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Russia's Decline and Uncertain Recovery

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Foreword

The precipitous decline of Russian power and influence in the world may stand as the most significant development for international relations of the last quarter of the twentieth century. Never in modern history has a great power fallen so far so fast during peacetime. The initial ramifications of this decline brought the four-decade-long Cold War to a hasty, unexpected conclusion in 1989–1991. Subsequently, in the 1990s the Russian state and people experienced a traumatic decade of chaos and widespread impoverishment that can be compared with the Time of Troubles at the turn of the seventeenth century or the Bolshevik Revolution and ensuing Civil War in the early twentieth century.

In this essay, Thomas E. Graham, Jr., succinctly and lucidly analyzes the sources of Russia's decline during the Soviet period and the dangerous fragmentation and erosion of state power in Russia during the 1990s. In finding roots in Russian history for the oligarchic regime of the Yeltsin years and the increasingly authoritarian characteristics of the Putin regime, Graham challenges the appropriateness of the transition paradigm for what has emerged in Russia during the past ten years. Although Graham acknowledges that Boris Yeltsin faced a perhaps overwhelming task in fashioning a functional Russian state from the wreckage of the Soviet legacy, he is ultimately critical of many inadequacies and failures in Yeltsin's leadership.

As the tsars of the Russian imperial period worked with and battled with influential boyars, so Vladimir Putin seeks to manage the new financial and regional elites of post-Soviet Russia. In the first two years of Putin's presidency, Russia has managed to begin growing economically

and to enjoy greater political stability, albeit to the detriment of democracy, free media, and human rights concerns. Whether Russia will achieve sustainable economic growth, political stability, and renewed international influence remains an open question at this point.

This essay results from a two-year project entitled “The Fragmentation of Russia” that was undertaken by Thomas Graham while he was a senior associate in the Russian and Eurasian Program at the Carnegie Endowment for International Peace from 1999 to 2001. The Endowment is very grateful to the Smith Richardson Foundation, and especially to Marin Strmecki and Nadia Schadlow, for their generous support of this project.

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Acknowledgments

Earlier versions of some of the material in this essay appeared in the journals Demokratizatsiya and the East European Constitutional Review. The author thanks those publications and their publishers, Heldref Publications and New York University School of Law, respectively, for permission to use this material in this essay.

1

Introduction: Misreading Russia

For much of the first decade after the collapse of the Soviet Union, the issue of reform—of transition to free-market democracy—dominated discussions of Russia in Russia itself and in the West. Russian president Boris Yeltsin advocated reform; Western governments declared their support and offered their assistance. This was particularly true of the U.S. government. President Clinton’s administration came into office in 1993 determined to assist Russia in its transformation into “a normal, modern state—democratic in its governance, abiding by its own constitution and by its own laws, market-oriented and prosperous in its economic development, at peace with itself and the rest of the world,” as deputy secretary of state Strobe Talbott, the chief architect of the U.S. administration’s Russia policy, was wont to put it.¹

Despite the obvious problems and setbacks, the American public was repeatedly assured that Russia was making steady progress. That refrain grew ever more persistent after Yeltsin’s surprising come-from-behind victory over his Communist challenger in the presidential election of 1996. That election, it was declared, had eliminated the Communists as a serious long-term threat to reform in Russia. By 1997, it even appeared that the economy was beginning to turn around after the steep decline earlier in the decade. Talbott gave voice to that optimism in a major address in September. Russia, he declared, was at the “end of the beginning” of its journey toward becoming a normal, modern state. “It may be,” he said, “on the brink of a breakthrough.”²

Russia’s financial collapse less than a year later—in August 1998—demonstrated that Talbott had been right, though not in the way he had

intended. It marked the failure of the grand project of quickly transforming Russia into a vibrant, prosperous free-market democracy integrated into the Western world. For those who still believed that free-market democracy was Russia's destiny, the transition lengthened into decades and generations. As they looked back over the past decade, the questions they asked were what went wrong and who was to blame. Transition and reform continued to form the framework in which they viewed Russia.

Many others, however, adopted a view that had been propounded by a small group of Western observers from the very beginning: that the real story of the 1990s was not one of reform but of decline, not of transition but of the fragmentation, degeneration, and erosion of state power. Those processes had their roots in the late Soviet period, but they accelerated in the post-Soviet period as a consequence of Yeltsin's policies and Western advice. By the end of Yeltsin's presidency, the central debate was whether Russia was a "failed state" or on the road to becoming one, whether Russia would disintegrate much as the Soviet Union had nearly a decade earlier. Yeltsin's successor, Vladimir Putin, admitted those dangers implicitly in a document released shortly before he became acting president at the end of 1999.³

How Russia came to that juncture, after the high hopes of the immediate post-Soviet period, is a story of political shortsightedness, unprincipled political struggle, ill health, greed, and bad fortune. Against this background of decline and unfulfilled expectations, the fundamental question for the first decade of the new millennium is whether Russia can reverse the trend of its first post-Soviet decade and rebuild an effective state or whether it will move further along the path to collapse, with all the far-reaching consequences that would entail, both in human suffering and in geopolitical dynamics.

The Rise of "Transitology"

In retrospect, it is easy to understand why the notion of a transition to free-market democracy dominated early thinking about post-Soviet Russia. The Cold War had been a clash of two world systems, of two philosophies of man and social organization. While the nuclear prowess of the two superpowers had held the risk of a nuclear Armageddon over the world, the assumption had always been that—barring Armageddon—victory would go to the system that was more internally dynamic and productive. A clear line had been drawn between a country's internal structure and its role in the world.

Hence, during the Cold War, the United States had been intensely interested in the Soviet Union's domestic evolution. Containment may have sought to thwart Soviet expansion abroad, but, as the author of that policy, George Kennan, had put it in his famous "Mr. X" article: "It is entirely possible for the United States to influence by its actions the internal developments, both within Russia and throughout the international communist movement, by which Russian policy is largely determined." In Kennan's opinion, for the United States to win, it basically needed to demonstrate the superior vitality of its own system in dealing with its domestic challenges and the responsibility of a world power.⁴

It is not surprising that Mikhail Gorbachev's reforms aroused intense interest and scrutiny in the West, for they raised the question of the viability and long-term survivability of the Soviet regime. Few observers expected those reforms to fail as spectacularly as they did, nor did many forecast that the clash over reform would lead to the demise of the Communist Party of the Soviet Union and the breakup of the Soviet Union. But once it did, the inevitable question was the path Russia would take as it sought to rebuild itself on the wreckage of the Soviet system.

The path toward democracy and a market economy was an obvious one, and there were ample reasons to assume that Russia would move down it. First and foremost, the Russian leadership under President Yeltsin insisted that this was the path they would follow as they sought to turn Russia into a "normal country" integrated into the West. Moreover, it was only logical to assume that Russia would adopt and adapt the main features of the Western world, which had proven victorious in the Cold War. Throughout history, defeated great powers have mimicked the victors in an effort to restore their own greatness.

At the same time, three interrelated themes of intellectual discourse in the United States reinforced the view that Russia would move toward democracy and a market economy:

- The "end of history": This theory—articulated most vigorously by Francis Fukuyama, a prominent American social philosopher, in a provocative article published in 1989—argued that the twentieth century had ended in "a victory of economic and political liberalism." As Fukuyama wrote, "The triumph of the West, of the Western *idea*, is evident first of all in the total exhaustion of viable systematic alternatives to Western liberalism."⁵
- The third wave: Writing in 1989–1990, Samuel Huntington, a leading American political scientist, argued that the third global wave of

democratization had begun in 1974 with the end of the Portuguese dictatorship and then spread elsewhere in Europe, Asia, and Latin America. At the end of the 1980s, he noted, “the democratic wave engulfed the communist world.”⁶

- Globalization: Beginning in the mid-1970s, technological innovation began to fuel growing interdependence, or globalization, which was increasingly associated with peace, democracy, and open markets. By the 1990s, the prevailing assumption was that the economic and technological forces of globalization would “impose on states a near uniformity of political and economic forms and functions.”⁷

The theoreticians were circumspect in their judgments—and particularly on the time frame and the ease with which these visions would come to fruition. But the policy makers ignored the nuances in search of a framework that would make sense of the post-Cold War world and provide both a rationale and guidance for policy. “Transitology,” the study of movement from authoritarian systems to market democracy, became a growth industry in colleges and universities across the United States. Aid providers seized on the premises of transitology to justify their own endeavors and their search for the millions of dollars Western governments were allocating to assist the transition in Russia and elsewhere in the former Soviet Union and Central and Eastern Europe.

Among the most prominent—and ardent—advocates of transitology was, of course, the Clinton administration when it assumed office. Not only did it believe that Russia would have to move in the direction of democracy and a market economy; it also was prepared to help make that happen by working closely with those Russian leaders it believed were committed to reform, namely, President Yeltsin and the liberal economists grouped around Yegor Gaidar and Anatoly Chubais. The administration spoke enthusiastically of forging a “strategic alliance with Russian reform.” The goal was to work with Russian reformers to help transform Russia into “a normal, modern state.” More surprising, the administration was convinced that this transformation could be made self-sustaining in short order: The original aid packet was designed to be phased out in five years.

During its first months, the Clinton administration took the lead in forging a consensus among the leading Western powers about Russia’s transition and the policies to facilitate it. It supported and promoted the so-called Washington consensus—a focus on monetary and fiscal measures to achieve macroeconomic stabilization—that became the West’s guide in

pressing for economic reform in Russia. It put together an assistance package of more than \$40 billion, which included debt relief, loans from international financial institutions, and bilateral assistance from Western powers. It encouraged the International Monetary Fund (IMF) to create a new lending facility with looser conditionality, the Systemic Transformation Facility, that would empower the IMF to give credits to Russia before it could qualify for a traditional standby agreement.⁸

The Clinton administration's policies spawned a sprawling assistance community in the United States dedicated to promoting reform in Russia and elsewhere in the former Soviet Union. The U.S. Agency for International Development reoriented resources and diverted personnel from the developing world, first to Central Europe and later to Russia and the rest of the former Soviet Union. Other government agencies scrambled to get a piece of the action. In the early years, as many as 35 U.S. government agencies were involved in the assistance effort. Because these agencies lacked the necessary expertise and personnel, much of the real work was farmed out to aid "donors," often referred to derogatively as "Beltway bandits."⁹

Outside government, two types of entities were central in promoting the idea of a democratic, market-oriented transition in Russia to the broader American public: banks and brokerage firms, and the media. By the middle of the 1990s, with privatization well under way and the domestic bond market opening up to foreign investors, banks and brokerage firms with interests in Russia began to tout it as one of the most promising emerging markets in the world. Indeed, for a period in 1996–1997, it was the best-performing market. Meanwhile, the media—especially correspondents of the leading U.S. newspapers, the *New York Times*, *Washington Post*, and *Wall Street Journal*—focused much of their attention on the reformers' successes in beating back the Communist, nationalist political challenge, in privatizing and restructuring state enterprises, or in launching business start-ups.¹⁰

Western Statecraft Meets *Vlast'*

How could the U.S. administration and its supporters have so underestimated the difficulties of transforming Russia into a free-market democracy? A large part of the answer lies in their refusal to acknowledge the weight of history and failure to appreciate the cultural context. For the point is that Russia was not like those Central and Eastern European states that enjoyed much greater success in building free-market

democracies on the ruins of communist systems. Nor was it like many of the Western European states themselves at the time they began to build such democracies two to three centuries ago. The fundamental difference lay in the nature of the state.

The modern European state was a seventeenth-century invention that took shape after the wars of religion secularized politics and after capitalism had emerged as the dominant economic system. In the Western tradition, the state grew out of society to regulate the behavior of individuals in society. In theory, the concept of natural rights put limits on the power of the state, while the institutionalization of private property backed up those rights in a practical sense. There was a clear sense of a division between the public and the private, even if there were disputes over where the line was to be drawn.

For much of its history, however, Russia has not been a state in this European sense.¹¹ Most important, it was not such a state when the Soviet Union collapsed in 1991, even if the Soviet regime had erected the facade of a European state. Rather, what existed in Russia was a system of—to use the Russian term—*vlast'*. This word has no exact equivalent in English. It represents a mix of power and authority, bearing connotations of both legitimacy and arbitrariness. The great Russian lexicographer Vladimir Dal' defined *vlast'* as “the right, power, and will over something.” As examples of its usage, he revealingly offered the following, among others: “The law determines the *vlast'* of each official, but supreme *vlast'* is above the law,” and “As the Novgorod *vlast'* had been dispersed, so had the city.”¹² In contrast to the Western tradition, in Russia, *vlast'*—or loosely “the state”—created the political community, to the extent that it existed at all. Or as the Russian historian Richard Pipes has written, “The state neither grew out of the society, nor was imposed on it from above. Rather it grew up side by side with society and bit by bit swallowed it.”¹³

At one level, *vlast'* represented a set of interrelationships among a small elite centered on the person of the tsar. Within this system, politics—to the extent it existed—played itself out. Three characteristics of this system are crucial for understanding the profound difficulties Russia faced in building a modern state in the 1990s.

First, *vlast'* was inextricably united with the concept of property. In Russia, there was no clear distinction between the concepts of sovereignty and ownership, between the public and private spheres, between government and business. For most of the tsarist period—up to Peter III's decree of 1762 freeing the nobility from mandatory state service—the right to use

land was conditioned on being in the service of the tsar. Estates could be confiscated if that service was withheld. At the same time, landholders were permitted to mobilize resources by any means they deemed expedient. This situation has led some commentators to speak of the “statization of personal power.”¹⁴

Second, *vlast*’ was indivisible. The concept of division of powers was alien to the Russian political tradition. As one of the early theoreticians of political power and authority in Russia wrote, “Two political powers in one state are like two dreadful lions in one cage, ready to tear each other apart.”¹⁵ This did not mean that *vlast*’ was unlimited. Indeed, from the Muscovite period up to the Russian Revolution of 1917, those who exercised *vlast*’ operated under many moral, cultural, economic, and political constraints. In particular, they were under an obligation to use their land for the benefit of their families, while peasants had customary expectations of the services the holder of *vlast*’ was to provide.¹⁶ Nevertheless, the limits were much less constraining than those in Western Europe.

Third, *vlast*’ needed a strong center—a source of legitimacy to anchor the system, provide for its stability, and ensure its smooth functioning. At the center of the system were numerous, powerful clans competing for advantage. Without a strong center, this competition threatened to spin out of control and undermine the unity of the country and thereby the livelihood of the competing clans. As a leading scholar of the Muscovite period has written, “It mattered little, in most generations, who was at the center of this system, but it was crucially important that *someone* be, and that the common allegiance to him be at least nominally unconditional.”¹⁷ Moreover, this scholar continued,

the *idea* of a strong tsar was essential both to the princely clans and to the non-princely bureaucrats as the warrant of their own power and of the legitimacy of their position—and as protection against one another. And it was their own need for a strong tsar that led them to deceive others—particularly foreigners—about the true extent of the power of the grand prince, whom we know often to have been a minor or sickly, or uninterested in rule, but who is described as “the most powerful prince in the universe,” etc.¹⁸

The system could not tolerate a struggle over the throne itself. Indeed, the gravest challenge to the system came when the line of the first Muscovite tsars (or grand princes, as they were known at the time) died out at the end of the sixteenth century. Uncertainty over who was the legitimate

tsar led to the decade-long Time of Troubles, before the clans assembled once again to choose a tsar, founding the Romanov line that lasted until the Bolshevik coup d'état of 1917.

This system of *vlast'* slowly eroded during the nineteenth century, as Russia sought to modernize its political system to maintain its standing in the face of more advanced European great powers. With the tsar's decision to grant a constitution—in response to the Revolution of 1905—Russia was finally on the main European track of constitutional government. Moreover, the formation of a State Duma (or parliament) on the basis of a kind of popular suffrage was in line with developments elsewhere in Europe. In broad terms, Russia was repeating the experience of the leading Western European powers, only with a lag of several decades.¹⁹ The Bolshevik coup d'état, however, cut off this promising path and in many ways returned Russia to its Muscovite roots²⁰:

- Power and property were closely intertwined once again. For all practical purposes, the Bolsheviks put an end to private property. The process was completed with the collectivization of agriculture in the 1930s. The right to exploit property was now conditioned on service to the state. According to the classic work on the Soviet *nomenklatura* (or ruling class), “The main thing for the nomenklatura is power. Not property, but power. The bourgeoisie is the propertied class, and therefore the ruling class. The nomenklatura is the ruling class, and therefore the propertied class.”²¹
- Power became indivisible, as it had been in the Muscovite period. The Bolsheviks explicitly rejected the division of power as a bourgeois concept unsuitable for a communist society. Although the state was formally organized as an ethnically based federation with a government accountable to a legislature elected by popular vote, real power lay in the authoritarian Communist Party. That was a strictly centralized, unitary body that recognized no other independent political authority.
- The system needed a strong center—or at least the myth of one. This center anchored the system of oligarchic competition at the highest levels. In practice, the Politburo under the general secretary served as the center, where the most powerful oligarchic groups were represented.
- As it had in Muscovite Russia, the state dominated society. Indeed, the state's aspirations were totalitarian—to control all aspects of human existence—even if practical difficulties prevented the Soviet state from achieving this goal in reality.

As such, the nature of the Soviet state precluded any rapid transition to free-market democracy. There simply was not enough material to work with. Society was not sufficiently well developed to play the role of a civil society in a democratic regime. The concepts and vocabulary of democratic discourse had to be imported and then, in a more difficult process, internalized. The country as a whole, and the elite in particular, had to develop a new way of thinking about political power and its exercise. A public sphere had to be created separate from a private sphere. In short, Russia needed to move away from its age-old tradition of *vlast'*. For this reason, fashioning the building blocks of a genuine free-market democracy would take time; putting those blocks together in a durable institutional framework would require further work.

The Persistence of the Old Russian Elites

What occurred in 1991, as the Soviet Union broke up, was not a revolution, a fundamental reordering of the basis of Russia's political and socioeconomic system. Instead, 1991 witnessed the collapse of the framework that had given that system shape. It is worth remembering that Yeltsin and his supporters did not seize power; rather, it fell into their laps as a consequence of the coup plotters' ineptitude and timidity in August and of Gorbachev's shortsightedness thereafter. It is also worth remembering that the collapse of the Soviet system did not bring in its wake a new elite. Rather, much of the old elite—particularly outside Moscow—made a nearly seamless transition into the post-Soviet era.

In other words, the elite did not change their fundamental views of the nature of politics, of the nature of power, in the post-Soviet era. Those views, in turn, informed the structures that slowly emerged to take the place of the discarded Soviet predecessors. As a result, behind the democratic and market facade of the new Russia lay a much different substance, one that partook very much of the old Russia. And many in the West missed what was happening in Russia because they believed there was only one alternative for Russia and perceived the political struggle as one between old and new, as opposed to one between different variations of the old, as it was in fact.

In the absence of fundamental change, it is not surprising that post-Soviet Russia experienced a period of decline. The Soviet Union had been in decline for two decades before it disappeared. Moreover, it is hard to see how the traditional Russian system of *vlast'*, inherited by post-Soviet Russia from the Soviet period, could produce sustained growth when it

had already outlived its usefulness in the late eighteenth century, as the Russian rulers of the time had slowly begun to realize. From this perspective, the question was not so much whether Russia would decline, but how that decline would manifest itself. Here, the personalities and policies of the Russian state and the circumstances of the emergence of post-Soviet Russia did make a difference.

2

The Emergence of the New Russia

In 1991, Russia emerged out of the ruins of the Soviet Union, not as the ultimate goal of a detailed strategy successfully pursued, but as historical accident, the unintended by-product of the struggle for power and property in a country in decline. Although it was far from clear at the time, that decline began in the early 1970s, ironically at the very moment the Soviet Union attained nuclear parity with the United States and billions of petrodollars began to flow into the country as the result of global energy crises. The Brezhnev era was at best a “period of stagnation,” as Gorbachev later declared. The problems, if not their full gravity, were well known to both Western and Soviet analysts by the end of that era.¹

The reasons for the decline lay both in the fundamental flaws of Soviet political and economic structures and in specific, misguided policies. The Soviet system proved incapable of dealing with the demands of the information-technological revolution, which was gathering momentum in the 1970s. Brutal coercion may have been capable of industrializing the Soviet Union in the 1930s and repression may have been compatible with industrial growth thereafter, but they became counterproductive when progress came to depend on creativity, innovation, and initiative, as it did with the advent of the information age. The rigidities and incentive system of the planned economy increased the risks and downsides of adopting new technologies. The closed nature of society retarded an appreciation of the depth of the Soviet Union’s problems, the articulation of innovative solutions, and the diffusion of new technologies. And the rejection of “bourgeois” economics deprived the leadership of the tools (such as economic indicators) to measure the country’s economic performance and

the instruments (such as monetary and fiscal policies) to halt or reverse the decline.

At the same time, the system bred corruption and disrespect for the law. A “shadow economy,” or underground market, became essential to filling the gaps in the country’s theoretically all-encompassing economic plan and to providing the consumer goods and services demanded by an increasingly urbanized, sophisticated population. But it also generated mafias and fed corruption at all levels.² As Martin Malia has written, “Since this underground market was created by, and responded to, genuine social needs, not crass ‘speculation,’ it to some degree involved the whole population; thus everyone was criminalized in some measure, for everyone had to have a little ‘racket’ or ‘deal’ in order to survive. . . . So everyone was always guilty of something, and an indispensable activity was stigmatized and stunted.”³

By the end of the Brezhnev era, the signs of decay were everywhere. At that time, the U.S. Central Intelligence Agency calculated that the gross domestic product (GDP) growth rate had fallen from 5.1 percent a year in 1966–1970 to 2.3 percent a year in 1976–1980. Some Russian economists have suggested that the rates were actually 2 percentage points lower. Thus, it is possible that by the end of the Brezhnev period, GDP growth was negative.⁴ Public health had deteriorated to such an extent that the leadership simply suppressed information on health conditions.⁵ The leadership had grown corrupt and cynical, and the population apathetic.

In the face of widespread socioeconomic decay, the Brezhnev leadership squandered scarce resources on a vast military buildup and foreign adventures rather than invest them in modernizing industry, rebuilding much-neglected industrial and agrarian infrastructure, or repairing a dilapidated health system. In the 1970s, the Soviet Union intervened in regional conflicts in Africa, Central America, and the Middle East. The imperial adventures eventually ended in tragedy in Afghanistan, where a misguided intervention led to a prolonged conflict and ultimate defeat. That, as much as anything else, raised profound doubts, both at home and abroad, about Moscow’s military capabilities, strategic vision, and political will and judgment.

The external expansion and oil wealth—along with the U.S. crisis of confidence in the aftermath of Vietnam and Watergate—masked the slow, steady erosion of Soviet power in the 1970s. Nevertheless, even then, the generation of Soviet leaders that would take over in the mid-1980s—Gorbachev, Ryzhkov, Ligachev, Yakovlev, Shevardnadze—recognized the pervasive rot and was determined to restore the country’s

vitality. In a major speech in December 1984, before he assumed power, Gorbachev argued that a concerted effort to raise the economy to a new technological and organizational level was needed to ensure that the Soviet Union entered the next millennium “as a great and prosperous power.”⁶

Years later, after he had been removed from power, Gorbachev succinctly described the situation he had encountered when he became the top Soviet leader in 1985:

Fate ordained that when I became head of state it was already clear that things were out of joint. We had a lot—land, oil and gas, other natural resources, and God did not slight us in mind or talents—but we were living much worse than developed countries, we were falling ever farther behind them. The reason was already obvious—society was suffocating in the vice of the command-bureaucratic system. Doomed to serve an ideology and to bear the terrible burden of the arms race, society was at its limits. All efforts at partial reform—and there had been more than a few—had failed one after another. The country was squandering away its future. It was impossible to go on living like this. Everything had to be radically changed.⁷

In the broadest terms, Gorbachev’s reform effort contained three facets: *Glasnost*’ was intended to invigorate Soviet ideology; *perestroika*, to revitalize the economy; and *demokratizatsiya*, to modernize the political system. In the end, however, they did not save the Soviet Union; they only accelerated its demise, each in its own way.⁸

Glasnost’, and in particular the process of “filling in the blank spots” in Soviet history, thoroughly delegitimized the Soviet state. Revelations about the gross mismanagement of the economy—against the background of the Chernobyl catastrophe—discredited the claims of Marxism-Leninism to be scientific. Official efforts to rehabilitate the victims of the Stalinist period quickly led to disturbing questions about Lenin’s legacy and about the worth of the Great October Revolution. Likewise, revelations about Stalin’s diplomacy in the 1930s raised questions about the Soviet Union’s responsibility for the outbreak of the Second World War and led to speculation that the heroic sacrifices of the Soviet peoples in that war could have been avoided if Stalin had pursued a different policy toward Germany. In these ways, Gorbachev’s policies irreparably discredited the Soviet regime’s legitimizing principle, Marxism-Leninism, and severely tarnished its two founding myths, the October Revolution and the Soviet victory in the Second World War.

