



RUSSIA 2020: SCENARIOS FOR THE FUTURE?

THURSDAY, APRIL 21, 2011
WASHINGTON, D.C.

WELCOME/MODERATOR:

Thomas Carothers

Vice President of Studies
Carnegie Endowment for International Peace

SPEAKERS:

Nikolay Petrov

Carnegie Moscow Center

Maria Lipman

Carnegie Moscow Center

Transcript by Federal News Service
Washington, D.C.

Transcript Not Checked Against Delivery

THOMAS CAROTHERS: Good morning everyone. I'm Thomas Carothers, vice president for studies here at the endowment; my pleasure to be the moderator this morning at this event on Russia 2020: Scenarios for the Future with Kolya Petrov and Masha Lipman.

[00:00:40]

The Russian electoral process has many shortcomings but it does create an incentive for Russian leaders or perspective Russian leaders to put forward national ideas; in a sense to have a script or a project for themselves and for the country. And I think, not as a Russia specialist but as somebody who does keep an eye on what happens in Russia, I have been interested to watch the idea of modernization be put forward because I do a lot of work on development and development aid, and of course modernization is a concept that was very popular in the 1960's in the development field. And we haven't heard a lot about it since then, in a way. And so it's interesting, in some ways, that the Russians have embraced this concept.

In some ways it's – you can see the appeal. It's sort of a nonpolitical concept. It has the strong sense of power about it: Poor countries develop, powerful countries modernize. And it's also something that you lead with economics and politics follows which also conforms to the instincts. So I think there a number of reasons why this concept is appealing. But it's also very vague. It's a very vague idea.

Within the – onto the screen of modernization you can paint many pictures and many different concepts so I think the Russia 2020 project that Kolya and Masha have been carrying out is an attempt to try to take the idea seriously and say, all right, if this is the controlling idea what are in fact some of the scenarios. And so that's in a sense the deeper objective of this project. They've assembled a very interesting group of writers, both Russians and Americans, and I think a few Europeans, who've come together to meet, to talk over a whole series of themes and to offer matching contributions, one Russian and one American or European, on a whole number of topics. And they've published some of those in Pro et Contra and they'll be publishing more and they may publish some in English as well.

And – but Kolya and Masha themselves have been overseeing the project both intellectually and practically and have tried to draw together some of those ideas which they are going to present to you here today. I really don't need to introduce Kolya and Masha; they're two trusted associates of ours at the Moscow Center, both long time. Maria was just mentioning to me that it was just 10 years almost to the day or the week that she first set foot in this building and then joined us two years later, and it has been great having her. And Kolya dates back even further at Carnegie. So it's always a pleasure to have them here in Washington.

Kolya is going to start off with a presentation and then Masha will follow up, and then we'll turn and have a discussion. Kolya?

[00:03:25]

NIKOLAY PETROV: Thank you, Tom. I'd like to present you the project which is in progress, and to my mind it is going on pretty well. And there are at least four guys here in this room who did participate in this wonderful meeting in Bellagio where we did gather all participants of this project. And I would start with saying that, like almost all the time in Russia, there are three sources, three ingredients. And the first is Russia 2010 book written by Daniel Yergin and Thane Gustafson. And I did reread it recently – reread it recently, and I was amazed by how many funny and interesting details predicted by them pretty well, 20 years ago.

Transcript Not Checked Against Delivery

Another, there was (life skill ?) project organized by the New York University on scenarios for future for most risky regions of the world, and Russia was among five regions there. And they did gather huge crowd and it was then when – with a thought that it's a little bit waste of these huge human resources to gather these guys for one day only, and not to ask them to write something.

[00:05:00]

And the third source is our own project which is going on for four years now. We did start it as a – (unintelligible) – of a successor before Dmitry Medvedev was named as the next president of Russia. And we dealt with the most important problems any president of Russia should deal with. So I would finish this brief introduction by saying that this project is a kind of landmark project for Carnegie Moscow Center in at least three ways.

The first, it's the one where almost all senior associates are – do cooperate. The second, it gathers huge crowd of best experts, and this is our real golden reserve. And the third, it's a kind of a breach, because the essence of the project was to bring together both Western and Russian scholars to look at each subject to provide a kind of – (unintelligible) – review.

Now a little bit more about the essence of the project. There are many myth concerning future of Russia, and the one is that if the regime is (paternalistic ?) then it can evolve in one of two ways – either inertia or revolution. And this picture is clear illustration of this – this famous – (inaudible) – sequence which describes Russian leadership. But it doesn't look this way all the time and I'll try to explain why is it so.

The second myth is connected with oil price, which is skyrocketing once again, and the idea is that if oil is expensive then there are no problems for Russia and for the political regime. That's right in terms of macroeconomic approach but it's not that right in terms of microeconomics. It's absolutely wrong in terms of regional and managerial issues; not to speak about the fact that even in terms of macroeconomics it doesn't work well for long. And here is the brief explanation.

The third myth is connected with the fact that we're waiting for organization from above, we're waiting for a good leader – for a good czar – who will come to bring us modernization, and Dmitry Medvedev is one good example, but there used to be many more. And the point is that almost never in Russian history – modernization was coming just as a good will of a good czar. And we do hope for modernization, but for the one which is reactive rather than proactive which is driven by the need to preserve the system rather than the idea to make human life better.

[00:08:20]

And this the fourth, and the last myth in this (row ?) which is connected with the fact that Russia is by no means not a monolithic state. It's divided at least in two ways – in regional way and in corporate way. And here is the illustration of the notion that there are many towers in the Kremlin – which means that there are many different clans, many different groups and each of those groups can have very different interests and strategies.

Here we're coming to integrated scenarios, and there are several important issues. The first one is the starting point. And it's that Putin doesn't leave. And in a system like Russia, you cannot leave without making serious preparations. And there are no signs showing that Putin is eager to leave, especially to look at his speech yesterday. So the first point of bifurcation we do have is 2012, when we'll be needed to decide about the configuration of the political power.

Transcript Not Checked Against Delivery

[00:09:48]

The point is that it will be important to combine formal and informal leadership. Now it's separated. We do have formal leader Dmitry Medvedev and informal leader Vladimir Putin, but to my mind – and I'll try to explain it a little bit later – the system is no more capable to be more or less effective or even to survive if this idea of two-headed eagle will be in place.

