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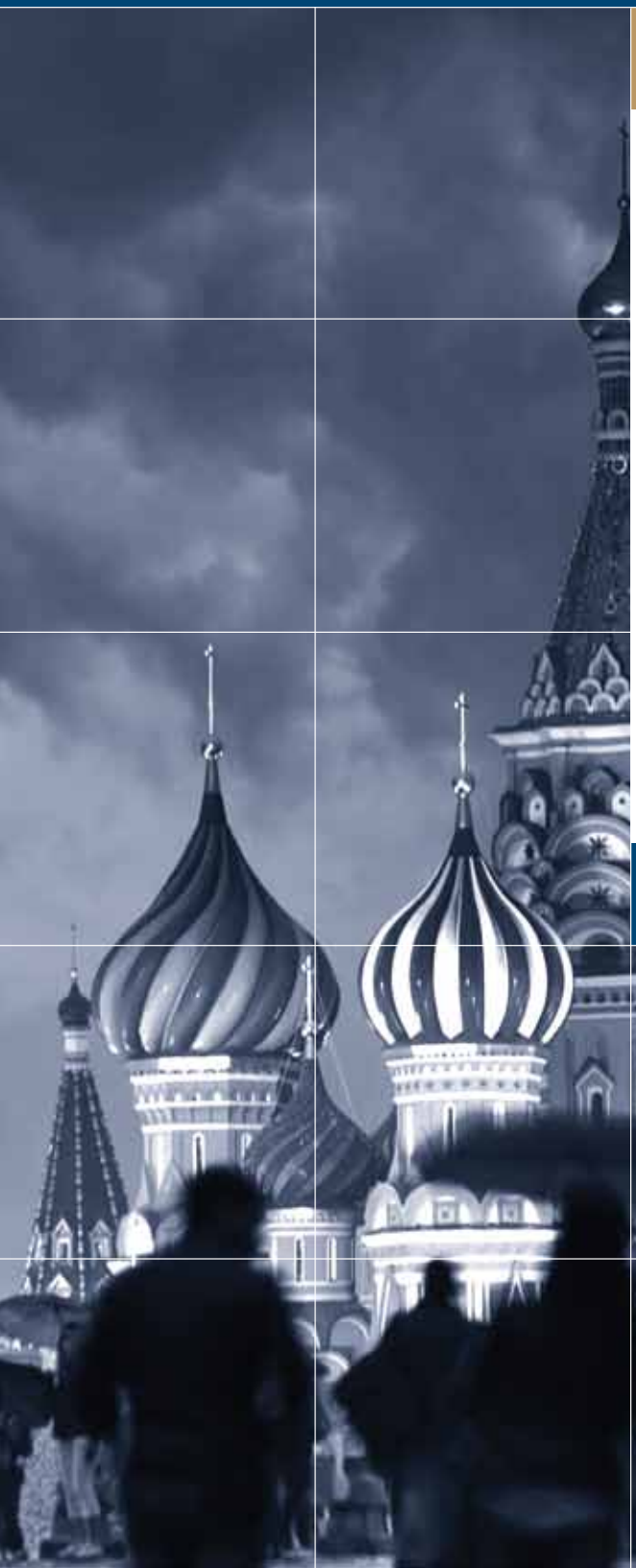

THE RUSSIAN AWAKENING

A Joint Paper by the Carnegie Moscow Center

NOVEMBER 2012

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This publication can be downloaded at no cost at Carnegie.ru

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Summary

Russian society is waking up and pushing back against Putin's brand of authoritarianism, which it had generally accepted in the previous decade. This awakening has the potential to bring about a transformation of the system into one based on the rule of law. But continued pressure for change from below, an inclusive political process, and responsible behavior at the top are needed before Russia can truly cross into modernity. In the end, a transformed Russia will not be pro-Western or necessarily liberal, but it may become a solid and equal partner of the United States and the European Union.

Russia's Crisis

- The political regime built by President Vladimir Putin has lost legitimacy in the eyes of the more dynamic, modernizing, and now politically active segments of society.
- In response, the Kremlin has made token concessions and resorted to targeted repression and restrictive and punitive legislation.
- The issue of values—from the role of religion to government accountability—is at the core of the tensions between the modernizers and the more conservative groups that accept the state's complete domination of society.
- Opposition parties in parliament have largely failed to increase their impact. The opposition outside parliament, which includes leftists, liberals, and nationalists, has begun to coordinate its actions but still lacks credible leadership and a realistic strategy.
- Russia's socioeconomic system of rent-based capitalism is cracking. Stagnant and possibly falling world oil prices put the Russian economy at risk, and the government struggles to meet its massive social obligations.
- The vertical of power with the elite promising fealty toward the Kremlin in exchange for a license to grow superrich is crumbling as Russia's leaders are seeking to discipline the elite in order to save the system.

What Western Policymakers Can Do to Help Russia's Transformation

Strengthen economic relations with Russia. Permanent normal trade relations between the United States and Russia should be expanded to create a common economic space between Russia and the European Union and to lead to Moscow's accession to the Organization for Economic Cooperation and Development. These steps would bolster Russian economic and social evolution.

Cooperate with Moscow on regional issues. Working together on issues related to the Arctic and the North Pacific would benefit the United States and the European Union economically and geopolitically, accelerate Russia's development, and help create a genuine security community across the Euro-Atlantic space.