Glasnost’ also created an opening for elites in the non-Russian ethnic republics to press their own nationalist agendas aggressively and publicly. Vigorous nationalist movements emerged rapidly in the Baltic states; in Transcaucasia; and, most dangerously for the country’s unity, in Western Ukraine. By seeking to recover their pasts—in particular, past periods of independence—and by focusing on Moscow’s efforts to suppress genuine national self-expression, these movements challenged the myth that the Soviet state was a voluntary union of independent republics.

Gorbachev would have been in a better position to deal with this challenge of building a new legitimacy if his policies had generated a strong economic upswing. *Perestroika*, however, only accelerated the country’s decline. Gorbachev began the process of dismantling strict state—that is, political—control of economic decisions by abolishing the economic committees of the Central Committee apparatus and reducing the number of the line economic ministries in the government (although some of the ministries were reconstituted as state committees or industrial associations). Gorbachev, however, failed to put in place the economic mechanisms that would regulate the economy and foster growth. He failed to put strict budget restraints on state enterprises, he allowed the budget deficit to balloon, and he instituted policies that depleted the country’s hard currency reserves. Instead of a market, Russia was suspended halfway between the old command system and the new market economy. It is not surprising that, by the end of the Soviet period, even official statistics revealed a slight but accelerating downturn in GDP.

Third, *demokratizatsiya* ended in failure. The key challenge was to do away with the party-state structure that had dominated the country since the end of the Stalin era and to create a genuine party system and an accountable government. That entailed breaking the power of the *nomenklatura*—or at least reorganizing the way it exercised power to make it accountable. To that end, at the Nineteenth Conference of the Communist Party of the Soviet Union (CPSU) in 1988, Gorbachev won approval for a reorganization of party and state structures designed to remove party oversight of state agencies and to establish a new institution, the Congress of People’s Deputies, with a smaller working body, the Supreme Soviet, as a counterbalance to the party. In 1990, Gorbachev went further, eliminating from the Constitution reference to the party’s leading role and creating a presidency and a Presidential Council clearly intended to supplant two key party institutions—the general secretary and the Politburo—as the leading state organs of power in the Soviet Union. In addition, Gorbachev moved the country toward free and fair elections for

the first time in its history, hoping to gain for the regime some popular legitimacy to replace discredited Marxism-Leninism.

Demokratizatsiya, however, failed to produce a coherent set of new institutions of governance, while it broke the power of the party-state apparatus that had held the country in its iron grip. Gorbachev sought to graft new entities—the Congress of People’s Deputies and the presidency—onto the party-state bodies he was dismantling. He never fleshed them out. Elections, rather than bolstering the regime, underscored the growing resistance to it, especially in the non-Russian republics. Nationalist forces won major victories in the Baltic states and Transcaucasia. Anti-Gorbachev forces, led by Yeltsin, formed a large faction in the Russian parliament that succeeded in electing Yeltsin as its chairman. Eventually, the breakdown of central institutions led to the “parade of sovereignties” of the union republics.

By the time of the putsch in August 1991, the country Gorbachev had set out to revive was in a shambles. That his effort ended in failure was almost foreordained, for revitalizing the Soviet system was an impossible task. Indeed, by 1988, Gorbachev himself and his advisers seemed to have realized that they would need to abandon the Soviet system in fact, if not in name, if the country was to enter the next century as a viable state; hence, the embrace of *glasnost*, *perestroika*, and *demokratizatsiya*. These processes, however, weakened the state, undermined economic performance, and strengthened separatist and nationalist tendencies. All that threatened the country’s unity, to which Gorbachev remained firmly committed. Gorbachev could have used force to preserve the country, but that would have derailed his reform effort. Thus, Gorbachev was faced with a genuine dilemma, a choice he did not want to make, between the reform necessary to maintain Soviet power and the union threatened by that very reform. By refusing to choose, Gorbachev sealed his fate.

The Russian Card

As Gorbachev encountered greater resistance to his policies, the issue of Russia was unexpectedly put on the agenda. For most of the Soviet period, Russians conflated Russia and the Soviet Union. Unlike the other fourteen union republics, Russia had few of the trappings of sovereignty. It lacked its own Ministry of Internal Affairs and State Security Committee or KGB, its own Academy of Sciences, and its own television network. Ukraine and Belorussia, not Russia, were among the founders of the United Nations, along with the Soviet Union as a whole. Most important, Russia

lacked its own subdivision of the key Soviet institution, the CPSU; the regional party committees in Russia were directly subordinated to the CPSU Central Committee.

The reason for this arrangement was obvious and, not surprisingly, based on power considerations. Russia, simply put, was too important to be treated as just another union republic. At the end of the Soviet period, it accounted for three-quarters of the territory, three-fifths of the economy, and half of the population of the Soviet Union. The overwhelming share of the Soviet Union's vast natural resources, including 90 percent of oil and gas production, was located in Russia. Russia's Communists accounted for more than 60 percent of CPSU membership. A full-fledged Russian republic with its own Communist Party would have provided a formidable base for challenging the Soviet leadership. Consequently, two key axioms of Soviet politics were (1) he who controls Russia controls the Soviet Union; and (2) there can be a Russia without the union, but there is no union without Russia.⁹

Understanding this logic, Gorbachev's opponents began in the late 1980s to press for the enhancement of Russia's status as a way of mounting a challenge to him and his centrist policies. Hard-line conservatives pressed for the creation of a Russian Federation Communist Party to circumvent Gorbachev's hold over the leading organs of the CPSU.¹⁰ The radical democrats, after they had allied with Boris Yeltsin, turned their attention to the Russian Congress of People's Deputies. Neither group, however, was interested in an independent Russia. The hard-liners hoped to turn a Russian Communist Party into a nationalist organization dedicated to preserving the Soviet empire.¹¹ The democrats sought to build a noncommunist, but Russian-dominated, federation out of the Soviet Union. Indeed, according to a Yeltsin adviser, one of Yeltsin's reasons for turning against Gorbachev was his growing belief that the latter's policies were leading to the disintegration of the Soviet Union.¹²

In this push to enhance Russia's status, the elites reflected the popular mood in Russia. Russians increasingly saw themselves as the stepchildren of the Soviet Union. Even though Russia produced about 60 percent of Soviet GDP, it had one of the lowest standards of living in the entire Soviet Union. By the spring of 1990, more than one-third of Russians thought that Russia should have expanded political and economic rights, while remaining subordinate to the Soviet Union, according to a survey by a respected polling agency, the All-Union Center for Public Opinion Research. That same poll revealed that more than 40 percent of Russians

believed Russia should have full political and economic autonomy, which could have entailed secession from the Soviet Union.¹³

Yeltsin's allies had more success in playing the Russia card than the conservative forces, in part because power was slowly flowing away from the party to state institutions, and in part because they proved adept at harnessing the conservatives' dissatisfaction with Gorbachev to their own purposes. Although Yeltsin supporters and opponents were about evenly split in the Russian Congress of People's Deputies (elected in March 1990), and despite Gorbachev's ardent opposition, Yeltsin was able to cobble together a coalition that elected him to the then-highest office in Russia, chairman of the Supreme Soviet, by the thinnest of margins, just four votes more than the minimum necessary for election. In his new capacity, Yeltsin quickly proposed a declaration of Russian sovereignty. Because the conservatives were deeply opposed to Gorbachev's leadership, the Congress overwhelmingly adopted this declaration, which, among other things, asserted the primacy of the Russian Constitution and laws over their all-union counterparts on Russian territory.¹⁴

Less than a year later, in the spring of 1991, Yeltsin pressed for the creation of the post of Russian president, as part of the struggle against Gorbachev, who had been named USSR president a year earlier by the USSR Congress of People's Deputies. A close Yeltsin adviser has written that the Russian presidency was conceived for a state within the Soviet Union, not for an independent state, and it was believed that Russia would remain a part of the Soviet Union for a prolonged period.¹⁵ In fact, the post was clearly intended to enhance Yeltsin's status vis-à-vis Gorbachev, to transform him into a coleader of the Soviet Union, not simply into the sole leader of Russia.¹⁶

For that reason, much thought was given to how the first Russian president would be selected, but little to how the institution of the presidency would be structured and relate to other Russian institutions. Yeltsin was to be elected president by direct popular vote (there was never much concern that he might lose) so that he could legitimately claim to represent the popular will, unlike Gorbachev, who had refused to stand for popular election. But the amendment to the Russian Constitution creating the presidency left both the president and the Congress of People's Deputies with claims to being the highest political authority in Russia.¹⁷ This was of little import as long as Russia remained part of the Soviet Union, but became an explosive issue after the union's demise.

After the failed August putsch, Yeltsin wavered over whether to push for the breakup of the Soviet Union.¹⁸ In the fall, he participated, along with

Gorbachev and the leaders of six other union republics, in discussions over a new union treaty. There was intense debate over whether to create a new federal state or simply a confederation of sovereign states. The talks finally reached a dead end in November. The decision to disband the Soviet Union in December—agreed to first by Yeltsin and the heads of Ukraine and Belarus—in many ways only marked the recognition that the Soviet Union was beyond saving.

Gorbachev, unsurprisingly, claims that Yeltsin consciously used the Russian Federation to dismantle the Soviet Union, although he admits that Yeltsin did not finally make that decision until the end of October, despite strong pressure from a group of advisers to adopt a “Russia-first” policy from the first days after the putsch.¹⁹ But a closer look at the record suggests that even then Yeltsin was not determined to create an independent Russian state outside the framework of a reorganized Soviet Union. Nor did he abandon Gorbachev’s Soviet Union simply because, as one study of the Gorbachev period argues, “the all-union authorities, and Gorbachev in particular, stood between him and full power and authority in Russia, including the symbolically important occupancy of the Kremlin.”²⁰ More important considerations of Russia’s role in Eurasia lay behind the decision to put an end to the Soviet Union in December.

Among those considerations was Yeltsin’s and his allies’ belief that only by forsaking the Soviet Union could they begin the radical economic reform they thought was the key to Russia’s renewal. They understood that the necessary reform would never be undertaken if they tried to harmonize their program with the other, more conservative non-Russian republics, or had to rely on the disintegrating institutions of the Soviet government.²¹ Yeltsin articulated that position in a key address before the Russian parliament in October 1991:

We do not have the possibility of linking the reform timetable with the achievement of all-embracing interrepublican agreement on this issue. Russia recognizes the right of each republic to determine its own strategy and tactics in economic policy, but we are not going to go out of our way to fit in with others. For us, the time of marking time has passed. An economically strong Russia will have substantially greater possibilities for supporting her neighbors than a Russia standing on the verge of economic collapse.²²

Yeltsin, moreover, clearly thought that this stronger Russia would act like a magnet on the other, soon-to-be-former Soviet republics, eventually drawing them back into a Russian-dominated entity of some sort. Speak-

ing before the Russian Supreme Soviet in December 1991, he justified the accords dissolving the Soviet Union and creating the Commonwealth of Independent States (CIS) as the only alternative to “further uncontrolled decay of the Union.” The CIS, he noted, would have “a unified economic space, open internal borders, and a harmonized political line and harmonized reforms.”²³ Later, Yeltsin argued that these accords had been necessary “to quickly reinforce centripetal tendencies in the decaying Union, to stimulate a treaty process.” They were not, he continued, intended to break up the union; on the contrary, the “CIS offered at the time the only chance of preserving a unified geopolitical space,” particularly after Ukrainians had overwhelmingly supported independence in a referendum at the beginning of December.²⁴ Foreign minister Andrei Kozyrev made similar points to the Congress of People’s Deputies in April 1992, noting that “in line with the logic of attempts to recreate a renewed union in one shape or another, our priority is of course centered on multilateral institutions, not bilateral relations [with the other former Soviet republics].”²⁵

Concrete actions gave life to this rhetoric, underscoring the point that Yeltsin and the Russian leadership intended to dominate the states of the former Soviet Union and, at the extreme, even harbored visions of rebuilding a Russian-dominated federation or confederation. As the Soviet Union decayed in the fall of 1991, Russia worked to establish itself as the—not simply one of fifteen—successor state to the Soviet Union. Russia was the only former Soviet republic that did not formally declare its independence from the Soviet Union. With widespread international support and the concurrence of the other former Soviet republics, it was given the Soviet Union’s seat in international organizations, including, most important, the permanent seat on the U.N. Security Council. It assumed the entire Soviet debt in exchange for the right to all Soviet assets abroad.

More important, the Russian leadership initially tried to maintain key structures that would have bolstered a Russian presence and influence across the former Soviet Union. Although he said he supported the formation of a Russian Defense Ministry in December 1991, Yeltsin only set one up several months later, in May 1992. In the interim, he explored whether the CIS Armed Forces—dominated by Russians—could be used as a way of retarding the breakup of the former Soviet space.²⁶ Moreover, Russian troops remained stationed outside Russia in several other former Soviet republics. At the same time, the Russian leadership supported the maintenance of a ruble zone, which they hoped to dominate by establishing a single monetary authority with technical control of issuing money

throughout the zone (an idea the other former Soviet republics rejected).²⁷ That the CIS did not live up to Russian expectations as a unifying structure was not for lack of effort on Russia's part. Rather, that failure was primarily due to the resistance of other former Soviet republics, especially Ukraine, to anything that smacked of Russian hegemony.

Finally, in dealings with the rest of the world, the Russian leadership had difficulty articulating a set of strictly Russian foreign policy objectives. Yeltsin and Kozyrev both believed that building good relations with the West had to be a top priority because they saw its moral and financial support as critical to the success of reform in Russia itself. In presenting its face to the West, the Russian leadership stressed its commitment to "universal values." Kozyrev even admitted in a conversation with former U.S. president Richard Nixon in the spring of 1992 that the Russian government had not yet had time to focus on specifically Russian interests.²⁸

Uncertain Legitimacy

As a consequence of the struggle between the Soviet center and Russia, the attitudes and goals of the Russian leadership, and Gorbachev's policies, Russia emerged at the end of 1991 as a state of uncertain legitimacy suffering from institutional disarray and confronted by mounting centrifugal forces and socioeconomic problems. Although radical democrats and Yeltsin had spoken eloquently of the "rebirth of Russia," their actions indicated they were concerned more about power and reform than Russian statehood. After its formation under Yeltsin in the summer of 1990, the new Russian government sought to seize those assets of the Soviet government that were located on Russian territory. Scant attention was given to legitimizing Russia as a sovereign republic or independent state.

Indeed, radical democrats presented their vision of a new Russia—within a reformed Soviet Union—as a radical break not only with 70 years of Soviet totalitarianism, but, more important, as a departure from 1,000 years of Russian authoritarianism. That was the overwhelming message of Yeltsin's address at his inauguration as the first Russian president, even though the Russian Orthodox patriarch was present and the "Glory Chorus" of Glinka's "A Life for the Tsar" was declared the national anthem.²⁹ Yeltsin's address focused on the new beginning for Russia, on altering the relationship between state and society that had existed "for centuries," on building democracy "for the first time." He devoted one short paragraph to Russia's "most rich and original" culture.³⁰ In short, Yeltsin and his allies cut the historical ties that would have

lent their Russian state a modicum of legitimacy. (Yeltsin's appeal to a "democratic Russia" proved inadequate, because democratic norms alone cannot create that sense of shared identity and destiny necessary to create a political community, or nation.)³¹

In addition, the Russia that emerged from the breakup of the Soviet Union bore little geographic resemblance to any historical Russian state, nor did it follow the pattern of ethnic settlement. About 25 million ethnic Russians found themselves living outside Russia in former Soviet republics. Most Russians believed that Russia encompassed more territory than the Russian Federation. It is telling that Yeltsin's government sought to prevent the foreclosure of the border issue, while casting itself as the protector of the rights of Russians living outside Russia. Yeltsin, however, realized that border disputes would take time and energy away from economic reform measures.

By maintaining some kind of union with open borders, Yeltsin hoped to play down border issues.³² Similarly, Yeltsin wanted to protect ethnic Russians where they lived because a flood of refugees into Russia would have overwhelmed the country's already fragile socioeconomic infrastructure. He avoided the use of force in protecting them because that would have sapped critically needed resources from the reform effort and severely strained relations with the West. A union dominated by Russia would have increased Yeltsin's options, at least in part because no ethnic Russians would have in fact been living outside a Russian political entity.

The weak legitimacy of the Russian state was exacerbated by the institutional disarray in Moscow—in particular, by the situation of "dual power" that pitted Yeltsin against the Congress of People's Deputies. According to the Russian Constitution, the president was the "highest official of the RSFSR and the head of the executive branch of the RSFSR" (article 121; RSFSR is Russian Soviet Federated Socialist Republic). At the same time, the Congress of People's Deputies was the "highest organ of state power" with the right to "review and decide any question relating to the jurisdiction of the Russian Federation" (article 104).³³ Beginning in the spring of 1992, Yeltsin and the Congress competed for political primacy, and little progress was made on the policy front as the competition escalated into a life-and-death struggle that ended with Yeltsin's victory in October 1993.

Weak state legitimacy and conflict in Moscow accelerated regional efforts to enhance their autonomy from Moscow. The process had already begun in the late Soviet period, as Gorbachev and Yeltsin sought the support of Russia's regional leaders against one another.³⁴ Following a number

of union republics, the North Osetian Autonomous Republic in Russia declared sovereignty in July 1990. The “parade of sovereignties” within Russia gathered momentum after Yeltsin, on a tour of Russia in the summer of 1990, told audiences in Tatarstan and Bashkortostan to “take as much sovereignty as you can swallow.” Autonomous oblasts unilaterally raised their status to that of republics and declared sovereignty, as did several autonomous districts, such as Chukotka, Nenets, and Yamalo-Nenets. By the end of 1991, all the autonomous republics and oblasts and half the national districts had declared sovereignty. Chechnya had gone even further by declaring independence (from Russia, while remaining in the Soviet Union).

During this period, the autonomous republics began to challenge the Russian leadership in other ways as well. Four of them, for example, refused to participate in the referendum creating the post of Russian president in March 1991. In June, Tatarstan, rather than participate in the election of a Russian president, elected its own republic president (Mintimir Shaymiyev) instead. By the spring of 1992, six other republics had elected their own presidents. Unlike the other regions of Russia, the republics also successfully resisted Yeltsin’s efforts to appoint presidential representatives to their regions to monitor their activities.

Finally, several autonomous republics—including Bashkortostan, Chechnya-Ingushetia, and Tatarstan—sought to raise themselves to the status of union republics within the Soviet Union. This was particularly important for Tatarstan, which was larger in territory and population—and potentially richer—than many of the union republics. Gorbachev encouraged these republics as a way of undermining Yeltsin’s position within Russia and invited several of them to participate in the negotiation of a new union treaty. The new treaty, when finally agreed to, would have given autonomous republics the status of cofounders of the Union of Sovereign States (which was to replace the Soviet Union), but without violating the integrity of the union.³⁵

The treaty was never signed because the August putsch intervened. That action, undertaken to preserve the Soviet Union, failed miserably and only accelerated the country’s disintegration. It demonstrated the essential hollowness of the all-union structures, while fueling the Russian leadership’s efforts to seize key parts of the remaining all-union structures. Moreover, after the putsch, Yeltsin moved quickly to disband the CPSU on the territory of the Russian Federation, thus eliminating the structure that had lain at the base of the federation’s administrative network. That step not

only furthered the breakup of the Soviet Union; it also—unintentionally—strengthened centrifugal forces within Russia.

As a result, independent Russia's territorial integrity was under threat from the moment the Soviet Union ceased to exist at the end of December 1991. Yeltsin moved quickly to secure it. On March 31, 1992, Moscow signed the Federation Treaty with all the regions, save Chechnya and Tatarstan. The treaty comprised three agreements, one for each of the three types of administrative districts with the federation: the 20 ethnically based republics; 49 oblasts, 6 krais, and the cities of Moscow and Saint Petersburg; and the 10 national districts and 1 autonomous oblast.³⁶

The treaty may have gone some way toward securing Russia's integrity, but it did not by any means end the acrimony between Moscow and the regions. Many ethnically Russian regions were disturbed that the republics had received a privileged position. In their agreement, the resources on their territory were declared the property of the people living in the republics, a clause missing from the other two agreements. In addition, many of the republics, such as Sakha, signed protocols with Moscow that dramatically lessened their tax burden to Moscow. To right these perceived wrongs, several ethnically Russian regions contemplated declaring themselves to be republics.

Moreover, the treaty failed to put an end to tensions between Moscow and the regions because it was signed at the time the conflict between Yeltsin and the Congress began to escalate. The Congress was concerned that Yeltsin's steps to build a presidential pyramid—which included appointing presidential representatives in all the regions—threatened its own authority. In addition, the presidential and congressional bureaucracies were increasingly locked in a bitter struggle to control the process of divesting Soviet assets. Although most regional elites sought to stay out of the struggle in Moscow, they sought to exploit it to enhance their own autonomy. Tatarstan went the farthest, except for Chechnya. In March 1992, more than 60 percent of the voters supported independence in a referendum held in Tatarstan. In November, Tatarstan adopted a new constitution, in which it declared itself to be “a sovereign state, a subject of international law . . . associated with the Russian Federation—Russia on the basis of a Treaty on the mutual delegation of powers and spheres of authority.”³⁷

The conflicts in Moscow, between Moscow and the regions, and among the regions reached their apogee in 1993. The struggle for primacy between Yeltsin and the Congress of People's Deputies passed through a failed attempt to impeach Yeltsin, followed by a popular referendum on Yeltsin's

policies, which he won convincingly. Yeltsin then convened a constitutional conference, with the goal of drafting a new Constitution that would clearly delineate the responsibilities of the executive and legislative branches, among other things. The conference proceeded surprisingly smoothly on this score, but ran into an impasse on federal structure that would ultimately undermine the entire process. The ethnically based republics were intent on maintaining their hard-won status as “sovereign states,” with its corresponding privileges. The ethnically Russian regions, however, resented what they saw as discrimination and sought to create equal conditions for all of Russia’s regions. By late summer, it was clear that the conference would not resolve conflict among Russia’s competing power centers.³⁸

There followed quickly a series of events in the fall and winter of 1993–1994 that appeared to put an end to this period of drift in Russian state building. In September, Yeltsin unilaterally disbanded the Congress of People’s Deputies. A two-week standoff ended in violence in the streets of Moscow, as Yeltsin used force to put down a rebellion by forces loyal to the Congress. Yeltsin then had drafted a new Constitution providing for a strong presidency, which was adopted by popular referendum in December 1993. The Constitution eliminated the problem of “dual power” and bolstered recentralizing forces. In February 1994, Moscow and Tatarstan signed a bilateral treaty, in which Tatarstan recognized itself to be part of Russia. Contrary to expectations, however, the period of drift was far from over.

3

The Crumbling of the Russian State

With the routing of the Supreme Soviet in October 1993, Yeltsin eliminated the destabilizing consequences of “dual power” and restored the principle of indivisible power, structured around the presidency. The new Constitution did away with the ambiguities of the old, leaving no doubt as to the center of power in the political system—even creating a “superpresidency,” according to many commentators. The president was no longer simply the “highest official of the RSFSR.”¹ He was now the head of state and guarantor of the Constitution and the rights and freedoms of Russian citizens. He was to defend the sovereignty, independence, and territorial integrity of Russia; ensure the coordinated functioning of the organs of state power; and determine the main directions of foreign and domestic policy (Constitution, article 80). He was made the commander in chief (article 87). Unlike under the old Constitution, he now had the right to dismiss the Duma (article 84). Removing him from office was no longer a matter of majority vote by the parliament, but of a long process involving both the upper and lower houses of the Federal Assembly (or parliament), the Constitutional Court, and the Supreme Court (article 93). Overriding his veto no longer required a simple majority, but a two-thirds majority in both houses of the parliament (article 107). At the same time, the president retained his extensive power to appoint officials of the executive and judicial branches.²

As developments were to demonstrate, however, the superpresidency was a myth, not a reality, at least as long as Yeltsin remained president. The process of erosion, degeneration, and fragmentation of power continued, if hardly in a straight line. The reasons were many and interrelated. With

his hands-off leadership style, Yeltsin never deployed the full powers of the presidency; later, his failing health would have prevented him from doing so, even if he had desired to. Shortly after his reelection in July 1996, his health problems fueled a succession struggle, which only further eroded the government's discipline in policy making and implementation, while ultimately creating a new form of "dual power" appropriate to an ostensibly democratic regime. Elite groups exploited Yeltsin's weaknesses and the disarray of the reform process to build powerful political-economic coalitions, in part by privatizing parts of the state. As the elites in Moscow struggled for supremacy, the country continued its socioeconomic decline, which slowly robbed the state of the resources to govern effectively. Regional elites, not surprisingly, exploited the disarray in Moscow to assert ever greater autonomy.