[00:10:24]

So the second point of bifurcation is even more important because now it's needed just to make decision for the political elite, and I don't wait for any troubles either in Duma or in presidential elections. But immediately after the presidential elections the situation will become very different because it's understandable that the government can no more continue with its social politics, which means total change in relations between the state and society and in political system as well. So elections will go on smoothly but immediately after elections, the next year after elections, is the most important point of bifurcation.

And the last one within this decade we're looking at is connected with the next election cycle. Here the point is that regardless of who exactly – what will be the name of the next Russian president, the choice of the model is much more important. And there are two basic models the country should choose from: the traditional one, which is in place, and so-called modernization model. And, to my mind, the last year there was intensive competition between these models, and it's over, and I do think that the choice was already made in favor of state-controlled redistribution of the – (unintelligible) – in favor of the traditional model which is absolutely rational.

[00:12:02]

There is no – there are no reasons for political and business elites to change essentially the model if the old one is working more or less well. Perhaps if oil and resources prices would be different, the result of this competition could be different as well, but now it's more or less understandable that the model for the next decade will be the same.

And here, we're coming to the three of scenarios. It's very schematic. Those two eagles do represent either monocentric power – this is German eagle – or the tandem and the idea is the tandem is not affordable for the system and even if they will decide to keep it and what is important – there is no way to keep status quo if leaving Medvedev and Putin in their offices. If only Putin or political elites in general will decide to keep the very skin of a tandem, it will be needed for them to replace Medvedev by somebody else. The fact that Medvedev is in the office for the next term remains very essential changes in the balance between two guys and their teams.

But here it's shown that majority of our experts do not believe that this scheme of a tandem works, and to my mind, it's over and it worked differently in different spheres. It worked well in economy because it was one head instead of former two heads with Putin being the real master in the house, unlike in past when Putin was master in the house and there was prime minister who was partly – well, playing this role as well. In foreign policy it worked pretty well, but in domestic politics, it was the real disaster in a sense that the fact that Putin did construct this system where he enjoyed full power without being at the formal center of power meant that he was blocking any political changes being sure that those changes will not work in his favor. That's why there are no political modernization at all although there was real claim from a side of part of political elites.

[00:14:36]

Transcript Not Checked Against Delivery

So – (unintelligible) – we’re coming from three different scenarios: One can be called modernization-plus. It’s modernization which is not controlled from above in a way Gorbachev’s modernization was going on. The second is modernization “lite,” and the third is authoritarian rule or moves in direction of authoritarianism, and the problem is that it’s not very stable for long run, but it can be the case for the forthcoming decade.

Here is brief description of these scenarios. It’s pretty evident and – to my mind – moderate modernization is the only way for the system to survive. It means that certain elements of political competition and to federalism are reinstated including perhaps direct elections of regional leaders. But the essence of the system remains the same and, at the end, we can see a kind of civilized state capitalism comparing to not-very-civilized state capitalism we do have now.

Here is modernization-plus, which is going on perhaps too far to be rational, and the very idea of these scenarios is not to predict and to calculate, well, probability for any of them to be realized. It’s more like say an intellectual game, and the idea is to look at the mechanism to understand how the system works and how it can move in what direction if nothing will be changed. And here is authoritarianism which, to my mind, can be called authoritarianism “lite” in the sense that there is no way to move in this direction for pretty long. But, anyway, it can be tried.

[00:16:51]

So here, welcome to the last myth. It’s about – well, the fact that it’s predictable and we do not know pretty well – we do know pretty well – where points of bifurcation are, it’s not the case, and it’s pretty evident now, especially after all these revolutions in the Arab world, and here we’re coming to turbulence and the fact that there are many different reasons why the development can go in – in a very different way.

I will show some of them and they are – well, Russia without Putin. And it’s understandable if to imagine that, due to this or that reason, it doesn’t mean physically without Putin. It can mean without Putin with a high approval rating. This situation will be much less stable and it’s not so easy to predict how it can develop, and let’s remember the situation after Stalin’s death.

So here is soft collapse and, unlike some other experts, we do think that it’s pretty probable – not in a sense that some regions will secede, but in a sense that some regions like Chechnya now will live formally within Russia, but will no more – well, enjoy or exercise being in Russian – well, under Russian jurisdiction de facto.

[00:18:33]

Here is split of elites which is more than probable within next 10 years. The third Caucasus war which, unfortunately, is – well pretty realistic scenario if you have in mind how the situation is going on. And the problem is that Caucasus is facing two different groups of problems.

First of all, there is extreme expression of all Russian problems like – well, weak institutions, corruption, and so on. But second there is the whole bunch of – (unintelligible) – problems. The biggest – well, why this is probable, it’s due to the fact that Moscow is not in a position to fix these problems and to go here with long-term strategy. Instead of doing this, Moscow puts itself into the position when it’s needed to show that everything is OK today, not to think about what will happen tomorrow.

[00:19:45]

Transcript Not Checked Against Delivery

Here is the photo of recent events on Manezhnaya Square, and the situation is different in Moscow now from what it used to be sometime in past. And, if to look at sociological pulse, you can see that Moscow once again is becoming the capital of protests – well, electoral behavior, and, the, well, the fine illustration is that recently, when Levada Center did ask, if both guys, Medvedev and Putin, will be included into the ballot, whom will you support? And in Russia, in whole, Putin did win with a huge margin, but in Moscow he lost. And it's not due to the fact that Medvedev is popular. It's due to the fact that Putin is becoming more and more unpopular in Moscow.

[00:20:44]

And here is the stabilization in neighboring countries which is probable as well, especially if to look at those regimes, in Central Asia for example, and at their leaders. The, well, two last wildcards connected with nationalism – its grassroots scenario – and the danger of this is – well, it's not extremely high, but it's relatively high. And the last and nice one is European choice scenario.

So I would finish on this, but before giving floor to Masha, who will tell more about concrete results of our experts, I would remind you five basic points I did make when speaking about scenarios for future.

The first one is about the choice of the model. It's done, and it's in favor of the traditional one.

The second is importance of looking at real formal leadership rather than thinking in terms of Putin, Medvedev, or somebody else.

The third is that status quo is impossible, and that's why changes are inevitable in political configuration.

[00:22:16]

The fourth is that 2013 is perhaps the most decisive time when the choice should be made which will shape the development for the next decade.

And the last one is about modernization. There are no hopes for modernization from above, but to my mind – well, to our mind – modernization as reactive modernization is almost inevitable.