Reach an agreement on U.S.-NATO-Russian cooperation in the area of missile defense. Such cooperation would help transform U.S.-Russian strategic relations by finally overcoming residual Cold War animosity.

The Three-Tiered Crisis

In a world beset by financial crisis, economic recession, and major geopolitical shifts, Russia, affected by all of these, is going through a crisis of its own. It is of a fundamental nature, affecting the country as a whole.

That Russia is in crisis is becoming apparent. What is less apparent is the exact nature and the stakes and options involved. The current crisis seems to be occurring in three areas: the political regime of personalized power, the socioeconomic system of rent-based capitalism wrapped in great-power garb on which this power rests, and the predominantly paternalistic pattern of societal behavior that has allowed this system to function in post-Communist Russia over the past two decades. In essence, the crisis reflects the emergence of new social elements within the country and the accumulation of external economic, technological, and social challenges to Russia, both of which the system cannot properly accommodate.

Since it surfaced toward the end of 2011, this crisis has deepened, and its associated conflicts have sharpened, with the choices for all players becoming starker. In the future, the crisis may again slip underground to suddenly resurface later, with a vengeance. Essentially, this multifaceted crisis is a sign of Russia's continuing evolution. The crisis will take time to play out; its trajectory is uneven and the outcome is wide open. But it will progressively change Russia, impact the country's direct neighbors, and, to a certain degree, affect the global environment.

On the surface, the mildly authoritarian political regime that was built by current President Vladimir Putin during the previous decade is now being challenged more massively than ever before. It has lost legitimacy in the eyes of more dynamic, potentially trend-setting segments of society and thus its long-time pretense to rule on behalf of all Russians, except for a handful of dissenters. As it struggles for its survival, it creates more divisions in society than it can manage. Having adopted a defensive posture, Russian authoritarianism is growing harsher and losing its modernization credentials. The leadership finds it difficult to set a realistic agenda for national development not to mention spearheading its implementation.

Beneath the surface, the socioeconomic system of rent-based capitalism is developing cracks. World oil prices are still reasonably high but stagnant and possibly falling, putting the Russian economy at risk. With the economic pie shrinking, there is no more property to redistribute among new members of the elite. The government's massive social obligations create economic tensions if they are honored and threaten a mass popular backlash if they cannot be met. The Kremlin's attempt to reconsolidate the elite on the basis of

"patriotic self-limitation" changes the rules of the game for those on whom the "vertical of power"—the structural hallmark of the Putin presidency—rests.

At the very foundation of society, tectonic shifts are occurring, producing a civic awakening. The modernized segment of society has entered the formerly no-go area of political activism. To counter that, the authorities have mobilized socially conservative forces that adhere to the traditional paternalistic attitudes that allow the authorities to govern unchecked in return for providing social favors to those dependent on the state. Even more fundamentally, a debate is beginning within Russian society on the issue of values, which pits the modernist and modernizing segments against the more conservative and even fundamentalist groups that accept and even assert the state's complete domination of society. Eventually, the outcome of this debate will determine whether Russia is ready to leave social paternalism behind.

The challenge to the domestic status quo has forced the Kremlin to look for a new balance in the international arena in order to protect and support the existing system. Moscow's political "decoupling" from the West, which occurred in the mid-2000s, is being followed by a more fundamental separation on the issue of values. The pretense of sharing liberal ideals, such as democracy, human rights, and tolerance, and interpreting them differently according to Russia's special conditions has been dropped. For the first time since the end of Communism, the notion of a "special Russian way" based on the conservative elements in the national tradition is gaining official support.

Geopolitically, Russia "pivoted" away from Europe toward a more familiar Eurasian vector and further in the direction of the Asia-Pacific. Relations with the West have grown more acerbic. Yet, this "pivot," which of course does not make Russia any less European, does nothing to address the issue that Moscow formulated but failed to resolve during the presidency of Dmitry Medvedev: how to use Russia's foreign policy, above all, as a modernization resource.

The Political Regime

The political status quo in Russia that has existed since the early 2000s is history. It used to be "authoritarianism with the consent of the governed," in which people focused on their own agendas, while the authorities presided over rapidly improving standards of living, fueled by soaring oil prices. In that atmosphere, the private trumped the public every step of the way.

The political status quo in Russia that has existed since the early 2000s is history.

Russia has now entered uncharted waters. The ways and means that the authorities have been using to stay in power no longer work, because society has matured and grown more demanding. Even the elite increasingly realize that the present system is obsolete and does not guarantee them security in the long term. Yet, there is no clear and structured alternative in sight.

The Russian political regime has already had to reform. Yet imitation democratic institutions cannot work when elements of society have already begun to take democracy seriously, and the leadership cannot guarantee the outcome of elections if they are genuinely free and fair.

The authorities have dropped their policies of pseudo-liberal imitation that were most pronounced during the Medvedev presidency, such as extolling the virtues of freedom over "unfreedom." Instead, they have adopted a more traditional approach that offers both some openness and certainly more repression with a measure of institutionalization. Gubernatorial elections are back, albeit with important qualifications that make it virtually impossible for a non-Kremlin candidate to succeed. The process of registering political parties is dramatically easier, though one result has been the emergence of a plethora of very small groups of limited or no significance, diluting the Kremlin's opponents. Mass antigovernment rallies are tolerated, and the figureheads of the protest movement are allowed to operate, even if they face harassment. The Kremlin has also allowed its opponents to appear occasionally on state-run television, thus demystifying them and simultaneously denouncing their views and the motives behind them.