The disarray in Moscow and the growth of regional autonomy—what could be called the crumbling of the Russian state—quickly combined with the broader socioeconomic decline to form a vicious circle. The crumbling accelerated the decline by leaving the country without effective institutions to regulate economic activity, eroding the quality of public goods (such as health, education, the court system, and the economic infrastructure), and creating an opening for organized crime. The decline, in turn, deprived the state of the resources it needed to rebuild its capacity to govern effectively.

Yeltsin's Waning Presidency

As one constitutional scholar commented early in the Yeltsin presidency, "We have a Presidency with extremely hypertrophied powers . . . but it does not have sufficient possibilities (legal or political or in the regions) to fully exercise those powers."³ Two leading Russian analysts have described this combination of great inherent power and practical weakness as "impotent omnipotence."⁴ Part of that practical weakness was a result of Yeltsin's own style and, particularly during his second term (1996–1999), his increasingly fragile health.

Yeltsin was never a hands-on president deeply involved in the details of government. As one of his advisers put it delicately, "Not interfering in the current work of the Government, he would as much as he could play the role of the political cover, defender of the staging area that was necessary to move Russia along the path of reform."⁵ At the same time, Yeltsin sought to give policy direction—and expand his own room to maneuver—through his personnel appointments.⁶ This did not require much

time or energy from the ailing Yeltsin. Governmental shake-ups were common, particularly during Yeltsin's last two years in office, as he sought a loyal successor who would both protect him from any political or legal retribution and continue, in broad terms, his policies (which probably meant little more than no return to the communist past).⁷ He fired four prime ministers in the seventeen months before he appointed Putin as prime minister and designated him his successor in August 1999.

Coupled with Yeltsin's hands-off style was his lack of a well-articulated vision for Russia and a detailed strategy for pursuing it. According to one of his advisers, his vision was vague to the extreme, amounting to little more than helping Russia become a prosperous country.⁸ A strategy was largely nonexistent, something that led to indecision, especially after key political victories. One Kremlin insider noted that "after each victory, he, as a rule, devined poorly how to use its fruits, what to do next. Yeltsin's well-known, 'deeply meaningful' pauses are explained most often by the fact that in a series of cases and situations he did not know what to do concretely."⁹ Another was more succinct: "Yeltsin is incredibly tenacious in holding onto power and incredibly disinclined to use it."¹⁰

Finally, Yeltsin's declining health greatly eroded his political authority. From the very beginning, his prolonged absences at critical moments were noted, for example, for several weeks in the fall of 1991 after the failed August putsch, when the structure of the new Russian government was being decided. His absences grew longer as his health deteriorated. After his reelection, as one of his advisers wrote, "It was obvious to all who witnessed the official beginning of Yeltsin's second term that the leader's health had become one of the key factors in Russian politics."¹¹ By the time he resigned on December 31, 1999, he was largely an absentee president. Health problems strictly limited his channels of information. By the end of his term, only a handful of people had reliable access to him, most notably his daughter Tatyana Dyachenko and his ghostwriter Valentin Yumashev. These problems also allowed senior government officials to pay less heed to his preferences. As a Kremlin insider wrote, "The reasons for the contradictions in the White House [Russian government] were so deep and the risk of becoming the victim of the president's anger so small, that his words changed nothing in the relations among the members of the cabinet."¹²

More important, Yeltsin's fragile health distracted the political elites from the urgent task of rebuilding Russia by thrusting them into a prolonged succession struggle. Yeltsin's reelection should have removed the issue of succession from the political agenda for two to three years. His health meant it would be otherwise because of the constitutional

provisions for succession. The Constitution provided that, should the president leave office prematurely for any reason, the prime minister would serve as acting president for three months, during which elections would be held for a permanent successor (article 92). As a consequence, would-be successors had to be prepared to run at a moment's notice, while making preparations for elections in mid-2000, if Yeltsin were to serve out his term. In many instances, the exigencies of short- and long-term campaigns contradicted one another. Many candidates, including Krasnoyarsk governor Alexander Lebed and Moscow mayor Yuri Luzhkov, suffered at least tactical losses for “false starts” in the presidential campaign. Likewise, the power brokers faced the problem of needing a candidate for both a sprint and a marathon. Often, however, that meant backing—or wavering between—two or more candidates.

In addition, Yeltsin's dubious health turned the prime ministership into a central field of battle, with deleterious effects for the smooth functioning of the government. The possibility of patronage, command over an executive apparatus with lines into every region, and the chance that he could become acting president all make the prime minister a key figure in any succession drama. After Yeltsin's reelection, all successive prime ministers were viewed as his possible successors, including both Chernomyrdin and Yevgeny Primakov, who had obvious political weight, as well as Sergey Stephashin, who lacked a commanding presence, and Sergey Kirienko, a true lightweight who had been brought to Moscow to serve in the government only a year before he was appointed and who was a mere 35 years old. The rapid turnover in prime ministers in Yeltsin's last two years was a reflection of both the sharpening succession struggle and concern in Yeltsin's inner circle that his health might not hold up.

The turnover was also a consequence of the political instincts and insecurities of Yeltsin, who insisted—until a few weeks before his resignation—that he would serve out his term and pass power to a successor who would preserve his legacy. There was more than concern about his legacy at work, however. As numerous commentators noted, Yeltsin was profoundly jealous of his prerogatives as president and deeply resented any suggestion of a campaign to succeed him. This made the job of prime minister almost untenable. Because of Yeltsin's frailties, the prime minister was compelled to assume greater responsibility and authority, even to encroach on presidential prerogatives, if only to keep the government operating at a minimal level of efficiency and coherency and to represent Russia with dignity abroad. This inevitably enhanced his attractiveness as

a presidential candidate, which in turn raised the risk that Yeltsin would come to see him as a rival.

Assuming the responsibility without provoking Yeltsin's ire was a line no prime minister was able to toe for long (with the exception of Putin—and one wonders how long he would have lasted had Yeltsin not decided to step down six months early). Yeltsin fired both Chernomyrdin in March 1998 and Primakov in May 1999, in large part because they appeared too presidential. And he did this with a seeming lack of concern for the consequences for Russia's development. Chernomyrdin was fired at just the moment that the country needed governmental stability and strong leadership to deal with the mounting pressures of a global financial crisis, which finally overtook Russia five months later. Likewise, Primakov was fired just as he was beginning to push key legislation through the Duma that was required by the much needed loan agreement with the IMF.¹³

Throughout Yeltsin's second term, as was so often the case in Russian history, power took precedence over policy. The uncertainties about succession—and its far-reaching consequences for concrete individuals, including the question of physical survival for some—only concentrated the focus on the question of power. The constant shuffling and battling for position eroded the government's coherence and discipline and thereby its capacity to govern effectively and to translate Yeltsin's policy preferences into concrete actions. It is not surprising that few ambitious leaders—and certainly no would-be presidents—were prepared to risk the tough, unpopular measures needed to address the country's deepening ills.

The Power–Property Nexus

The succession struggle was fought out primarily by the oligarchic groups in Moscow, which dominated Russian politics at the national level.¹⁴ Even Yeltsin's advisers thought that to be the case: “Yeltsin's victory in the 1996 elections was not a repetition of his triumph in 1991. . . . For the country, his victory came at the cost of a radical strengthening of the oligarchic clans, of a tormenting farewell with the ‘Yeltsin era,’ dragged out over four years.”¹⁵ Boris Berezovsky, one of the original “oligarchs,” fueled this talk in the fall of 1996 with a comment that seven bankers together controlled more than half the Russian economy and played a dominant role in the political process.¹⁶ For many observers, the oligarchs were a very small group (at best a dozen or so) of well-connected, fabulously rich, and politically influential businessmen. This was a gross oversimplification of a much

more complex reality, but it did capture the fundamental truth of Russia's being ruled by a narrow elite bound together by ties of power and property.

That an oligarchy emerged in post-Soviet Russia should not have come as a surprise. Certainly, such a development had to rank high among the possible scenarios in 1991, if only because Russia had for most of its history been ruled by an oligarchy of one sort or another. The tsar and the boyars of Muscovy, the emperor and aristocracy of Imperial Russia, the general secretary and the *nomenklatura* of the Soviet Union all formed oligarchies. What distinguished these oligarchies from Western analogues was the near total absence of private property (except for the period from the late eighteenth century to the Bolshevik coup d'état of 1917). Almost all property formally belonged to the tsar in pre-Soviet Russia or to the state during the Soviet period. Those in power granted individuals the right to exploit property on the condition of service to the tsar or state. In other words, the right to exploit property was conditional on some form of service to the state. To quote once again the words Mikhail Voslensky used in his classic work on the *nomenklatura*: "The main thing for the *nomenklatura* is power. Not property, but power. The bourgeoisie is the propertied class, and therefore the ruling class. The *nomenklatura* is the ruling class, and therefore the propertied class."¹⁷

This link between power and property has made Russia a corrupt society almost by definition. For most of Russian history, there has been no clear distinction between the concepts of sovereignty (governance of people) and ownership (the right to dispose of property), between politics and business, between the public sphere and private sphere. State officials were expected to use their positions for private gain; many—particularly at the lower levels—had to take bribes simply to maintain a decent standard of living.

Yeltsin may have administered the coup de grâce to the Soviet oligarchy, already weakened and thrown into disarray by Gorbachev's reforms. He may have disbanded the Communist Party of the Soviet Union, the central structure of the Soviet oligarchy. But he failed to eliminate or radically alter the power–property nexus that had historically nourished Russian oligarchies.

In the first few years after the Soviet collapse, access to power was critical to obtaining property and building wealth, to a great degree because of the state's formal control of most property, the way in which state property was privatized, the immaturity and deficiencies of Russia's market economy, and state trade and monetary policies.¹⁸ Access to power, for

example, was essential to obtaining the licenses and approvals to engage in lucrative rent-seeking activities, such as:

- Exporting at world prices commodities that were purchased at low state-controlled domestic prices. For example, domestic oil prices were 1 percent of world prices in the spring of 1992. By early 1995, they had risen to only one-third of world prices.
- Importing so-called critical imports at special exchange rates. Russian importers of grain, for example, paid only 1 percent of world prices for the grain they imported, but could sell bread products at ordinary domestic prices. The special exchange rates were abolished in 1993.
- Obtaining subsidized state credits from the Central Bank. Such credits were halted in September 1993, except for agriculture.¹⁹

Likewise, access to power was critical to being designated an “authorized bank,” an exceedingly profitable status. Such banks were private commercial banks granted the right to handle budgetary funds of the central, regional, or local governments. These banks held the accounts of, for example, the tax authorities, customs authorities, and Ministry of Finance. The banks made huge profits by delaying budget transfers so that their managers could use the money to invest in high-yield government securities. Some made money by granting loans to various government agencies (using funds on deposit from other government agencies).²⁰

Finally, access to power was critical to success in the privatization process, which was riddled with insider deals. Privatization began in the late Gorbachev period with so-called *nomenklatura* privatization, as party and state officials simply expropriated state property for their personal use. Voucher privatization, from 1992 to 1994, put a legal base underneath the process, but because of political compromises, much of the privatized property wound up in the hands of the Soviet-era managers.²¹

The next phase, cash privatization, which began in 1994, became notorious for its insider dealing. The most infamous episode was the “loans-for-shares” program of late 1995, under which a few well-placed financiers obtained control of leading oil companies and other strategic enterprises at cut-rate prices. Under this program, worked out by a few financiers and the government, banks were to lend the government money in exchange for the right to manage the state’s shares for a specified term. If the state did not repay the loan by the end of the term, the banks would have the right to sell the shares, splitting the profits between themselves and

the state. The loans and any sales were supposed to be open to competitive bidding. Typically, the banks selected by the state to organize the auctions also won the bidding.²² According to one leading banker, the winners of the auctions were all known in advance: “Simply put, the matter concerned the ‘appointment as millionaires’ (or even billionaires) of a group of entrepreneurs, who, according to the plan, were to become the main supports of the regime.”²³

Power and property remained tightly intertwined throughout the Yeltsin era because the institutionalization of the rule of law proceeded slowly, because legal codes were contradictory and enforcement arbitrary, and because the court system was underdeveloped. Not only were property rights not fully protected under the law, but also, because it was almost impossible to engage in business without breaking some laws, businessmen sought out political patrons, or became politicians themselves, to protect their property.²⁴ They had to engage actively in politics to diminish the chances of politicians inimical to their interests coming to power and manipulating the law, among other means, to challenge their property rights.

If there was any change in the relationship of power and property, it was that, in sharp contrast to the Soviet period, the relationship was no longer one way. Not only could power be converted into property; property could be converted into power. Even though property rights were poorly defined, those in power could not simply fire the holders of property, as they used to in the Soviet period. Moreover, politicians needed resources, especially money, to run electoral campaigns and undertake other activities essential to staying in power. This need gave property owners some influence over power holders.

As a result of this continuing tie between power and property, a new oligarchy quickly coalesced around Yeltsin as the sole symbol of legitimate power in the country after he put an end to the period of dual power in 1993. This oligarchy manifested itself in the form of powerful, albeit loose, political-economic coalitions built around the control of key positions in the central government, of financial and industrial capital, of mass media and information-gathering agencies, and of instruments of coercion. By the fall of 1995, four of them had emerged as the preeminent political players at the national level, engaged in bitter competition to control key positions in government and lucrative economic assets. (Yeltsin was not directly associated with any of these coalitions. Rather, he stood above them as the arbiter of their disputes, intervening in their conflicts from time to time to regulate them, readjust the balance, and maintain or expand his own room to maneuver.)²⁵ The four coalitions were:

- The Chernomyrdin coalition, built around government bureaucracies outside the economic policy bloc and industry-led financial-industrial groups, such as Gazprom (the giant gas monopoly) and Lukoil (Russia's leading oil company), that had grown out of the old Soviet branch ministries;
- The Luzhkov coalition, or Moscow Group, built around the Moscow mayoralty's control of key political processes and economic assets within the city of Moscow;
- The Korzhakov-Soskovets coalition, built around the metallurgical sector (especially aluminum), arms exports, and the presidential security apparatus; and
- The loose Chubais-Berezovsky coalition, built around the economic policy bloc in the government and the new bank-led financial-industrial groups, which controlled most key national media, such as the Alfa, Interros, Most, and Rosprom groups.

There was nothing permanent about these coalitions, however. During the next five years, the bitter struggle for power and property destroyed some coalitions and led to the formation of new ones. During this time, three dramatic shifts occurred. The first arose from the bitter struggle between the Korzhakov-Soskovets coalition and the other three for primacy in Yeltsin's reelection and the spoils of his hoped-for victory in 1996. This struggle ended in a dramatic showdown between the first and second rounds of voting that destroyed the Korzhakov-Soskovets coalition (both Korzhakov and Soskovets were dismissed from their government posts and, shortly thereafter, lost control of the resources that had once made theirs such a potent coalition).

In the victory over the Korzhakov-Soskovets coalition, however, lay the seeds of the destruction of the Chubais-Berezovsky coalition, as its leading elements fell out over the division of property. This was the second dramatic shift. The key event was the auction of a blocking share in the national telecommunications company, Svyazinvest, in the summer of 1997. The dispute over this erupted in a very public "information war" that ended with many of Chubais's closest allies being dismissed from key government positions and Berezovsky being removed from the Security Council.

The final dramatic shift came with the financial collapse of August 1998, which shattered the coalition structure of the time, breaking it down into its constituent parts. These parts gradually reformed into two major

coalitions—one around Primakov and Luzhkov, the other around Yeltsin and Putin—that strove for primacy in the Yeltsin succession.²⁶

This intense struggle among elites militated against government discipline and efficiency, for the government itself was the central arena in which these oligarchic groups vied for political and commercial advantage. They sought to insert their allies into key positions or to suborn officials for their causes. And because of this struggle, the government itself was fragmented and incapable of articulating and implementing policies intended to address Russia's deepening socioeconomic ills.

The Broader Context: Severe Socioeconomic Crisis

The disarray in the central government both fueled and was fueled by the broader socioeconomic crisis that marked the entire Yeltsin presidency. This, of course, was not the course Yeltsin and his advisers had plotted when they came to power in the fall of 1991. To the contrary, they were firmly convinced that Gorbachev's policies of half reforms had led to the collapse of the Soviet Union. Yeltsin's team was prepared to make the choice Gorbachev had refused to make—between the Soviet Union and radical reform—and they made it in favor of reform. The logic was simple: The necessary reform would never be undertaken if they tried to harmonize their program with those of the other, more conservative non-Russian republics.

Yeltsin and his advisers, however, did not have a detailed or well-conceived strategy for reforming Russia. Most of their thought went into the economic component, whose goals were to break the state monopoly over the economy, privatize much of the country's economic assets, monetize the economy, and integrate Russia into the global economy—thereby laying the basis for the emergence of a strong market economy. But even here much of the detail was lacking, as one of the Russian government's foreign advisers of the time has written.²⁷ Yeltsin, however, like many of his advisers, believed that the reforms would turn the country around quickly—in six months to a year.²⁸

Yeltsin could not have been farther off the mark. In reality, under Yeltsin, Russia experienced a socioeconomic crisis unprecedented for a major industrial power not defeated in a great war. Although there is much debate over the causes of the decline—misguided policies, incomplete reforms, a tough conservative opposition, momentum out of the Soviet period, allegedly anti-Russian policies by the West—few doubt that the

costs of the Yeltsin years were staggering, in both real and psychological terms.²⁹

Statistics cannot begin to capture the full costs of the decline, but they provide a sense of the scale of the problems. With the breakup of the Soviet Union in 1991, Moscow almost overnight lost half the population, two-fifths of the gross domestic product, and a quarter of the territory it had once controlled. Between 1992 and 1999, the Russian economy collapsed in real terms by nearly 40 percent, according to official statistics. By the end of the Yeltsin period, the Russian economy ranked sixteenth in the world (when calculated by exchange rates) or tenth (in terms of purchasing power parity); it was about a tenth of the size of the U.S. economy.³⁰

Public health told a similar story of decline and decay. During the 1990s, life expectancy fell for both men and women. For men, the decline was dramatic, from 64.2 years in 1989 to as low as 57.6 in 1994 before rebounding to 61.3 in 1998.³¹ Contagious diseases, such as tuberculosis and diphtheria, began to make comebacks. According to a leading American demographer, "Russia's health profile no longer remotely resemble[d] that of a developed country; in fact, it [was] worse in a variety of respects than those of many Third World countries."³²

More important, the socioeconomic and governmental breakdown had dire consequences for two key symbols of state power and authority: the military and money.

The military, once the pride of the country, was on the verge of ruin in the late 1990s, according to a leading Duma expert, as a consequence of slashed budgets, neglect, corruption, political infighting, and failed reform.³³ Budget outlays fell from about \$130 billion in 1992 to as little as \$40 billion in 1998.³⁴ The overwhelming share of that money was allotted to salaries and provisions. Even then, military officers frequently moonlighted to augment their pay; commanders used units to perform services for local officials and businessmen to earn money for provisions; and enlisted men were frequent sights on the streets asking for money or other items, even in the center of Moscow. Little money was left for training and equipment. Duma experts estimated that new weapon systems accounted for 20 to 30 percent of the military's armament and equipment.³⁵ Corruption among high-level officers was rampant. In early 2001, for example, several senior officials in the Ministry of Defense were under investigation for malfeasance.

Overall, there was a sharp deterioration in military discipline and capabilities, as evidenced by the poor performance of the Russian military in

the first Chechen campaign of 1994–1996 and the somewhat better—but far from satisfactory performance—in the second campaign beginning in the early fall of 1999.³⁶ More worrisome to the leadership, Russia faced formidable financial and technological challenges in maintaining the long-term credibility of its strategic nuclear deterrent, arguably its sole claim to great-power status.³⁷

Similarly, Moscow did not manage to maintain a reliable countrywide financial and monetary system at any point during Yeltsin's presidency. Although the ruble remained the nominal currency, regions and enterprises issued quasi-currencies in the form of promissory notes. Barter became an increasingly prominent part of the system. A government survey in 1998 suggested that the overwhelming share of commercial transactions (up to 75 percent) took place outside the monetized sector, in the form of barter or currency surrogates.³⁸ Moreover, a large share of economic activity was conducted in the “shadow economy.” (The actual size of this economy was the subject of much debate: The Russian government estimated it at 25 percent of the economy for official purposes, but some observers believed it might have been as high as 40 percent.)

Much of the activity in the shadow economy was carried out in the form of barter or in dollars. By definition, it lay outside the taxing authority of the state. The prominence of barter and the shadow economy eroded the central government's ability to collect taxes; in fact, there was a steady decline in federal tax revenue as a share of GDP, which reached a low point of 9.0 percent in 1998 before rebounding to 13.4 percent in the last year of Yeltsin's presidency.³⁹ In August 1998, the financial system finally collapsed, as a consequence of Moscow's inability to collect taxes and its effort to cover the budget deficit through foreign borrowing and the issuance of various domestic debt instruments that amounted to little more than a massive pyramid scheme.⁴⁰

It is not surprising that this crumbling of the state was reflected in popular attitudes during the Yeltsin presidency. For the first extended period in modern Russian history, the state was neither feared nor respected. The lack of fear was evident in the pervasive tax and draft evasion, as well as in such mundane matters as the widespread nonobservance of traffic regulations. The lack of respect was evident in the general disregard for national holidays and monuments and the profound public distrust of high-ranking government officials and central government institutions, repeatedly recorded in public opinion polls.⁴¹ Kremlin intrigue fed cynicism about the state, while Yeltsin's deteriorating health, both physical and mental, reinforced pervasive doubts about the state's strength and will.

Centrifugal Forces in the Regions and Moscow's Disarray

This general socioeconomic decline, coupled with the acute competition of the Moscow-based coalitions for power and position, eroded Moscow's capacity and will to control political and economic processes elsewhere in the country. Ambitious regional leaders quickly exploited this disarray to seize key regional economic assets and to consolidate their autonomy vis-à-vis Moscow; the more timid leaders were compelled to assume more responsibility simply to survive.⁴² Moscow elites facilitated this development, as they made concessions to regional elites in an effort to obtain their support in the battles in Moscow. This was particularly true of the presidential campaign of 1996, when active support from regional leaders was critical to Yeltsin's come-from-behind victory. His most consequential decision was to relinquish his power to appoint the heads of regional governments and allow them to be popularly elected. The popular legitimacy elections conferred on regional leaders vastly strengthened their independence vis-à-vis Moscow.

The extent of this regional autonomy is all the more remarkable because, with rare exception, the regions remained dependent on Moscow for budget support. Part of the explanation lies in the incoherence of the central government. Regional leaders did not have to approach a unified government for money. Rather, they could deal with multiple sources of financing in Moscow—some technically state sources, some technically private ones—and play on their contradictions to obtain the best deal for themselves. Back in their home regions, political leaders and enterprise managers formed protection circles to advance their common interests against Moscow and to subvert many of its economic reform initiatives. In addition, regional leaders used their control over local resources to suborn local representatives of federal agencies, who found themselves at the mercy of local authorities for housing, conveniences, and other amenities. Even military commanders found it necessary to cut deals with the local authorities to ensure themselves and their troops continued flows of food, energy, and other provisions.

