

**CARNEGIE ENDOWMENT
FOR INTERNATIONAL PEACE**

**RUSSIA AFTER THE PRESIDENTIAL ELECTION:
MAJOR CHALLENGES AND PROSPECTS FOR THE FUTURE**

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AMBASSADOR JAMES F. COLLINS: Good morning, everybody. I think could we take seats and I think we'll get started.

Let me begin by saying thank you very much for coming this morning, on an icy and rather unpleasant Friday morning, early. My name is Jim Collins. I'm the director of the Russian and Eurasian program here at Carnegie in Washington, and I am pleased to introduce today, really, I think probably his first of what will be a few of our events surrounding the election and presidential transition in Russia as we look at that process over the next few months.

And we're going to start this morning with a presentation with Nikolai Petrov, who is a visiting scholar and almost an anchor of our center in Moscow. He is doing especially interesting work on the relationship of Russia's regions to the center and how Russia's regions are developing relations within themselves about the business, political and bureaucratic relationships. He is going to talk this morning not so much about who will win the election because that doesn't really seem to be a matter of particular suspense, either for us or for the Russian public.

But I've just spent a week there and I think Nikolai would confirm that, all that said, the suspense is nonetheless very real in the Russian polity today and it revolves around exactly what kind of a government and what sort of a governance structure, and what kind of priorities, the next administration is going to bring to the Russian nation. And for most Russians, that is at least if not more important than exactly how the election proceeds or what arrangements formally are in place after the inauguration in May. And what I would say is, in a very simple way, what I found is everybody's quite sure who the next president will be, but everybody is totally unsure about how the country will be governed by Mr. Putin and Mr. Medvedev and how priorities will or will not change as a new administration takes up a rather different set of challenges from those that Mr. Putin has been dealing with over the last eight years.

And so I simply wish to convey to you that while we may think there's not a great deal of suspense about the electoral process in Russia, the Russian polity broadly, I believe, is extremely uncertain about just what this transition is going to mean, how it will unfold and what it's going to mean for every member of the political, economic, bureaucratic and other elites as well as the regular citizens of the Russian federation. And so it's with that, that I would like to turn the floor over to Nikolai. He will talk about Russia after the election, major challenges, and prospects for the future. And after he has spoken we'll have a regular discussion in the usual Carnegie way.

So Nikolai, the floor is yours.

NIKOLAI PETROV: Thank you, Jim.

Thanks for coming in spite of this bad weather, and it's my pleasure to speak to you.

I would start with saying that once again, like at the time of Mikhail Gorbachev, the country is coming to a period of great transformations. And there are serious doubts

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whether, first, authorities do realize the situation and second, whether they are capable to control the situation. So let me start with a brief historical review.

And I will tell at first that the second Putin's presidential term was almost lost for the country, in terms of any kind of modernization of economic and social sphere, and there was a kind of holiday which authorities were organized for themselves. They were too busy with these different schemes of transfer of power and different power games, and all those problems which are very serious and which should be phased by the government. And there was a whole bunch of different reforms prepared, and they have been studied at the beginning of the second term, but they caused social unrest and being afraid of aggravating the situation, our authorities decided either to postpone or to cancel all these reforms. So since that time, the situation didn't become badly in the sense that there are very serious problems facing the country, but it's not bad in the sense that although reforms were not undertaken for four years, nothing was done in order to improve the plans. And the next president will have the same problems but will face much more serious challenges.

A year ago, there were three basic options on the table. The third term for Mr. Putin, the scenario of a strong president who could perhaps replace Putin totally, and the scenario of a weak president, the guy who will replace Putin partially and the, well, re-division, redistribution of power should take place. The third scenario of a weak president was realized and we'll know the name of the new president pretty soon. And although there are no surprises with this name, it's very unknown how exactly the general construction of power will look under Mr. Medvedev.

And I would stress that Medvedev is perhaps one of the most weak candidates for this scenario of a weak president, in the sense that first, he doesn't have his independent power base and second, there were several cases when he was weakened, when he was humiliated, when especially he was considered to be frontrunner, and later he became number two and so there was the whole betrayal of the team around him, and for several months he was considered to be not the most probable option. And later now, when he appeared once again as successor, he doesn't have any real team at all and it will be very complicated for him to do anything if only he wants.

And I would stress that the very fact that international observers who are not allowed to come to observe elections is weakening Mr. Medvedev as well. Although it's understandable that elections are not fair, but in order to make this conclusion you should not come to the country; it's clearly seen from outside. But elections could be and perhaps will be more or less free, and in case of observers would come it could be demonstrated. Now, it's not the case and Medvedev will be elected, so there are no doubts that he will get something like, say, 70, 75, even 80 percent of votes, but his legitimacy will be not well-proven by any kind of independent observation.

So what was chosen can be called the regency model, with a weak president who is coming, not replace the former president in full sense but to play certain, well, elements of President Putin's role and with President Putin playing the role of a regent. And now, we have three different options connected with how the further development will go on.

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The first option is the transfer of power, when the former but more powerful president, step by step, will give his power to the new one. And the point of no return is not, well, in March. It will take place in a year or in two years from now because Putin is too strong, and he will keep being strong after Medvedev's election as well. So until this point of no return will be reached, it will be possible to change the whole distribution of roles and so on.