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More repressive measures include a set of legislation passed by the Duma that imposes restrictions on rallies and heavy penalties for violating the rules. Some websites can be "blacklisted" for carrying offensive content, and libel has been reinstated as a criminal offense. Opposition leaders have been either charged with common crimes or periodically detained or discredited and otherwise deterred.

The notion of an "enemy within" is again floated in pro-government quarters. The definition of "extremism" is being broadened to include criticism of the established political parties, while the official definition of what constitutes "high treason" was broadened to include threats to the constitutional order. Claiming that the protests had been inspired and instigated, as well as financed, by the United States, the Kremlin had the State Duma pass a law requiring nongovernmental organizations that receive foreign funding to register as "foreign agents." The U.S. Agency for International Development (USAID), the provider of much of this funding, was told to stop its operations in Russia. Thus, the "enemy within" was cast as an accomplice of a powerful state seeking to weaken Russia.

In structural terms, the authorities are seeking to transform the clannish nature of the ruling elite into a more institutionalized framework. Power is becoming more centralized at the top, with the president concentrating more and more of it in his own hands, while it is becoming more diffuse at the lower

rungs of the hierarchy. The cabinet, the power ministries, and the oil and gas complex are all losing their recent corporate autonomy, with their members directly subordinate to the president. Even at the lower levels, cabinet ministers, regional governors, and parliamentary deputies are being held accountable for meeting certain administrative and personal benchmarks, such as performance standards in the key areas of healthcare, education, communal services, and economic growth.

Arguing that the relatively affluent protesters, mainly in Moscow and St. Petersburg, represent only a small minority of Russia's population, the authorities have sought to rebuild popular support for Vladimir Putin and his party, United Russia, and shore up their legitimacy. Thus, the reincarnated "Putin majority" has been cast in the role of the nation's savior from the more cosmopolitan—and "decadent"—crowds in the capitals. United Russia was told to reenergize itself, revamp its leadership through a more competitive selection process, and be prepared to actively defend the authorities' power monopoly. And as a fail-safe, United Russia, technically the ruling party, is being flanked by its double, the People's Front, which appears to be an element of the corporatist state. The change of semantics is symbolic: building a "front" instead of "unity" probably means the advent of more combative politics in Russia.

There are a number of problems for the authorities in choosing a path forward, which has led to this mixed reaction of granting token concessions, engaging in targeted repression, and consolidating the leadership's position. Any genuine liberalization of the regime would lead to the dismantlement of the ruling elite's monopoly on power and is thus out of the question. Alternatively, ratcheting up repression is hard to stop beyond a certain point. Repression has a tendency to get out of hand and logically paves the way to a qualitatively harsher political regime. This, in turn, is likely to radicalize protesters and dramatically increase the number of those who bear a grudge against the authorities.

Both paths are extremely risky, and either could ultimately lead to the Kremlin's loss of control of the political situation—exactly what the authorities are now trying to prevent. So far, Putin has typically avoided a clear choice, trying instead to find the safe limits of openness, repression, and consolidation. The balancing act, however, has its own limits.

The Kremlin's failure to fully open the political system presents Russia's rulers with a situation in which they will be seen as solely responsible for everything that goes on in the country.

The Kremlin's failure to fully open the political system presents Russia's rulers with a situation in which they will be seen as solely responsible for everything that goes on in the country. The elite are calculating whether they should stick with Putin or start looking for a replacement, so their consolidation may prove illusory. The more pragmatic or opportunist members may even reach out to the opposition should it grow stronger. But cobbling together a new "Putin majority" may be hazardous as well; paying for the

loyalty of the current constituent elements is already weighing heavily on the budget. Moreover, quite a few ultranationalists and archconservatives within the elite are deeply unhappy about some members of the present regime's too-close personal connections with the West. They demand a foreign policy of genuine isolationism and a regime of harsh authoritarianism at home.

The leadership now finds itself in a zugzwang, with each possible move by the authorities only exacerbating the overall situation. The authorities' embrace of a more traditionalist approach has led to the further narrowing of their political base. Their attempts to mobilize those sections of Russian society that look to the state to solve their problems against the "cosmopolitan Muscovites" alienate the more modernist groups, not just in Moscow, that have already learned to rely on their own forces and achievements. The authorities cannot look to clerical circles for moral and political support without running the risk of turning off not only freethinkers but also the more moderate and secularly minded. Moves to consolidate the elite could lead, beyond a certain point, to serious fissures at the top of the hierarchy. Mass repression would hold the entire ruling elite hostage to those in charge of carrying out the repressive policies.

Russia's Political Economy

The socioeconomic system that has supported the regime is also undergoing a crisis. Up until now, the fundamental principle of fealty toward the Kremlin in exchange for a license to grow superrich in whatever way has been a mainstay of the "vertical of power" and of the Russian socioeconomic system. This principle has resulted in unprecedented levels of corruption, which breed massive resentment in society and threaten to delegitimize the authorities not just in the eyes of the advanced groups but with the population as a whole, indeed among those who form the power base of the regime.