Moscow made periodic efforts to reassert its authority in the regions, but without much success. After the signing of the bilateral treaty with Tatarstan, Moscow concluded that it was more promising to deal with the regions individually rather than as parts of collectives, such as ethnically based republics or ethnic Russian regions, as it had in the first years after the Soviet breakup. This approach gave Moscow some flexibility, because it was under less pressure to extend concessions given to one region to the

collectives as a whole. In 1994 and 1995, Moscow negotiated bilateral agreements with most of the ethnically based republics; in 1996, it extended this practice to the most important ethnic Russian regions. By the middle of 1998, it had signed such agreements with more than half of the country's 89 regions. Many of these agreements, however, contradicted the Russian Constitution, and most gave the regions control over federal properties located on their territory. Thus, although this approach might have undermined cooperation among regions—something Moscow saw as positive—it had the additional consequence of enhancing the regions' autonomy individually and eroding respect for the Constitution. Whether Moscow on balance gained from this approach is an open question.⁴³

In another attempt to reassert Moscow's prerogatives, Anatoly Chubais—who was named head of the presidential administration after Yeltsin's reelection—moved in 1996 to enhance the power and authority of the presidential representatives in the region. This effort came to naught, however, largely because Moscow lacked the money to give the representatives the resources they needed to play that role and because the Chubais coalition was diverted by challenges to its position in Moscow from rival coalitions. The most graphic example of Chubais's weakness was his failure to remove one of his most visible nemeses, Yevgeny Nazdratenko, as head of the Maritime Province despite a concerted effort for several months to do so. The Kremlin went so far as to appoint the local director of the Federal Security Service (FSB), Viktor Kondratov, as the presidential representative and to decree that Nazdratenko had to coordinate all appropriations of transfers from the federal budget with Kondratov. Nazdratenko survived not only because of strong support from the provincial elite, but also because he could draw on support from allies in Moscow who were intent on undermining Chubais.

Moscow's weakness—its inability to govern effectively and rein in centrifugal forces—was cast into graphic relief by the financial meltdown of August 1998. With Moscow in profound disarray, regional leaders moved quickly and boldly to assert their prerogatives and to insulate themselves from the consequences of the financial crisis. Many acted unilaterally to set price controls and forbid the export of certain products, primarily foodstuffs, from their regions (although in both cases the implementation was not always effective). Some spoke of creating local currencies or gold reserves. Primakov, at the time of his confirmation as prime minister in September, warned that there was a growing danger of Russia splitting up and vowed to take tough steps to avert it.⁴⁴ In particular, he advocated discontinuing the election of regional governors in favor of their appointment

by the president. But little came of these efforts because Primakov became bogged down in a struggle with the Kremlin that ultimately led to his dismissal in May 1999.

Return to “Feudalism”

By the end of the Yeltsin period, Moscow’s weakness was generally recognized in the West, and much attention was focused on regional governors and presidents and the leaders of major financial-industrial groups, or the so-called oligarchs, as the real holders of power. That view, however, tended to exaggerate their role and overlooked the great disparities in power relationships across Russia. Governors and republic presidents may have been the most powerful figures at the regional level, but their power was limited by local elites, much as Yeltsin was constrained by national and regional elites. The mayors of administrative centers, especially if popularly elected, and the heads of major enterprises, particularly if they provided the bulk of funds to the regional budget, often acted as effective counterweights. Gubernatorial and republic presidential elections provided graphic evidence of these limits. In the electoral cycle from September 1996 through February 1997, incumbents won only 24 of 50 elections. In 1998, they won 5 of 11 contests.⁴⁵

Similarly, the oligarchs faced growing competition from regional businessmen from the mid-1990s onward. The financial meltdown of August 1998 and the ensuing economic turmoil further undermined their positions, in part because their banks were heavily invested in federal government securities, unlike most regional banks.⁴⁶ All the oligarchs were initially compelled to downsize their empires and retrench, and a few even went bankrupt, although predictions of the demise not of individual oligarchs but of the oligarchy as such proved wide of the mark.

Moreover, during the Yeltsin era regional leaders did not capitalize on their newfound possibilities by developing joint positions vis-à-vis Moscow. The eight interregional associations—formed in the early 1990s to coordinate socioeconomic programs and policies across broad regions—were noteworthy primarily for their lack of concrete action.⁴⁷ The Federation Council, where the regional leaders sat ex officio beginning in 1996, never developed the corporate identity the State Duma did. It met infrequently—once or twice a month for two to three days. Regional leaders preferred to spend their few days in Moscow each month not debating legislation but individually lobbying government officials and private financiers for funds. Although dozens of agreements were signed between

regions, the preferred channel of communication was the vertical one with Moscow. Regional leaders focused on signing bilateral treaties with Moscow that delineated powers suited to their own situations, rather than on developing a uniform set of rules governing federal relations.

Finally, the regions grew more and more isolated from one another during the 1990s. The breakdown of the countrywide production processes of the Soviet period and the accompanying sharp economic decline gave regions less reason and capacity to deal with one another. At the same time, the liberalization of the economy opened up greater possibilities for foreign trade. Imports surged by more than 70 percent between 1992 and 1997 (the last year before the financial crisis sharply reduced imports).⁴⁸ On average, only a quarter of a region's product was sent to other Russian regions, slightly less was exported abroad, and the rest was consumed locally.⁴⁹ Housing shortages, the close link between the workplace and social services, and other constraints on labor mobility tied most workers to their place of employment and impeded the development of national labor markets.⁵⁰ Sharp increases in fares, declining income, and the general deterioration of infrastructure sharply reduced interregional travel.⁵¹ Similarly, regional newspapers, which were now successfully competing with Moscow-based national papers for local audiences, were extremely difficult to obtain outside the area where they were published.⁵² As a result, Russians had less and less access to information about what was happening in other regions, even if national television kept them abreast of the political conflicts among the Moscow elites.

Thus, the weakening of power in Moscow, contrary to widespread impressions in both Russia and the West, did not create strong regions. Rather, the situation at the end of the Yeltsin period was better summed up as “weak center—weak regions.” That is, the striking feature of the Russian political and economic system was the absence of concentrations of power anywhere in the country that alone were capable of controlling the situation or of creating a coalition for that purpose. In this sense, Russia had become “feudalized.”⁵³

Why Has Russia Nonetheless Stayed Whole?

In this absence of strong, organized centers of power, with the central state growing ever weaker, the mystery for many during the Yeltsin period was why the country had not long since disintegrated. As was noted above, Primakov warned that the country was in danger of splitting up after he was confirmed as prime minister in September 1998. Putin, shortly before

he took over from Yeltsin at the end of 1999, sounded a similar warning. The acts of regional authorities, he asserted, had put into question “the state’s constitutional order, the very effectiveness of the federal Center and the governability of the country, and the integrity of Russia.”⁵⁴ Several factors, however, continued to bind the country together—and still do today.

At one level, the country’s basic infrastructure, economic and political, militated against breakup. The so-called natural monopolies—Gazprom (the giant gas monopoly), RAO UES (the United Power Grid), and the railroads—all have networks that link the country together, as does the river transport system. Those areas not served by these networks are isolated regions in the Far North.⁵⁵ Similarly, national television, the source of information for the overwhelming majority of Russians, helps bind the country together.⁵⁶ In addition, most of Russia’s regions depend on transfers from the federal government to fund their activities. In 1997, for example, only eight regions did not receive money from the federal Fund for the Financial Support of Subjects of the Federation, although even these received funds for federal programs carried out on their territory.⁵⁷

Finally, the Constitution provides a framework for governing the country, even if most bilateral agreements between Moscow and individual regions, many regional charters, and much local legislation violate constitutional provisions. These violations are better seen not as challenges to the country’s unity but as part of a multifaceted negotiation on building federal structures. Regional leaders speak primarily of the proper balance of power between Moscow and the regions, not of independence.⁵⁸

But infrastructure is hardly a sufficient glue for a country, as the demise of the Soviet Union demonstrated. The four more compelling reasons for Russia’s continued existence as a state stem precisely from the ways Russia differs from the Soviet Union.

First, geography. Simply put, Russia is located a long way from any place that matters outside the former Soviet Union. Only 12 of 89 regions border on a country that was not once part of the Soviet Union, whereas another—Sakhalin Oblast, an island—lies close to Japan. As a result, the overwhelming majority of regions, should they declare themselves independent, would find themselves isolated within Russia or the former Soviet Union. This acts as a powerful disincentive to secession. By contrast, all 15 of the constituent republics of the Soviet Union bordered on foreign states or open seas, and all felt the inevitable tug of neighboring, non-Soviet regions, particularly after the demise of Russia’s East European empire.

Second, dispersal and fragmentation of power. Unlike the Soviet Union and other countries that have broken up, Russia lacks two or more major,

organized, geographically based centers of power vying for control of the country (which at the extreme could lead to civil war) or seeking to set up independent states. In Russia today, there are no analogues to the Soviet and Russian leaderships, whose competition ultimately brought down the Soviet Union. (Those who are advocating a reduction in the number of Russian regions through amalgamation as a way of building a more rational federal system, if they succeed, could ironically wind up creating major competing centers of power that would put the country's integrity at greater risk. The same danger could arise if the current seven federal districts, created by President Putin, were to be consolidated as political entities.) Likewise, there are no significant separatist forces outside of Chechnya and, perhaps, Dagestan, but even the formal independence of either of those regions would not tear the country apart.

In addition, the fragmentation and dispersal of power tend to localize unrest and minimize the consequences of governmental crises in Moscow for the country as a whole, even if they do not preclude unrest and governmental crises (in fact, both have occurred frequently during the past decade). The best example is perhaps the North Caucasus, where it is surprising that long-standing instability in several ethnically based republics, including prolonged, brutal warfare in Chechnya, has not yet merged into a regionwide conflagration.

Third, ethnic homogeneity. During the past two centuries, the breakup of ethnically homogeneous countries has been rare: The only major country to come close was the United States during the mid-nineteenth century. Russia, however, is a much more ethnically homogeneous state than was the Soviet Union. According to the last census (1989), ethnic Russians accounted for slightly more than 50 percent of the Soviet population; they account for more than 80 percent of the Russian population. Muslims accounted for about 18 percent of the Soviet population but only 8 percent of Russia's population.⁵⁹ Moreover, ethnic Russians are the largest ethnic group in all but 11 of the 32 ethnically based provinces of the Russian Federation. In 18, they form an absolute majority.

Furthermore, as polls consistently demonstrate, the overwhelming share of the population and elites of Russia wants to live in a Russian state. To the extent that Russians do not recognize the Russian Federation as their country, it is because they believe Russia is something larger—including much, if not all, of the former Soviet Union—not because they want to see the federation collapse.⁶⁰ In large part, this sentiment is a consequence of a common history, culture, and customs.

Fourth, the international environment. No major power sees Russia as a strategic rival, as they once did the Soviet Union. None currently sees the breakup of Russia as in its interest, even if many may see benefits from a weak Russia. Europe and the United States are already concerned about the implications of Russia's weakness for the safety and security of weapons of mass destruction and the materials to build them, the proliferation of such weapons, and the potential spillover effects of major instability in Russia. Russia's breakup would only heighten those concerns. For its part, China is seeking to build partnerlike relations with Russia, both because of the technology transfers it hopes to receive and because it believes it can use Russia to help counter the United States in East Asia.

In sharp contrast, the United States did see a major interest in the weakening of the Soviet Union and devised and implemented strategies in pursuit of that goal. Although the United States officially had no stated interest in the breakup of the Soviet Union, its policies often worked in that direction. The United States refused to recognize the incorporation of the Baltic states into the Soviet Union, whereas its support for human rights, and by extension, nationalist movements, especially in Ukraine, wittingly or not, encouraged separatist tendencies. Moreover, those separatist movements could turn to influential diasporas in the United States and elsewhere for political and material support.

There are, of course, threats to Russia, but none appears unmanageable at the moment. No outside power is prepared to exploit Russia's weakness and interfere aggressively inside the country, for two reasons. First, perceptions of Russia's weakness lag behind realities, and the conventional wisdom is that Russia will eventually regain sufficient power to back its great-power pretensions. In the meantime, Russia's large nuclear arsenal, although deteriorating, still serves as a symbol of power sufficient to deter major outside intervention. Second, most of Russia's immediate neighbors are focused on their own domestic agendas rather than external expansion (e.g., China, Iran) or on rivalries with states other than Russia (e.g., India and Pakistan). Some states (e.g., Iran, Saudi Arabia, Turkey) are undoubtedly fishing in the muddy waters of the Caucasus, including territories within the Russian Federation, but their strategic goals are limited to the Caspian region and Central Asia. More to the point, none has the capacity to project substantial power further into Russia.

Even if the leadership had agreed, it would have found the idea that the country was unlikely to break up of limited comfort. For the forces that

bound the country together offered only a possibility of recovery. Alone, they did little to ensure that Russia would regain a semblance of its former strength and be restored to a central place in world politics. Rather, there remained a deep anxiety that the decline would continue, that Russia would be even more marginalized in world affairs. That was the environment in which Putin took over from Yeltsin on December 31, 1999.

4

Putin's Russia

From the time he became prime minister in August 1999, Putin was determined to use his power and authority to stop the rot, to rebuild the Russian state, and to regain its standing in the world. “Russia,” he wrote in a long document, “Russia at the Turn of the Millennium,” issued just before he took over, “is experiencing one of the most difficult periods in its centuries-long history. Let’s admit that for the first time in the last 200–300 years, it is facing a real danger of falling into the second, if not the third, echelon of states in the world. The nation will have to exert tremendous intellectual, physical, and moral effort to avoid this fate. Coordinated creative work is called for. No one will do it for us. Everything now depends only on our ability to recognize the degree of danger, to rally together, and to set ourselves to a long and difficult enterprise.”¹

In that same document, Putin frankly made the case for how far Russia had fallen behind the world’s leading economic powers, as a consequence of 70 years of communist mismanagement and 10 years of misguided reform efforts. In the 1990s, he noted, the economy had collapsed by nearly half. It was now one-tenth the size of the U.S. economy; one-fifth that of China’s. The industrial plant was obsolescent. Putin reported expert calculations that the economy would have to grow at no less than 8 percent a year for the next 15 years for Russia to attain the GDP per capita now enjoyed by Portugal or Spain. He allowed that those calculations might overstate the case, but he argued nevertheless that many years of hard work would be needed to enable Russia to catch up with the leading economic powers.

The key to Russia's renewal, in Putin's mind, was a strong state. "I am absolutely convinced," he said in an interview shortly after he became acting president at the end of 1999, "that we will not solve any problems, any economic or social problems, while the state is disintegrating."² Moreover, he thought that rebuilding the state required a recentralization of power in Moscow, or, more precisely, in the Kremlin (or the executive structures of the state). "From the very beginning," he said, "Russia was created as a supercentralized state. That's practically laid down in its genetic code, its traditions, and the mentality of its people."³ In another place, he noted, "A strong state is not an anomaly for a Russian, it is not something to fight against; rather, it is the source and guarantee of order, the initiator and main moving force of any changes."⁴ Although he has laced his remarks with talk about democracy, his views on the state when he took over from Yeltsin reflected traditional Russian attitudes toward power and the state, with their stress on its being strong, centralized, and paternalistic.

Even before he took over from Yeltsin, Putin had in the public mind begun the effort to rebuild the state. The second Chechen war, which began in the summer of 1999, just as Putin was named prime minister, was very much Putin's war and critical to his rise to power. For him, dealing with the Chechen rebels was an integral part of putting an end to the disintegration of the Russian state. Chechnya, he argued, was one of the major reasons for the strength of organized crime in Russia. And he feared that, if Chechnya were to leave the Russian Federation, it would become a staging ground for attacks by extremist groups on Russia. Moscow had to restore its writ to Chechnya, Putin said; otherwise, that region would "destroy the state and do direct and irreparable harm to all peoples living in Russia."⁵

In a sense, in setting out to rebuild the state, Putin was simply repeating the rhythm of Russian history, in which a period of recentralization follows one of drift, disorder, and anarchy. Moreover, he was pursuing a course that, at least in the abstract, enjoyed widespread support among the Moscow-based political elite. Indeed, almost any plausible alternative to Putin as president would likely have laid out a similar agenda; as has been the rule in past Russian succession struggles, the one to succeed Yeltsin was more about power than policy. Primakov had in fact pursued such a policy during his brief tenure as prime minister; Luzhkov ran Moscow much in the way Putin would like to run the country as a whole; and Communist leader Zyuganov had long supported rebuilding a strong, centralized state. All of them would have likely pursued this agenda with less energy

and zeal, however, because each was by nature more cautious and perhaps because they had a deeper understanding of the complexities of the Russian political system. In short, there was hardly anything unusual in the task Putin set himself, and there was considerable elite and popular support for his program in the abstract, even if elites were deeply concerned about how his concrete actions would affect their individual fortunes.

Reasserting the Kremlin's Power

Putin did little to rebuild the state during his time as acting president, as the presidential campaign unfolded. He did not even make an effort to prepare a substantial plan of what he intended to do if he were elected. Nevertheless, immediately after he was inaugurated on May 7, 2000, he moved aggressively against the competing power centers—the regional barons, the oligarchs, the media, and the Duma—in an effort to reassert the Kremlin's power and prerogatives.

He began with the regional barons.⁶ The attack was three-pronged. The first prong was a decree establishing seven federal districts headed by presidential representatives appointed by Putin to monitor activities in the regions that fell within their districts. The representatives had three main tasks: (1) to coordinate the activities of all federal agencies in their districts, (2) to ensure that regional legislation was brought into compliance with the Russian Constitution and federal law, and (3) to monitor tax collection and the flow of federal money in their districts. To underscore the importance of these representatives, they all reported directly to the head of the presidential administration and were given seats in the Security Council, a leading policy-making organ at the time the districts were created.

The representatives' chief task was to impose greater federal control over the regions, not to administer the regions or oversee economic developments. The boundaries of the districts and the actual representatives underscored that task. They coincided, for the most part, with the borders of the districts for the military and internal troops (not with the eight interregional economic associations set up under Yeltsin). Five of the seven representatives were drawn from the power ministries—two from the KGB, two from the military, and one from the Ministry of Internal Affairs.

The second prong was a bill restructuring the Federation Council, which had been composed of the heads of the executive and legislative branches of all of Russia's regions since 1996. The council had met only infrequently to deal with bills passed by the Duma and a few other matters exclusively reserved for it by the Constitution. Putin wanted to turn

the council into a permanently sitting body, which would require that the governors and heads of regional legislatures relinquish their seats in favor of deputies who could spend the bulk of their time in Moscow legislating. The bill he proposed—and quickly moved through the Federal Assembly—required the governors and heads of the regional legislatures to step down in favor of deputies they would delegate to the council by January 2002 at the latest. This arrangement had two advantages from Putin's standpoint. First, it would deprive the governors of a direct voice in federal legislation. Second, and more important, it would deprive the governors of their immunity from criminal prosecution (which all deputies, at any level, enjoy under the Russian Constitution).

The third prong was another bill that allowed the president to dismiss regional leaders and disband legislatures for actions that contradicted federal law. The procedure for doing either of these was long and involved. It called for warnings by the president, responses by the regional authorities, and findings by various courts, procedures that could take several months at a minimum. Nevertheless, the law provided Putin with a strong psychological advantage over the governors, all of whom have violated federal laws in one fashion or another.

The campaign to rein in the regional barons was followed by a series of well-publicized attacks on business leaders—including the opening of some criminal cases for tax evasion. During the election campaign, Putin had promised to eliminate the oligarchs as a decisive political force and to make big businessmen “equally distant” from the Kremlin. The attacks were intended to give substance to these declarations, to put the oligarchs on notice that they would no longer be allowed to ride roughshod over the government.⁷ When Putin met with eighteen oligarchs shortly thereafter, he assured them that there would be no general review of the privatization process, although he left open the possibility of reviewing specific cases (presumably involving his critics). His goal was not to renationalize, but, more simply, to compel big business to work in the interests of the state.⁸

Part of the campaign against the oligarchs included moves against two of the most visible—Boris Berezovsky and Vladimir Gusinsky—who overtly used the media they controlled to advance their own political and commercial agendas. In particular, Putin was concerned about their control of two leading television stations, ORT (Russian Public Television) and NTV (Russia's largest private television station), in large part because television had become the primary medium in the formation of public opinion.⁹

The campaign against Gusinsky had in fact begun in the summer of 1999, when he broke with the Kremlin over the choice of a successor to Yeltsin. Gusinsky had used his media to promote not Putin but rather two of his chief rivals: Moscow mayor Luzhkov and former prime minister Primakov. At that time, to increase pressure on Gusinsky, the Kremlin began to use its leverage to have loans recalled by state banks and Gazprom, the giant gas monopoly in which the state held a nearly 40 percent share. The campaign accelerated after Putin's inauguration, in part because Putin himself, by most reports, had become personally involved—he was reported to be particularly disturbed by Gusinsky's media's sharp criticism of the war in Chechnya and their deprecating remarks about his wife. The headquarters of Gusinsky's media empire was raided by government officials in the first week after Putin's inauguration; a few weeks later, Gusinsky himself was put under arrest for three days.¹⁰

During the same period, Berezovsky came under attack, largely because of uncomplimentary reporting about Putin and his policies by ORT, which Berezovsky controlled. According to Berezovsky, he was threatened by the same type of treatment meted out to Gusinsky if he did not divest himself of his interests in the television station. The General Procuracy put pressure on Berezovsky, calling him in for questioning in the Aeroflot embezzlement case, a case in which he had once been charged with illegal business activities. Berezovsky charged that Putin had given him a choice of being a “political prisoner or a political emigre.”¹¹ The pressure worked: Berezovsky finally decided to sell his shares to a business partner, who then turned the channel over to effective control of the state.¹²

Finally, Putin and his allies worked to ensure that the Duma was as compliant as possible. The effort began with Putin's backing of the Unity bloc during the parliamentary campaign, a bloc that had been hastily cobbled together at the beginning of the campaign from the ranks of second-tier regional leaders. Its strong second-place finish ensured that the Kremlin would have a large, malleable bloc of loyalists in the new Duma. Once it convened, Putin's team cut a deal with the Communists, which allowed one of its members to continue as speaker and gave them a large number of committee chairmanships, while limiting the Communists' room for maneuver against Putin. In this way, Putin created a sizable bloc of supporters in the center of the political spectrum and gave himself great latitude in dealing with the Duma. On economic legislation, he could move to the right to form a coalition with reformist parties, while on issues of state building he could form a majority by moving to the left.

Statecraft and Economic Growth

While taking on these various power centers, during his first year in office Putin also sought to revive the symbols of statehood and to legitimize the Russia that emerged from the wreckage of the Soviet Union, a goal Yeltsin had never pursued with much vigor. Putin catered to the interests of the military and increased its public prominence, not only because it had been instrumental in his rise to power, but also because historically it was a potent symbol of the Russian state. He sought to restore the continuity of Russian statehood and underscore the fundamental legitimacy of today's Russia by reaching back to both Soviet and tsarist traditions. That effort is perhaps best illustrated by his decision in the fall of 2000 to restore the old Soviet anthem (with new words) as the national anthem, while maintaining the prerevolutionary tricolor and double-headed eagle as the national flag and herald.

Another aspect of restoring historical continuity was evident in Putin's foreign policy. For the first part of Yeltsin's presidency, Russia had—at least in the minds of many Russians—subordinated its own interests to those of the West, in what proved to be the false hope that substantial Western assistance would quickly revive the country. After Yeltsin's reelection and the naming of Primakov as foreign minister, Russian foreign policy began to slowly reorient itself away from the West. Multipolarity became the watchword. Putin pursued this course with even greater vigor, in part because he was younger, in part because he did not have Yeltsin as his superior. To the surprise of most observers, once inaugurated, Putin launched an activist foreign policy, with high-profile visits to several European capitals, as well as to China, India, Japan, and North Korea. He reenergized relations with a number of former Soviet client states, including Cuba, Iraq, and Libya.

In this way, during his first year as president Putin underscored his intention that Russia play the role in world affairs that it had played for the past 300 years or more: that of a great power. Moreover, his approach harkened back to an earlier period when there were widespread doubts about Russia's ability to play a major role in world affairs, namely, the period after Russia's humiliating defeat in the Crimean War. Russia's foreign minister then was Alexander Gorchakov, who, despite Russia's defeat and deep domestic troubles, pursued an active, multipolar policy that—in the prevailing reading among Russia's political elite—both maintained Russia's prestige as a major European power and, more important, created

a breathing space for it to rebuild internally. According to foreign minister Igor Ivanov,

Gorchakov saw the main task as creating the best external conditions for the pursuit of the liberal reforms begun by Emperor Alexander II. . . . Gorchakov understood well that Russia's vast territory, its unique geographical location linking Europe and Asia, and its insufficient economic development in comparison with other leader world powers at the time called for an active but cautious foreign policy that avoided adventures of any kind.¹³

In other words, acting like a prudent great power created the conditions for Russia to rebuild the economic basis it needed to back its great-power pretensions.