Thank you.

MARIA LIPMAN: Thank you.

I will present a view of our more than two dozen contributors with their names and their images that Kolya will kindly help me show. The contributions had to do with individual fields or areas, such as the economy, political economies, society, foreign policy and such like. As I said, over 20 contributors altogether, about half of those contributions have been published already in this issue of our Carnegie Moscow Journal Pro et Contra, and the second half is currently in print.

I will begin with a pair. As Tom was saying, our contributors were mostly arranged in pairs, one foreign, one Russian, so that we have a more profound analysis of each particular field.

[00:23:58]

So I will begin with Kirill Rogov and Dan Treisman, both in political economy.

Transcript Not Checked Against Delivery

Rogov drew on Arthur Schlesinger's concept of historical cycles and looked at the past two decades as two definitive periods. The '90s is a period of transformation, of gigantic institutional changes, and no less enormous restructurization of the economy. The key words of that period are reform and decentralization. Compared to that period, the first decade of the 21st century is the time of stabilization. GDP was up, institutional changes died out. The key words of that period are stability and recentralization.

According to Rogov, the agenda of the stabilization decade is increasingly exhausted. Therefore, he envisages the initial scenario as a general reverse movement, a partial return to the problems and preferences of the '90s. The aggravation of the economic dynamics will affect both the people and the elites. This cycle of the second decade of the 21st century, according to Rogov, may evolve as a new transformation. He envisions a new demand for democracy that will imply a desire for a fairer distribution of incomes, and more public control over government. If mass interests emerge on the political arena, this might prevent the developments of late '90s, when the advantages of democracy were largely privatized by the leading elite groups.

Now Dan Treisman generally agrees with this – (unintelligible) – but his focus is the juxtaposition of a close-up view in a more general perspective. Although the long-run trend is toward modernization and development, the shorter run has been extreme volatility. Russian income fell sharply in the early '90s, before rising rapidly after '98, only to stall in the throes of the global financial crisis of 2008 through '10. The dynamics of politics of the last 20 years when viewed from close-up have been shaped by the interaction of two things: the economic performance and the goals, and to some extent, the tactical skill of the Kremlin incumbent. Public opinion-specific issues has also seemed to matter at various times. Changes in these factors have been more important than changes in the formal institutions.

[00:26:34]

Treisman clings closer to his political-economic approach, and unlike Rogov, does not get distracted by values or attitudes. If the next 10 years resemble to the past 20, he believes a great deal will depend on the pace and pattern of economic growth. The impact of growth is complicated by the fact that it has different, even contradictory effects at the two levels.

In the big picture, more rapid economic advances will tend to speed up the country's modernization and integration to Europe. As the population becomes still more integrated, managing information flows in elections will become harder. However, looking from close-up, the picture is quite different. High growth is likely to sustain the popularity of the current political incumbents, consolidating and entrenching their less-than-democratic regime.

A fall in economic growth, in the big picture, would slow the evolution of Russian society towards modernization and autonomy, but in the close-up view, it would generate more vocal opposition within the ruling elite and maybe a turnover in the leadership.

[00:27:39]

Now, one of our experts on economy was Vladimir Milov, and he too thinks about phases, but with him, these are phases of the past decade.

During the first phase, which roughly corresponds to Putin's first term, the economic growth was based on the post-crisis recovery, and of course, on the high and growing price of commodities.

Transcript Not Checked Against Delivery

For this growth to become sustainable, however, it was needed to improve the investment climate, to attract fixed investment, and to boost labor productivity and economic efficiency. Such measures were indeed announced but not implemented. However, Putin, a perennially lucky man, had another stroke of luck: a massive inflow of foreign capital that allowed to postpone the necessary structural reforms.

[00:28:31]

By the end of the first decade of the 21st century, however, Russia lost both: the price of oil dropped, and the capital was now flowing out, not in. By the end of that decade – so the major flaws that limited competitiveness of the economy and unfavorable investment climate remained in place, and they're holding back Russia's growth even as the price of oil continues to rise these days. So everything does not depend on the price of oil, as one of the myths that Kolya was talking about – contrary to what that myth says.

There seems to be no more silver bullets to boost Russian economic growth, is what Vladimir Milov believes. In order to accelerate economic growth, Russia needs to mend those same flaws, which means a return to the agenda abandoned several years ago. But such a shift would require a considerable revision of the mainstream government's policies. Most important point to radically reduce: the size and regulatory powers of the government. For now, however, the government looks more likely to rely on Putin's good fortunes than to opt for easing controls.

Some among the elites clearly seem to believe that Putin is Russia's blessing, and, in fact, has a pact with God. So Milov outlines the three scenarios that I think you can see on the screen – business as usual, lucky again and radical change.

[00:30:03]

And now to the party system. Our expert on this one was Boris Makarenko who pointed out that parties in Russia perform none of the usual functions: They are not vehicles to compete for power, they do not draft national agendas, they do not promote their political leaders, and they do not help work out compromises between the different sections of the elite. None of the existing parties today is capable of independent or meaningful development. In Russia the authorities isolated the active and modernized minority and have built their support among the paternalistic lower classes.

But as the resources are no longer abundant, this construction will get harder to maintain. The future of Russia's political system, and in fact its modernization, will depend on how this contradiction is resolved. Will a policy of isolating the activists continue? And if not, will united Russia succeed in winning them over, or will they find political representation through some other party, organization or structure?

Makarenko rules out the miracle scenario. As you see on the screen, stagnation looks to him the most likely scenario as far as the development of the party system is concerned. But this stagnation may easily slip into authoritarianism or into a collapse. A revolution in Russia, he believes, can only be of the hard type – not orange or another color – and that would mean that authoritarianism would take a harsher form.

Now, the partial liberalization scenario may evolve as the government's concession to social pressure, and this in Makarenko's view would give Russia a chance that the next two parliamentary elections cycles could become a time of growth and development of a party system.

So now we come to the Russian society and we have several brilliant experts on those. I will talk a little bit about the approach of Sam Greene's. In Russia citizens are a factor, not a force. The government may not be

Transcript Not Checked Against Delivery

considering them as a counterpart, but it is not oblivious of them either. High approval ratings are a critical resource of governance and therefore a matter of permanent concern. High ratings are maintained by a combination of general – generous social spending and manipulation of the public opinion.