So another possibility is Putin's comeback and nobody can exclude this possibility, necessarily, as a kind of initial design but perhaps as a reaction in case, if the system will not work efficiently under Medvedev with two different presidents ruling the country. And the third option is to keep certain balance, to keep Medvedev as kind of a weak president being responsible for social-economic sphere, which is not very different from his responsibilities as of the first deputy prime minister, and to keep Putin being responsible for the rest, for power agencies, for foreign policy and for making strategic decisions. And this model was already used in Russian history and I can remind you Chechnyan government under Mr. Alkhanov being there with formal president and Ramzan Kadyrov being very powerful prime minister. So that time it worked in Chechnya, so perhaps it can be used at the scale of the whole country.

This week we did organize the conference on the building of the successor and it was the second conference in a row. The first one was organized at Carnegie Moscow center last fall and at that time we dealt with major problems and major challenges which the next president will be faced by, regardless of who exactly will be chosen to play this role. And now we're focused more on instruments or mechanisms, and whether those mechanisms which are in place are capable of response, are capable to deal with these major challenges. And I would say that there are very serious doubts everywhere and well, you've seen perhaps Mr. Putin's very proud report on his presidency, made at the state council meeting. And there is another kind of, well, report, analysis of results of eight years of Putin's reign, made by Boris Nemtsov and Vladimir Milov. So none of these two documents can be seen, can be considered to be more or less objective and neutral, and you should look at both in order to understand what has happened in reality. But this, well, analysis made by opposition forces is very interesting, in terms of describing the scale of problems the country is facing now.

And let me give just a mere illustration connected with demography. First of all, I would say that it was Mr. Medvedev who was appointed to deal with national projects, so-called national projects, and I would say that it was school of ruling the country; you know, like Peter the Great being a child was using special kinds of military units, soldiers, in order to play different games and in order to understand how it was possible to make orders. Medvedev brought this possibility to deal with four very important problems. Resources which were given to Medvedev were not huge and as a result, not very impressive. But well, Mr. Putin and Russian leadership in general are very proud to report about huge successes achieved with regard to demography, which is one of the most serious and objective problems. So we cannot blame authorities for doing something wrong in the last eight years, but it's the general result of many different socioeconomic processes.

And the problem is that Russia is losing now a labor force. So it was losing population for a long while, now it's using labor force population in working age. And the

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scale of these losses is huge. Since the year 2009, the Gozcom (ph) study estimates Russia will lose each year more than 1 million workers. And up to 2025 the overall loss of population will be 8 million and loss of working force will be 16 million, which is huge. So Russia is really facing very serious problems connected with a shortage of labor force and in spite of getting huge money now it cannot invest this money, it cannot use this money efficiently due to many shortages, labor force being one of this major shortages. So Mr. Putin's answer to this problem was his idea to increase labor productivity four times by the year 2020, which is absolutely impossible. And this is another example of the fact that our authority has studied belief in the general success of, well, their rule of the country's development and well, there are many more signs telling that they do not understand the real scale of problems the country is facing now.

So there is a wonderful Russian fairytale about a peasant and a bear who are, well, dividing crops. And the bear is usually given the half which cannot be used by him, like say, roots and leaves. In case of potato, the peasant is getting roots and giving leaves to the bear and in case of the corn, the bear is getting roots instead of leaves. So I would say that something similar is going on in the case of Putin's legacy which is given, which should be transferred to Dmitri Medvedev.

So it's in a very bad shape, not only due to the fact that it tried to describe, due to the fact that very, well, urgent and very essential reforms did not take place during Putin's second presidential term, but due to the fact that problems which the country is facing are aggravating during all this time although mechanisms, instruments to solve these problems were not developing at all. And I would compare the situation with a car, which looks pretty well and which is remodeled during the second Putin's presidential term in a very essential way. So there was power steering added and it's much easier for the driver to turn the steering wheel, although transmission is very weak, if not absent. So he can, well, turn this wheel without any changes for the car. It's very beautiful – I mean, this car is very beautiful inside but it doesn't have some very important things like, say, shock absorbers, and there are problems with its engine, and all these changes were taking place while the car was standing; it wasn't moving at all.

So that's why it's not so easy, it wasn't easy for authorities to understand whether those reforms, political reforms, connected with the electoral system, connected with refusal from direct gubernatorial elections, connected with the new laws on political parties which, well, did change the political landscape in a very essential way. It was impossible for authorities to understand how bad these reforms are, in terms of the general systemic outcome. What will be needed for Medvedev, he will need to change this system but when the car will begin motion, when the car will try to move it will become understandable that round wheels are better than square wheels, and that the car is absolutely inefficient. The problem is whether it will be possible for Medvedev and for Putin, who will be nearby, to fix all these problems at a time when the car will move.

What's going on now? It's very essential political remodeling once again, so they're trying to add the second driver's seat to this car to let Medvedev at least somehow to participate in driving. And there are two basic sets of challenges, one connected with internal construction, how effective this internal construction should be. And it's understandable that one driver will be responsible for, say, making signals and another driver

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will be responsible for making turns – (laughter) – and nobody knows how it will be possible for them to combine moving without accidents.