The reassertion of Russia's role in the world occurred against a background of solid economic growth. Contrary to the dire predictions of many observers, the financial crisis of August 1998 did not accelerate Russia's economic decline. Rather, it marked a turning point, after which the economy began to grow at an impressive rate, by more than 5 percent in 1999, by more than 8 percent in 2000 (the best economic performance in Russia in about 30 years), and by more than 5 percent in 2001. Grave problems remained—something Putin was to remind Russians of periodically—but there was a palpable increase in optimism and confidence among Russian government officials and businessmen alike.¹⁴ That attitude was reinforced by the widespread view that Russia had engineered this recovery largely on its own, in the absence of Western loans, technical assistance, and investment, which had been sharply curtailed after the financial crisis. Under such circumstances, it is perhaps not surprising that Putin's popularity remained incredibly high. For most of his first year in office, his favorable rating hovered above 60 percent (in stark contrast to Yeltsin's rating of 2–3 percent during his last year in office).

Lingering Questions about Putin

Despite this impressive start, two years after Putin's inauguration, there remained considerable questions about the extent to which he had tamed the rival centers of power and consolidated his own position. To be sure, Russia appeared much less unruly than it had during Yeltsin's last year in office, there was less public debate, and the media had grown more timid. Nevertheless, the power struggle continued behind the scenes (much as it

has throughout Russia's history). Three features of Putin's Russia underscored the limits of his power.

First, Putin had not yet mastered the Kremlin, where (according to conventional wisdom) three groups were locked in an intense struggle for power and influence: "the Family" (Yeltsin's cronies who were responsible for naming Putin as Yeltsin's successor), the security services (drawn from Putin's colleagues from his Saint Petersburg days), and the liberal economists (many of whom also hail from Saint Petersburg). Each group controlled significant assets. By most accounts, for example, the Family included the head of the presidential administration (Alexander Voloshin), the prime minister (Mikhail Kasyanov), the secretary of the Security Council (Vladimir Rushailo), several other ministers, and several leading bankers, among others. The security services were ensconced in the power ministries (with Sergey Ivanov as minister of defense, Nikolai Patrushev as head of the FSB, and Boris Gryzlov as minister of internal affairs). The liberal economists were well placed in the macroeconomic bloc of the government, with Alexei Kudrin as minister of finance and German Gref as minister of the economy and trade. By many accounts, Putin desired to distance himself from the Family—and free himself of any obligations he had assumed when it engineered his designation as Yeltsin's successor—but lacked the wherewithal to do so, in large part because of the vast resources (both human and material) in the Family's hands.¹⁵

In addition, public disputes among key government officials underscored the limits of Putin's power and authority, especially because no one was disciplined. For example, early in 2001, the president's economic adviser and the head of the presidential administration disagreed publicly with the prime minister over the restructuring of the country's state-owned electric utility monopoly, with the head of the presidential administration even accusing the prime minister of failing to incorporate all of Putin's changes in a decree on the restructuring before submitting it to the government for approval. Similarly, the president's economic adviser publicly rejected the prime minister's announcement that Russia would not pay all its foreign debt due in 2001. Finally, the general procurator went before the Duma to denounce a law on legal reform, which had been drafted by the presidential administration with the strong backing of Putin himself. Despite Putin's claim to have instilled greater discipline in the federal bureaucracy, all the officials involved in these public disputes remained in place on the second anniversary of his inauguration.¹⁶

Second, the oligarchs were still far from tamed, even if their autonomy had been trimmed somewhat since Putin came to power. The Family was

just one of the oligarchic groups that still controlled extensive economic and political influence. With rare exception, the oligarchs of the Yeltsin era survived, joined by a number of other businessmen who had attained oligarch status under Putin. Their influence remained considerable. They spent 2001 consolidating their holdings and increasing the role of big business in the economy as a whole.¹⁷ What had changed since the Yeltsin period was that the oligarchs had become much less public in the way they sought to exercise power and influence in the Kremlin and government—something that most of them found quite agreeable, for it had spared them public scrutiny. At the same time, contacts between the oligarchs and the government had grown more institutionalized, particularly after these businessmen took over the leadership of the Russian Union of Industrialists and Entrepreneurs in November 2000. That allowed both the oligarchs and the government to present their contacts as a natural lobbying activity.¹⁸

Third, the governors, like the oligarchs, saw their autonomy constrained, they displayed less of an inclination to become involved in national politics, and they were more intent on publicly proclaiming their fealty to Putin. But they were tenacious in their efforts to retain power over local economic and political resources. The seven superpresidential representatives had not displaced the governors as the key powers in the regions, nor was it clear they would do that, given the severe resource constraints they faced. Most of them in fact remained dependent on resources that only the governors could provide to carry out their work; many of their subordinates found their meager salaries supplemented by the regional elites. That necessity decreased the representatives' clout over the governors.¹⁹ In addition, the Kremlin's poor record in getting its candidates elected in the regional elections of 2000 and 2001 underscored the limits of its authority. At the same time, the governors also won a major concession from the Kremlin that allowed the overwhelming majority of them to run for a third term, in conflict with a federal law limiting them to two terms originally passed at Putin's request.²⁰

Moreover, the campaign to bring regional laws into compliance with the Constitution and federal legislation proved less than impressive on close examination. Although the number of regional laws in noncompliance was greatly reduced—by 80 percent, according to Putin—major problems remained, particularly with the most aggressive ethnic republics, Bashkortostan, Sakha, and Tatarstan. Sakha and Tatarstan, for example, still refused to renounce their sovereignty, as ordered by the Russian Constitutional Court. Bashkortostan adopted a new constitution in the fall of

2000, which contained numerous violations of federal laws, according to the procurator.²¹

Putin's difficulties in mastering the Kremlin and his compromises with both the oligarchs and the governors underscored a fundamental truth about Russian politics: The country cannot be governed or administered against the wishes of those two groups. They simply control too many key economic and political levers outside of Moscow. Halfway into his first term, Putin had discovered this truth. As a Kremlin insider put it, Putin had learned that political will was not sufficient to move the country forward.²²

Looking ahead, two key factors will complicate Putin's effort to consolidate power. First is the question of political skill. No one doubts that Putin is in many ways an accidental president, plucked out of obscurity by Yeltsin to be his successor. By his own account, he had never harbored ambitions of becoming the country's top leader. Nor had his positions, in the KGB or in the city government of Saint Petersburg, prepared him for the presidency. His positions in the KGB were midlevel, largely bureaucratic assignments, where a premium was placed on pleasing the boss, not on exercising initiative. His position in Saint Petersburg—deputy mayor for foreign economic activity—was an important local post, but a small-time affair in comparison with positions in the central government.

Similarly, Putin's KGB experience did not prepare him for real politics. He tends to see governing in administrative terms. His initial actions were focused on getting the organizational structure of the Russian state right. That was not insignificant, but a more important task was getting the politics right. Putin has demonstrated little skill at coalition building, with one crucial exception: the deal cut between the pro-government Unity party and the Communists back in January 2000 that gave Putin a guaranteed majority in the Duma. Since then, Putin has relied more on intimidation and money to control governors and oligarchs rather than on coalition building around overlapping political and economic interests.²³

The second factor is the resource bind. Although Russia might be a potentially rich country—in resources and human capital—the point is that its people and government are now poor; as Putin himself once put it, Russia is “a rich country of poor people.” With a federal budget of about \$40 billion at current exchange rates,²⁴ Putin simply does not have sufficient resources to rebuild the military and security services, pay off pension and wage arrears, rebuild the educational and health systems, fight corruption, and so on. Moreover, he lacks the resources to support over the long term the activist foreign policy he has been pursuing. There

is a deep contradiction between his great-power pretensions and Russia's resources. As a result, Putin will need to make difficult choices and trade-offs that could provoke greater resistance to his policies and retard his consolidation of power.

The resource constraint could grow with time because the economic recovery that has yielded a spike in government revenues is fragile. It has been built primarily on high oil prices and a sharp devaluation of the ruble. Little, if any, of the growth has been due to greater efficiencies in the economy. Although there has been much talk of reform and a few important steps (such as reform of the tax system and the passage of a balanced budget for 2001), much remains to be done, and the government has not moved aggressively (for example, to root out corruption, regulate the natural monopolies, end domestic subsidies for energy and transportation costs, or build a reliable independent court system). Little has been done to relieve the crises in health care and public education that will have severe negative consequences for the quality of the workforce, and therefore the quality of economic development, well into the future.

A Facade of Democracy

Halfway into Putin's first term, it is still much too early to provide a definitive assessment of Putin's presidency. To be sure, he has accomplished some things of significance. Most important, there is a greater surface calm and stability throughout the country and especially in Moscow than there ever was during Yeltsin's term. Polls reveal a population that is more optimistic about the future than it has been for at least a decade. Putin has laid to rest the fears—exaggerated but nonetheless real—that Russia was on the verge of disintegration. At the same time, his policies have pushed into the future any breakthrough in building a Western-style free-market democracy. Though he is in some ways pursuing a liberal economic program, he has put further constraints on democratic practices, creating a regime of “managed democracy,” in the words of many commentators.

It is also clear that Putin is far from having built the “supercentralized” state he envisaged when he came to power. Indeed, after several months as president, he began to back away from claims that that was ever his goal. In an interview summing up 2000, he noted, “We are gradually moving away from a decentralized state, but in no case must we return to the supercentralization of the Soviet model.”²⁵ During the past decade, the political system had grown too pluralistic, the state too weak, and

countervailing forces too strong for supercentralization to be a viable alternative.

Rather, under Putin Russia is witnessing the slow consolidation of the regime that emerged under Yeltsin—that is, the gradual ordering of the elements of an oligarchic regime, in which Putin will be a key figure, simply because of the position he occupies, but not necessarily the dominant one. He will be surrounded by others who control critical elements of the political and economic system at the national and regional levels. What Putin, or better the Kremlin, will demand of the oligarchs and governors is political loyalty and a payment of tribute (called taxes), in exchange for which they will be able to run their enterprises or regions much as they please. The struggle among the oligarchic groups will lose—indeed, it has already lost—much of the unruly character it had under Yeltsin. There will be a greater semblance of order.

If there is an analogy to this regime, perhaps it is the Mexican regime for most of the twentieth century. Although such a regime may have a facade of democratic institutions, much of the substance is lacking. The role of the media illustrates how such a system works. Putin continued to assert his support for “genuine” freedom of the press while moving against Berezovsky and Gusinsky. The problem, in his view, was that the economic inefficiencies of many of the media had made them dependent on the commercial and political interests of their owners. They were being used to settle scores with competitors, and at times they even turned into “means of mass disinformation, means of struggle against the state. . . . Therefore, we are obliged to guarantee journalists real, not ostensible freedom.”²⁶ Nevertheless, the media slowly tempered their criticism of Putin and his policies in acts of self-censorship.

Putin had no need to resort to overt censorship; he and his advisers were pursuing a more sophisticated media policy. On the one hand, they ensured that the medium with the greatest reach and influence—national television—was closely allied to the Kremlin. Russian State Television (RTR) was under state control when Putin took over. The move against Berezovsky brought ORT back under state control, whereas the campaign against Gusinsky effectively brought the third major national television station, NTV, under the Kremlin’s control, even if the company was nominally in the hands of Gazprom.

Although criticism of Kremlin policies is not unknown on these stations, it is presented in a way that does little, if any, damage to Putin’s image as a decisive leader. At the same time, to parry charges that he is putting an end to the free press, Putin has allowed a wide range of issues to be voiced

in newspapers, particularly those published and distributed in Moscow, and some have been sharply critical of Putin and his policies. The impact of these papers is, however, quite limited; their circulation numbers in the thousands, primarily in Moscow. Indeed, these papers have one distinct advantage for the Kremlin: They allow the critical Moscow intelligentsia to publish what they would be saying in their kitchens anyway. That makes it easier for the Kremlin to keep abreast of elite opinion.

Similarly, elections remain a central element of the political system, but they are stripped of what would make them truly democratic, that is, a role in making the government accountable to the people. “Political technology,” the manipulation of elite and public opinion, has been honed to a fine art. Putin’s own election demonstrated that a person can rise from obscurity to the highest office in the land in a matter of months, if the propaganda and intimidation campaign is effectively organized. But Putin’s election is not the only proof of that. In 1997, Boris Nemtsov was brought from Nizhny Novgorod to Moscow to serve in the government and was immediately hailed as a potential successor to Yeltsin. He maintained a high popularity rating, far above those of other key political figures, until key media turned against him several months later in one of the bitter struggles that afflicted the Moscow-based elites at that time. Moreover, the last cycle of regional elections demonstrated once again the power of incumbency and manipulation. Politicians pay at the polls not because they have disappointed the electorate, but because they have run afoul of the powers that be.

This consolidated oligarchy behind a democratic facade marks a rebuilding of the state, as Putin wanted. But the question is whether this rebuilt state can generate a sustained socioeconomic recovery capable of slowly regaining Russia’s standing in the world. During the past two years, even with a growing economy, investment has remained grossly inadequate for the task of rebuilding Russia, and capital flight has continued unabated. Putin proposed a further set of reforms in his second annual message to the Federal Assembly in April 2001. How they will be implemented remains an open question.

Moreover, the Mexican example does not inspire confidence for a near-term recovery, even if it indicates that sustained growth cannot be precluded over time. Mexico entered a period of high growth during the 1990s, but only decades after its political system was put in place as a result of the Revolution of 1911. Moreover, systems like Mexico’s are prone to cycles of economic boom and bust. Such is likely to be Russia’s fate. In the near and medium terms—and that means for the duration of

Putin's presidency—Russia is unlikely to engineer a sustained, robust recovery. In other words, Putin may have halted the erosion of the state only to find that real socioeconomic progress has eluded him. He may have halted the decline only to replace it with stagnation.

5

Russia's Strategic Weakness

A decade after the breakup of the Soviet Union, the transition in Russia is over. Putin's Russia marks the consolidation of a new post-Soviet Russia with a political system that has demonstrated its ability to reproduce itself and survive the transition of power. This system is hardly the free-market democracy many—both in Russia and in the West—had hoped for. Nor does it represent the return to Soviet-style authoritarianism that many—again both in Russia and in the West—had feared. Rather, Putin's Russia is in many ways a reversion to a traditional Russian political system.

In its fundamentals, Putin's Russia bears a close resemblance to tsarist Russia. First of all, power and property are closely intertwined. As was true for tsarist Russia, in Putin's there is no clear distinction between the concepts of sovereignty and ownership, between the public sphere and private sphere, between the state and business. In the absence of an independent, reliable court system, with the rule of law weakly institutionalized, property rights are conditional. Those in power determine who has the right to exploit property. This intertwining of power and property, of the public and the private, lies at the base of the intractable problem of corruption that afflicted tsarist Russia and besets Putin's.

Second, informal networks take precedence over the formal institutions of governance. Putin's Russia may have a finer institutional facade than tsarist Russia had, but it essentially functions in much the same way. Court politics continues to play itself out in the Kremlin. Large political-economic coalitions are engaged in a continual struggle for power and property behind institutional facades. Their rise and fall and frequent

realignment impart any dynamic there is to Russian politics. Informal networks set the agenda and frame the decisions—even if, in deference to appearances, decisions are presented as the acts of formal institutions of power, such as the presidency, government, or State Duma.

Third, contrary to surface appearances, power is dispersed. At the center, competing coalitions erode unity. Across the country, regional elites enjoy a tremendous degree of autonomy, even if they no longer play as prominent a role on the national stage as they did during the Yeltsin era. As a result, Moscow cannot reliably impose its will on the hinterland, nor can the Kremlin ensure the support of Moscow-based elites.

Fourth, a huge gulf separates the elites from the rest of society. As in tsarist Russia, in Putin's the elites represent a very thin stratum of society (1–2 percent of the population), ensconced in senior government positions and key sectors of the economy (these include, for the most part, the lucrative export-oriented sectors—oil, gas, and strategic metals—all of which are closely regulated by the state even when they are nominally privatized).¹ Although there is a growing middle class, which could amount to up to 25 percent of the population, it remains concentrated in the large urban centers and, because it is not organized, has little effect on the politics of the country as a whole.² The overwhelming bulk of the population lives near or below the poverty level, with few means of influencing the political situation short of rebellion.

Surface appearances notwithstanding, this system has proven remarkably stable since the violence of October 1993. The dispersal and fragmentation of power militate against the emergence of any sufficiently large concentration of power and dynamism with the potential to upset stability. Fragmentation tends to localize unrest. Strikes do not spill over from region to region. Sympathy strikes are unheard of. Even the violence in Chechnya has been remarkably contained, despite all the fears expressed in Moscow over its potential to destabilize Russia as a whole. Similarly, the dispersal of power limits the consequences of government turmoil in Moscow for the country as a whole.

The fragmentation and dispersal of power are reinforced by other stabilizing factors. Perhaps most important, because the elites, even those nominally in the opposition, continue to benefit from the system, they have little incentive to change it. Their power and welfare are based on their opaque, relation-based decision-making process, which frees them from any accountability to society as a whole. Meanwhile, the rest of society lacks the will, skill, and means to challenge the elites. Daily hardships deprive much of society of the time needed to engage in political activities.

The low levels of societal trust militate against the formation of large and powerful political organizations. Much political action appears futile: Most important, elections so far have not led to any significant rotation of elites, nor have they proven effective instruments for holding the elites accountable to society as a whole.

What could upset this stability? Two types of possible events stand out, both of which have precedents in Russian history. The first would be a domestic event that erodes the legitimacy of the president at the center of the system, that is, an event that creates a condition of dual power. Historically, this occurred at the end of the line of the Rurikovs in the late sixteenth century, which led to the Time of Troubles, and in the first two years after the breakup of the Soviet Union, when Yeltsin and the Congress of People's Deputies both claimed supreme power in Russia. The second type would be a traumatic external shock on the order of imperial Russia's defeat in the First World War, or the Soviet Union's defeat in the Cold War. Such events, however, do not appear to be looming on the horizon, even if they cannot be categorically ruled out in the long run.

In the absence of any major near-term threat to the system's stability, the key question is whether the system is capable of generating the sustained economic growth essential to returning Russia to the ranks of the great powers. At first glance, the answer would appear to be yes. In any event, Russia has experienced a strong recovery from the depths of the financial crisis of August 1998, with growth of more than 20 percent from the beginning of 1999 through the end of 2001.

There is general agreement that high world commodity prices, especially for oil, and the sharp devaluation of the ruble after the 1998 financial crisis were the main drivers of the economic turnaround that became evident during the course of 1999. The question is the extent to which the current recovery depends on these two factors. At the end of 2001, it was difficult to say, in part because oil prices had remained higher than most observers had predicted and because the Russian government and Central Bank had kept the ruble-to-dollar rate artificially low. At the same time, it was clear that the recovery had spread across economic sectors and that consumer spending had increased sharply in 2001³—developments suggesting that the recovery could continue even if oil prices and exchange rates should turn against Russia.

Nevertheless, even the Russian leadership admitted that the recovery remained fragile. In his second annual message to the Federal Assembly in April 2001, Putin noted that the economy was overly dependent on the raw materials sector—that there was too little productive, as opposed to

extractive, work. Profits from extraction and the export of raw materials, he continued, were used for consumption, sent abroad, or invested in the natural resource sector; in 2000, 60 percent of investment was in the energy sector.⁴

For these reasons, Putin argued, the economic equilibrium and social consensus that had been achieved were equivalent to stagnation in the long run. He laid out a series of reforms meant to energize the economy and alter the quality of the recovery, including debureaucratization of the economy, further tax reform, custom reform, judicial reform, land reform, restructuring of natural monopolies, and communal reform. These steps, he hoped, would put Russia firmly on a path to an economic recovery that in time would close the gap between Russia and the world's leading powers.⁵ Whether those reforms would be efficiently implemented remained to be seen at the end of 2001.

Barriers to Recovery

Putin's proposed reforms might not be enough, however, for Russia faces formidable hurdles in any effort to rebuild—including serious problems in the quality of its human and intellectual capital and its economic infrastructure. To a great degree, these hurdles are legacies of the Soviet period, but the problems were exacerbated by misguided policies or neglect in the 1990s.

During the past 30 years, Russia has suffered a significant deterioration in its human capital. In the 1970s, the public health crisis grew to such alarming proportions that the Soviet authorities simply suppressed information on health conditions.⁶ Although authorities differ over the exact causes, all agree that the deterioration of public health accelerated in the decade after the breakup of the Soviet Union. By the end of the 1990s, Russia's health profile resembled that of a developing country.⁷

Male life expectancy is often used to demonstrate the extent of Russia's problems; it decreased to under 60 years in 1999 from a high of just over 64 in 1966. But high mortality in fact affects all segments of the population. The causes of early mortality include high rates of suicide, childhood injuries, alcoholism, cardiovascular disease, and cancer. There is little prospect for an early turnaround in mortality, and the situation could even worsen further, because by all accounts Russia is on the verge of an HIV/AIDS epidemic.⁸

Because of high mortality rates and a low fertility rate (at 1.17, the fertility rate is well below the replacement level of 2.14), Russia will

experience a sharp decline in its overall population during the next decade and beyond. Since the end of the Soviet period, the population has already declined by about 3 million from 149 million. Projections, both official and scholarly, suggest that it could decline further to 134 million by 2015. At the same time, the population will age as it declines, so that by 2015 there will be just four workers for every three nonworkers.⁹ These dire statistics led Putin to declare in his first annual message to the Federal Assembly that “if the present trend continues, the survival of the nation will be threatened. We are faced by the real threat of becoming an enfeebled nation. Today, the demographic situation is one of the most worrisome.”¹⁰

Like its human capital, Russia’s intellectual capital has been deteriorating for the past 30 years, as evidenced by the decline in its research and development (R&D) sector and educational system. The signs of crisis in R&D began to appear in the 1970s and 1980s, as it became clear that Russia was lagging behind the leading world powers in many critical technological fields, with the exception of those that were related to the military. The decline accelerated in the 1990s, as Russia adjusted to the demands of a market economy. Funding for the large scientific establishment built up during the Soviet period was slashed from 2.89 percent of GDP in 1990 to 1.23 percent of a much smaller GDP in 1997. Without adequate funding, equipment was left to age. In 1989, 50 percent of the equipment was less than 5 years old and only 20 percent was older than 10 years; by 1995, the corresponding figures were 8 and 65 percent. Thousands of scientists left R&D establishments for more lucrative positions in the private sector or (to a lesser extent) abroad, so that the number of workers employed in the R&D sector was cut roughly in half between 1992 (when they numbered about 900,000) and 1999. More troublesome, the quality of the remaining workforce deteriorated, as it was generally the brighter and younger scientists who left.¹¹

As the R&D sector declined in the 1990s, so did the educational system. The problem was not so much a lack of funding—as a percentage of GDP, funding remained at the same level throughout the 1990s, roughly 3.5–4 percent, although that, of course, entailed a sharp drop in absolute spending.¹² The problem lay in other areas. Most important, perhaps, Russia inherited an elitist educational system from the Soviet Union and has done little to change it. As one expert put it, “the existing Russian educational system provides high-quality education for the elite but mediocrity for the masses.”¹³ In the unfolding information-technological revolution, however, it is the general level of education of the population as a whole, not of elites, that is decisive for overall economic development. Unfortunately for

Russia, the urgent need to reform the educational system comes at a time when the government is strapped for resources and education must compete with other urgent tasks for public finance.

Finally, Russia inherited an obsolete, grossly misdeveloped economic infrastructure from the Soviet period. Many industrial facilities can never be made viable because of their location, which was decided on in the Soviet period for strategic and administrative reasons independent of cost considerations, or because they were built for products for which there will never again be any effective demand (a consequence of the militarization of the Soviet economy). More than two-thirds of the equipment in use has been in place for more than 15 years, and almost a third is more than 20 years old. (The average age of plant and equipment is roughly three times higher than the average for countries belonging to the Organization for Economic Cooperation and Development.) Although current capacity usage is less than 50 percent, two-thirds of the currently idle capacity, by some estimates, has deteriorated to such an extent that it can never be put back into productive use.¹⁴ Restructuring and modernizing the infrastructure will require a vast amount of investment. A former economics minister, Yevgeny Yasin, has estimated that Russia will need about \$2.5 trillion during the next 20 to 25 years for this purpose, a quarter of which will need to come from abroad.