[00:32:46]

The end result is a passively compliant majority with a more critically minded minority, the one that was outlined in Boris Makarenko's analysis of the political party system. Not necessarily compliant, but neither is this constituency politically active. Those prone to political activism are scarce, consistently marginalized and restrained. The alienation between state and society is deep and growing. The relations may be described as a nonparticipation pact, or a peaceful divorce. The people do not meddle in government affairs and the government does not intrude in people's private lives.

This leaves opportunity for individual modernization which is seized by many in Russian big urban centers. This is the active minority, in Boris Makarenko's terms. Now, Sam Greene has suggested an interesting new approach to the description of the Russian society. His point is that in Russia's de-institutionalized environment, the relative comfort and prosperity that any Russian citizen may enjoy is the result of a singular, unique set of circumstances owing exclusively to that citizen's ability to cope with his or her uncertain environment. Change then threatens to undermine these achievements, potentially forcing the citizen to start again in the face of uncertainty – a wholly unattractive prospect. This phenomenon that Greene calls aggressive immobility is a pillar of the political status quo.

[00:34:22]

This mindset is therefore is an invaluable asset of the government, arguably as important as its resource wealth. The government is aware of this. Sergey Ivanov, once considered a contender for Russian presidency, notably said, "Our people are our second oil." But frustration – or social friction in Greene's words – is building up as a result of social injustice, lawlessness, police abuse, et cetera.

As social friction increases, comfortable alienation – or peaceful divorce – becomes harder and harder to maintain. This process may be further aggravated in the next decade as resources are depleted and the government will no longer be able to throw money at problems – will finally opt for long-overdue, painful reforms.

What makes Greene – as well as several of our contributors – cautiously hopeful is deeper integration with the West, particularly the European Union. The current rapprochement may give an idea, but for now it's not irreversible. The Russian government may be pushed toward deeper integration by a continually faltering economy and increasing social tensions. This may be a necessary condition but not a sufficient one, of course.

But if the government indeed opts for a policy of Westernization, and the West – especially the European Union – reciprocates, then over time a growing number of Russian citizens would begin to form institutional strategies based in this newfound unfettered access to the European space.

Two pieces in our project were devoted to Russia and the World: one by Immanuel Wallerstein and Georgi Derluguian and the other by Tom Graham. Their analyses are perfectly in tune with each other. Both offer a broad overview of Russia history going as far back as 4(00) and 300 years ago. A comparison of today's Russia's stature to that of the earlier times appears to be not in favor of Russia's present state.

Transcript Not Checked Against Delivery

Graham observes that for the first time since it emerged as a great power, Russia is surrounded beyond the former Soviet space by countries and regions that are more dynamic than it is today – economically, demographically and politically. Wallerstein and Derluguian write that today’s Russia is a historic low point and might not rise again in our lifetime.

[00:37:01]

Both papers point out that Russia may be stronger than ever, dependent on the developments in outside world, and at the same time has little if any impact on those developments. Graham envisions the next decade as a dramatic struggle for the creation of a new global equilibrium. For Russia, the central drama – according to Graham – will be whether it generates the imagination it will need to find a respectable place for itself in this new world, the creativity to devise the policies to that place, and the political will to execute those policies.

And if last decade is any indication, the Russian government may be capable of creativity and imagination when it applies to very short-term manual management, but it has shown none as far as strategic vision is concerned. One should remember the Kremlin proclaiming Russia an energy superpower or announcing that Moscow would soon become an international financial center.

[00:38:00]

Finally, Dmitri Trenin offers his vision of the Russian foreign policy. Russia’s decline, pointed out by the two previous papers, is a matter of concern to the Russian government – our team believes – and it was this concern, he thinks, that motivated the Kremlin decision to opt for modernization. The current modernization model, however, is superficial and reduced to a formula that Trenin describes as money plus engineers – that is, investment and technologies, of course – while the political system fully suits the leadership and would keep – and the leadership would keep it intact.

Modernization is closely associated with the reset in the U.S.-Russia relations. Trenin describes an initial scenario as a modernizing foreign policy that will continue either under Putin or Medvedev in his view. A negative scenario would imply an end to the rapprochement with the West. The main prerequisite for a positive scenario is a Russian leadership guided by national interests, rather than group, clan or corporate ones.

Of course domestic and foreign policy developments are interrelated and foreign policy will be informed by the choice between modernization and a pipeline policy. When I spoke about with all major players on the international scene having a serious impact on Russia’s stance – the U.S. and whether it will engage Russia or push it towards a besieged fortress mentality, China in whether it will be aggressive or flexible – Europe is especially important, Trenin believes, like others in our project.

Trenin’s view is that Euro-Russian integration is key to how Russia defines its place in world. Like Sam Greene and others in our project, Trenin is convinced that openness to and integration with the West would give Russian public access to resources of development. This is vital because this may create prerequisites for a transformation of the social environment, and eventually of the Russian political system.

Thank you.

MR. CAROTHERS: Thanks to both Kolya and Masha. You put a lot out there before us, I think, reflecting the richness of the project which you have a considerable group of people and done a lot of work.

Transcript Not Checked Against Delivery

Let's treat this like a seminar. It's not a lecture. And there's a lot of expertise here in the room. And so, please, think about comments you would like to make. You can address questions if you want to, or speakers, but you can also just offer some reflections.

[00:40:48]

I think we have sort of three areas we could talk about. One is the path that Kolya described over the next nine years now, and the junctures he noted ahead, and whether you agree with that. And then there's the three options that he set out, which I think are worth commenting, and if you have thoughts on those or other options that, you know, you think are not there on the table that should be, it'd be interesting to hear. And then, sector by sector, as Masha went through the political economy, the parties, Russia and the world, be interested in comments there.

So, everything's open, but I just mentioned that we have quite a bit of material, and like I said, I like to hear comments and thoughts, and then we'll have reactions. Who has some initial comments or reactions they'd like to offer?

Yep. Matt. (And I'll come to you. Yeah ?).

Q: Thanks, guys. Obviously, I've had the privilege of chatting with you in the past about this, and so I know that my comment is, or my question is not entirely off your radar screen, but one thing that wasn't so prominent in this presentation was the generational factor, which, in my view, is probably already different, and certainly will be different than simply, you know, a smooth spectrum.