It's clearly seen during the last two months that Medvedev wasn't allowed to deal with certain very important spheres of the state like, say, power agencies. So this is Putin who addresses all the time to different power agencies; Medvedev was not allowed to deal with foreign policy and even with center to regency relations. So the last speech which was presented, the last Medvedev speech in Krasnoyarsk which was presented as kind of his economic program, looks very different from what was told by Putin, although Putin, in the day before this speech answering journalists' questions, told that there is one and the same Putin's plan. There will be no contradictions between, say, Putin's plan and Medvedev's plan due to the fact that there is no Medvedev's plan at all, and Medvedev will just concretize and make certain details clear with regard to Putin's plan.

However, Medvedev's speech looked very differently and I would say the general feeling is that they came with the idea to continue those reforms and those economic reforms which has been studied in 2001-2002 and which was stopped in 2003. And Medvedev's speech looked much more rational than Putin's more strategic ideas, and much more business-oriented and business-friendly, perhaps. The problem is that it's clearly seen that, well, the general idea is to combine economic modernization with keeping political system in its present shape which – I would say which is absolutely impossible.

So let me say a few words about Dmitri Medvedev himself. I did tell that he's a weak president; it doesn't mean that he's personally weak. And some experts are saying that he's a strong man, he is much less liberal than he already – well, than he seems. And if to look at his activities, nobody can remember any real event when he played as liberal. It was him who was the head of presidential staff at the time of these political reforms undertaken; it was him who was claiming for using force at the time of Ukrainian presidential elections in 2004. And there are many more cases reported when he was occupying less liberal and more conservative position than Putin when discussions were going on.

The problem is that the guy never played the role of a first person, of person number one anywhere; as a head of a company, of collective farm or of a school. All the time he was staying near Putin, and it's hard to imagine that being person number two or number three all the time, staying in shadow – he did have his own ideas, his own plans, which are different from those plans which were realized by him together with Putin. But even if so, even there are very different ideas Medvedev can bring as the newly elected president. There are no possibilities for him to realize any ideas at all and we should understand that it took two or three years for Putin to form his own team and to say goodbye to Yeltsin's, well, construction. It will take even longer for Medvedev, due to the fact that when Putin came to power he came as a very popular president against the background of a very unpopular president who wasn't present at the political stage. Now, it will be different and nobody knows how and when and if it will be possible for Medvedev to form his own team and to do anything he wants to do, which can be different from Putin's ideas.

However, the very fact that there will be two centers of power means that there will be inevitable ground for very different conflicts to appear, regardless of how good personal relations between Medvedev and Putin are. And well, there are some signs that these

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conflicts are already appearing and they will become much more intensive immediately after elections. Some experts are waiting that the whole former Yeltsin's team, which is clearly staying somehow behind Medvedev, represented by Mr. Valoshin (ph) and some other guys, will come to the surface. And it will be possible for them to nominate, to put forward, some guys if only Medvedev will get the opportunity to do something and will try to form his own team.

And the last thing I'd like to focus on is connected with the society. Russian society is pretty quiet and it's not eager to do something against the authorities; it's not eager to support opposition parties which, I would say, is pretty rational. So the life-level is better than it used to be, salary-sent pensions are increasing much faster than economy's growing, which creates certain problems in the future. It cannot be continued for long and thus, well, immediately after elections or in a while after elections it will be needed to revise this policy and it will be very harmful.

So it would seem that there is a kind of unwritten agreement between authorities and society, and while society is eager to do whatever authorities are asking for, like say to vote for Medvedev or to anybody else, and that's why Medvedev's popularity is now, like, say more than 70 percent, being compared to 20 percent at a time when he wasn't nominated by Putin. But it will be very different popularity. It will be not like in Yeltsin's case popularity, which enables the president to do some very serious reforms and to make very important decisions and moves. It will be popularity which will disappear immediately, when only Medvedev will try to violate this unwritten agreement. And one of the basic, well, ideas of this agreement is not to aggravate the situation of, well, society, of citizens of major social groups.

And it's impossible, and it will be impossible for Medvedev to start any political reforms, due to the fact that, well, any real move will aggravate the situation with the society and it will decrease his popularity immediately and so in a very sharp way. That's why, by the way, some experts even now are not sure that Putin is seriously planning to become the prime minister. My guess is that he will become the prime minister. The problem in Russia is connected with the fact that, in this kind of semi-presidential system, the government all the time looks like a scapegoat; it's blamed for all bad things while the president is considered to be good guy. And thus it will be very risky to become the head of the government, not only due to this semi-presidential political system in Russia but on the eve of very unpopular decisions which should be made by the government, and on the eve of undertaking very important, well, reforms and important steps. That's why these experts are saying that they will believe that Putin will the become the prime minister only when he will be appointed to this position.

It's not needed, by the way – the last thing. It's not needed to change the constitution in order to make the prime minister much more influential than he is now. It's needed just to follow the constitution and be done easily, so there are no problems with the constitution. Some experts are saying that perhaps it will be needed to change the law on the government, but it's possible to redistribute power even without these changes. So making the prime minister the person number one in the country and the president playing much less important role, and this can be done easily. The problem is how to deal with all these, well, challenges. And if society, which looks now very paternalistic, very passive, was good

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at a time of stagnation, when it was needed for our authorities just to keep them aside, it's impossible to deal with this society at a time of reforms. And so there are no levers, there are no instruments which will possess authorities, well, immediately to mobilize society and to get popular support, which will be needed in any case.