The Russian economy is still growing at around 4 percent, but the growth is slowing down, in part because of the global recession, in part because of the increasing inefficiency of Russia's economy. Slow growth will ensure both that Russia falls even further behind in the world and that it will increasingly lack resources for dealing with its pressing socioeconomic issues. Meanwhile, capital flight from Russia, amounting to $330 billion over the past four years, has continued even after the presidential elections.

The current economic model has exhausted itself. True, Russia has a very small sovereign debt (10 percent of its GDP) and its federal budget is nearly balanced, but the economic system is based in large part on oil—a fickle commodity. For the budget to break even in 2000, the price of oil had to be $20 per barrel and before the financial crisis, that price was $40. In 2012, the breakeven price went as high as $115. The possibility that the oil price, which is now stagnating,

could go down makes the country's short- and medium-term economic situation uncertain—and that has serious social and political implications.

Putin's two main constituencies are, on the one hand, pensioners and workers dependent on the state and, on the other, military personnel and defense industry employees. He has promised rising pensions and no increase in the pension age to the retired as well as low levels of unemployment to the workers. Simultaneously, he has embarked on a major rearmament program to benefit the military and the defense sector. Those promises are in conflict with one another.

Now, the system is being overhauled. The widespread agreement with the opposition's accusation that the ruling party is a corrupt and cynical assembly of "thieves and crooks" combined with the fact that resentment in society, even social hatred, can lead to a revolution has concerned the authorities. The Kremlin is considering moves that would ask for much more from those who serve it in exchange for less—self-limitation in the name of the system's survival.

In particular, the Kremlin is demanding the repatriation of officials' assets from abroad and their legalization in Russia. This measure kills two birds with one stone: the authorities are portrayed as corruption fighters and the move enables them to impose stricter discipline on officials as the political and social situation in the country becomes tenser. These moves, however, could provoke anger from those who are not ready to isolate themselves personally from the West. They could also destabilize the elite if its upper crust was exempted from the new "repatriation" model. Given these potential repercussions, whether the new deal is accepted remains to be seen.

Exacerbating the issue, the United States and Europe are also taking steps that potentially deny Russian officials accused of human rights and other violations access to the countries where many of them keep their assets. These efforts create new tensions within the ruling elite. They push the elite, seeking protection, ever more closely toward the Kremlin, but when the elite realize their interests in the West are no longer effectively protected by the Kremlin, they may turn against Putin and label him an ineffectual protector.

Another step is aimed at the separation of business and politics. The Kremlin has proposed making businessmen politicians cease actively participating in the operations of their assets while sitting in parliament. This measure goes against an underlying principle of newly capitalist Russia that stipulates that owners and their money should never part. Businessmen politicians face the hard choice of continuing to do business without the immunity from prosecution that a seat in parliament provides or focusing on politics but delegating operational control of their assets to someone else—a risky proposition in present-day Russia. Given this, the proposed measure is likely to fail. The principle of fusing power and property lies at the heart of Russia's socioeconomic and political system, and any meaningful attempt to dilute that link would dangerously rock the boat in which the entire elite sit.

With fewer handouts to distribute from above, the government is also publicly taking on low- and mid-level official corruption to appease the electorate and address the situation. A number of senior police officers have been replaced, and a few government bureaucrats, from the Federal Customs Service to the Ministry of Defense, have gone on trial. This does away with the various mid-level clans in order to satisfy the younger—and hungrier—elite groups while avoiding serious intra-elite conflicts.

However, corruption is not a bug in the existing system but its most salient feature. A true crackdown in this area, in the fashion of Stalin or Mao, is unthinkable for Putin. However, dealing with corruption by means of opening up the political system—for instance, by introducing competitive elections, empowering the courts, and setting the electronic media free—would undermine the system itself. What remains are targeted operations against selected groups of mid-level officials undertaken by the law-enforcement agencies, who themselves are widely believed to be deeply corrupt. In the long term, this is a losing proposition.

Corruption is not a bug in the existing system but its most salient feature.

The "federal power vertical" has evidently run its course. The danger of political separatism, which the "vertical" had been built to protect against in the first place, is no longer considered relevant, and so the system's existence no longer necessary. Regional elites that make up the top levels of the power vertical, from Kaliningrad to Vladivostok, have become well established and do not want to be too tightly controlled from the capital. Moreover, horizontal inter-regional ties, primarily in the business sector, are growing across Russia in addition to, and sometimes in lieu of, the vertical connections. The pendulum, which turned the formal federation into a de facto unitary state, is swinging back. The "federation of corporations" centered on the capital, where all power used to reside, must now live side-by-side with a "federation of the regions."

This, however, produces a curious phenomenon. Russia is a unitary state when it comes to issues such as the budget, privatization, and control over law-enforcement agencies. At the same time, it is a collection of clan-ruled regions, some of which, like Chechnya, have veritably sultanic regimes. The construct is highly asymmetrical and unwieldy at best, and its further evolution will likely proceed at various speeds, putting a lot of strain on the country's formal unity.

The system is also struggling under the weight of an aging elite. As the top members of the Russian ruling elite age, the issue of guaranteeing that property is handed over to the next generation in their families—neo-patrimonialization—becomes more relevant. This development, which has historically been a sign of regime degradation, raises the issue of property rights in a totally new way.

It is logical to demand legal guarantees that cannot be withdrawn once family elders eventually retire. Yet, the socioeconomic system as designed and currently

operating cannot in principle provide that. This perpetuates the current ruling structure. Family elders hold onto their positions of power as long as physically possible, blocking intra-elite vertical mobility and breeding resentment.