I think that there are going to be significant kind of moments of inflection which are driven just by the biological calendar. Sort of when the generation which came of age and political awareness entirely post-Soviet system, and then sort of the second sub-generation which came of age entirely in the Putin era, begins to become professionally dominant.

I think you could see some major disjunctions. And I don't actually know that those would mostly support what seems to be the dominant scenarios here of, kind of, you know, muddling through. I think that those might actually support really dramatic change, at least within the island of Moscow. And so I'm curious what your thoughts about the generational factor might be.

MR. CAROTHERS: Good. Thanks, Matt, that's a good angle to bring in. Kolya, you want to respond to that?

MR. PETROV: OK. I can start and Masha perhaps will add.

[00:43:10]

So, I'd like to say that the essential change of a model can very essentially influence generations, and 25 years ago, when Gorbachev's perestroika came, we got lost generations. The one which was staying in line, waiting until they would be allowed to come (inquire ?), did lose its turn, and I would say that our generation came instead. The problem is that now, our generation is strong enough not to let our children to replace us. And once again, there is the problem, the conflict of generations.

Transcript Not Checked Against Delivery

And here is the scenario I've missed. It's Masha's favorite, revolt of the bloggers. And look at these faces. What is remarkable about them? It's the fact that Levada Center asked: Who are most influential bloggers from your point of view? Medvedev and Putin – Putin, by the way, hates Internet in general, so never he was a blogger, but they got 2 percent. And these three are the guys, one of whom is Alexey Navalny, Kaspersky (sp) and Artemy Lebedev. They are really influential persons, perhaps not necessarily as bloggers in case of Kaspersky, but anyway connected with Internet, connected with young generation.

So I'm showing this picture to tell that there is a kind of over-exaggeration when speaking about Internet, its influence, the role it can play, if especially to think that Internet is the one which divides these generations. So, in broad terms, Putin is representative of a generation which should leave the way to younger generation, and Medvedev is representative of this young generation. But in general, I think if there will be not a kind of revolution, then the old generation, including not only Putin but myself, will not let the new one to replace us.

[00:45:49]

MS. LIPMAN: Thank you for this question. Indeed, I love this subject, and I think we should be talking not necessarily about the generation of the very young, those who were probably born as the Soviet Union was collapsing or collapsed.

I'd rather talk about what I describe as the new urban class. These are the modernized Russians or the active majority in the terms that Boris Makarenko is using. Anyway, this is a minority that does not share the mentality of dependence on the state. And that's the most important thing about these people. They are achievers, they are people who rely on themselves, they have good professional skills, they are at home with modern skills such as new communications and suchlike, and they are – they feel at home in the global world, they are well-traveled, well-educated, entrepreneurial, et cetera.

This is a very important constituency in Russia. The thing about this constituency, as I mentioned when I was introducing Boris Makarenko's view on the prospect of the development of the party system, is that this constituency has been alienated by the current regime. Not only is it a minority – I think such a constituency is a minority in any nation – but it is consistently and purposefully alienated by the regime, and this constituency accepts the alienation – at least it does today.

[00:47:24]

The problem with – in Russia – is this nonparticipation pact, this alienation of the people from the government, but this particular constituency, the new urban class, is the likeliest to consider the ultimate form of nonparticipation, which is leaving Russia altogether. And the more we are entering this period of fatigue of the current government – in this particular constituency you will hardly find a single person, regardless of whether you're in Moscow, or Novosibirsk, Petropavlovsk or whatever, who would tell you that he's fond of Putin. I think they will all – (are – be ?) loathsome or worse, of Putin and the government.

Problem is, they would prefer to – not to think about the future of their country but be totally focused on their own life pursuits, to a point of leaving the country altogether – and you hear commonly these days that if Putin comes back, these people – people in this group would say: I personally know a hundred people who would immediately leave the country. Maybe this is an exaggeration, maybe more people are considering emigration than would really leave the country, but as we look at the growing Russian émigré constituency in London, and the kind of lifestyle that they have there, this is really an important cautionary signal here.

Transcript Not Checked Against Delivery

If we talk about the young, of course they are different, of course they do not share the mentality of their parents, especially not grandparents, but of course there are different groups of young. There may be groups that refer to themselves as hipsters, and there's even such a thing as hipsters' protests, and they define themselves this way. These are people who may be even socially active, if not politically, and especially recently these are people who are seriously engaged in charity work, and in different kinds of social organizing.

But at the sight of their other counterparts, other Russians who took part in Manezhnaya Square riots several months ago, that Kolya showed the picture – hipsters – one of the hipsters protesters, one of the leaders of that group, wrote something of a manifesto saying: this country is hopeless; if this is our generation, then we should probably alienate ourselves altogether.

[00:50:01]

So this is only to say that if we associate our hopes with the young liberals, we should also be aware of that there are other young people, and a more-or-less universal opinion among Russian sociologists today is that the Manezhnaya Square riots were underlined not just by ugly racist sentiments, but also by social frustration. And this is something to keep in mind. National sentiments merged with loathing of social injustice and social inequality.

[00:50:41]

So, this is a diverse picture and whereas, of course, the young people are a factor – how can they not be a factor? – it's a question of a factor of what, exactly.

MR. CAROTHERS: Matt, do you want to come back on that at all? Just a big subject – yeah, OK.

Q: I would – (inaudible) – sorry. I just would point out, I think, that your first point about the population of people with experience to which they can compare what they see in Russia is something, you know, that you actually have some precedent for, right? Going all the way back to the Octoberists, you do have the phenomenon of those who have experienced something different and believe that there's a standard that, you know, a universal standard that governments can be held to. The problem is, as you point out, there's an exit valve today, which is that they can leave if they want to leave.

But what I'm trying to argue in terms of generational change is that rather than this being a class thing – I mean, you made a point about a sort of, certain elite, you know, urban class – I tend to think this is actually a generational thing. And so, instead of having 5 (thousand) to 10,000 Octobriski (ph), you have potentially five (million) to 10 million of them, across the country, in every major city. And when that happens, they can't all leave. Right? They have too many families; it's just not going to happen.

And the question is, how can – you know, looking at the authoritarian model or the continuity model – I don't see that persisting in the face of people who feel it incumbent on them to write a manifesto as opposed to keeping quiet – even if the manifesto expresses frustration, even if it says things like, "I would leave if I could leave." The reality is just too many of them because it's an entire new wave of the population.

So that's where I think maybe there could be really disruptive change that isn't reflected in this scenario.

