – Nikolay – interesting slip there – Nikolay talked about the North Caucasus. But Russia – certainly the Olympics – 2014 Olympics could be a time for a Russia-Georgia truce, but unfortunately probably a more likely scenario is if things go wrong because of Georgia's current policy in the North Caucasus. Georgia could get the blame from the Russians, and therefore it could be – it could lead to an aggravation in Russia-Georgian relations.

MR. COLLINS: OK. Thanks.

I'd like to just inject one question for people. I think over the last two, three years we kept hearing a lot about the Russian middle class, that it was growing, that it was becoming a factor in Russia. And for Americans generally, that means all that's got to be good, you know, sort of as a premise, but from what you all are saying, it doesn't sound to me like this is much of a factor. So I would – I'd just be curious, either Cliff or from your side or Sam or – but also from Nicolay and Masha, could you say a word or two about what's happened or is happening to entrepreneurs,

people who now have some property? Where is all this? You know, are they politically active at all? Do they have any defenders or spokesmen, or are they just sort of keeping their heads down?

Sam? Yeah?

[01:14:20]

MR. GREENE: I'll take a crack at that. I mean, I think that there are – the middle class has done relatively well over the last 10 years. And if you – if you look at it, I mean, clearly there has been a development much more of the consumer society, which means that people have the money, and it's coming. And the problem is, it's coming from different directions, and you have, I think, essentially three groups of people who make up the middle class in Russia. You have entrepreneurs who have been able to navigate the system, and it's a very difficult system. It's a very bureaucratic system. It's a lot of red tape and a lot of threats.

I mean, we've had – you know, we've been reading about the stories of people like Alexei Kozlov, who ended up in jail because somebody wanted his business. And there is a growing movement of people – very often the wives of businessmen who have ended up in jail because people have wanted their business – to defend them. And so there is pressure for property rights and for rule of law and things like that. But that's one part of the middle class and not necessarily the largest part.

Another part of the middle class are what they call in Russia "office plankton," right? So people, you know, not at the highest levels of management but also not entry-level, you know, who are well-educated and who are working for major corporations – if they're Russian, often state-owned or foreign corporations – who are very career-oriented, who are very internationally oriented and very nonpolitically oriented. And for them, yes, they are upset with to a certain extent the quality-of-life issues. So if somebody were to try to build a high-rise in the courtyard of their building, they would get rather annoyed. But beyond that, they have other things to worry about. But the big-picture issues like property rights and rule of law are effective for their bosses and not necessarily for them.

[01:16:29]

The third group are bureaucrats. And when you look at who's buying high-end real estate, which is very expensive still in Moscow, it's bureaucrats. Where are they getting the money? From official salaries or not? We can – I don't have to answer that question. (Laughter.) I mean, the problem is that these three groups are not only not unified. They're often at cross-purposes. The people working for major businesses are working for business, and they're making a tremendous amount of money because they're in a limited competitive environment, because small business has not been able – because of the red tape, the bureaucracy – to offer serious competition. The people working for the government and bureaucrats profit from the lack of property rights. And so there's not enough cohesion within this group to get, you know, what we theorize, going back to talk for a little about the role of the middle class. And I think that's where some of the difficulty comes in.

But I think that there is over time the potential for all of these people to demand more rationalization, at least in the way the bureaucracy functions and in the way the state is governed. But that's a very long-term prospect.

MR. COLLINGS: Cliff?

MR. GADDY: Well, I think Sam gave a very comprehensive answer. It is – it's really important to understand what diverse groups these are and how they are at cross-purposes.

I'll just say a word about – back to the entrepreneurs, the small – or at least medium-size businesspeople. I think that they're more exposed than ever to the phenomena that Sam was describing of bureaucrats demanding kickbacks and bribes, and then also the pure – this – (inaudible) – or the hostile takeovers by people in the security services or otherwise with good connections. And they have no – there's no recourse for them. They have no defense, except to try to play that same system.

But as a purely economic or commercial matter, the rate of kickbacks that they're expected to pay, as I've learned or I've been told by businessmen, has just soared. And they're not happy about that at all. And I can't help but remember the case of a businessman who I've known for over 10 years out in the provinces. That's where his companies are based. I talked to him last week in Moscow, and he told me he was going to vote for Zyuganov, and all his businessman buddies were going to vote for Zyuganov. And he said he – you know, he talked to his driver and then he talked to his buddy out at the dacha – you know, "Who are you going to vote for?"

