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# Our Man in Moscow

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Two radically divergent views of Russia have emerged in the West. The business community has, by and large, applauded the modernization of the Russian economy under President Vladimir Putin, including the opening of lucrative new markets for Western investment and the application of more uniform rules. Meanwhile, Western intellectuals and media pundits contend that Putin has abandoned democracy, centralized political authority, suppressed private enterprise, and muzzled the press.

This dichotomy is very telling. Business people have learned to deal with Russia as it is, warts and all. While far from perfect, they have found Russia to be a highly lucrative market, where deals can be made; indeed, it is now the number one international destination for retail expansion, ahead of both India and China.<sup>1</sup>

Intellectuals and the media prefer to deal with Russia as if it were nothing but a poorly remade copy of the USSR. This group is constantly reminding us of Putin's background as a minor KGB functionary (conveniently overlooking his years as deputy mayor of St. Petersburg under Anatoly Sobchak, one of Russia's most noted liberal reformers), and they see everything he does as abandoning the progress toward democracy made under Boris Yeltsin.

Those who regard Boris Yeltsin's reign as "democratic," however, need to take a more sober look at the 1990s. At the time, Russia was continually lurching from one economic crisis to another. It survived economic default thanks largely to massive amounts of humanitarian assistance and bank loans from the West. Power struggles paralyzed the elite, and the country's mineral and oil resources were plundered by a small group of oligarchs.

Simply put, the choice facing Yeltsin's successor was never one between democracy and dictatorship. Rather, it was between having the country continue

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its slide into criminality and chaos, or making a last-ditch attempt—one that few believed had any chance of success—to put a halt to the country's decay by restoring the authority of national institutions.

Looking back at Putin's first term, it is now clear that Russia has turned a corner. Now in its fifth consecutive year of booming growth and budget surpluses, the country, which during the 1990s saw industrial production fall by nearly 60 percent, is set on a path of economic growth that is exceeded by very few countries today.

Secondly, Putin has made major inroads into creating a unified legal space by harmonizing inconsistencies between local and federal laws. In turn, this has allowed for the introduction of a series of liberal economic reforms, including, most notably, a 13 percent flat tax on personal income that has boosted tax collection rates to one of the highest in Europe. By reconstituting state authority in the regions, cracking down on corruption, and strengthening the judiciary, he has also made it far more difficult for oligarchs to "buy the state."

Finally, Putin has anchored the country firmly in the world economy by strengthening its role in the G-8, signing the Kyoto Protocol, and actively pursuing membership in the World Trade Organization. Most remarkably, he has

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achieved all this while forging a new level of elite and popular consensus. Putin's approval rating throughout 2004 has hovered between 70 and 80 percent.<sup>2</sup>

Yet, despite his economic successes, Putin's efforts to build trust in the West through regular dialogue with Western leaders of all political stripes have proved unsuccessful. Most people in the West still regard him as a "former KGB agent," bent on restoring former Soviet practices and misleading gullible Western politicians. In contrast, most Russians think Putin's policies

saved the country from collapse; thus, many in the Russian elite have begun to discern a sinister intent behind this relentless criticism of Putin. According to a view that has gained increasing ground in the Kremlin, the West cannot tolerate a strong Russia on the world stage. That is the main reason why there is so much badmouthing of Russia's modernization efforts, so much undisguised sympathy for Chechen rebels, and why there have been so many efforts by Western politicians to thwart closer economic and political ties between Russia and Ukraine.

In the eyes of many in the Russian elite, Putin's is the third attempt by a Russian leader during the past two decades to reach out to the West. Each time,

however, the West has failed to respond in kind. Mikhail Gorbachev's proposal for a "common European home" came too early to be appreciated. Yeltsin's portrayal of Russia as the West's "strategic partner" was ridiculed because of the country's obvious weakness. Now Putin's plan, built around transforming Russia into an attractive investment partner, would seem to have all the prerequisites for success—yet the closer it comes to being realized, the less enthusiastic the West seems to be.

Moreover, this reluctance continues despite Putin's specific efforts, made each year since coming to office, to deepen his partnership with the West. In 2000, in a move reminiscent of Robert Schuman's and Konrad Adenauer's visionary linkage of Ruhr coal to French industry, Putin proposed a dialogue with the European Union on energy and security that would have opened up the vast resources of Siberia to foreign developers and guaranteed Europe's energy needs for the indefinite future. In 2001, Putin was among the first to support American intervention in Afghanistan, offering vital logistical support for passage over Russian territory to NATO troops and supplies. In 2002, Moscow endorsed a second wave of NATO expansion, even including areas that were formerly part of the USSR, which Yeltsin had vowed never to accept. Putin even swallowed European Union (EU) restrictions on transit visas for Russian citizens traveling between Kaliningrad and the rest of Russia, now divided by the EU. In 2003, Putin joined Germany and France in opposition to preemptive military action in Iraq, which an absolute majority of Europeans also opposed. Most recently, Putin has thrown open the doors to major Western investors, like British Petroleum, ConocoPhillips, TotalElf, and Siemens, which have invested billions in the Russian economy. Meanwhile, on issues ranging from nonproliferation in Iran and North Korea to the tensions in the Middle East, Russia has increasingly adopted the stances of the United States and the EU.