Given their depth and the longer period of neglect, there will be no easy or quick solutions to these problems of human and intellectual capital and economic infrastructure. They are complex and interrelated, and they have acquired a certain amount of historical momentum. Overcoming them will require a sense of purpose and will that has not been evident in Russia for decades. Moreover, assuming that there are no radical changes to the constitutional order, more than one president would need to pursue these policies to return Russia to the ranks of the world's major powers. If that were to happen, it would mark a streak of historical good fortune, for which Russia is not known.

Moreover, Russia's great-power hangover will only complicate the task of dealing with these problems. On one level, the effort to behave as if Russia were a great power diverts resources from the urgent tasks of rebuilding the country. On another, it postpones some tough choices on economic priorities. The point is that to succeed over time, Russia will need to concentrate its economic activities, to find its niche in the international division of labor. That will require Russia to move away from economic self-sufficiency, which Russians have long associated with being a great

power. Success will require a wrenching redefinition of Russia's role in the world, for which most Russians—particularly elites—are not yet prepared.

Continuing Decline, or a Great Power Again?

In the long run, the question is whether Russia can again become a great power. In broad terms, Russia can move along one of two paths during the next generation: continuing decline, which a confrontational foreign policy would only accelerate, or slow recovery, facilitated by the avoidance of major conflicts abroad.

Continuing decline would eventually lead to state failure, that is, to a dysfunctional state that could not carry out the core functions of a modern state, such as defense, preservation of domestic order, maintenance of the monetary system, tax collection and income redistribution, and provision of minimal social welfare standards. The severity of the consequences of such a development for the rest of the world would depend largely on how abrupt the decline was. The more abrupt, the more severe and destabilizing it would be, because the world would have less time to prepare. But the nature of the problems would remain the same. State failure would greatly increase the risks of Russia's breaking up, of the erosion of any nonproliferation regimes, of catastrophic industrial and ecological accidents like Chernobyl. It would destabilize neighboring regions, particularly the fragile states of the Commonwealth of Independent States, and it could encourage great-power intervention to stabilize the situation or to seize control of the country's rich resources. Moreover, a declining Russia would be more apt to play the spoiler role in world affairs, simply as a way of demonstrating that it continued to matter, regardless of the long-term consequences for itself. Such a Russia, for example, would be more likely to support rogue regimes around the world or to use its veto in the U.N. Security Council to thwart U.S. initiatives.

These matters have received widespread attention, in part because Russia's current weakness is already sufficient to raise concerns. But less public attention has been paid to the tectonic shift in geopolitics that such a development would entail and the consequences of that shift for how the United States manages its global policies.

Russian state failure would necessitate, for example, reappraising Russia's role in the United Nations. That institution can function effectively on security issues only when it roughly reflects the real balance of power in the world, as it did during the Cold War. As the 1999 Kosovo conflict

demonstrated, the United States already has an incentive to circumvent the United Nations because of Russia's veto, coupled with a perception—at least before the conflict started—that Russia had little ability to influence its course. A growing incongruity between Russia's voice and its power will only serve to undermine the United Nations in the long run, unless its voice is reduced to its potential to affect outcomes—that is, if it is deprived of its veto. But how can that be done, when Moscow would have a veto over whether to deprive it of its veto and surely would fight aggressively to hold on to one of its few remaining levers of global influence? In short, Russian weakness threatens the integrity of the United Nations.

There would also be considerable opportunity costs associated with Russian state failure, because Russia would be lost as a power that could help to manage the rise of China in East Asia, to stabilize Central Asia, and to consolidate Europe and to manage its emergence as a world power.

In Asia, a healthy Russia, along with Japan and South Korea, is critical to managing the rise of China as a great power or limiting the impact of internal destabilization arising from the sharpening contradictions between its economic and political structures. The collapse of Russia's power in its Far East would likely spark a destabilizing contest for that region's rich resources among China, Japan, South Korea, and the United States.

Similarly, a strong, healthy Russia could help stabilize Central Asia and the Caspian basin, in part by moderating Turkish, Iranian, Pakistani, Indian, and Chinese ambitions, in part by cooperating with the United States and other interested powers in constraining the growth of extremist Islamic terrorist organizations in those regions. Russian withdrawal, conversely, would encourage sharper competition, which would tend to retard the consolidation of independent states in these regions. Finally, continuing economic deterioration in Russia would have adverse consequences for these regions, where national economies remain closely tied to Russia.

Even in Europe, continuing Russian decline would create significant complications. Russian power, it should be remembered, was an important factor in building support for integration within Europe, and it could help moderate the national ambitions of key European states as integration deepens and moves eastward. In addition, a strong, healthy Russia would help temper the inevitable growth in competition between the United States and a new Europe, as the latter develops a more assertive economic, political, foreign policy, and security identity. A tripolar structure including the United States, Europe, and Russia is potentially more stable than a bipolar structure including only the United States and Europe.

On balance, Russia's continued decline will present the West, and the United States in particular, with a host of short- and long-term problems. Recovery will surely reduce their severity, but it will not necessarily eliminate them. For what is all too often forgotten in discussions of Russia's recovery is the rest of the world. Even if Russian GDP were to grow at 5 percent a year for the next fifteen years, Russia's economy would be at most 20 percent the size of the U.S. economy. Moreover, at slower rates of recovery, Russia would continue to fall farther behind the world's leading powers and would be overtaken by other powers. Indeed, what is striking is that, for the first time in the modern era, Russia (or more precisely the countries of the former Soviet Union) is totally encircled by more dynamic states and regions.

To the east, China is quickly rising as a major power with vast economic and military potential, demographic vitality, and unsatisfied regional ambitions. During the 1990s, its economy more than doubled in size, while Russia's shrank by about 40 percent. China has embarked on a military modernization program, supported in part by major arms purchases from Russia. More than 100 million Chinese sit across the border from the sparsely populated (5–8 million) regions of the Russian Far East. Although much smaller in size, South Korea is a robust society of tremendous economic and significant military potential. Its economy grew by about 60 percent in the 1990s, despite the financial crisis of 1997–1998. Meanwhile Japan, for all its current hardships, remains an economic heavyweight that is vital to the health of the global economy.

To the south, Russia faces a region of dynamism and ferment. India is emerging as a major world power, with an economy that grew by about two-thirds in the 1990s. It has a large middle class that is quickly adapting to the challenges and opportunities of the information-technological revolution. Elsewhere, the Islamic world is in a state of ferment. Militant fundamentalism is a growing political force and a threat to Moscow's influence in Central Asia and the Caucasus, as well as Muslim regions within Russia—witness Chechnya.

To the west, Europeans are engaged in the grand project of unifying their continent. The process of integration across all dimensions—economic, political, security, foreign policy—has accelerated during the past few years, and both the European Union and the North Atlantic Treaty Organization (NATO) are on the verge of taking in several new members. This process has proceeded largely without Russia and is likely to continue to do so. Despite the recent talk of possible Russian membership in the

European Union and NATO, neither is likely to occur during the next decade, if at all.

Farther afield, but more important for the Russian psyche, a gaping asymmetry in power, fortune, and attitude has emerged between Russia and the United States, as the two countries followed radically different paths during the 1990s. Moreover, there is no chance that the gap will be significantly closed in any time frame meaningful for policy makers.

In the 1990s, the United States entered a period of economic expansion that would become the longest in its history until it ended in the spring of 2001. Russia, meanwhile, experienced a socioeconomic collapse that was unprecedented for a major industrial society. The U.S. economy grew by more than 30 percent in the 1990s, while Russia's plunged by more than 40 percent. Russia lags years behind the United States in mastering the possibilities of the information-technological revolution.

The United States exudes self-confidence and optimism about its future. Contrary to many fears, the recession that began in early 2001 and the terrorist attacks that followed in September did not substantially—if at all—erode that self-confidence and optimism.¹⁵ Russia, meanwhile, is mired in self-doubt and an identity crisis—even if Russians have grown somewhat more confident about the future as the economy recovers from the collapse of 1998.¹⁶ The United States talks of itself proudly as the world's leading nation, prepared and determined to rebuff any threat to its security, while Russia uses the rhetoric of a great power and demands to be treated like one, but such behavior masks its profound disquiet about its standing in the world. As national security documents released in the first months of 2000 indicate, Russia sees multiple threats to its security both at home and abroad.¹⁷

Similarly, the United States welcomes globalization, while Russia sees it as a threat. The United States wants to ride the wave of globalization to build an international order that will perpetuate its preeminence and prosperity well into the future. Russia wants to postpone the consolidation of any new world order to a time when, it is hoped, it will have regained its power and therefore be in a better position to shape that order. The United States enjoys a surfeit of power and possibilities; the challenge before it is to use that power wisely. Russia's power continues to erode and its choices to narrow; the challenge before it is to stop the rot, begin to rebuild, and eventually close the gap with the world's leading powers. In short, Americans and Russians live in radically different worlds, and their leaders are intent on taking radically different paths, at least in the short run.

The wide disparities between Russia and the world's other leading powers will—if not radically reversed—eventually erode Russia's position in the military hierarchy. As historian Paul Kennedy has noted, “the historical record suggests that there is a very clear connection *in the long run* between an individual Great Power's economic rise and fall and its growth and decline as an important military power.”¹⁸ The ground Russia has to make up to regain its status as a great power is underscored by a simple comparison of the GDPs of the leading powers. In 1999, the United States accounted for 21.4 percent of the world's economy, measured in purchasing power parity; the European Union, for 20.1; China, for 10.9; Japan, for 7.6; India, for 5.4; and Russia, for 2.6.¹⁹

Furthermore, even now Russia's military clout buys it much less prestige. Globalization and the end of the Cold War have changed the nature of power to Russia's disadvantage. The use of force may remain the ultima ratio, but its relative importance has declined, because fewer goals can be best advanced through seizing and holding territory. Within the realm of force, the role of nuclear weapons has been radically altered. Although possessing them continues to bring prestige, large arsenals are of little use other than to deter other large arsenals or massive conventional attacks. At the same time, a small number of weapons could prove invaluable, if not to states per se, then to substate actors, such as terrorist organizations. In short, the fewer, the more usable.

As the role of force has declined, that of other factors—such as technology, finance, trade, and culture—has grown. In the absence of any plausible scenario leading to a war between great powers, the economy has become the primary arena of competition, and economic prowess the main factor in determining a country's relative standing in the world. Unfortunately for Russia, its global rank has historically been based on its military prowess, which was reinforced during the Cold War by its ideological appeal, which has since vanished. In economic terms, Russia has traditionally been a poor country, and the gap between it and the world's leading powers has only widened during the past decade.

Global Reactions to Russia's Decline

In the immediate aftermath of the Soviet breakup, few countries were willing to consider the consequences of Russia's decline. Part of the reason lay in the widespread belief that Russia's return to a period of strong, sustained growth would be a matter of a couple of years. Russia, after all, has

endured other periods of strategic weakness, only to reemerge and reclaim its great-power status, whereas those who have underestimated its power—such as Napoleon in the nineteenth century or Hitler in the twentieth—have paid a heavy price. Another part lay in the afterglow of the Soviet Union's superpower status and the inevitable lag of perception behind objective change in the distribution of power. Yet another part lay in the West's fascination with Russia's ability throughout the modern era to compete militarily with the other great powers, despite its socioeconomic backwardness. And a final part lay in the presumption that, even in its weakened state, Moscow is capable of doing great mischief if it so desires.

Nevertheless, during the 1990s, the world slowly began to adjust to Russia's diminished capabilities. With the exception of the states of the former Soviet Union, few countries now treat Russia with the respect that they once reserved for the Soviet Union. Although many still seek good relations with Russia, the internal dynamics of the bilateral relationship have changed, with other countries unwilling to see themselves as Russian clients. Moreover, other countries increasingly see their relationship with Russia not as an end in itself, but as a means to other goals. Russia's relations with China, India, and Europe underscore this change.

Sino-Russian relations have improved dramatically since the end of the Cold War. The countries share common concerns, including opposition to what they both see as U.S. efforts to build a unipolar world and to U.S. plans to build a missile defense system that could degrade the potency of their nuclear forces. These common concerns are buttressed by economic and military complementarities, which are illustrated most graphically by the burgeoning arms trade between the two countries. Russia sells weapons to China in part to keep open defense plants that would otherwise go under given the absence of sufficient domestic demand. China is buying high-technology weaponry that accelerates its military modernization program.

Behind the improvement in relations, however, lie radically changed perceptions of each country's prospects and role in the world. Chinese leaders, though having no interest in an excessively weak Russia, believe that power is shifting away from Russia to China and that China is already the superior partner. Beyond the immediate benefits of enhanced access to Russian high-technology weaponry, the Chinese see Russia as a card to play in their immensely more important relationship with the United States. At the same time, one of the reasons pushing Moscow to improve relations with China is a deep and growing awareness of Russia's fragile

position east of the Urals and the knowledge that China could be a long-term competitor in that region.²⁰

Like China, India is also reassessing its relationship with Moscow, as perceptions of Russian weakness take hold. During the Cold War, India insisted that its relationship with the Soviet Union was one of equals, even if the rest of the world saw India as the client. Now most Indians believe that their country is the superior partner because it is rising while Russia is in decline. That was evident in the tough bargaining over arms deals that has led to considerably better conditions for India. Furthermore, India is looking beyond Russia to other countries and programs to bolster its security. Its decision to become an openly declared nuclear power was in part a reaction to a perception of Russian weakness, as well as to uncertainty over Russian intentions as Russia's relations warmed with China, India's major geopolitical rival. Likewise, India's warming relations with the United States are part of an effort to enhance its security, vis-à-vis both China and Pakistan, at a time of waning Russian influence in South Asia.²¹

Finally, Western Europeans are no longer concerned about possible Russian aggression in Europe. Rather, they are concerned that Russia's weakness will lead to widespread instability, which would pose an immediate and critical challenge to Europe's prosperity and security in multiple ways, ranging from an influx of refugees to ecological disasters of the Chernobyl type. Europeans are also concerned about Russia's ability to do much mischief on the European continent if it believes that it is being isolated. These concerns lie behind European efforts to assist Russia's transition to a free-market democracy capable of cooperating with Europe on a broad range of issues, as well as European efforts to slowly integrate Russia into European structures, such as the Council of Europe (although no one is seriously contemplating Russian membership in the European Union).

Moreover, in the past few years, Europeans—much like the Chinese—have been tempted to use Russia as a card in managing their relations with the United States, their chief international interlocutor. For example, at least until the terrorist attacks of September 2001, which greatly accelerated the warming trend in relations between the United States and Russia, Europeans were content to let the Russians take the lead in voicing opposition to U.S. plans to test and deploy a missile defense system, even though many European capitals had grave doubts about the wisdom of such a defense. Similarly, until Moscow itself unexpectedly muted its opposition after September 2001, European capitals raised concerns about Russian reactions to possible further expansion of NATO, particularly

into the Baltic states, although they had other more important considerations (such as the efficacy of and the balance within the alliance) in the formulation of their policy on NATO.

As a result of these incipient geopolitical shifts and Russia's own domestic predicament, the challenge for Russia in the next decade and beyond will be to come to terms with its reduced circumstances. There is no plausible scenario that would return Russia to the status of the other superpower or even to great-power status in that time frame. Simply maintaining pace with the rest of the world's leading powers will require a concerted effort; closing the gap will require good luck as well. For the rest of the world, the challenge will be to adjust to Russia's reduced circumstances in ways that do not fuel serious instability in Russia and along its borders or create the ground for dangerous rivalry among the world's leading powers.

6

The United States and Russia

At the dawn of the twenty-first century, Russia remains far short of having fulfilled the grand hopes for its future widely entertained in both Russia and the West at the time of the breakup of the Soviet Union. If there has been a transition at all, it has not been the hoped-for one to a free-market democracy, but rather a reincarnation of a traditionally Russian form of rule that in many respects is premodern. Russia has not been integrated into the West in any significant way, contrary to the goals set forth by the Russian and Western governments a decade ago. Rather, the issue of Russia's place in the world has been urgently raised once again.

The past decade has not simply been a tale of lost hopes, however, for the nightmare scenarios have not unfolded, as many in both Russia and the West feared. There has been no return to communism, which now appears historically defunct; and no fascist Russia has emerged, despite growing nationalist sentiment. The disruptions of the past decade have created a certain pluralism that powerfully militates against the resurrection of any strict authoritarian regime, although it hardly eliminates the possibility of arbitrary government and localized authoritarianism. This pluralism, contrary to much speculation in Russia and the West, has not put Russia's unity at risk. For a host of positive and negative reasons, Russia's territorial integrity—with the exception of the small republic of Chechnya—appears secure.

The Russia that has emerged is one that is in decline relative to the world's leading countries across most dimensions of power. Some have argued that the economic depression of the past decade has in fact been

positive, because it resulted from the collapse of value-subtracting industries and the bloated defense sector of the Soviet period. Whether that is true or not, the point is that Russia now has an economy an order of magnitude smaller than those of the world's leading powers and lags far behind in the mastery of promising innovative technologies. Except for weapons, nuclear reactors, space equipment, and a few other minor items, Russia produces nothing that is competitive on the global market. Although the Russian elites at one level recognize this diminished status, so far they refuse to reconcile themselves to a lesser role in world affairs.

Why Russia Still Matters

After a decade of great disappointment and faced with a country in decline, there is a great temptation in the West, and the United States in particular, to write Russia off as a lost cause or as a country that does not matter that much in the world any longer. Certainly, there is a widespread feeling in elite circles in the United States that not much time, energy, or resources needs to be devoted to nurturing good relations with Russia, even if a vocal minority feels otherwise. But ignoring Russia is not a viable option. Even in its much reduced circumstances, Russia remains critical to the United States's own security and prosperity and will continue to do so well into the future. The reasons are many—and in some cases are magnified by Russia's current predicament.

First, Russia's geographical position places it abreast of regions of strategic interest to the United States: Europe, East and South Asia, and the Persian Gulf. The future geopolitical and geoeconomic balances in these regions will depend on what happens to Russia. As has been argued above, a weak Russia will tend to act as a destabilizing force, complicating the task of building stable balances. A Russia that grows even weaker will only increase the risks. Moreover, the temptation for Russian leaders to create mischief in these strategic regions will grow if they believe that Russia is continuing to be marginalized in world affairs.

Second, despite its strategic weakness, Russia remains the dominant power vis-à-vis the countries of the former Soviet Union, which are even weaker and more fragile states. Russia has—and for years to come will continue to have—a tremendous capacity to intervene in the affairs of these states, for both good and evil. Many of these states, particularly such pivotal countries as Georgia and Ukraine, depend on Russia for energy. Moreover, since Putin's rise to power, Moscow has skillfully

exploited this dependency to circumscribe both states' room to maneuver internationally.

Third, Russia remains by far the richest country in the world in natural resources, including many strategic metals of which it is the sole or major supplier. Although these resources hardly guarantee a sustained economic recovery—and in some ways they even hinder one, as the Dutch disease suggests—they do ensure that Russia's landmass will remain critical to the world's economy. At some point, a weakening Russia would tempt outside powers to move into Russia to secure access to these resources, and in that way could spark great-power competition over its territory.

Fourth, Russia retains a veto in the U.N. Security Council, and barring an unlikely radical reorganization of that body, it will continue to do so well into the future. That gives Russia the ability to thwart U.S. initiatives in the United Nations and to deny U.S. policies full international legitimacy if it so desires. At the same time, the Russian veto—particularly if Russia grows weaker—will increasingly tempt the United States to circumvent the United Nations when Russia cannot in practice thwart U.S. policies. The Kosovo conflict of 1999 provides an apt example, which could multiply with time.

Fifth, because Russia harbors a large nuclear arsenal, extensive facilities for building, storing, and experimenting with weapons of mass destruction, and thousands of scientists and engineers with the know-how to build such weapons, it will remain a source of significant concern regarding nuclear proliferation. Russia could become a dangerously active proliferator, if its leaders decide to move in that direction, or a passive one, if the government's capacity to control its nuclear facilities collapses. Moreover, in a weak economy, the temptation for scientists and engineers to emigrate or sell their knowledge abroad will likely grow with time.

Sixth, with its large nuclear arsenal, Russia remains the only country in the world with the ability to destroy the United States. Although it is highly improbable that Russia's leaders would ever launch a suicidal attack as a matter of policy, and even though nuclear weapons have few, if any, practical applications in the world today, the danger of accidents remains—and will grow if governance deteriorates even further in Russia.

Seventh, the United States's ability to deepen its ties with its key allies, particularly in Europe, will depend to some degree on its skill in managing relations with Russia. Since the end of the Second World War, its European allies have looked to the United States for leadership in dealing

first with the Soviet Union and later with Russia. Skillful management builds confidence in U.S. leadership, whereas misguided policies erode it. Already it is clear that persuading European allies to cooperate on missile defense will depend on U.S. skill in dealing with Russia on this matter.

Eighth, it should never be forgotten that Russia could rebuild—and with greater success and at a faster rate than anyone anticipates. One need only look back at the past two decades to understand the dangers of projecting current trends long into the future. Fifteen years ago, talk of the inevitable decline of the United States was in vogue. Americans looked to Japan with envy, concerned that the Japanese economy would overtake the U.S. one in the course of the decade. Then came a decade of unprecedented growth in the United States and stagnation in Japan that has left many wondering whether Japan will ever be able to turn its economy around. As far as Russia is concerned, it is still premature to write it off as a major power *in potentia*.

The Challenge for the United States

The challenge for the United States is to devise and pursue a policy toward its former superpower rival—which is now in decline but could still recover, which has a greater capacity to do mischief than good in the world, which lacks most attributes of a great power but insists on being treated as one, and which is playing an ever more marginal role in world affairs but which the United States still cannot ignore. The U.S. strategic interest remains what it has been since the Gorbachev era: the integration of Russia into the West, which entails Russia's transformation into a free-market democracy. Yet—particularly given the disappointments of the past decade and the formidable obstacles to Russia's long-term recovery—the United States must hedge against more dire outcomes, including the breakup of Russia, however improbable that might seem at the moment.

In devising its policies, the United States needs to appreciate its own limitations. This is particularly true concerning the domestic transformation of Russia. The U.S. impact will be at the margins at best, and, as the experience of the past decade demonstrated, the United States has a greater ability to do harm than good. This should not be surprising. Russia is too vast and complex, and U.S. understanding of the processes under way there too limited, for it to be otherwise. Russians will make the fundamental choices—that is a truism, but one that, unfortunately, it took the United States a decade to relearn. The question is whether Russia will

make the right choices. Russia's leaders now have a firm understanding of what needs to be done; it is not clear if they have the will to do it.

Under these circumstances, the U.S. role should be to respond to sensible Russian initiatives to build a free-market democracy. In addition, the United States, along with its allies, should be prepared to create external conditions that are conducive to Russia's economic recovery and democratization. In the first instance, that means minimizing the barriers to those few Russian exports that are truly competitive in the global economy. It also means working to facilitate Russia's entry into the World Trade Organization, while being careful not to lower the admission standards in the process. Finally, the United States needs to underscore that Russia's commitment to fundamental human rights will greatly affect the two countries' relations.

While assisting in Russia's recovery where possible, the United States also needs to begin the long process of rebuilding its own image in Russia, which has suffered greatly during the past decade. According to U.S. Department of State polls, in 1993 nearly 75 percent of all Russians had a favorable opinion of the United States. During much of 1999, 2000, and 2001, that positive opinion was well below 50 percent. Repairing the U.S. image will require a concerted public diplomacy campaign aimed at reaching out to all the key sectors of the Russian elite and the interested public—especially outside Moscow.

Public diplomacy will have little effect, however, if it is not backed up by concrete action. This drives to the heart of U.S.–Russian relations. Given Russia's strategic weakness, the two countries will be able to resolve few global problems on their own. Rather, for success, their relationship will have to be placed into a broader regional complex. The task for the two countries is to investigate the overlap in their strategic interests and then to devise cooperative policies to advance them, while minimizing the problems arising from those conflicts of interest that will inevitably arise. Three illustrations of this process follow.

First, East Asia. China is destined to have an historic impact on the geopolitics and geoeconomics of the region. It is difficult to determine which of the two scenarios that frame that country's future presents the greater challenge: its continued emergence as a major world power or its destabilization as its economic dynamism comes into increasing conflict with current political constraints. But one thing is clear: Constructing a durable balance will be more complicated if Russia's presence in Asia wanes further. In this sense, the United States, as well as most Asian

powers, have a long-term strategic interest in building and maintaining a healthy Russian presence in East Asia.