So my point is that, regardless of what authorities are planning, what their intentions are now, well, it will be needed for them to make very serious changes. And society, rational society, will look very different in a year from now, just like our authorities and political construction in general will be very different in a year from now. And I am still optimistic; it seems to me that, although some changes which will take place are revolutionary changes in a sense that will be very essential shifts, very essential changes in the role of different institutions. So this political system, I hope that it will be possible to do this without a large-scale crisis, although crises are inevitable. And the easier it is to put, well, somebody into the president's office, the more complicated it is to make the system work and to make it effective after all these changes which will take place in a couple of weeks.

Thank you.

MR. COLLINS: Okay. Can we move your microphone closer and turn it off when I talk, and turn it back on, okay?

Well, thank you very much, Nikolai. And I basically would now like to turn it over to the audience. We have a microphone. And would basically hope we will have a good discussion. So Anders, would you like to start?

Q: Yes. Thank you very much, Kolya. Anders Aslund, Peterson Institute.

Three questions: First, what happened to Siloviki? Can you explain the obvious decline or a particular decline of the Sechin group, where we are seeing the arrest of a favorite Mafiosi like Komarin (ph) and Mogilevich and Dzhabrailov, and we are seeing all kinds of wonderful comprising materials, and we are seeing that they have clearly lost out. Can you explain that?

The second question, Putin's economic statement, most clearly on February 8th, is a world of difference from what is said in October 2006. He has moved back from the massive protectionist and state interventionist he represented in 2006 to build his economic labor lesson that he had at the beginning of his reign. Could you explain that?

And the third question, you showed the Milov-Nemtsov report. It seems to have aroused a lot of reaction in the Kremlin, and it seems as if SPS was forced to tell Nemtsov to go from the party. Could you give us some insights to that? Thank you.

MR. PETROV: Well, thanks a lot for these questions, although it's a very complicated answer.

Well, what's going on with regard to Siloviki is very essential and mythologized, including the huge role Sechin is playing or was playing in this system. There are many signs telling that Sechin is like a devil, used in order to attract all negative attention, but he is not

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the guy who is not the most influential at this camp. It's clear now that there is a kind of unwritten agreement according to which Medvedev is not dealing with Siloviki at all, and nobody knows how exactly it will be possible to keep control and to keep the balance between different Siloviki clans in the future, although some experts are saying that there is the core of Siloviki represented by so-called Dresden Group, where Chemesov, Tokarev and Skrolev (ph) are, well, claim their important role with Chemesov being one of the major winners, being the head of Russian Technologies company which is, well, getting huge resources. Tokarev being planned to lead a huge oil and gas company which the idea of establishing this company is discussed now, and Skrolev is considered to be the future minister of the interior, perhaps.

So I would say that Siloviki are in good shape and the general construction according to which, instead of heading democratic checks and balances, Putin created this very complicated system where different clans of Siloviki are fighting against each other. This quasi checks and balances will be kept.

Another important point is connected with, well, corruption and it's another element of poor legacy Medvedev is getting from Putin's hands. Not only it's about the scale of this huge problem but it's about the fact that, when organizing G-8 summit in St. Petersburg, Russia joined several different conventions on, well, the fight against corruption. And unlike many other conventions, these conventions are – they do have special tools which are controlling the state of affairs in each country, and Russia is facing no huge troubles connected with a need to, well, address all these norms. And it's not, well, only the decision which will be made by Russian authorities, but regardless of any moves Russia will check this spring. So it will be needed to make something in order to correspond well and in order to deal with corruption pretty soon.

And the Oil Security Council meeting on corruption is planned for a pretty long time; it was initially planned for October. Corruption is used all the time in order to fight against enemies, it's understandable. That's why it's very important who exactly will lead this move. So a year ago, Victor Vanov (ph) was appointed to lead the working group responsible for this anticorruption legislation. They came with their draft so it was initially planned for October, then it was planned for November, and now there are rumors that it will take place before presidential elections. I mean, the security council meeting and presentation of these new body of power which will deal with corruption, so it will tell a lot about how Siloviki will look under Medvedev. And there still are several different projects. One project is to create this special agency, and this agency will be very mighty, very powerful. Another project is to deal just like in case of antiterrorism committee, to let FSB or to let ministry of interior to lead and to create a kind of consultative border. Anyway, it's very important who exactly and how exactly we'll deal with corruption.

So the second question, about Putin's term with regard to economic reforms. Well, I would say that all of a sudden, this campaign rhetoric is very different from what it was considered to be. So it's more like, well, changes are needed, reforms are needed, then promising any kind of additional benefits to populations. So nobody knows exactly how it will work and, you know, that there are very essential shifts and changes within the government. And I would say that it's clearly understandable that something should be done but there are no concrete ideas of what exactly can be done and there is no, well, centers like

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even, well, center for strategic research under Putin at the beginning of his reign capable to come up with concrete reforms plans.