The aging of the elite also raises the problem of rotation within its ranks. If a Soviet-style appointments-based system were instituted, periodic purges would be required, which the present Russian elite abhor. By contrast, a system in which federal and regional elites themselves put forth candidates to fill important jobs, such as governors or senators, would require real political competition and a significant dispersal of decisionmaking power; up until now, concentrating that power in the hands of one person has been Putin's preferred means of governing. In either case, a self-contained ruling class closed to outsiders would deepen the rift between the elite and society at large.

The Civic Awakening

Relations between society and authority in Russia and within society itself are being fundamentally altered. Since the 1920s, the Russian people, unlike their Western contemporaries, have never had to fight for their values against their fellow citizens. The rights they came to enjoy have not been won but were instead by-products of larger political changes. But if Russian society is to transform itself from a traditionally paternalistic polity into a modern democracy, a broad public debate on societal norms and the formation of a consensus on fundamental values that can be legally codified is necessary.

This broad debate, at long last, may be just beginning. It will probably be a long process, but the outcome will shape the future of Russia more than almost anything else. And claims that Russian society cannot change are being disproved by facts on the ground. For the first time ever, most Russians would accept the rule of law provided that those who govern them accept it as well. And many people instinctively feel that the way to ensure this societal shift is through a real separation of powers, which has led them, for instance, to support fair elections.

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The Soviet regime was seemingly uniform, atomized, and strictly regimentalized. Over the last two decades, a more complex picture has evolved that includes several distinct "Russias." There remain conservative factions in Russia that still rely on the paternalistic tradition; these adherents increasingly find themselves doomed by history. There is also a modern society-in-waiting that is on the verge of transitioning to an urban middle class in addition to a portion of society that has already modernized. Finally, there is a "different Russia" separated from the others by a widening civilizational gulf: the Russian North Caucasus, which is home to large Muslim populations in particular.

The Moscow protests of the past year have been an intermediate result of phenomenal changes that have been under way since the end of the Soviet Communist system in the part of Russian society that is capable of modernizing. Never before in their history have all Russians been as free and, at the same time, as affluent as in the past decade. The rise of modern urban middle classes, which account for around 15–17 percent of the population according to the Levada Center, an independent polling organization, has reached a tipping point. These newly affluent groups, the "modernized Muscovites," reject the social contract of the 2000s, which rested on the authorities granting their subjects personal freedom—in the areas of self-expression and money making—in exchange for their noninterference in the political realm.

Though the population has changed, the method of governance in the country has remained largely traditional in the Russian sense: power is centralized, decisions are made by a self-selected few who are unaccountable to anyone, and the ruling group fully dominates society where anything "state-related" is concerned. The salient feature of that domination, in contrast to the Soviet system, is that it was achieved through manipulation—co-opting, discrediting, dispossessing, and neutralizing the masses rather than repressing them.

Now, new generations have come to the fore and a new way of life has emerged in those parts of society where people can stand on their own. In this atmosphere, more people have begun to feel the need for communal life and a moral code. New social networks based on trust and mutual assistance have begun to take root. Civic initiatives have sprung up, built on solidarity and organized around various, mainly nonpolitical projects, such as an effort to save a forest outside Moscow from developers and a movement to make government vehicles observe traffic rules. Freedom of self-expression has led to a civic awakening across the entire political and ideological spectrum, from liberal and libertarian to ultranationalist and fundamentalist.

With imitation political reforms and economic modernization, former president Dmitry Medvedev attempted to woo the more advanced segments of society with liberal-sounding slogans and to create a political home for them within a pro-Kremlin liberal party, but those efforts failed. The decision by Vladimir Putin in September 2011 to reclaim the presidency after taking the role of prime minister during the Medvedev years left that part of society thoroughly disillusioned, leading the modernized Muscovites to renounce their noninterference pact with the authorities. In fact, Russian history suggests that political turmoil often comes after hopes for a liberal change are thwarted.

The awakening of the modernist part of society has provoked a backlash from more traditionalist quarters, who, according to Levada's estimates, account for some 15 percent of society. This backlash has its roots in the people's uncertainty about the future and thus fear of any change. The reaction was exacerbated by the government's policy of pitting one group against the other by staging counterdemonstrations.

Beneath the superficial division between Putin's supporters and his opponents lies a more fundamental societal divide between those who want to preserve the status quo—and who stand behind Putin for the time being—and those who advocate change even though they cannot always clearly articulate an alternative. Society is becoming more polarized and more radicalized on the fringes.

Until recently, society's relative passivity allowed the state to avoid taking part in the public debate on values. But, in particular, the controversy surrounding the punk band Pussy Riot, whose members were charged with hooliganism in 2012 for a protest performance in a Russian Orthodox Church and sentenced to two years in jail, has made the issues of values, morality, faith, religion, artistic freedom, and the role of the church in society and its relations with the state a matter of intense public debate. Other similar issues, such as gay rights and the meaning and nature of the family, are also being put on the agenda. As Russian society is maturing, the public discussion is entering areas that were previously either marginal or taboo. As in the political realm, the modernized groups first challenged the authorities on the issue of values, and the authorities soon went on a counteroffensive, invading the citizens' private lives with measures such as "anti-blasphemy" legislation.