In this regard, it is worth highlighting a little discussed but deeply worrisome possibility. The same market-oriented reform that the West is advocating for Russia could accelerate Russia's withdrawal from its Far Eastern regions. Much of the industry in that region was located there for strategic and administrative reasons, not because it made sense from the standpoint of market economics. Consequently, genuine market reform will tend to encourage population movement out of the region and reorient the local economy toward China, Japan, and South Korea. Such developments will only attenuate Moscow's hold over its Far East. If this is indeed true, and given U.S. interests in the region, it would make sense for Russia and the United States, along with other interested countries, to examine how they can rebuild the economy of the Russian Far East so as to bolster Russian sovereignty there.

Second, Central Asia. Russia has vital interests in the region. The region acts as a buffer against threats emanating from South Asia, which were personified by the Taliban in Afghanistan until the devastating U.S. campaign against them in late 2001. Moreover, the fortified borders of the former Soviet Union are the first line of defense for Russia, especially because it does not have sufficient resources to effectively monitor its long, unfortified border with Kazakhstan. Finally, Moscow has to be deeply concerned about the status of ethnic Russians in the region, especially in northern Kazakhstan. Infringements on their rights or instability could lead to refugee flows that would strain Russia's already overstressed social welfare system.

The United States's interests in the region are less than vital. Its primary interest is access to the region's energy resources and prevention of widespread instability in a region that borders on four nuclear powers. A major Russian presence in the region is not incompatible with these interests, nor are close political and economic relations between Russia and the states of the region, as long as U.S. access remains assured. Indeed, the United States has an interest in the ability of Russia, along with other powers, to act as a stabilizing force in the region. Given the regional balance of forces, Russia will have to play a leading role in any regional security arrangement that is developed over the next decade. Yet the United States has committed itself to supporting the independence and sovereignty of the Central Asian states, which Moscow has been inclined to see as directed against its long-term interests in the region. The challenge for the United States is to meld these various interests into a durable security arrangement in the region.

Even though their interests have long complemented each other's, Washington and Moscow are just beginning to engage in a sustained, serious dialogue about Central Asia. Given the balance of interests, there should be a way for the two countries to cooperate to enhance regional security, bolster the independence of the Central Asian states, and improve their access to foreign markets. The two powers could also expand their cooperative efforts in dealing with terrorists groups based in Afghanistan to help stabilize both Central Asia and other regions, such as the Caucasus and the Middle East.

Third, Europe. In the historical sense, the issue of security on the European continent, outside the former Soviet Union, has been solved. Although unrest—and armed violence—will continue to erupt in South-eastern Europe, no plausible scenario would lead to a violent confrontation between major European powers or a Europe-wide conflagration. The process of European integration will continue. During the next decade, the Baltic states and most other European states outside the former Soviet Union will be integrated into the European Union and NATO.

The question to address now is how to manage relations among the three key components of the European equation: the United States, a unified Europe, and Russia. Each will have a vital interest in the stability and the prosperity of the other two. Europe should serve as a major trading partner for both the United States and Russia. Russia—if it can build an effective political and legal framework—would be an attractive place for investment by European and American firms. Security concerns would shift from regions within Europe to neighboring zones, such as North Africa, the Middle East, the Caucasus, and the Persian Gulf. The challenge would be for the United States, Europe, and Russia to cooperate in achieving their common security goals in these regions.

At the same time, the United States and Russia could deepen their cooperation in meeting common security challenges in East Asia, as was discussed above. The fate of NATO under such circumstances is difficult to imagine, although clearly it will be much different from today's NATO, if only because the European pillar will be more cohesive, coherent, and capable. If Russia remains outside NATO, as is likely, there will need to be a cooperative superstructure that includes Russia. The solution may be found in building a new Western security structure that transcends NATO and extends beyond Europe and Eurasia to Asia, to include as well such democratic, industrial countries as Japan and Australia.

While dealing with these geopolitical balances, the United States will also have to engage Russia on strategic nuclear issues. This matter has two

related components: the central strategic balance and proliferation. Although the United States could theoretically move forward unilaterally on building a missile defense system and determining the size and composition of its nuclear forces, working cooperatively with Russia in both areas will create a framework in which the United States can pursue its concerns about Russia's proliferation policies—primarily with regard to Iran. The cooperation need not come in the form of a treaty or even a binding agreement, but the U.S. goal should be to include Russia in some significant way in the creation of a missile defense system.

An Open Question

Whether such a U.S. policy toward Russia will provide the benign environment in which Russia can rebuild and will choose to pursue integration with the West is, of course, an open question. Much will depend on developments, both inside Russia and around the globe, that are far beyond the control of the United States. Much will occur that now lies beyond our imagination. Russia faces the formidable task of having to modernize its polity, of fundamentally changing its political culture, and of rethinking the way it conceives of power and the relationship between the state and society. The only certain thing is that success will come slowly, if at all. The challenge for the West, and for the United States in particular, is to gain a profounder understanding of the processes under way in Russia so that it does not give up on Russia prematurely, and thereby push a recovering Russia along a non-Western path, or persist too long in a vain effort to help Russia rebuild, and thereby fail to prepare for the dangers of Russia's possible collapse.

7

Epilogue: New Possibilities Grounded in Realism

September 11, 2001—the day that changed the world, as the *Economist* put it in the issue immediately after the terrorist attacks.¹ Most Americans would agree. And, indeed, the change wrought by September 11 has since become a staple of American commentary. As U.S. president George Bush said September 20 in his address to a joint session of Congress, “On September 11, enemies of freedom committed an act of war against our country. Americans have known wars—but for the past 136 years, they have been wars on foreign soil, except for one Sunday in 1941. Americans have known the casualties of war—but not at the center of a great city on a peaceful morning. Americans have known surprise attacks—but never before on thousands of civilians. All of this was brought upon us in a single day—and night fell on a different world. . . .”²

But did it? For Americans, the answer is undoubtedly yes, because they feel a vulnerability and threat unknown to them before. The changing focus of U.S. foreign policy will have profound consequences for other major centers of world power, if only because of the large role the United States plays in world affairs. The consequences will also be profound for those countries in the regions of primary concern to the United States: South Asia and the Middle East. The changes in U.S. foreign policy will present both challenges and opportunities to other countries as they pursue their interests. But those interests are unlikely to change—and neither are the domestic factors that inform any country’s foreign policy or determine its capabilities to pursue its interests. In other words, as a result of September 11, some things have changed, some have not, and some mat-

ters are viewed in a different light. The challenge is to determine what is what.

As far as Russia is concerned, it is not surprising that September 11 has had little effect on the fundamental nature of power in the country today or on the domestic challenges it faces as it seeks to rebuild. These are matters with deep historical roots (the nature of power) or considerable historical momentum (the domestic challenges to rebuilding) that cannot be dramatically altered by a single foreign event, no matter how catastrophic. Change will come only with time and from the cumulative effects of events that push developments in one direction or another.

In addition, though less obvious, September 11 has done little to change the vast asymmetries in power, fortune, and outlook that divide the United States from Russia. To be sure, the United States fell into recession in the first half of 2001, and September 11 further eroded an already weak economy, while Russia's economic recovery continued in 2001, albeit at a slower pace than in 2000. Nevertheless, the U.S. economy remains about ten times the size of Russia's. The United States has a highly diversified economy and leads in most innovative technologies, whereas Russia continues to have an economy based primarily on natural resources that needs trillions of dollars in investment to modernize its obsolescent infrastructure.

Similarly, though September 11 may have underscored U.S. vulnerability, the campaign in Afghanistan highlighted the overwhelming power of the United States. Despite numerous predictions to the contrary, the United States dispatched with great efficiency both the Taliban rulers and al Qaeda network in Afghanistan. For Russians, this contrasted with the memories of their ten-year struggle in Afghanistan.

As a result, the challenges facing the United States and Russia at the dawn of the twenty-first century are of different orders, and U.S. and Russian leaders continue to look at the world through different prisms. For U.S. leaders, the question is how to use their tremendous power to shape the world in ways that will prolong U.S. preeminence, security, and prosperity well into the future, while avoiding the temptation to overstretch. For Russian leaders, the question remains how to engineer a sustainable recovery that will return Russia to the ranks of major world powers in fact and not merely in name. These different perspectives, of necessity, complicate any dialogue between American and Russian elites.

In the immediate aftermath of the terrorist attacks, President Bush warned the American people of the dangers ahead. But he also made a promise: "This country will define our times, not be defined by them. As long as the United States of America is determined and strong, this will not

be an age of terror; this will be an age of liberty, here and across the world.”³ Putin simply could not have made that promise.

What has changed are perceptions of Russia and its potential role in world affairs. The changes were not a consequence of September 11 per se, but rather of the Kremlin’s response. To the great surprise of most observers, President Putin immediately cast his lot with the United States, and the West in general, in the struggle against terrorism—and that support came with no explicit conditions. He was the first foreign leader to reach President Bush by telephone to offer both condolences and help. Less than two weeks later, he laid out what Russia was prepared to do: (1) exchange intelligence on international terrorists, (2) open Russian airspace for humanitarian flights, (3) encourage the Central Asian states to offer military bases for the counterterrorist campaign, (4) cooperate in search-and-rescue operations, and (5) expand assistance to the Northern Alliance in its campaign against the Taliban.⁴

In the West, these steps were widely interpreted as Putin’s embrace of the West, a new course for Russia that put an end to the equivocation between the West and East that had distinguished Russian policy in the 1990s. To be sure, observers were quick to note that Putin hardly enjoyed the unanimous support of either the Russian public or, more important, the elites in this strategic choice. In particular, there were signs of deep displeasure within the security services and the military, particularly against the background of a growing U.S. security presence in Central Asia, a region the Russian elites considered to be their exclusive sphere of influence. And no one believed that Putin could maintain his course in the absence of steps by the United States that brought tangible benefits to Russia. But in the West it was widely believed after September 11 that there was now a great opportunity to end the acrimony of the late 1990s and to further Russia’s integration into the West.

To be sure, Putin’s actions did not lead to a sharp turn in U.S.–Russian relations. Rather, they gave added momentum to the warming trend that had commenced shortly before the two countries’ presidents met in Slovenia in June 2001. At that meeting, the two presidents had decided to finally put the Cold War behind them, to build a new strategic relationship, and to cooperate in furthering Russia’s integration into the global economy. The pace picked up quickly after September 11, as the two countries became engaged in a sharing of sensitive intelligence on terrorism that would have been unthinkable on September 10. At the December NATO Ministerial and following Permanent Joint Council session (where Russia sits along with the 19 NATO members in the so-called 19+1 format), it

was decided to create a mechanism to allow Russia to participate on an equal footing with the NATO allies in discussion and decision making on a range of matters, as yet to be defined. Progress continued in efforts to facilitate Russia's entry into the World Trade Organization.

At the same time, Russia's image in the West improved dramatically. The media spent less time criticizing Russian operations in Chechnya or the Kremlin's media policies (although both came in for sharp criticism on occasion). Greater credence was given to long-standing Russian claims that the Chechen rebels had links to international terrorist organizations. Investment and financial firms raised their ratings for Russia, as observers began to pay more attention to the solid economic growth in Russia that began in 1999. In the Western media, Russia was no longer simply a country of pervasive corruption mired in a deep socioeconomic crisis. There was now something very positive to talk about.

At the end of 2001, relations between the United States and Russia were the best they had been since at least the fall of 1997. As had been the case in the period immediately after the breakup of the Soviet Union, the focus in both Russia and the United States was on what the two countries could achieve together rather than on what divided them. In sharp contrast to the earlier period, however, there was now little euphoria. The sense of possibilities was now tempered by knowledge of the failed hopes of the early 1990s, of the rough road the two countries had traveled later in that decade, and of the challenges that lay ahead. Rebuilding Russia will take a generation; fashioning a stable, genuine democratic order out of the current political system will take at least as long; meanwhile, rough patches in relations between the two countries are inevitable.

Whether the warming trend will continue remains to be seen. Much will depend on the decisions made in Washington and Moscow as new challenges arise with the unfolding of the counterterrorist campaign. But there is hope that a sense of possibilities now grounded in a sense of realism will provide a firm foundation for making the right decisions in both capitals.

NOTES

Chapter 1

Introduction: Misreading Russia

1. Strobe Talbott, "The End of the Beginning: The Emergence of a New Russia," address delivered at Stanford University, Stanford, Calif., September 19, 1997.
2. Ibid.
3. Vladimir Vladimirovich Putin, "Rossiia na rubezhe tysyacheletiy" (Russia at the turn of the millennium), December 1999, <www.government.ru:8080/government/minister/article-vvp1_txt.html>.
4. See "Mr. X," "The Sources of Soviet Conduct," *Foreign Affairs*, vol. 26, no. 4 (July 1947), pp. 572–82.
5. Francis Fukuyama, "The End of History?" *The National Interest*, no. 16 (Summer 1989), p. 3.
6. Samuel P. Huntington, *The Third Wave: Democratization in the Late Twentieth Century* (Norman: University of Oklahoma Press, 1991), pp. 21–26. The quotation is found on p. 23.
7. See Kenneth Waltz, "Globalization and American Power," *The National Interest*, no. 59 (Spring 2000), pp. 46–49. The quotation is found on p. 48.
8. See Strobe Talbott, "US Must Lead a Strategic Alliance with Post-Soviet Reform," statement before the U.S. House of Representatives, Subcommittee on Foreign Operations of the House Appropriations Committee, Washington, D.C., April 19, 1993.
9. See Janine R. Wedel, *Collision and Collusion: The Strange Case of Western Aid to Eastern Europe 1989–1998* (New York: Saint Martin's Press, 1998), pp. 15–34.
10. See Stephen F. Cohen, *Failed Crusade: America and the Tragedy of Post-Communist Russia* (New York: W. W. Norton, 2000), pp. 5–63.
11. See Yuri Sergeevich Pivovarov, "Russkaia vlast' i istoricheskiye tipy ee osmysleniia" (The Russian state and its historical understanding), *Politiya*, vol. 4, no. 18 (Winter 2000–1), pp. 5–37.
12. See the entry for *vlast'* in Vladimir Dal', *Tolkovyy slovar' zhhivogo velikorusskogo iazyka* (Explanatory dictionary of the living great Russian language) (Moscow: Russkiy yazyk, 1981), vol. 1, p. 213.
13. Richard Pipes, *Russia under the Old Regime* (New York: Charles Scribner's Sons, 1974), p. 21.
14. The term is borrowed from Mikhail Nikolaevich Afanas'yev, *Klientelizm i rossiyskaia gosudarstvennost'* (Clientalism and Russian government)

- (Moscow: Tsentr konstitutsionnykh issledovaniy moskovskogo obshchestvennogo nauchnogo fonda, 1997), p. 85, as cited in Geoffrey Hosking, *Russia and the Russians: A History* (Cambridge, Mass.: Belknap Press of Harvard University Press, 2001), p. 92.
15. Nikolai Mikhailovich Karamzin, *Zapiska o drevney i novoy Rossii* (Notes on ancient and new Russia) (Saint Petersburg: 1914), p. 47, as cited in Richard Pipes, "Karamzin's Conception of the Monarchy," *Harvard Slavic Studies*, issue no. 4 (1957), p. 43.
 16. See Hosking, *Russia*, pp. 92–93. See also, Pipes, "Karamzin's Conception," pp. 45–48.
 17. Edward L. Keenan, "Muscovite Political Folkways," *Russian Review*, vol. 45, no. 2 (April 1986), p. 141 (*italics in original*).
 18. *Ibid.*, p. 142 (*italics in original*).
 19. See Richard Pipes, *The Russian Revolution* (New York: Alfred A. Knopf, 1990), pp. 54–57, 153–60.
 20. See Keenan, "Muscovite Political Folkways," pp. 167–72.
 21. Mikhail Voslenskiy, *Nomenklatura: Gospodstuyushchiy klass Sovetskogo Soyuza* (Nomenklatura: the ruling class of the Soviet Union) (London: Overseas Publications Interchange Ltd., 1984), p. 149.

Chapter 2

The Emergence of the New Russia

1. See, e.g., the articles in *Soviet Economy in the 1980's: Problems and Prospects*, selected papers submitted to the Joint Economic Committee, U.S. Congress, 2 parts (Washington, D.C.: U.S. Government Printing Office, 1983).
2. On crime and corruption during the Soviet period, see Arkady Vaksberg, *The Soviet Mafia* (New York: Saint Martin's Press), 1991; and Konstantin Simis, *USSR: Secrets of a Corrupt Society* (London: J. M. Dent & Sons, 1982). On the second economy, see Gregory Grossman, "The 'Second Economy' of the USSR," *Problems of Communism* vol. 26, no. 5 (September–October 1977), pp. 25–40.
3. Martin Malia, *The Soviet Tragedy: A History of Socialism in Russia, 1917–1991* (New York: Free Press, 1994), p. 370.
4. See Ed A. Hewett, *Reforming the Soviet Economy: Equality versus Efficiency* (Washington, D.C.: Brookings Institution Press, 1988), Table 2-3, p. 52; and Malia, *Soviet Tragedy*, pp. 362–63.
5. Murray Feshbach, "Issues in Soviet Health Problems," in *Soviet Economy in the 1980's*, part 2, pp. 204–7.

6. For a concise description of the state of the Soviet Union at the time of Gorbachev's rise to power, see Seweryn Bialer, *The Soviet Paradox: External Expansion, Internal Decline* (New York: Vintage Books, 1987), pp. 57–80. The Gorbachev quotation is from Mikhail Sergeevich Gorbachev, *Izbrannyye rechi i stat'i* (Selected speeches and articles), (Moscow: Politizdat, 1987), vol. 2, p. 86.
7. Mikhail Gorbachev, *Zhizn' i reformy* (Life and reforms), (Moscow: Novosti, 1995), vol. 1, p. 6.
8. On Gorbachev's policies, see Archie Brown, *The Gorbachev Factor*, paperback edition (Oxford: Oxford University Press, 1997), pp. 140–54, 160–211, and 346 n. 3.
9. On the relationship between the Soviet Union and Russia, see John B. Dunlop, *The Rise of Russia and the Fall of the Soviet Union* (Princeton, N.J.: Princeton University Press, 1993), pp. 54–58.
10. See Gorbachev, *Zhizn' i reformy*, vol. 1, p. 530.
11. See Yitzhak M. Brudny, *Reinventing Russia: Russian Nationalism and the Soviet State, 1953–1991* (Cambridge, Mass.: Harvard University Press, 1998), pp. 250–56.
12. See Yuri Mikhailovich Baturin et al., *Epokha Yel'tsina: Ocherki politicheskoy istorii* (The epoch of Yeltsin: essays on political history) (Moscow: Vargius, 2001), pp. 104–8.
13. The polling data can be found in John B. Dunlop, "Russia: In Search of an Identity?" in Ian Bremmer and Ray Taras, eds., *New States, New Politics: Building the Post-Soviet Nations* (Cambridge: Cambridge University Press, 1997), p. 42.
14. See "O gosudarstvennom suverenitete Rossiyskoy Sovetskoy Federativnoy Sotsialisticheskoy Respubliki" (On the sovereignty of the government of the Russian Soviet Federated Socialist Republic), in Yuri Shul'zhenko, ed., *Khrestomatiia po Konstitucionnomu pravu Rossiyskoy Federatsii* (A reader on the constitutional law of the Russian Federation) (Moscow: Yurist, 1997), pp. 748–50. Yeltsin's advisers at the time argue that a declaration of sovereignty would have been passed even if Yeltsin had not been elected and that its contents would not have differed significantly from the one that was in fact adopted. Such was the broadly based opposition to Gorbachev and the central leadership within the Russian elite. See Baturin, *Epokha Yel'tsina*, pp. 86–91.
15. See Gennadiy Burbulis et al., *Stanovlenie novoy rossiyskoy gosudarstvennosti: real'nost' i perspektivy (Otkrytyy doklad)* (The formation of the new Russian state system: reality and possibilities [Public Report]) (Moscow: URSS, 1996), p. 36; Anatolii Ivanovich Kovler, "Kakoe prezidentstvo legitimno v Rossii?" (What kind of presidency is legitimate in

- Russia?), *Etika uspekha*, no. 5 (1995), pp. 240–51. Yeltsin, however, does not focus on the creation of the Russian presidency as an element in the struggle against Gorbachev. See Boris Yelt'sin, *Zapiski prezidenta* (Notes of the president) (Moscow: Ogonek, 1994), pp. 31–56.
16. See Brown, *Gorbachev Factor*, pp. 285–305; Baturin et al., *Epokha Yel'tsina*, pp. 112–13.
 17. The Constitution made the president the “highest official” of the country and the Congress of People's Deputies the “highest organ of state power.” See “Konstitutsiia (osnovnoy zakon) Rossiyskoy Federatsii–Rossii” (Constitution [fundamental law] of the Russian Federation) in Shul'zhenko, *Khrestomatiya*, p. 758.
 18. On Yeltsin's wavering, see Liliya Shevtsova, *Rezhim Borisa Yel'tsina* (The regime of Boris Yeltsin) (Moscow: POSSPEN, 1999), pp. 7–39.
 19. Gorbachev, *Zhizn' i reformy*, vol. 1, pp. 520–25, and vol. 2, pp. 582–602.
 20. Brown, *Gorbachev Factor*, p. 287.
 21. See Yegor Gaidar, *Dni porazheniy i pobed* (Days of defeats and victories) (Moscow: Vagrius, 1997), pp. 71–87.
 22. Boris Yeltsin, *Sovetskaia Rossiia*, October 29, 1991.
 23. See “Yeltsin Addresses Russian Parliament on 25th December,” *BBC*, SU/1264/C3/1, December 28, 1991.
 24. Yel'tsin, *Zapiski prezidenta*, pp. 150–53. The quotations can be found on p. 152.
 25. “Speech by Andrei Kozyrev,” *BBC*, SU/1359/C1/1, April 20, 1992.
 26. On the military, see William E. Odom, *The Collapse of the Soviet Military* (New Haven, Conn.: Yale University Press, 1998), pp. 347–404. A Russian Defense Ministry was set up only in May 1992.
 27. On the ruble zone, see Anders Åslund, *How Russia Became a Market Economy* (Washington, D.C.: Brookings Institution Press, 1995), pp. 109–36. The ruble zone finally vanished in the fall of 1993.
 28. See Dimitri K. Simes, *After the Collapse: Russia Seeks Its Place as a Great Power* (New York: Simon & Schuster, 1999), pp. 19–20.
 29. See “Yeltsin Sworn in as Russia's Leader,” *New York Times*, July 11, 1991.
 30. See “Speech by Yeltsin at His Inauguration as RSFSR President,” *BBC*, SU/1121/C2/1, July 11, 1991.
 31. On this break with Russian history, see Aleksey Salmin, “Poka ne . . .” (Until . . .), *NG-Stsenarii*, April 12, 2000.
 32. In the Minsk Agreement Establishing a Commonwealth of Independent States, December 8, 1991, the parties recognized each other's territorial integrity “with the Commonwealth,” not in general. They also guaranteed the “openness of

- borders and freedom of movement for citizens and of transmission of information within the Commonwealth” (article 5). The text of the agreement can be found in Stockholm International Peace Research Institute, *SIPRI Yearbook 1992* (Oxford: Oxford University Press, 1992), pp. 558–59.
33. See “Konstitutsiia (osnovnoy zakon) Rossiyskoy Federatsii–Rossii” (Constitution [fundamental law] of the Russian Federation), in Shul’zhenko, *Khrestomatiia*, p. 758.
 34. For a more detailed treatment of developments between the Russian leadership and Russia’s regions, see Gail W. Lapidus and Edward W. Walker, “Nationalism, Regionalism, and Federalism: Center-Periphery Relations in Post-Communist Russia,” in Gail W. Lapidus, ed., *The New Russia: Troubled Transformation* (Boulder, Colo.: Westview Press, 1995), pp. 79–113.
 35. For Gorbachev’s views on the new union treaty, see Gorbachev, *Zhizn’ i reformy*, vol. 2, pp. 513–54.
 36. The text of the treaty can be found in Shul’zhenko, *Khrestomatiia*, pp. 73–95.
 37. On events in Tatarstan, see Mary McAuley, *Russia’s Politics of Uncertainty* (Cambridge: Cambridge University Press, 1997), pp. 54–64.
 38. See Shevtsova, *Rezhim Yel’tsina*, pp. 87–129; and McAuley, *Russia’s Politics of Uncertainty*, pp. 75–77.