So I would differ seriously between, well, the over-managed democracy which was constructed by Putin is very different at the surface and beyond the surface. So rhetoric can be very different from what exactly will be done, and I do not see any real signs of any real preparations in undertaking those reforms in the economy and with regard to social sphere, which are needed. So I would doubt that there will be a real and very essential turn towards liberalism and even if so, I doubt that it will be possible and the construction will be capable to make this turn.

In the case of Nemtsov and Milov, well, at our recent conference on the betterment of the successor, Milov was giving a speech and I would say that he is, well, the major author and Nemtsov is more like, say, political co-author. And although, well, there are some mysterious connections between Nemtsov's authorship and initial representation of this report was to be held at SPS office, but it wasn't allowed and it was presented somewhere else. So there is some tension, but I would not pay real attention to this tension due to the fact that, unlike in recent past, a pass isn't needed. Our authorities do think that they don't need any liberal parties and they are sure that the political construction they will finalize with two major political parties represented in the state; Duma is efficient enough.

So I think that this is a huge mistake and I think that SPS and Yabloko are needed and will be needed. The problem is whether they will survive until authorities will understand the need in these two parties. But now, SPS isn't playing any role and all these ideas expressed by Chubayas (ph) and Pudrin (ph), which can be seen as the claim towards more liberalism and aggression about how expensive Russian, well, foreign policy is. And well, they're trying to combine two very different things, a kind of manageability and manageability with a kind of, well, investment attractiveness of the country. And there are no signs that anybody is trying to solve the problem and to make any decisions except for these statements made by some so-called liberals at the government.

So I would not take them very seriously, although they reflect the situation when the new power balance is, well, appearing and thus any clan, including those guys who are trying to expand, in order at least not to be pushed out. So it's – to my mind, it's more about keeping their place than about making their role bigger.

Q: Thank you.

MR. COLLINS: Yeah, please. There's a mike for you.

Q: Based on your interest in Russian federalism and Russian regions, could you tell us what you think about Minister Kozak's new proposed plan to set up economic macro-regions that do not necessarily correspond with the other administrative units in Russia?

MR. PETROV: Okay, thank you.

Mr. Kozak is another very interesting and important element of this puzzle. And if to speak about the general construction where Putin can perhaps serve the role of a kind of

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strategic prime minister, it will be needed to have a kind of the real prime minister, a kind of the first deputy prime minister who will control the government on a daily basis. And until recently, two or three persons who have mentioned with this regard: Mr. Zupko (ph) of the present-day prime minister, especially after he was, well, appointed to the board of Gazprom; Mr. Kudrin, the minister of finances, and Mr. Kozak, who is considered to be one of the most efficient managers on behalf of the Kremlin.

His recent initiatives, however, look pretty strange. They are not very well-prepared and it's like, say, very general vision, connected with the fact that there is huge money accumulated in Russia and each region – you know, each region is working out strategy of its development. It's a little bit strange that there is nothing which is given to regions of a kind of national development strategy. So when regions are coming with these development schemes they are not taking care of what exactly is done and will be done by their neighbors, not to speak about the federal government. And Mr. Kozak's plan is to organize this work in a pretty different way in order to make certain strategic plans for some macro-regions, for big parts of the country and so thus, he came with the idea of these economic regions.

The point is that this economic – well, these regions will address problems of economic development and each huge part of the country is connected with different trends, different directions of economic development. So initially, big, large-scale plans will be developed at the level of these macro-regions and play to regional authorities will develop their own strategic plans.

Another element of Kozak's plan is what he calls further decentralization. And what is interesting with regard to this rhetoric I was telling about it's the fact that, like during Soviet times, it can be not even very far from reality; it can be contrary to reality like, say, to say that this is white when it is black. So Putin is telling about decentralization and further federalization of the country, and Kozak is saying about large-scale decentralization. So the idea is to give regions certain powers and usually, the center is eager to give them those powers which are not needed or which are trouble-making for the center itself.

So there are different, well, visions of Kozak's plan but I would say that it's a clear political move and it's connected to this, well, general competition between different clans and different groups. And it's a clear move by Kozak, oriented towards increasing his role and oriented towards expansion of him and his ministry, which is now taking care of regions and which is eager to distribute huge money instead of the ministry of economic development and trade. And this plan is not a kind of very well-developed strategy. It's a very general and half-speculative vision.

Q: Yeah, hi, David Sands (sp) at the Washington Times.

You said a little bit earlier that there's already signs of conflict between Mr. Putin and Mr. Medvedev on a couple of issues; I was wondering specifically what you refer to. And very quickly, I won't ask who you're voting for but I'm curious if you polled the Carnegie Russia office, how do you think the vote would break down and why?

(Laughter.)

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MR. PETROV: Please repeat your second question.

Q: Yeah, I said I won't ask who you're voting for personally unless you want to offer it up. But I'll ask this: How would the vote break down at the Carnegie Moscow office on the presidential vote and why?

(Laughter.)

MR. PETROV: Well, I'm afraid that I still didn't understand your last question in full.

(Laughter.)