The state has indicated the issues that it values highly, such as Russian patriotism, the centrality of the state, the country's great power status and territorial integrity, and support for the established religious denominations, above all Orthodox Christianity. But the government has not come up with a clearer vision of Russian national identity or of the values of modern society. Now, the Russian state must decide whether it in principle shares the values of human rights and tolerance that can make Russia part of the cultural West, however broadly defined, or whether it is a wholly separate civilization built on unique values—a blend of the dominant Orthodoxy and traditional Islam.

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In more practical terms, the state must determine how to treat the values of the relatively small and politically marginal but modernized and increasingly active part of society. If their values are deemed alien to those of the Russian state, they could potentially be viewed as "enemies within" and then the state would have to determine how they should be treated. Putin has had to accept that he is no longer the leader of all Russians, but the state has not yet figured out how to treat the sizeable minority—perhaps 20 percent, according to Levada—of those who reject not only Putin but the system he stands for. If the newly awakened are not enemies, they will have to be afforded a voice in the national legislature and—broadly—in national politics, or the government risks destabilizing the system further.

Society must also adjust. Its modernized and modernizing segments have become conscious of the need to defend their interests and their values not

only against the state, which they had to do historically, but also against the more traditionally minded majority of the population, which they have never experienced.

One of the hottest issues in this debate is immigration and ethnicity. Following the end of the Chechen war and the oil boom of the 2000s, Moscow and other major Russian cities were flooded with labor migrants, mostly from the Muslim parts of the former Soviet Union and from the Russian North Caucasus. Many of the former were illegal, and some of the latter came to the public's attention because of their rash and offensive behavior toward the locals. Anti-immigrant xenophobia became the breeding ground of modern Russian ultranationalism. Its slogans like "Russia for [ethnic] Russians" and "Stop feeding the Caucasus" stand in stark contrast to the long tradition of the imperial nation—czarist or Soviet—and resonate with large sections of the Russian population.

Recently, interethnic relations have grown more tense between the ethnically non-Russian regions and ethnic communities within the regions, mainly in the North Caucasus. The awakening in that restless borderland and across Russia's sizeable Muslim minority also pits followers of mainstream Islam against the more aggressive Salafist elements. Dialogue between them is often preached, but seldom practiced.

External Factors

While the Russian crisis evolves, the international environment is undergoing its biggest change since the collapse of the bipolar order. This change and its implications have a momentous impact on Russia. The Atlantic community has lost its former centrality in world politics. Western capitalism is going through painful restructuring and soul-searching. The United States, still preeminent among the nations of the world, has passed the heyday of its power and is seeking to adjust to the new global context and to manage its relative decline. The European Union, the world's premier normative force, is struggling as its current model fails the crisis test. China is still growing, but slowing down and becoming less predictable domestically. The erstwhile optimism about its authoritarian capitalism is fading and Beijing is becoming more assertive vis-à-vis its neighbors in East and Southeast Asia. The Arab world has entered a long period of high turbulence that has brought Islamist radicals to the fore while the United States is losing ground in the Middle East, Iraq is unraveling, and Afghanistan's "post-American" future looks highly uncertain.

Meanwhile, the shale gas revolution in the United States that has affected the global energy market and the possible end of high-priced commodities have materially impacted the economic foundation of Russia's foreign policy—oil and gas revenues. Gazprom's mounting difficulties in Europe graphically illustrate this problem. In the Asia-Pacific region, which is sometimes

presented as "an alternative" to the European market, Russia accounts for a mere 1 percent of regional trade. The continuing malaise of the West has led many Russians, including some liberals, to stop viewing the United States as a role model and the European Union as a normative authority.

The Kremlin has reacted to this new external environment with a set of apparently pragmatic moves that betray a certain pattern but still do not add up to a coherent strategy. The state has vowed to dramatically improve Russia's business climate, but, absent institutional reforms, this looks impossible. Moscow has moved away from its "European choice" and opened to Eurasian integration and the Asia-Pacific. Putin has proposed a Eurasian Union, which may benefit from reduced competition from the European Union due to the continent's recent difficulties. But the plan also comes with risks. It would require leaving the solid economic ground of the customs union and single economic space being formed between Russia, Kazakhstan, and Belarus and shifting from economic to mainly geopolitical goals that are either politically unattainable—as in the case of Ukraine's potential membership in the union—or economically burdensome for Russia, as is the case with the countries south of Kazakhstan. In addition, Russia has little firm sense of how to promote its interests in the Asia-Pacific or how to attract Asian, Australian, and North American businesses to invest in Russia.

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Even more strikingly, Moscow has chosen the present moment to embark on a major rearmament drive worth $700 billion over a decade without first developing a security and defense strategy that is aligned with twenty-first-century realities. The Cold War is in many ways still guiding Russia's policy a quarter century after the thaw. Even though—very importantly—major war is all but given up in Russia's 2010 military doctrine, deterring the United States with nuclear weapons and defending against a hypothetical U.S. attack as well as repelling North Atlantic Treaty Organization (NATO) forces in local and regional conflicts have become priorities of Russia's military policy. This puts Moscow in a mind-boggling situation in which it needs to modernize its economy by reaching out to precisely those countries—the United States and its European allies—that it considers its principal potential adversaries.