Chapter 3

The Crumbling of the Russian State

1. “Konstitutsiia (osnovnoy zakon) Rossiyskoy Federatsii–Rossii” (Constitution [fundamental law] of the Russian Federation), in Yuri Shul’zhenko, ed., *Khrestomatiya po Konstitucionnomu pravu Rossiyskoy Federatsii* (A reader on the constitutional law of the Russian Federation) (Moscow: Yurist, 1997), p. 758.
2. The text of the Constitution can be found in Shul’zhenko, *Khrestomatiya*, document 1.
3. Anatolii Ivanovich Kovler, “Kakoe prezidentstvo legitimno v Rossii” (What kind of presidency is legitimate in Russia?) *Etika uspekha*, no. 5 (1995), p. 250. See also Alexsei Mikhailovich Salmin, “Rossiyskoe prezidentstvo: priroda i problemy” (The Russian presidency: its character and problems), *Etika uspekha*, no. 5 (1995), pp. 192–201.
4. Igor Klyamkin and Lilia Shevtsova, *This Omnipotent and Impotent Government: The Evolution of the Political System of Post-Communist Russia*, a Carnegie Moscow Center report (Washington, D.C.: Carnegie Endowment for International Peace, 1999), p. 16.

5. Yuri Mikhailovich Baturin et al., *Epokha Yel'tsina: Ocherki politicheskoy istorii* (The epoch of Yeltsin: essays on political history) (Moscow: Vargius, 2001), p. 172.
6. As Yeltsin, or his ghostwriter, put it, "Any victim, any resignation, any change in the political configuration could not be accidental or only tactical. In each of my moves, I was obliged to bear in mind the general strategy, the main task"; Boris Yel'tsin, *Prezidentskii marafon* (Presidential marathon) (Moscow: AST, 2000), p. 115.
7. Baturin, *Epokha Yel'tsina*, pp. 778–91.
8. *Ibid.*, p. 795.
9. *Ibid.*, p. 802.
10. Private conversation with senior YuKOS officer, Moscow, February 26, 1998.
11. Baturin, *Epokha Yel'tsina*, p. 575.
12. *Ibid.*, p. 729.
13. See *ibid.*, pp. 731–40, 782–83; Yeltsin, *Prezidentskii marafon*, pp. 294–305.
14. See, e.g., Thomas E. Graham, Jr., "From Oligarchy to Oligarchy: The Structure of Russia's Ruling Elite," *Demokratizatsiya*, vol. 7, no. 3 (Summer 1999), pp. 325–40. See also Liliya Shevtsova, *Politicheskie zigzagi postkommunisticheskoy Rossii* (Political zig-zags of post-communist Russia), a Carnegie Moscow Center report (Washington, D.C.: Carnegie Endowment for International Peace, 1997), pp. 25–38; Vladimir Shlapentokh, "Russia: Privatization and Illegalization of Social and Political Life," *Washington Quarterly*, vol. 19, no. 1 (Winter 1996), pp. 65–85; Juliet Johnson, "Russia's Emerging Financial-Industrial Groups," *Post-Soviet Affairs*, vol. 13, no. 4 (1997), pp. 333–65; and Hans-Henning Schroder, "El'tsin and the Oligarchs: The Role of Financial Groups in Russian Politics between 1993 and July 1998," *Europe-Asia Studies*, vol. 51, no. 6 (1999), pp. 957–88.
15. Baturin, *Epokha Yel'tsina*, p. 715.
16. C. Freeland, J. Thornhill, and A. Gowers, "Moscow's Group of Seven," *Financial Times*, November 1, 1996.
17. Mikhail Voslenskiy, *Nomenklatura: Gospodstuyushchiy klass Sovetskogo Soyuza* (Nomenklatura: the ruling class of the Soviet Union) (London: Overseas Publications Interchange Ltd., 1984), p. 149. On tsarist Russia, see Edward L. Keenan, "Muscovite Political Folkways," *Russian Review*, vol. 45, no. 2 (April 1986), pp. 115–81; and Richard Pipes, *Russia under the Old Regime* (New York: Charles Scribner's Sons, 1974), pp. 21–24, 87–98. On the Soviet Union, see Jerry F. Hough and Merle Fainsod, *How the Soviet Union Is Governed* (Cambridge, Mass.: Harvard University Press, 1979), pp. 518–55.

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21. See Maksim Boyko, “Kak protashchit’ verblyuda skovz’ igol’noe ushko” (How to pull a camel through the eye of a needle), in Anatoly Chubais, ed., *Privatizatsiia po-rossiyski* (Privatization Russian style) (Moscow: Vargius, 1999), pp. 53–66.
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32. For details on Russia's health crisis, see Nicholas Eberstadt, "Russia: Too Sick to Matter?" *Policy Review*, no. 95 (June–July 1999), <www.policyreview.com/jun99/eberstadt.html>; the quotation is found on p. 4 of the Internet version. See also Murray Feshbach, "Russia's Population Meltdown," *Wilson Quarterly*, vol. 15 (Winter 2001), pp. 15–21.
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35. See comments of Aleksey Arbatov, deputy chairman of the Duma Defense Committee, as reported in *Johnson's Russia List*, no. 5262 (May 20, 2001), item #3; and the comments of Roman Popkovich, chairman of the Duma Defense Committee, as reported by the AIF News Agency, September 8, 1999.
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37. See comments by then Minister of Defense Rodionov as reported in *Krasnaia zvezda*, February 25, 1997, p. 1; and *Interfax*, February 7, 1997.
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40. Central Bank of the Russian Federation, “Osnovnye napravleniia yedinoi gosudarstvennoy denezhno-kreditnoi politiki na 1999 god” (The fundamental direction of the government’s monetary policy in 1999), *Kommersant-Daily*, December 8, 1998, <www.mosinfo.ru:8080/news/kd/98/12/toc.html>, pp. 3–6.
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 46. Gleb Baranov, “Banki iz pervoy desyatki popali vo vtoruyu tysyachu” (Top ten banks fall into the second thousand), *Kommersant-Daily*, December 12, 1998.
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 49. A. Lavrov, L. Polishchuk, and A. Treyvish, “*Ekonomicheskie problemy stanovleniia federalizma v Rossii*” (Economic problems in the formation of federalism in Russia), paper prepared for the Conference on Contemporary Russian Federalism: Problems and Prospects, Carnegie Moscow Center (Moscow, December 10, 1997), p. 4 and attached map.
 50. See Simon Clarke and Inna Donova, “Internal Mobility and Labour Market Flexibility in Russia,” *Europe-Asia Studies*, vol. 51, no. 2 (1999), pp. 213–43; Mikhail Dmitriyev, “Roossiyskiy rynek truda silen neispolneniem zakonov” (The Russian labor market is strengthened by unenforced laws), *Ekspert*, no. 5 (February 5, 1998), pp. 14–16.
 51. Passenger traffic by all modes of transportation in 1996 was less than two-thirds of the 1990 level; moreover, fewer and fewer of those trips were between cities. See Dmitri Semenovich L’vov et al., *Put’ v XXI vek: strategicheskie problemy i perspektivy rossiyskoy ekonomiki* (The path into the 21st century: the strategic problems and prospects of the Russian economy) (Moscow: Ekonomika, 1999), pp. 628–29. See also Gavriil Popov, “Transport,” *Nezavisimaia gazeta*, March 15, 2000.
 52. Between 1991 and 1999, the share of national newspapers in newspaper circulation dropped from 66 to 35 percent. See Jukka Pietilainen, “Statistical Analysis of the Russian Newspapers,” in Kaarle Nordenstreng, Elena Vartanova, and Yassen Zassoursky, eds., *Russian Media Challenge* (Helsinki: Kikimora Publications, 2001), pp. 206–17, especially Table 1, p. 213. National television was the leading source of information for Russians and acted as a unifying factor for the country as a whole, but provided relatively little information about regional developments. See Elena Vartanova, “Media Structures: Changed and Unchanged,” in *ibid.*, pp. 21–72; Anatole Shub, “Seven Russian Midsize Media Markets,” *Audience Analysis* (Washington, D.C.: U.S. Information Agency, April 7, 1997), pp. 1–3.
 53. See Samuel P. Huntington, *Political Order in Changing Societies*, paperback edition (New Haven, Conn.: Yale University Press, 1971), pp. 148–76.
 54. Vladimir Vladimirovich Putin, “Rossiia na rubezhe tysyacheletiy” (Russia at the turn of the millennium) (December 1999), <www.government.ru:8080/government/minister/article-vvp1_txt.html>.

55. See the maps in *USSR Energy Atlas* (Washington, D.C.: U.S. Central Intelligence Agency, January 1985), pp. 32, 55, and 59, and in *Atlas SSSR* (Moscow: Main Administration of Geodesy and Cartography under the USSR Council of Ministers, 1996), pp. 166–67.
56. About 40 percent of Russians watch news programs broadcast from Moscow every day. See Vartanova, “Media Structures,” pp. 24–25.
57. See A. Lavrov, V. Shuvalov, A. Neshchadin, and E. Vasilishen, eds., *Predprinimatel’skiy klimat regionov Rossii: Geografiia Rossii dlia investorov i predprinimateley* (Business climate in the regions of Russia: a geography of Russia for investors and entrepreneurs) (Moscow: Nachala-Press, 1997), p. 126. See also Daniel Treisman, *After the Deluge: Regional Crises and Political Consolidation in Russia* (Ann Arbor: University of Michigan Press, 1999), who argues that Moscow’s deft redistribution of fiscal resources has prevented the bandwagoning of local protest and helped preserve its influence across Russia.
58. See, e.g., Mary McAuley, *Russia’s Politics of Uncertainty* (Cambridge: Cambridge University Press, 1997); and Sergey Khenkin, “Separatizm v Rossii—pozadi ili vperedi?” (Separatism in Russia—behind or ahead?), *Pro et Contra*, vol. 2, no. 2 (Spring 1997), pp. 5–19.
59. For further thoughts on the social and cultural factors that unite Russia, see Al’gis Prazauskas, “Slagaemye gosudarstvennogo yedinstva” (Elements of governmental unity), *Pro et Contra*, vol. 2, no. 2 (Spring 1997), pp. 22–29.
60. See Russian Independent Institute for Social and National Problems, *Massovoe soznanie rossiiyan v period obshchestvennoy transformatsii: real’nost’ protiv mifov* (The mass consciousness of Russians in the period of social transformation: reality versus myth) (Moscow: Russian Independent Institute for Social and National Problems, 1996), pp. 11–14. The survey on which this analysis is based was conducted in October 1995. See also Zorkaya, *Vlast’ i obshchestvo*, p. 26. The survey on which this analysis is based was conducted in February–March 1998.

Chapter 4

Putin’s Russia

1. Vladimir Vladimirovich Putin, “Rossiia na rubezhe tysyacheletiy” (Russia at the turn of the millennium) (December 1999), <www.government.ru:8080/government/minister/article-vvp1_txt.html>.
2. Interview with acting president Vladimir Putin, ORT (Russian Public Television), January 4, 2000. Transcript available in the Kremlin Package, Federal News Service, January 5, 2000, <www.fednews.ru>.

3. Nataliya Gevorkyan, Andrei Kolesnikov, and Natal'ya Timakova, *Ot pervogo litsa: Razgovory s Vladimirom Putinyim* (From the first person: conversations with Vladimir Putin) (Moscow: Vagruis, 2000), pp. 167–68.
4. Putin, “Rossiia na rubezhe.”
5. See interview with Vladimir Putin, *Izvestiia*, July 14, 2000.
6. On Putin’s regional initiatives, see Matthew Hyde, “Putin’s Federal Reforms and Their Implications for Presidential Power in Russia,” *Europe-Asia Studies*, vol. 53, no. 5 (July 2001), pp. 719–43; and Robert Orttung and Peter Reddaway, “Russian State-Building: The Regional Dimension,” in *The Russia Initiative: Reports of the Four Tasks Forces* (New York: Carnegie Corporation of New York, 2001), <www.carnegie.org/pdf/rimaster.pdf>, pp. 97–101.
7. See Natal'ya Arkhangel'skaia et al, “Provokatsiia” (Provocation), *Ekspert*, July 17, 2000, <www.archive.expert.ru/expert/00/00-27-38/data/cover.htm>.
8. See “Oligarkhov v Kremle sovsem obnulili” (Oligarchs in the Kremlin have been totally nullified), *Kommersant-Daily*, July 29, 2000, <www.kommersant.ru>.
9. “About 40% of Russians watch news programs broadcast from Moscow every day while the overall audience of the national press does not exceed 20%,” according to Elena Vartanova, “Media Structures,” in Kaarle Nordenstreng, Elena Vartanova, and Yassen Zassoursky, eds., *Russian Media Challenge* (Helsinki: Kikimora Publications, 2001), p. 25. Moreover, according to Vartanova, 36 percent of Russians find television the most reliable medium, whereas only 13 percent consider the newspapers to be the most trustworthy.
10. See Floriana Fossato and Anna Kachkaeva, *Russian Media Empires VI: Media-Most Holding* (RFE/RL, September 2000), <www.rferl.org/nca/special/rumedia6/index.html>; and Gleb P'yanykh and Valeriya Sorokina, “Konets tret'yey seriy” (End of the third series), *Kommersant-vest'*, December 19, 2000, <www.kommersant.ru>.
11. “Zaiavlenie dlia pechati Borisa Berezovskogo” (Press statement of Boris Berezovsky), *Kommersant-Daily*, November 15, 2000.
12. See Fossato and Kachkaeva, *Russian Media Empires VI: ORT and Berezovsky's Media*, <www.fr.ru/Arhiv/2001/24/2.html>; Mariya Bezborodova, “Prodazha aktsiy ORT sostoyalas” (The sale of ORT shares has taken place), *Nezavisimaia gazeta*, February 6, 2001; and Aidar Kozhakhmetov, “ORT poshlo po rukam” (ORT handed off), *Finansovaia Rossiia*, July 18, 2001.
13. See Foreign Minister Igor' Ivanov, “Novizna i preymstvennost' v rossiyskoy vneshney politike” (Change and continuity in Russian foreign policy),

- Nezavisimaya gazeta*, June 15, 2001. See also Yevgeny Primakov, "Russia in World Politics: A Lecture in Honor of Chancellor Gorchakov," *International Affairs*, vol. 44, no. 3 (1998), pp. 7–12.
14. See Sergei Pavlovich Aukutsionek and N.V. Zhukova, "The 2000 Surveys of Industrial Enterprises: Results and Forecasts," *Russian Economic Barometer* (May 29, 2001), <www.imemo.ru/barom>. See also the year-end polling on Russian attitudes by the Public Opinion Foundation, <www.fom.ru>, and the All-Russian Public Opinion Research Center, <www.wciom.ru>.
 15. Discussions with Russian officials and analysts, Moscow, November 16–21, 2000, and April 25–28, 2001.
 16. For an example of a Putin supporter questioning his decisiveness, see Vitaliy Tret'yakov, "'Plokhiaia nedelia'" (Bad week), *Nezavisimaya gazeta*, January 23, 2001.
 17. See Alina Gontmakher, "Kholdingovyy peredel: oligopolii i gosudarstvo" (Redistribution of holdings: oligopoly and government), <www.polit.ru/documents/433477.html>.
 18. See Nikolai Vardul', "Oligarkhi Putinskogo prizyva" (Oligarchs of Putin's selection), *Kommersant-Vlast'*, no. 45 (November 14, 2000), p. 20; and Aleksey Mukhin, "Formirovanie 'novoy elity' v Rossii" (The formation of a 'new elite' in Russia), <www.russ.ru/politics/grammar/20010118_mux-pr.html>.
 19. For a summary of assessments of the presidential representatives' first year in power, see *Monitor* (Jamestown Foundation), vol. 7, no. 97 (May 18, 2001).
 20. Of 32 contests between Putin's inauguration and the end of 2000, Kremlin-backed challengers won only 5, whereas 11 candidates opposed by the Kremlin won. Most galling from the Kremlin's standpoint had to be its failure to engineer the election of a pro-Kremlin candidate as governor of the Maritime Province after having forced Nazdratenko to resign in favor of a position in Moscow. The winner was reportedly close to Nazdratenko, and his election underscored the continuing power of the regional elite. See Julie A. Corwin, "The Incumbency Advantage," *Russian Federation Report* (Radio Free Europe / Radio Liberty), vol. 3, no. 1 (January 3, 2001); and Rostislav Feliksovich Turovskiy, "Sil'nyy tseñr—sil'nye regiony" (Strong center—strong regions), *NG-Stsenarii* (March 14, 2001).
 21. See Robert W. Orttung, "How Effective Are Putin's Federal Reforms?" *Russian Regional Report*, vol. 6, no. 11 (March 21, 2001); and idem., "Overview: How Effective Have Putin's Reforms Been after One Year?" *Russian Regional Report*, vol. 6, no. 18 (May 16, 2001).
 22. Conversation in Moscow, November 20, 2000.

23. Conversation in Moscow, March 24, 2000.
24. The budget is larger when expressed in terms of purchasing power parity. It should be stressed, however, that for the next few years Russia faces a substantial foreign debt burden of several billion dollars. That debt is paid in dollars at the current exchange rate, not in purchasing-power-parity dollars.
25. See Putin's interview in *Nezavisimaia gazeta*, December 26, 2000.
26. Vladimir Vladimirovich Putin, "Vystuplenie pre predstavlenii yezhegodnogo Poslaniia Prezidenta Rossiyskoy Federatsii Federal'nomu Sobraniyu Rossiyskoy Fedaratstii" (The annual address of the president of the Russian Federation before the assembly of the Russian Federation), July 8, 2000, <<http://president.kremlin.ru/events/42.html>>.

Chapter 5

Russia's Strategic Weakness

1. See Sergey Vasil'yev, "Ekonomicheskie predposylki oligarkhii i avtoritarizma v sovremennoy Rossii" (The economic prerequisites of oligarchy and authoritarianism in modern Russia), *Briefings*, Carnegie Moscow Center, vol. 3, issue 6 (June 2001), <www.pubs.carnegie.ru/english>.
2. See L. Grigor'yev and T. Maleva, "Sredniy klass v Rossii no rubezhe etapov transformatsii" (The middle class in Russia on the cusp of transformation), *Voprosy ekonomiki*, issue no. 1 (2001), pp. 45–61. See also Harley Balzer, "Russia's Middle Classes," *Post-Soviet Affairs*, vol. 14, no. 2 (1998), pp. 165–86.
3. See Otto Latsis, "The Glass Is Half Empty," *Russia Journal*, vol. 4, no. 30 (August 3–9, 2001), <www.russijournal.com/weekly/article.shtml?ad=4983>.
4. *Vystuplenie prezidenta Rossiyskoi Federatsii V.V. Putina s poslaniyem Federal'nomu Sobraniyu Rossiyskoy Federatsii* (The address of the president of the Russian Federation, Vladimir Putin, to the Federal Assembly of the Russian Federation), Moscow, April 3, 2001, <www.kremlin.ru/events/19.html>.
5. *Ibid.*
6. Murray Feshbach, "Issues in Soviet Health Problems," in *Soviet Economy in the 1980s: Problems and Prospects*, selected papers submitted to the Joint Economic Committee, U.S. Congress, (Washington, D.C.: U.S. Government Printing Office, 1983), part 2, pp. 204–7.
7. For details on Russia's health crisis, see Nicholas Eberstadt, "Russia: Too Sick to Matter?" *Policy Review*, no. 95 (June–July 1999), <www.policyreview.com/jun99/eberstadt.html>.

8. See Eberstadt, "Russia: Too Sick to Matter?"; Murray Feshbach, "Russia's Population Meltdown" *Wilson Quarterly*, vol. 15 (Winter 2001), pp. 15–21; Judyth L. Twigg and Kate Schecter, "The Russia Initiative: Social Cohesion," in *The Russia Initiative: Reports of the Four Task Forces* (New York: Carnegie Corporation of New York, 2001), <www.carnegie.org/pdf/rimaster.pdf>, pp. 69–87; Svetlana Borisovna Avdasheva et al., *Obzor ekonomicheskoy politiki v Rossii za 1998 god* (Survey of economic policies in Russia in 1998) (Moscow: ROSSPEN, 1999), pp. 283–87; and National Intelligence Council and Department of State, *Russia's Physical and Social Infrastructure: Implications for Future Development. Seminar Series Report* (Washington, D.C.: National Intelligence Council and Department of State, CR 2000-6, December 2000), pp. 25–36.
9. *Russia's Physical and Social Infrastructure*, pp. 29–30.
10. *Vystuplenie pri predstavlenii yezhegodnogo Poslaniia Prezidenta Rossiyskoi Federatsii Federal'nomu Sobraniyu Rossiyskoi Federatsii* (The annual address of the president of the Russian Federation before the Federal Assembly of the Russian Federation), Moscow, July 8, 2000, <www.kremlin.ru/events/42.html>.
11. Avdasheva et al., *Obzor*, pp. 451–73; and *Russia's Physical and Social Infrastructure*, p. 48. See also Dmitri Semenovitch L'vov et al., *Put' v XXI vek: strategicheskie problemy i perspektivy rossiyskoi ekonomiki* (The path into the 21st century: the strategic problems and prospects of the Russian economy) (Moscow: Ekonomika, 1999), pp. 344–64.
12. See Avdasheva et al., *Obzor*, pp. 302–18.
13. Marcus Noland, "Overview Essay," in *Russia's Physical and Social Infrastructure*, p. 18.
14. See Richard Ericson, "The Russian Economy: A Turning Point?" in *U.S.–Russian Relations: Twenty-fifth Conference, August 21–25, 2000* (Washington, D.C.: Aspen Institute, 2000), pp. 13–19; Keith Bush, *Russian Economy* (various issues) (Washington, D.C.: Center for Strategic and International Studies, 2001).
15. See Lydia Sand, "Optimism about Nation's Future Up Sharply from Last Year," Gallup News Service, January 28, 2002, <www.gallup.com/poll/releases/pr020128.asp>.
16. See the summary of the Public Opinion Foundation's year-end surveys at <www.nns.ru/ana/cdoc/fom4.html.#2>.
17. See, e.g., "Kontsepsiia natsional'noy bezopasnosti Rossiyskoy Federatsii" (The national security doctrine of the Russian Federation), *Nezavisimoe Voennoe Obozrenie*, January 14, 2000.
18. Paul Kennedy, *The Rise and Fall of the Great Powers* (New York: Vintage Books, January 1989), p. xxii (italics in original).

19. Calculated on the basis of the World Bank's *World Development Indicators 2001* database, April 11, 2001, <www.worldbank.org/data/wdi2001>.
20. On Sino-Russian relations, see Sherman W. Garnett, "Limited Partnership," in Sherman W. Garnett, ed., *Rapprochement or Rivalry: Russia-China Relations in a Changing Asia* (Washington, D.C.: Carnegie Endowment for International Peace, 2000), pp. 15–18. See also Dmitri Trenin, "The China Factor Challenge and Chance for Russia," and Lu Nanquan, "Chinese Views of the New Russia," in *ibid.*, pp. 39–70 and 99–116, respectively.
21. See Enders Wimbush, "India's Perspective," in *Russia in the International System. Conference Report, 21–23 February 2001* (Washington, D.C.: National Intelligence Council, CR 2001-02, June 2001), pp. 39–41.

Chapter 7

Epilogue: New Possibilities, Grounded in Realism

1. This epilogue was drafted January 4, 2002.
2. The text is available at <www.whitehouse.gov/news/releases/2001/09/20010920-8.html>.
3. The text is available at <www.whitehouse.gov/news/releases/2001/09/20010920-8.html>.
4. See "Announcement of the President of the Russian Federation V. V. Putin," September 24, 2001, <www.kremlin.ru/events/311.html>.

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From 1997 to 1998, Mr. Graham was a Foreign Service officer on academic leave with RAND in Moscow, and before that he had several diplomatic assignments at the U.S. Embassy in Moscow, including head of the Political/Internal Unit and acting political counselor. Between tours in Moscow, he worked on Russian and Soviet affairs on the Policy Planning Staff, and as a policy assistant, in the Office of the Undersecretary of Defense for Policy. He holds a Ph.D. in political science from Harvard University and a B.A. in Russian studies from Yale University.

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