But anyway, if to speak about Medvedev's liberal liaison and Putin's conservatism I would say that, well, it's hard to imagine that the guy who is getting huge popularity from the hands of another guy before being elected to the president will start to do anything which will somehow harm the guy who is giving him this power and this popularity. So now it's possible to speak only about some differences in their vision, although it's not needed to overestimate these differences. There are no doubts that Medvedev's speech in Krasnoyarsk was agreed by Putin as well, so it wasn't written by Medvedev regardless of Putin's position.

So I would say that, generally speaking, if to look at Medvedev and Putin we can see first of all these, well, division between good cop and bad cop in a sense that usually, Medvedev is not speaking bad on certain issues connected with foreign policy, for example, but he's not mentioning certain problems Putin is mentioning. So I would say that this liberal image of Medvedev is not a kind of well-grounded image; it's more like, say, very professional image-making. And if you look, by the way, at the recent interview by Medvedev for the magazine Itogi, where he speaks about the British Council and so on, the image there is quite different. So it's not like a good guy which is coming to liberalize Russian political life and Russian economy. So Medvedev's liberalism is more like, say, canonic liberalism and it doesn't deal with policy. And in politics, Medvedev wholeheartedly supports, well, all Putin's ideas and it's not by change it was Medvedev who was realizing and who was responsible for at least some of these ideas' implementation.

By the way, we had Mr. Medvedev at the Carnegie Moscow Center eight years ago, when he was the chief campaigner on behalf of Mr. Putin, and we were trying to get him or at least anybody who will represent him this time as well. So all we managed to get was Mr. Reganovsky – (laughter) – so what Medvedev is doing now, it's very, very serious traveling across the country. So I would say that he doesn't have any possibilities even to speak to many regional leaders whom he is visiting. So he's traveling, like, say, one region a day, including far-eastern region, northern, southern, western regions. So he is sleeping during meetings – (laughter) – and he's just, well, been short to different regions without letting him even to speak to regional political elite.

So, to my mind, what is interesting is to look at these different set of unsigned agreements between different clans including regional elites and federal elites. And what was told by Mr. Kozak looks more like, say, appealing ideas offered to regional leaders in order to get their support. There are different signs of these agreements reached by different clans

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including this agreement between – (inaudible) – in general and civilians in general, which is kind of an overestimation. And I cannot see any real expansion of Mr. Medvedev beyond those peers which were under his formal control as of the first deputy prime minister.

Q: Julia Nanay, APFC Energy – Recently, it was reported that Medvedev was very critical of Tokarev, who is head of Transneft for the delays in the East Siberia Pacific Oil Pipeline. And I'm just curious: Are these reported criticisms of Tokarev something that could lead to Medvedev replacing him as head of Transneft or is Tokarev so powerful that Medvedev has no control over that type of situation?

MR. PETROV: Well, I would say that this is a pretty interesting case. When Medvedev is saying something which is quite different from the general position which was already agreed at the government and I cannot see any real possibilities for him to, well, to achieve any of his declared goals due to objective reasons. That's why it will be interesting to look at how exactly the situation will look in a short while from now.

And he's – another thing about the need not to have high state officials as board members and chairmen at different state companies was considered to be something different from Mr. Putin's position. So I would not exclude that there will be a kind of anti-negative campaigning Putin was so famous with during his rule. So instead of being populist in a positive sense, Putin was playing this anti-negative populism and he was first expressing certain plans which looked very negative for different social groups, then he was coming with a solution, and without investing any resources, any efforts, he was just refusing from these negative things and he was getting a very positive image.

So to my mind, some elements of Russian political life, recent political life, look, well, similar to this anti-negative campaigning when Putin is saying some harsh things and later Medvedev is coming without saying these harsh things. But what is important is the fact that there are no positive changes at all. There are negative things and nothing done in result, which is considered to be pretty positive. So in case of this discussion, I would say that I do not think it will be somehow possible for Mr. Medvedev to make any real changes although some personal changes are inevitable. But they cannot be considered to be a kind of the new wave of officials which will come in order to replace old guys. So Medvedev is not in a position to make all of this personnel decisions.

And although it cannot be excluded that some decisions will be made in order to show that Medvedev is in power, I cannot see any real possibilities for him to change the situation in, say, in a while, for the first presidential term, at least. And, to my mind, the difference between Medvedev and Putin, if to look at Putin eight years ago, is considered with the fact that although Medvedev is a very serious player, I cannot see any real chances for him to count on such a good success story as the one represented by Putin. So, to my mind, it will be a disaster story and I would not exclude that, in a short while, Medvedev will lose any kind of popularity.

Q: Bob Nurick, Monterrey Institute – Kolya, thank you very much for a very interesting presentation, as always. I'd like to pursue the question that you raised about the redistribution of power and authority between the offices of prime minister and president. In the discussions I've seen of this in the Russian press, I haven't seen much attention to the

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corollary question, namely, the implications of that kind of transfer for the structure of government more broadly and especially for the lines of power and authority and control. After all, the creation of the presidential system that you described was accompanied by a very large increase in the presidential administration in the Kremlin and, by contrast, the prime minister's office is much smaller; he relies much more on being able to task the ministries and so on.