And they said, "We're not going to vote for anybody. We're just apathetic." Like Sam says, nobody cares about the politics.

[01:19:28]

And he was, you know, kind of vigorously saying, "Well, don't do that. Because if you don't vote, they're just going to steal your vote and give it to United Russia. You've got to vote for somebody. So vote for Zyuganov."

But you know, that sounds crazy and it sounds radical. But it's really very low-risk behavior. Zyuganov's not going to win, and everybody knows he's not going to win. And he's an accepted figure in the pantheon of approved candidates. So at best, if he's honest, I think he realizes he's just trying desperately to send a signal, and maybe there's an element of democracy about that. At least you can find some way to give a voice, but this – that's about the extent of it, that this middle-class is under – that part of the middle class is under a lot of pressure, and a lot of them give up. They just voluntarily restrain their activity.

That's a common thing that's always been the case in Russia; you just – you consciously refrain from becoming too prosperous. And you know exactly where the limit is. I've heard people tell me, I know exactly the ruble limit where, if I make more or earn more than a certain amount, then I'm just inviting these guys to come and shake me down.

[01:20:39]

And that's, of course, terribly negative for an economy. Some of them may leave the country, and then there are some that are going to keep on fighting, but, you know, that does not bode well for a kind of a prosperous, energetic, active entrepreneurial sector. Though they may not be most numerous in numbers ever in any country, I think that in best-case scenarios, they really do shape a lot of politics in dynamic economies, and that's the last thing that's going to happen in Russia in my – in my view right now.

MR. COLLINS: Yeah, Marvin?

Q: Yeah. Thank you. I'm sorry –

Q: No, no, no, go ahead.

Q: Marvin Kalb at Brookings. Just as Jim raised the question about the middle class, I'd like to raise a question about the Russian military. I haven't heard any of you talk about that. And last Thursday, Novosti ran an interesting piece quoting General Makarov, the head of the General Staff, as saying that there's only 11.7 percent of young men aged 18 to 27 who are eligible for army service, and of those, 60 percent had health problems and couldn't serve. And he went on to say, we now have a situation where there's virtually nobody left to draft.

[01:22:04]

My question has to do with the position now of the Russian military. It was once very esteemed. I don't hear much about it now. Does it have any political clout? Does it demand anything economically from the system? What's up?

Q: Thank you. I'm Helen Raffel, Resources for the Future. My question concerns the inverted funnel with the rents from natural resources feeding in the narrow neck and being spread around. I'm not quite sure what the mechanism is of the spread. But my question concerns global warming, because, as I understand it, with the melting of the Arctic ice, the availability of undersea petroleum resources is going to increase enormously, and that will feed much more into the narrow neck of the funnel and perhaps postpone Russia's problems because of the spread of the rents continuing for the next 10 or more years – postpone the difficulty under 2030 or 2040 or whatever.

And also, global warming presumably will make the Russian soil, the Russian – (chuckles) – geography even more productive than it is now. So could you give me some response about the effects of global warming?

MR. COLLINS: Yes?

Q: John Nemeth, National Intelligence Council. I have a question about the – going back to growing nationalism. As we look at the problem of nationalism and xenophobia, what impact will it have on the creation of a Eurasian – a Eurasian union or other Russian-led integration projects in the post-Soviet space? Nationalism can have an imperial character, but it can also have an exclusive "Russia for the Russians"-type character. Are these forces that will work for or against such a project?

MR. COLLINS: Who wants to take the military question? I'll come back to some others.

MR. PETROV: Let me take it, Jim.

MR. COLLINS: OK, Nikolay.

MR. PETROV: It's not about the fact that I am the greater specialist on military, but who else? (Laughter.) We do have, by the way, two chapters on military reform, written by Alexander Golts from Russian side and Pavel Baev from European side. But let me say a few words about the role military are playing and can play in, well, social, political development.

[01:24:48]

Authorities are pretty careful with regard to military not to let them to play any serious, especially negative role. And when increasing pensions and salaries, they do have in mind this category, first of all. And starting from January 1st next year, the average salary of a policeman will increase twice, meaning that they will be counted as middle class. In Russia, middle class, most of all, is understand – is understood as, well, middle-income class. And that's why they're all – well, they are reporting about 30 percent of middle class and 50 percent of middle class in

Moscow, but this means that middle class understood in this way is understandable support for the existing government.