Such inconsistency can only be explained by the authorities' overriding need to continue to exploit, for domestic political reasons, the lingering great-power complex of many Russians. This allows the Kremlin to portray itself as standing up to meddling from abroad and to justify its hold on power, while branding its opponents "foreign agents."

This emphasis on the West as an adversary contrasts with a worsening security situation south of Russia's borders that can lead to local conflicts for which Russian armed forces are unprepared, as they sorely lack the necessary

resources and training. It also makes Russia's long-term geopolitical situation in the Asia-Pacific more ambivalent and less secure.

Putin's concept of economic modernization with the defense industry as its locomotive fits nicely into the doctrine of "reindustrialization," which has replaced the failed attempt at innovative civilian modernization as a means of building a post-industrial economy. Russia may succeed in making its military more modern, and it needs to given the trends shaping its strategic environment. But using arms production as a multiplier for an industrial takeoff runs contrary to the global experience of the last half-century and is certainly doomed to fail.

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Change From Below

In the end, modernization driven by Russia's present-day largely authoritarian leaders will not succeed, nor will an incremental top-down process of instituting the rule of law and competitive politics. In both cases, the ruling elite will not simply give up its monopoly on power and its privileged position in the economy. Russia will thus either gradually decay, eventually leading to a calamity, or it will transform, which will require a drastic transition to the rule of law and competitive politics. This "quantum leap" will have to change the entire system, not just the regime.

A transition on this scale can only be the work of society as a whole, led by its more active elements that are capable of putting pressure on the recalcitrant elites. Such a society-driven process rather than the work of benevolent elites would be a change for the Russian people. The potential elements of change could be conservative, liberal, or socialist. The groups hold conflicting views on issues such as property ownership, the role of the state, Russia's national identity, immigration and interethnic relations, and foreign policy, particularly relations with the West. These conflicts need to be addressed and the differences narrowed as much as possible if the Russian population is to become a political nation.

This appears a daunting task. To begin with, those who want to move the country beyond the current status quo must logically find common ground around some key principles: mutual respect, nonviolence in pursuit of their goals and objectives, dialogue and cooperation, and civic patriotism. Promoting change is itself a res publica—a common cause—and building a Russian republic in the true sense of the phrase is a natural end goal. In order to sustain itself, such a republic needs to be able to accommodate members of all political and ideological forces as citizens, on the basis of rules, norms, and principles that apply equally to all.

Mass participation in election monitoring and spontaneous postelection street rallies have suggested that mass aversion to politics, especially among the youth, is becoming a thing of the past. A new political generation is rising. Networked forms of political activity make leadership squabbles, which have been perennially plaguing opposition parties, less relevant. A different, nonpersonalist political culture is emerging.

Still, the opposition groups, both within and outside the political system, face challenges that are almost as daunting as those faced by the regime. Mass demonstrations in Moscow and much smaller rallies around the country have become a political fixture in Russia, but they have failed to reach any of the opposition's stated goals: Putin's departure from office, fresh elections, or even the investigation of alleged election fraud. The protesters feel a deep sense of powerlessness and frustration and that they lack direction. Despite the popular awakening, the protesters remain largely disunited and very weak politically.

The systemic opposition in the Duma—the Communists and A Just Russia—has been unable to do anything in the face of the parliamentary majority held by the United Russia party and its ally, Duma Vice Chairman Vladimir Zhirinovsky's Liberal Democratic Party of Russia. Their deputies were shorn of immunity from prosecution, expelled from the Duma, and barred from speaking in debates. The leadership of both the Communist Party and A Just Russia have shied away from active opposition to the diktat of the "party of power" and its puppeteers in the Kremlin. Moreover, in the wake of the onset of protests they have supported all Kremlin-proposed legislation, from the new measures on public demonstrations and foreign-funded nongovernmental organizations to the broader definition of high treason.

In the future, the systemic opposition will face a hard choice. It can either stagnate with the present system or seek to rejuvenate itself by undertaking a process of internal restructuring and reaching out to the forces outside the system to form new political alliances. This choice is drawing ever closer as leadership transitions in both parties loom.

The nonsystemic forces outside of the Duma have not scored much success either. The dramatic changes in the party registration process and the prospect of restored gubernatorial elections have not made them particularly enthusiastic to engage in party-building because they see little chance for their parties to gain access to power. The recently established liberal Republican Party-PARNAS group of Mikhail Kasyanov, Boris Nemtsov, and Vladimir Ryzhkov has met with obstacles, such as the Justice Ministry's refusal to register PARNAS (which it eventually did in August). More seriously, it has discovered that its popular appeal is weak. The radical Left Front of Sergey Udaltsov and the National Bolsheviks of Eduard Limonov have prioritized grassroots action over the more formal political process, which, in their view, offers them no hope. Whether this rejectionist strategy will be more successful than taking

part in elections remains to be seen. The ultranationalists, if anything, remain even more fragmented than the liberals.

Nonsystemic opposition figures have hoped that the worsening socioeconomic conditions of many ordinary Russians who depend on the state would lead to an upsurge of protests across the country. That, in turn, would rob the authorities of the support among their traditional electorate and result in the union of the modernist protests and these other forms of social unrest. But that hope has not yet come to fruition because economic conditions have not deteriorated as expected. The material situation of the bulk of the Russian population has remained the same, unemployment is actually declining, the official poverty rate stands at its lowest point in twenty years, and Putin remains adamant that social expenditure is not curtailed. In the October 2012 regional and local elections across the country, United Russia largely prevailed—against a backdrop of very low voter participation.