[00:52:30]

Transcript Not Checked Against Delivery

MR. CAROTHERS: And I'm – if anyone would like to comment on this, let's pause on this before we turn to other subjects. It's an important issue. Do you have a comment specifically on this question of the generational change?

Q: Particularly on the – on the presentation of –

MR. CAROTHERS: Yeah.

Q: – and exchange –

MR. CAROTHERS: Yeah. There's a microphone right there – to your right.

Q: Oh, thank you. Molly Williamson, American Academy of Diplomacy. The disaffection and the alienation that you describe leading people to conclude – or perhaps leading them to conclude – that the country is in such bad shape, the prospects for renewal or improvement so bleak, that one would consider leaving in order to pursue personal well-being over societal change or change of governance.

Is there a picture, a definition of the positive? In other words, people know what they don't want, they know what they want to get rid of, they know perhaps they're willing to leave, it is so bad. Do they know what the positive is?

MR. CAROTHERS: Do you want to comment on that, Masha?

MS. LIPMAN: Yeah, this is indeed a very good question, and I would say rather the question is null. Or rather, I would say people know what an ideal – an ideal Russia – would look like. But the – I would say – the most common attitude among the enlightened elites is cynicism. Change is impossible.

I would say the more – the majority of dependents would say status quo is better than any change because of what I describe as Sam Greene's view of this aggressive immobility. Let's stay with this little world that I built for myself, because otherwise it'll take new effort and I will not necessarily succeed next time.

With more enlightened majority, it is a sense that the leadership is hopeless, there are no leaders in sight. Whoever is speaking about ideals – better Russia, calling for political activism – is most likely self-seeking or quixotic.

[00:54:58]

Cynicism is indeed a pervasive attitude these days, and I think it shouldn't be underestimated, the depth of the cynicism as far as national issues are concerned. People may be – may have ideals and values as far as their personal lives are concerned and as far as their relations with their friends and family are concerned, but not about governance.

Attempts such as one undertaken by the Institute of Moral Development – a think tank that is associated with the current president – attempted this approach when they put together a report called, "A Desired Future." I would say mostly made fun of by people in the intellectual – in the intellectual constituencies just because they don't believe that this is implementable. Just because it is so easy to make an argument of why this is not possible.

[00:55:57]

Transcript Not Checked Against Delivery

This has not always been the case. Late '80s were exactly opposite. People were full of ideals that Truth and Freedom – capital “T,” capital “F” – will make Russia a happier place, will make Russia’s living standards similar, closer to those of Western countries. But the disillusionment was very powerful. The disillusionment of the '90s was quite powerful.

And, what is very important, the government capitalizes on the cynicism. This is a comfortable mindset for the government. It is easier to rule when your enlightened constituencies do not believe in coming together for a cause, do not believe in getting politically active, do not believe in actively participating in political life. So this mindset is indeed encouraged and capitalized on by the government. And that’s really important.

MR. CAROTHERS: OK, let’s move on. We had – I have a couple – yes, here and then there. Yeah, please go ahead.

Q: Right, all right. Wayne Merry. A lot of terribly interesting issues here; I certainly look forward to reading the materials in some detail.

I remember when Medvedev went to Silicon Valley, and he met with a group of the Russians who live and work there and – as I understand, Russians are the second largest foreign national group after Indians – and the first question he got from one of those young Russians was, “Do you understand, Mr. President, that Silicon Valley is not a place? It’s a state of mind.”

[00:57:34]

And I really would like to focus on this issue of place because when young Russians say, in certain circumstances, I will leave – in some ways, for somebody of my generation, the most astonishing aspect of that is that he can leave. That this is an option to be exercised and has been exercised.

And I would say that, in many respects, Russian society is probably already part of the European Union as a society. Not the structures, not the institutions, not the countries. But the extent to which young, modern Russia, which has emerged in the last 20 years, the extent to which educated young people have used the mechanisms of foreign travel, the mechanisms of the Internet, the mechanisms of all of these opportunities they’ve had to become integrated in the outside world and particularly those in Europe. I think that is – that is a fully realized reality.

But that it’s perhaps the alienation that impresses me most – of which there are many alienations within Russia – is the alienation of society from place and the extent to which much of Russia is not part of this modernizing, young society which feels more at home, not just in London but in Vienna and the South of France – and increasingly I would say even in Shanghai and Chengdu and places like that – than it would feel in Yekaterinburg or Samara. Of course a terribly important aspect of it is how much of that is a feedback loop. And I would say – to Moscow, to Petersburg – yes, it’s an enormously important feedback loop.

[00:59:22]

But anybody who’s looked at the so-called Zipf curve – that shows the relationship between the largest city in a country and the other cities – knows that Russia is an extraordinary outlier in how much of the country is focused and concentrated just in one place, in Moscow. And that the feedback curve from the integration of Russian society in Europe is a feedback curve really largely to Moscow. And I was – I’ve lived in Moscow, I’ve lived in Athens. I think Moscow is a more European city than Athens.

[01:00:00]

And beyond that, today, having lived in Germany, if you ask a German today, do you feel more comfortable with Russians as fellow Europeans or Greeks, I think they're going – (laughter) – no joke, folks, I think they're going to say Russians. I think they are going to kind of, you know, grit their teeth a little bit if that's the choice, but if that's the choice, where does a German feel more “zu hause” as a European, in Moscow or in Athens, I think they would say Moscow.

But if you go outside of Moscow, outside of St. Petersburg, I think that drops off very, very quickly. And so what I would identify as just sort of a theme is alienation of modernizing society from Russia as a place. And I think it's terribly important because of course Russia as a place is the player in the global scene. Russia as a place is the state – it's the thing that exists between Europe and China – it's the custodian of nuclear weapons and everything else.

I mean, but to have this enormous alienation of talent, of aspiration, of the modern which is incorporated in that young engineer's question to Medvedev out in Silicon Valley, that is increasingly, I think, detached from Russia as place, leads me almost to speculate of a future in which – as for several generations Poland existed more in exile than in the homeland, there were more – there were more Poles in Poland. But Poland as an idea, as a place existed more in Paris than it did in Warsaw. And I'm wondering if the day may come when Russia as an ideal may exist more detached from Russia as a place than integrated in it.

Q: (Can I have one more ?)?

MR. CAROTHERS: Yeah, Jim, go ahead.