And authorities are careful not to let officers, either military or police officers to be – well, a kind of destructive force. And military pensioners, for example, their pension will be increased by 1.7, and that's why – well, and authorities are pretty careful not to let any organizations like we did have in past, which could be not directly controlled by authorities, to exist among military. Although there is some tension with regard to military reform within military or between military generals and civilians who came to the defense ministry to, well, implement this reform, I think that military do not and will not, in nearest future, play any essential political role.

[01:26:51]

And speaking about the global warming, I would say that we should not take care of global warming if to speak about Russia in 2020 due to the fact that even if it will continue in a way it's going on, it will – it will not make any difference with regard to Russian economy and with regard to Russian geography, except, perhaps, for the Northern Sea Route, which is already important thing and which can become more important in future. And I would say that global warning, perhaps, is one reason why we've seen pretty positive changes in Russian foreign policy with regard to Arctic region, but that's all. And even if the next day, we'll see Russian Arctic, Russian polar circle being best agricultural land in Europe, not only it will create huge problems for Russia itself, imagine please what will happen to St. Petersburg in this case and so on. But will not have any real impact onto what will happen next 10 years.

Q: But Canada and Russia are supposed to get much larger petroleum reserves.

MR. PETROV: Exactly. But we do have already many reserves, which – they're not developed last 20 years due to the fact that it's pretty complicated to develop them, even if it's not Arctic Sea. So the fact that there will be some new reserves does not mean that within 10 years, they will affect essentially the Russian economy.

[01:28:40]

MS. LIPMAN: Add to the military a little bit. The argument about young men being in poor health has been raised dozens or maybe hundreds of times throughout the post-Soviet period. The fact that now, General Makarov, the head of General Staff, is raising it, has, I think, everything to do with the fact that young men who are entering conscription age this year and the next are about half as many as they were during the previous years because of the demographics.

The armed forces are facing really serious difficulties in drafting as many as they need, not for the defense of the country, but for the armed forces to – you know, because there are generals and there are officers; they need at least some privates there. So far, this – they reduced the requirement, how many they want to draft this year. It announced it as a liberal measure, but in fact a purely forced one, so this has to be kept in mind when we hear somebody as high-ranking as General Makarov talk about conscripts' health.

Also I would probably disagree with you on – that the military were esteemed. I think, in the Soviet days, between the KGB and the Communist Party, the military were a factor to be kept in check. And the only instance in which a military actually was rising was Zhukov after the war, and Khrushchev, of course, took very drastic measures to get rid of him as his potential rival or competitor.

[01:30:26]

And this has never happened afterwards. This is indeed a factor to be kept in check in the – as Nikolay mentioned, the best way to keep them in check is pay them more so that they would not be – so that discontent be not bred among the military.

MR. COLLINS: (Off mic) – nationalism, Masha?

MS. LIPMAN: Nationalism.

MR. GREENE: Say a word on that – (off mic)?

MS. LIPMAN: You raise – yeah. You want to take it?

MR. COLLINS: Yeah, go ahead, Sam.

MS. LIPMAN: Please. Yeah, go ahead.

MR. GREENE: Briefly – and you could add more – but I think there's been a lot said on nationalism. In general, I think that the – in terms of the relationship to the Eurasian Union, if the Russian government – and that's the key to the question – were serious about creating a union like the European Union with free movement of people to go along with money, that would be a problem, because the Russian nationalism is very much – I mean, the great power aspect of Russian nationalism within the population is very thin. It's – it is much more, just now, a "Russian for Russians" nationalism, and adding more non-Russians to that Russia would be unwelcome in many places, particularly outside of Moscow, but not only. So that could be a factor of unpredictability. But, I mean, at the moment, we've already got the Russian government talking about the need to deport Tajiks from Moscow and other cities, so it's – I don't – Putin has talked about free movement of people, I think, because it sounds nice, and it does make the Eurasian Union sound more like the European Union, but Putin talks about a lot of things. (Laughter.)

[01:32:04]

MR. COLLINS: OK, we've got time for about two questions and closing – question, yes?

Q: Yuki Ma from the Brookings. My question is about the economic performance in the sectors other than the energy sector. And what – my question is, how is this energy-oriented development model impact the long-term economic growth?

MR. COLLINS: In the back.

Q: My name is Liliana Rodriguez. I'm from Argentina. And I have a very special question, different from the things that we have been hearing here. And this is the question. Which do you think will be the position of Russia, in case of Putin wins election, concerning Central and South America? Why do I make this – make this question? Because sometimes countries becomes powerful when they have military bases across the sea. So taking into account that Central and South America is now more supportive of Russia, not the same thing that it happens 10 years ago, maybe 15 years ago, when they were more supportive of the United States. Thank you.