If there were this kind of redistribution of power and authority, it's hard for me to imagine that Mr. Putin would or could be satisfied with the current arrangement. So what would happen? Would you expect the staff to grow? Would his ability to task the ministries change? Would the presidential administration start reporting to him? How would this work? What do you think the consequences would be for these lines of power and authority in the government as a whole?

MR. PETROV: Okay, thank you. First of all, there were two periods in Russian contemporary history when prime ministers play a pretty important role. It was the period of Mr. Chernomyrdin, and it was the period, pretty short period, of Mr. Primakov as of prime minister. In both cases, there were strong parliaments, pretty strong parliaments with pretty strong opposition. And prime ministers at that time played the role of a kind of moderator. And that's why the role of prime minister's office was pretty strong.

It's not the case now and it cannot be repeated, but what is possible to do, it's possible to realize constitution in full. And, by the constitution, it's prime minister who is coming to the president with candidates to all government's position, with candidates of deputy prime ministers and so on. And, until recently, it was done in a kind of a very formal way, but it can be done in much more real way. Then, the article number 29 of the law on the government enables the president to lead or enables the prime minister to form and to lead presidium of the government, which will be not very different from what Mr. Putin leads now when he meets key representatives of the government. So Mr. Putin can just keep this format of a small, of a narrow government and keep in power by presiding these meetings.

The problem is somehow connected with power agencies. And it's not so easy to understand what exactly can be done. And there were different rumors about the new law on the Security Council and the role Security Council can play with this regard. It's still under discussion and you know that the position of the Security Council secretary is vacant. There are no ways Medvedev can lead all of these power guys without having any real experience in doing this, at least in a certain while. So I would say that the constitution gives the president, gives the prime minister very, well, large authority which wasn't practiced recently, but which can be restored in full immediately under Putin in case if Putin will become the prime minister.

Although, the problem of a presidential administration is a very real problem and there are two possibilities, either to keep the same administration which will be not Medvedev's but will be Putin's administration or to – for Putin to take this administration with him to the government and to create another very important center of influence. Regardless of this, there will be either formal or informal Medvedev's administration and

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conflicts between these two centers of power are inevitable and it's not connected with any kind of good personal relations between Putin and Medvedev.

Q: Steve Pifer with the Center for Strategic and International Studies – my question would be, just as Russians are going to be trying to figure out how the distribution of power between Medvedev and Putin will work after the May inauguration, so are foreign governments. And I look back and I look at the last seven years. I don't think President Bush has ever met with the Russian prime minister in his numerous trips to Moscow. And so people are going to be thinking, what happens? I mean, who is the real power when it comes to dealing with issues that are of importance to the U.S. government and foreign governments?

And you'll have an early test in, what, early July when you have the G-8 meeting in Japan. So what advice would you have for foreign governments looking at this and who goes to Japan representing, now, Russia for the G-8 meeting? (Laughter.)

MR. PETROV: Well, first of all, the real advantage of the prime minister's position is the possibility to replace the president anytime in case if president will ask the prime minister to replace him at a time of G-8 meeting, for example, or in case if the president will be not capable to serve his role. So I do not have doubts that Mr. Putin will at least accompany Mr. Medvedev at these important international meetings in well foreseeable future if not replacing Mr. Medvedev.

What is good about this prime minister's position it's the fact that, in case if the system will not be able to work efficiently, it will be possible to do very important changes without organizing new elections and so on. So the prime minister can easily come to the first place instead of the president. So there are different rumors about who will and how the foreign – who will play the major role and how the foreign policy will look. It's known that, for example, Mr. Levkovsky has defined to hold presidential elections and not later. So he's not eager to plan any events after this time, which is considered to be the sign, the evidence that he perhaps will be replaced by somebody else.

But I would not foresee any real changes in Russian foreign policy due to the fact that – especially changes for good – due to the fact that foreign policy is the sphere where Mr. Putin's achievements are evaluated highest of all by population and there are no reasons and no possibilities for Mr. Medvedev to revise his position, his, well, position with regard to foreign policy in a short while. And Mr. Medvedev will be not in a position to do this even if he will like to do this.

So I would say that all of these expectations, connected with the fact that Mr. Putin will be replaced by much softer and much more liberal guy and that will change Russian foreign policy essentially is a kind of wishful thinking.

MR. COLLINS: Don and in the back.

Q: Well, Anders took my first question about – (inaudible) – so I'll ask another one. Don Jensen, Radio Liberty – thanks for your comments. Medvedev of course is a leader of a clan, too, and could you talk a little bit about Gazprom and its future, especially the

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situation inside with the bank versus some other parts of the organization? It seems to be very much in flux.

MR. PETROV: First of all, I am not a specialist on Gazprom and it's pretty complicated for me to speak about these issues, especially in Anders Aslund's presence. But what I'd like to mention is connected with the fact that, when being chair of the board, Medvedev never was really playing the role of a master at this company. It was Putin and it is Putin and it will be Putin who is really making all major decisions and not even major, but medium-level decisions on behalf of Gazprom. And, well, experts are saying that even decisions to replace managers at the level of the head of the department or to sign a contract at least 10 or \$15 million contract, the decisions cannot be made by initial Mr. Putin's approval.