Q: I think if you want a symbolic representation of what Wayne is talking about, it's Skolkovo. Skolkovo to me is the – what I used to call – (speaks in Russian). It's the closed city of the 21st century. It was deliberately designed to create a Europeanized or modernized enclave in Russia that would have no effect on the rest of the country. Or at least would be totally different in the way the rules worked for everybody from the outside, as well as Russians.

And in a way, that's – it's almost symbolic. I'd say it was the effort to create another modernized place without any real thought that it would affect – (word inaudible). And I think it's – that's an important – I mean, I think Wayne makes a very important point on this.

I would like to raise one other question for your comment too. In many ways for centuries the organizing principle of Russia was defense, and if you will, the military-industrial base. It in many ways dominated the whole way the communist system worked, it was Peter the Great's rationale for the way he organized the country and so forth.

[01:03:33]

In the current circumstances, for a variety of reasons – demographic, economic and so forth, I think it's a very problematic issue for – or question. That Russia can have an independent military-industrial base in a modern sense. And if you look at what's happened to the military in the last two decades and so forth and so on, yes, the nuclear complex has been kept intact, more or less, but the rest of it is disintegrated.

Transcript Not Checked Against Delivery

And the question I have is in the absence of that organizing principle – which I think is gone – what’s out there? What is the organizing principle? Because top down in many ways was always rationalized by the need to mobilize the resources of the country – human, natural and so forth – to protect itself, to defend itself, to define its role globally. And that seems almost now impossible, in the way that it was traditionally thought about.

And yet most of the Russian discussion that goes on, out – you know, for the outside world – talks about the place like it’s back in the 20th or the 18th century. So there’s a huge disconnect, it seems to me here, between reality and the capacity of the society and, you know, the way they’re discussing it. And there’s no clear organizing principle. I mean, you know, energy superpower was an effort. So everyone would be mobilized to make more oil. But they didn’t do it. (Laughter.) And it didn’t have much of a – much common sense anyway.

But I’d just be curious whether you sense that there’s any new kind of organizing principle being developed or articulated or thought about for Russia. Or is Russia giving up its sense of, if you will, being an independent pole in the multipolar world?

[01:05:48]

MR. CAROTHERS: I think that’s provoked a comment from somebody. Why don’t you take that? I’ll keep our panelists in reserve, you know.

Q: Yeah. I’m Hank Gaffney from CNA. Just to add to that, it was interesting to look at the dialogue between the Chinese reporter and Medvedev last week in Hainan, where the reporter says, so you and Putin want to be a world power and strong. And Medvedev’s answer was, prosperity. That’s what we’re worried about for our people.

Which completely missed what you just said about – as the Chinese picked up – our Western dialogue is all about those kinds of terms, and not about – which is really economics.

MR. CAROTHERS: Would you like to come in here?

Q: Yeah.

MR. CAROTHERS: Right.

[01:06:41]

Q: It’s a little bit off subject, but as we’re talking a lot about this group – the group that sort of wants change – what do they want – I’m thinking to myself, what about the people who don’t participate in polls and don’t do any of this and the people who actually have the power now?

Do you get a sense that – and it’s a small group of people – that they understand Russia is headed towards a dead end under some of these scenarios? Do they therefore see the next couple of years as a race against time for themselves in terms of how much can they get from the system before they bail out?

Or are they so isolated, as often happens, that they believe they carry the Russian ideal and they can force this on society? Because I think their – it matters a lot and we don’t hear from these people; in fact, we don’t even know some of their names. So, I think we make a lot of assumptions about society because we see those people. But, you know, maybe some people have access but not a lot.

Transcript Not Checked Against Delivery

So I'm really curious what you think their reaction to some of these scenarios would be. Like, these people don't understand where Russia is headed, or what I'm trying to do, or something like that?

[01:08:18]

And then, I do want to comment on this last little dialogue, because the description of people who are in Russia but not of Russia sounds a lot like the 19th century nobility. I mean, in a way. Except there were so many of them they thought it was normal.

So it – you know – I mean, these are people – what, French was the language? I mean, you read – I mean, obviously we read the literature and, you know, these are people who lived in Russia but had an idealized view of it – sort of no clue maybe what was going on and lived a life that was very different – with the connections to Europe, by the way. So I just wonder how much, you know, we should draw from our own knowledge – and certainly you have a lot more than we do – of Russia's history and its sense that it's part of Europe.

But when it came down to it, you know, the British didn't want Nicholas the Second, right? They didn't want him to come there. So, you know, that European sense was not a total sense of yes, he's one of us, even though he really was, by blood. So I just wonder if the sense that Russia's part of Europe is nice but whether Russia thinks Russia – or whether Europe thinks Russia's part of Europe, in point of fact.

MR. CAROTHERS: Kolya, would you like to comment?

MR. PETROV: Well, there was a very thoughtful and complex discussion so I will react to three issues. The last one connected with this small group of those who are making decisions. To my mind, the problem is not connected with the fact that they are fooled, they do not see what is going on.

The problem is, first connected with time horizon, and acting in a very short time horizon, it's not rational to invest into long-term projects, both in economy and in politics. That's while – that's why their behavior is dominated by short-term goals, but not by long-term strategies.

[01:10:34]

And another problem is connected with exit strategy for them. It's like, say, Titanic with a couple of helicopters for the team to leave when it would be needed. So, their families live abroad, they do have possibilities to escape immediately and to enjoy – they think – to enjoy the rest of their lives somewhere else. That's why they do not think like being hostages of the system they did construct, and they are, well, pretty well prepared to leave. So the problem is how to make their number bigger, and thus how to force them to think in terms of living in the country but not, well, escaping from the country.

And the second is how to make short time horizon longer. And here I'm coming to state-society relations which are extremely different in these two models.

In the traditional model, the state doesn't need society as such. It's the state who has invested into paternalistic feelings, and yesterday's Putin's speech is manifestation of this state paternalism. So they're getting money from oil, they are distributing money, and that's enough.

Transcript Not Checked Against Delivery

And they are interested not in mobilizing society – they are interested to let those who are not eager to live there to leave from the country, and that’s why, by different estimates, the number of Russians who left last decade is about 1.5 million. I mean, those who are keeping Russian passports but who do live abroad and who are either studying abroad or working abroad and so on, and they are brightest and youngest, and this is the way how to keep stability. Let anybody who is not happy to live to go somewhere else.