MR. COLLINS: All right.

Nikolay?

[01:33:35]

MR. PETROV: Well, first of all, I will let Brookings guys to answer Brookings questions. (Laughter.) But I'll try to say a few words on Southern America, although – well, there is huge and very interesting team dealing with Russian foreign policy, and I do not belong to them.

I would say that in my view, well, a very important element of what's going on with regard to Russian relations to Southern American states and to Venezuela especially is connected with, well, the game with the United States or against the United States, and I do not think that it's really connected to Russian economic or any other kind of national interest. And it's personalistic as well. So I would not wait for this vector of Russian foreign policy to develop essentially, due to the fact that although there are some high ambitions connected with Russian navy and with Russian military presence or restoration of Russian global presence, there are no resources to, well, meet all these ambitions. That's why I would not wait for anything else except for these demonstrative moves which we've seen in past.

MR. GADDY: OK. About long-term growth, well, I probably should answer the same way Nikolay did about global warming. If you're only talking about the next eight years, it's a different – just different framework to talk about what can and would need to be done in that short time.

Obviously, any country needs to think about long-term growth, and Russia not least. Russia has clear sources of future growth in its energy sector, unless you believe that, somehow, oil and gas are just going to disappear from the equation. They have it. Everybody else wants it. And they would be well-advised to try to develop it as best possible.

Otherwise, to try to fix, if you like, the rest of the economy, or, as I said, grow a new economy, Russia has a real reform trap. It – if it tries to drastically reform such a huge sector of noncompetitive industries, it's going to be very disruptive. It's going to be politically and socially very disruptive and dangerous.

[01:36:21]

The current regime is obsessed with stability. They will not risk stability, and therefore, the only way they could possible undertake anything in that direction would be if they had enough money, obviously, to invest and modernize, but also enough money to provide an adequate safety net, to, if you like, cynically, say, buy off the population, but more realistically, to simply provide a safety net so that this incredible dislocation – as I said, people in the wrong places as well as in the wrong industries could somehow be accommodated.

But of course, when you have a lot of money – which is why I say you need to do this – you have no real urgency, no incentive to make these kinds of reforms. Well, fine. Then how about if the oil price drops? They don't have any money, they're pressured, they have no other way out; won't they then reform, no matter what? Well, number one, you can't afford the investment, and number two, you can't afford the safety net.

And again, if reform somehow were your main priority, you might be willing to let that happen and just take the consequences. But if political stability and regime preservation is your main priority, you will not reform even if people on the outside and economists say, oh, but you have to reform. No, you don't have to do anything, and – if you – if you have enough power in the regime.

[01:37:38]

And that's why I'm extremely skeptical about the prospects for reform. Even these tweaking reforms, as I said, of modernization and innovation I think are not likely to have any great success, and I'll just leave it to you to look in the article for a more detailed explanation of that.

MR. COLLINS: OK. Nikolay, Masha, would you like to have a closing word?

MS. LIPMAN: Well, it is indeed very difficult to summarize even this book plus the discussion today. I would like to really thank everyone – once again, Carnegie Endowment and everyone who helped us there. And special thanks to those of our authors who are here today. And thanks to you all.

MR. COLLINS: Kolya?

MR. PETROV: Well, thank you.

MR. COLLINS: Well, I also will thank people. I think the one closing comment I might make is that, given the fact that today is the last day of the supercommittee's – (audience chuckles) – discussions, we all might have a degree of humility in making judgments about what's going to happen in a society that faces at least as profound if not greater challenges than our own in terms of resources, how to allocate them, how to make decisions about who will get what in the next decade, and so forth.

[01:39:03]

These are tough issues. They are very difficult issues. Any political leadership is going to have many of the same issues facing it that we watch in this town. And it's fine for us to sort of talk blithely about something like pension reform, only to remember that that's Social Security. So we are, it seems to me, engaged here in a – in a discussion of issues that are no less complex and no – probably no less difficult going forward, and no less predictable, in many ways, going forward, than what we're watching in our own society as it unfolds over the next couple of years.

So thank you all for coming. I appreciate your comments and your questions, and I look forward to continuing this. And I want to thank the authors of the book which is available in the back. It is a very interesting and a very thoughtful set of work. I commend it to you and I hope you will enjoy reading it. (Applause.)

(END)