One event, however, seems to have decisively turned Western elite sentiment against Putin—the total defeat of liberal parties in the Duma elections of 2003. For the first time in post-Soviet history, both liberal parties, Yabloko and the Union of Right Forces (SPS), fell below the five percent minimum needed for seating. Lost in the disappointment was the equally dramatic fact that the Russian Communist Party had also lost more than half of its electorate, and that for the very first time, the president had a working centrist majority in parliament. The results of this election, however, were interpreted not as a victory for centrist policies over the extremes of both left and right, but as a defeat for democratic values.

Since then, Russia's relations with the West have been sinking. Issues and attitudes that should have been buried with the Cold War have been resurrected along with an air of geopolitical confrontation. In 2004, for the first time since coming to office, Putin seemed reluctant to travel abroad to meet his Western European "partners." He put off important visits to the EU in 2004 in favor of

summits with leaders of Brazil, China, and India. For example, in 2004, Putin visited France only to commemorate the landing at Normandy, and to attend the G-8 Summit in Evian. This hardly compared to the frequent trips he had previously made to the West.

To add insult to injury, while Russia systematically curtailed its presence in the areas formerly controlled by the USSR during the past two decades, the reverse has been true of Western influence in the region. Fifteen years after the fall of the Berlin Wall, much of the region is unambiguously in the West's sphere of influence: areas like Ukraine, Georgia, and Moldova are being openly pressured not to reestablish traditional links with Moscow; the EU is circulating official strategy papers referring to Ukraine, Belarus, and even the Caucasus as part of its own "new abroad"; and the EU Commissioner for External Relations, Benita Ferrero-Waldner, has vowed to do everything in her power to "keep Ukraine on our side."<sup>3</sup>

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While ostensibly welcoming Russia, European leaders are in fact constructing a future Europe without any meaningful role for Russia. In this new Europe, Luxembourg and Estonia will have more say in the architecture of European security than Russia—the one country whose participation is

actually vital to European security. The current thinking in the West seems to be that a Russia with even the slightest reservations about the appropriateness of "universal values" simply has no business in the new Europe—even though the same could be said of many other countries that have joined the EU since 1990.

What would Putin have to do to get back into the good graces of the Western elite? Four items stand out: granting Chechnya independence; releasing oil baron Mikhail Khodorkovsky from jail; giving up on proposals to strengthen state authority; and foreswearing all efforts to regulate the media. The plain truth, however, is that implementing these policies would not lead to a more stable and democratic Russia, but instead to a return to the turmoil of the 1990s.

In Chechnya, independence would most likely result in the triumph of Islamic fundamentalism and the establishment of a regime similar to that of the Taliban in Afghanistan prior to 2001. The new country would quickly become a haven for terrorists seeking to destabilize the Middle East and Central Asia, and would eventually require costly military intervention by the international community.

If released from prison, Mikhail Khodorkovsky—whose Yukos empire remains the fifth or sixth largest Russian oil producer, even after the sale of assets seized by the state for payment of tax arrears—would most likely sell off a controlling share of these assets to one or more Western oil multinationals, resulting in the Russian government's loss of control over a vital resource for domestic development and fiscal stability.<sup>4</sup> Although Khodorkovsky has mounted a successful public relations campaign in the West to portray himself as a political prisoner, independent legal analyst Peter Clateman points out that "the fundamental factual allegations against Yukos, and against Khodorkovsky and [Platon] Lebedev as well, constitute rather blatant forms of tax evasion and fraud under just about any modern legal system...[and] few of the material facts asserted by the prosecutors or the tax authorities have been disputed by Yukos, Khodorkovsky, and Lebedev."<sup>5</sup>

As for the accusation that Putin is centralizing power, there have unfortunately never been truly free and fair elections in Russia. Typically, the person with the most money and political resources, be it the president, governor, or mayor, has used them to crush his opponents. Yet, compared to the end of the 1990s, the amount of corruption at the very pinnacle of the state has fallen because Russia's ministers are no longer merely the puppets of oligarchs like Boris Berezovsky, Roman Abramovich, Vladimir Gusinsky, and Mikhail Khodorkovsky.