[01:12:54]

And modernization model is different, because, if to speak about modernization in broad sense, it needs mobilization, so it needs mobilizing society in order to move somewhere. But if, well, I’m right, together with our experts and the choice for the next decade is made, then there is no need to mobilize society. There is need to demobilize society, and to deal with it – it is much easier for the state to deal with it in this way.

Those of you who’ve been here two weeks ago, when Alexander Auzan was making his presentation, perhaps could remember that next week there will be the new meeting of the commission on modernization, which should be focused on a way how Skolkovo case can be used in order to spread this experience, in order to make it not an island, but an example, a playground, a testing ground where those laws and regulations, which should prove to be effective, can be later spread across the whole country.

I doubt that it’s possible to do now, but what is important, you can look at a dialogue between Putin and Medvedev who do personalize these two models, with Medvedev three weeks ago sending pretty strong message at the previous meeting of the commission on modernization with his ten points regarding investment climate. Putin answering him yesterday in his two-and-a-half-hour long speech to the State Duma, and Medvedev perhaps to have another chance to react next week.

And the problem is about agents of modernization. And, well, in case of the whole country, well, 1.5 million being compared to 140 is not that much, although it’s very important (then ?). Nobody knows where the point of no return was passed. But in case of some regions, it’s done. So there are no ways now to modernize Caucasus, because everybody who was eager, who was capable, who did think about any positive changes in terms of political modernization – they are out. They are either in Moscow or anywhere else.

[01:15:33]

And you are not exactly right speaking about Zipf curve. Moscow and Saint Petersburg fits it – fit it pretty well. The problem is that – nobody else. The problem is that there is huge gap. And this is, well, centuries-long Russian tradition of over-centralization. If you do think that you should improve your life, you should go to Moscow; if you are already there you should go somewhere else. And this is going on now.

MR. CAROTHERS: We’ll have Masha comment, then we’ll finish with that, because we’re getting closer to the end of our time, and I know people have to go on. Yeah, thanks, Masha.

MS. LIPMAN: Thank you very much for very thoughtful remarks. I will respond to – mostly to your point about what I say is individual modernization. You mentioned society as opposed to the place. I would say individual modernization as opposed to state-society relations.

I think there are a lot of Russians that I also spoke about, these modernized Russians who feel themselves at home, even if they do not emigrate in the global world in every sense, and may feel European, may be perceived as

Transcript Not Checked Against Delivery

European, but when it comes to state-society relations, they are not European at all. This is where I think a borderline lies.

[01:17:01]

You mention Russia – or the comparison between Russia and Greece, saying are – Russians are more European. In a sense, I think that's right. I think one thing that should not be forgotten about Russia is that, when we speak about modernization, we usually oppose it to tradition. Things traditional have been abolished in Russia a long time ago. The Bolsheviks took care of that, eradicating the nobility and taking a very hard toll on the Russian peasants, the two bearers of the tradition. So modernization, in a way, is easy in Russia, because there is no tradition there to overcome.

But again, when it comes to state-society relations to the political system, this tradition has never been overcome, not even today. And this is where I think the difference lies.

Well, talking about whether there were any triggers, whether there are – (inaudible) – there is something that can push Russia until a change: I think – and I think that was a common opinion among our contributors – that there is no way of smooth evolution. Or, there is no smooth way of groping for a new pivot around which Russia will be built. It will take a crisis or a series of crises beyond which it is very hard to predict. This was a universal opinion – almost universal opinion in our group. If not, they will be muddling along, or rather, muddling down.

And this decline is what, I think – this is mere speculation on my part – what the Russian leadership is aware of but tries not to show. And I think managing the decline so that nobody would notice, is, I think, in a way, a *raison d'être*, or the guiding principle of the leadership of today.

[01:18:50]

Talking about – I think it's an extremely important point – about where, if not the military-industrial complex, where, if not an omnipotent, powerful, dominant state, dominant over the society, what is another pivot around which Russia will be built? I think this is a very, very serious problem. And what we're dealing with in Russia is a weak sense of national identity and a very uncertain national discourse about whither Russia, where does Russia come from.

The government has intentionally – because the government does not have the answers to these – have pushed this discourse, have pushed – has pushed these discussions to the margins. We had those discussions in late '80s, in early '90s, that they mostly faded away, but to the extent that they still exist, the government has consistently pushed them to the margins.

What I'm talking about here is no national consensus on what happened in '91. What did the collapse of the Soviet Union mean? Why did the Soviet Union collapse? Why did communism collapse in the world? There is no consensus of this, and the government discourages national discussion. It does not ban it altogether, it does not deprive the people of talking about this, but it has marginalized it.

[01:20:06]

I would make one point, and this is – there is the lack of a national sense of the sources of the roots of the Russian statehood of today. I'm talking about a national holiday. This may appear a minor issue, but I think it is very important. In the Soviet Union, we had a very clear vision of where the Soviet Union comes from: 1917,

Transcript Not Checked Against Delivery

Bolshevik Revolution, you know the story. Many countries in Central-Eastern Europe have today, as a root of their statehood, the year when the Soviet occupation was over and they liberated themselves. This country has its own holiday; France has its own holiday – Russia does not.

Russia, of course, got rid of November 7 as the origin of the Russian statehood. Russia tried under Yeltsin to come up with a new date that did not take root, the date in 1990, when the Russian, as opposed to Soviet, Parliament vote for the Russian – voted for the Russian sovereignty. The new Putin state introduced a new holiday of November 4, which actually has been monopolized by the Russian nationalists. This is the day when – that has become a problem for the Russian government, because this is the day of very ugly marches under the slogans: “Russia is for Russians.”

[01:21:24]

There is no idea – universally shared idea in Russia of where the nationhood is derived. This is no minor matter, and this is not accidental. And I think this is what prevents Russia from – or, this is, I think, (all of – they are ?) mutually related – Russia cannot find a new pivot. This is why we do not know where our statehood derives from, and we do not have a holiday because there is no meaning there. I think this uncertainty will be there until something like a crisis, or, as I said, a series of crises, will lead us to a new Russia that we cannot see from today.

MR. CAROTHERS: Kolya, Masha, you’ve helped organize our thinking about a difficult topic, and also given us a lot of ideas. So good luck with the rest of the project, and thanks to all of you for coming, and we’ll see you again. Thanks.

(Applause.)

(END)