So the fact that Mr. Zubkov is now the representative of the state at the Gazprom board means that instead of Mr. Medvedev, who was partly playing the role of Putin's representative there, it will be Mr. Zubkov. And Gazprom in general is very huge and very complicated empire and it's not considered to be an element or even the core of any concrete clan. There are different parts of Gazprom controlled by different clans and belonging to different clans. So it's too big – it's like the country – to be owned by one and the same clan. So I would say that never Medvedev was the leader of any particular clan. He was a person which was representing certain clans and who was, well, considered to be appropriate to replace Mr. Putin by different clans. And, usually, it was considered that some clans are supporting Mr. Medvedev and some clans, including Siloviki clans, are opposing him.

Now it looks like the decision was made which is not a kind of compromise reached in the sense that Medvedev will not be supported at least at the beginning by all of these different clans. He will be the president of one bunch of clans and Putin perhaps will keep the position of the president of another bunch of clans, much more influential to certain, well, in certain spheres.

Q: May I just follow up on this? Kolya, what you describe is something that will collapse. A system can't function like this.

MR. PETROV: I would agree. I would say that there are huge challenges and never the system in Russia if to look, well, five-centuries-long history of Russian empire and tzardom, never there was something similar in the sense that it's very transitional phase. So when I am speaking about regency, I mean that it's not stable. It's very transitional and nobody knows for how long this transition will take place and what will be at the end. And, to my mind, there is huge uncertainty and the possibility that Medvedev will get power in full, will get total presidential power is not bigger than the possibility, the probability that the system will become, well, increasingly inefficient and will be needed to intervene in order to replace it by any different system.

But Putin's system in general wasn't a kind of stable system. It was transitional system. And if only it would be able to find a strong president who could replace Putin totally, it would prove its relative stability. It didn't happen and the scenario of a weak president, which is under realization, is connected with a lot of different political risks.

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Q: Innokenty Grekov, commission on religious freedom – I have a question about the labor force. It seems to me that there is plenty of labor force floating around Russia and all that needs to be done is pull them back in. So are they doing any major recruiting in the ethnic Russian communities in Central Asia, for example? Obviously, the Baltics, the Russians in the Baltics are never going to move back now.

And the second question is do you think the pro-Medvedev (?) movement was a part of Mr. Medvedev's PR campaign?

MR. PETROV: What was the question?

Q: The pro-Medvedev (?) movement – was it a part of Medvedev's PR campaign?

MR. PETROV: First of all, there are 25, there used to be 25 million Russians outside Russia when the disintegration of the USSR has happened. And it was possible at that time to count on them as the source of labor force. It was going on not in a large scale, but the fact that Russia didn't lose as many citizens as it could lose due to low birthrate and high mortality is connected with this in migration.

Now it's over and migration is pretty small. And the special program, which was developed in order to attract ethnic Russians, first of all, to come to Russia failed, well, not only due to the fact that it was led by so-called Siloviki; it was Victor Ivanov who was responsible for this program, but their general results are, well, very poor. So last year, I think only 4.8 thousand guys came. It was agonized resettlement under the aegis of this program and the problem is pretty understandable.

When they got this order, they did decide to attract population to Russia, but there are no ways for them to attract them to those regions where development is pretty fast, attract them to capitals and so on. So their idea was to compensate for huge population losses at the Far East, first of all. And they did invite these guys to those regions where nobody lives and nobody is eager to live. (Laughter.) And nobody was eager to come. It's understandable.

I have spent August in Kazakhstan and I have seen this list of regions where migrants were invited to. And when I was speaking to ethnic Russians, they were telling me that they were planning to go to Byelorussia and there were no ways they saw to come to Russia. So the only region where they were eager to come was Moscow and Moscow region, but never they were invited there and they were not eager to go to any other region of the country.

That's why this program, first of all, is badly designed. It doesn't work and the very possibility to get Russians from Baltic states, that's funny. Never they were eager to go in spite of complaining about that situation and so on. But even to attract those Russians who are still in Central Asia, it's almost impossible. Those who were eager, who were ready to leave, they already came. And those who are staying at these countries, they will not come at any time in future.

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That's why Chinese are considered to be the most probable option. So in order to cover this 20-million loss, well, the possibility, the probability to invite 20 million Chinese is discussed. But it's very politicized discussion. It's very ideological discussion and it's considered to be a kind of, well, anti-Russian idea to invite any large amount of any other country citizens. So with regard to labor force, it doesn't work at all and that's why Putin came with the idea to increase productivity in four times.

And with regard to pro-Medvedev, well, Medvedev is trying to exploit very different things including Internet. And I think that that's funny, but there are different ways how his surname, which is like bear, is exploited. And I would say that Putin is brilliant image-maker. Medvedev is not comparable to him now, but perhaps he will have some time to increase his capabilities.

MR. COLLINS: Well, I think we need to bring this to a close. It's now 10:00, the time we agreed we would end. I think what I take away from both questions and answers from Nikolai, who has been very generous and very open in his discussion, is that the one thing everybody would agree on is that it's going to change and that we will see a different Russia, probably, in six months or eight months or a year from what it is today.

And the other conclusion is that nobody really quite knows where that's going to come out. And so I think we will all have plenty again to grather (ph) again about in a few months and we hope that Kolya will come back and share his perceptions again. So thank you all very much for coming.

(END)