Putin's reforms at the top, however, have pushed corruption down to the regional level, where criminal bosses can still buy governorships and seats in the federal Duma that come with a guarantee of immunity from prosecution. This is where the independence of the media and local law enforcement are most commonly subverted today. Putin's remedy, which seems to be working nationally, and which he now intends to extend to the regional level, is to enhance the accountability of local officials to the national level through the appointment of governors, subject to confirmation by regional legislatures. Will it work? Only time will tell, but we should remember how few actually believed that the oligarchs and members of "the Family" could ever be tamed by the federal government.

As for the accusation that Putin is cracking down on the media, the situation is far more complicated than it appears. One would not know it by reading the Western press, but although Putin has extended state control over national television, he has also overseen the largest expansion of privately-funded, independent media in Russia's history, including an astonishing 25.7 percent increase in periodical titles since 2002.<sup>6</sup>

The most important thing that both the media and civil society still lack, however, is a broad and independent financial base. There is still much to be done in this area, but one also cannot deny that Putin's policies are having some positive effects. First, his policies are breaking up what Putin critic Boris Nemtsov once aptly referred to as "the privatization of power," they are restoring public

resources to public use.<sup>7</sup> Second, they are encouraging the kind of economic recovery that has allowed corporate philanthropy to increase more than sevenfold and individual giving tenfold since 2000.<sup>8</sup>

In sum, anyone not inveterately hostile to Putin can at least recognize that his policies are a sincere effort to halt Russia's downward spiral; one must acknowledge that they are having some positive impact on the country. Putin's priorities remain those of state-building—of reestablishing the ability of government to exercise legitimate authority. Western Europeans, who have not had to face such problems in living memory, and Americans, who still associate the previous communist state only with repression, are having a difficult time appreciating the urgency of this task.

Unrelenting criticism of Putin's Russia, however, masks an even more worrisome feature of Western analysis—the failure to appreciate the extent to which Russia's cultural and political traditions are both indigenous and complementary to those of the West. The Russo-French cultural historian Vladimir Veidle warned decades ago, during the height of the Cold War, that by cutting Russia off from itself, Europe alienates herself from her own Byzantine roots, and severs the deep links between Greek and Roman civilization. Nothing is so necessary, he concluded, as reconceptualizing the task of European integration, which is as important for Europe as it is for Russia.<sup>9</sup>

Sadly, the Western democratic model has been seriously compromised for today's generation of Russians, thanks in no small measure to the disastrous economic policies of the 1990s. It is therefore all the more important that a new constructive engagement, adapted to Russia's vastly different reality under Putin, be implemented. Russia's errors and Western preconceptions must not be allowed to cloud a clear understanding of our common strategic goals.

As long as a pragmatist like Putin leads Russia, the EU and Russia have a rare historical opportunity to forge the foundations of a long-term partnership. This partnership should transparently embrace the ultimate goal of Russia's full European integration, and it should bind Russia to clearly stated, achievable goals. Europe needs a stable and fully integrated Russia to its east, just as much as it needs the support of the United States to its west. Furthermore, it is naïve to believe that renewable energy resources will make up a significant portion of the growing demand for energy in Europe and the United States. This means that in little more than a decade, Western economies will have no alternative to Russian natural gas and oil if they wish to maintain respectable rates of economic growth. If properly negotiated and codified, this exchange of energy for economic investment and political integration could become the foundation for long-lasting, pan-European security.

It would be equally foolhardy for the West to underestimate Russia's contribution to taming the dominant menace to current Western civilization—

Islamic extremism. In this area, as with the issues of energy security, environmental preservation, nonproliferation, and global economic development—not to mention democratization in the Middle East, and cooperation in the peaceful development of space—Russian interests have never been closer to those of the EU and the United States, and her contributions have never been more essential. Putin has little choice but to lead Russia into the arms of the West, for in the coming decades the potential threat from China to the east and Islam to the south will grow. The only stability that Russia can hope for, if it can be achieved, lies to her west.

Most importantly, long after Putin is gone, Russia's interests will continue to be shaped by the contours of the political system he is now putting in place. These contours include reestablishing Russia's status as a great power, but not at the expense of damaging relations with the West; a broader and deeper integration into the community of nations, but not at the expense of Russia's own national interests; and an expansion of markets and democracy, but not at the expense of a renewed weakening of the state.

The only question now is whether the West will reach out to Russia with a bold new strategy that influences the shape of this political system and brings it firmly into the European fold, or whether it slams the door in Russia's face forever. ■

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#### NOTES

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