Despite these failures and frustrations, the radical opposition is not giving up. It has moved beyond calls for Putin's departure and fresh elections to demand constitutional reform to replace the czarist presidency with a system that balances power between the executive and the legislature. To promote political reform, it is trying to build alliances among the liberals, leftists, and moderate nationalists, and it is seeking a way to ensure coordination among its disparate elements. All this has proven difficult, with the undertaking hampered by the leaders' personal ambition, ideological differences, mutual suspicion, and a lack of trust. Yet, the process continues. The opposition's Coordinating Committee, elected by popular online voting, is functioning, and the authorities' repressive moves help to further radicalize this part of the opposition.

It is clear that leadership is badly needed, but of a different quality than has existed in the past. The capacity to engage is critical as there is a clear need to unite across ideological divisions. Protests have proved that such dialogue is not only desirable but possible. There is a growing understanding of the absolute need to avoid violent action, and of the need to stay together to jointly press the authorities to open a meaningful dialogue on transition to the rule of law.

There are of course serious issues that make Russia's transformation toward the rule of law particularly difficult. Above all, there is a fear of state collapse. Mikhail Gorbachev tried to reform the Soviet Union, but he ended up losing it. Post-imperial Russia is not yet a nation, although the Russian awakening could facilitate the process of building a civic nation, and there are elements within Russia that are becoming less integrated with the rest of the country—the North Caucasus and radical Islamist groups.

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While the ruling elite has not split, it is certainly not monolithic. Some of its members are in principle competitive politically, and some may become ready

at some point to support political competition, as former finance minister Alexei Kudrin did. However, parts of the elite will only reach out to the forces of systemic change if those forces manage to develop a common platform and obtain broad popular support.

The situation facing present-day Russia is certainly complex, which makes positive transformation all the more difficult.

Domestic Implications

The continuing crisis of the Western liberal democratic model denies Russia a sense of direction and also the criteria for moving up the liberal and democratic path. There is no alternative system or political force that might present another path for Russian society to travel. Such alternatives often arise when an ancien régime is in crisis and society awakes, but in Russia, the wait continues.

If no political force capable of leading the transformation emerges before the next parliamentary and presidential elections, scheduled for 2017 and 2018, respectively, a destructive course could lie ahead for Russia. The ruling elite would be likely to try to usher in a regime change through the replacement of personalities at the top of the hierarchy. This has happened several times since Stalin's death. Such a regime change could potentially happen around 2018 when Vladimir Putin's current presidential term expires, with Putin already a liability rather than an asset for some members of the elite. If the incumbent stumbles, the elite may start looking for a new leader. Still, a regime change within the autocratic system will not solve but just prolong the crisis.

If the authorities begin to lose control and the country starts to implode before an alternative is developed, the emergence of a dictatorial regime is not to be ruled out. The more hardline elements of the ruling elite might try to save themselves by resorting to raw force and isolating the country internationally. Needless to say, recourse to brute force will only make the exit from the crisis more painful.

A regime change within the autocratic system will not solve but just prolong the crisis.

The system could also simply continue to decay with little to no outward signs of crisis and a fairly docile political environment. This would mean that Russian society has been degraded and demoralized, and that it has lost its drive and will for rejuvenation. This inertial scenario is possible if people lose faith in their capacity to change their lives for the better, but not very likely given society's recent awakening.

The multilayered Russian crisis will probably last quite a while, with its intensity at times easing then suddenly rising again. Russia will not take a big leap forward; a tortuous societal and economic evolutionary path is likely the best it can manage. But not even evolution is guaranteed. The Kremlin is firm that it will not yield ground to its opponents. Rather than compromising

with them, the Russian state is likely to act tough and ratchet up repressive measures—a tactic that can work, up to a point.

The awakening may take a long time to create the critical mass needed for real change, the outcome of which may not be what analysts and observers consider optimal. Radical forces, on the right and the left, appear to have more energy and more drive than more moderate and potentially more constructive elements. And, of course, both the international economic and political situation may throw a wrench into the domestic Russian process.

The Russia that is emerging is unlikely to be a "liberal Russia." Precisely what kind of a consensus on values will emerge cannot be foretold, but it will have to be a compromise that brings together the rule of law and political and economic competition on the one hand and social justice and civic nationalism on the other.

Russian political leaders—whether from the ruling elite, the systemic opposition, or the forces working outside the system—bear a huge, if unequal, responsibility. As happened a century ago, the country's social and economic development has run against an archaic political system. Unless that roadblock is removed, Russia will either stagnate or face revolutionary destruction that could set it back again. As in 1917, the ruling elite is largely responsible for the route Russian history takes. The systemic opposition can either support the nonperforming system or effectively oppose it, while those opposing the system outright need to build an alternative and win popular support for it.

Implications for Russia's Foreign Policy

Developments in Russia, of course, are for the Russians themselves to sort out. Outsiders' direct political role can only be marginal, and not always positive. Yet, a benign external environment will be very important for Russia's transformation. And the sooner Western countries learn from the current global crisis and rebuild their economies, societies, and political institutions, the better the external environment will be for Russia's positive evolution. A United States that has used the recent crisis to reinvent and rejuvenate itself and a European Union that has overcome its malaise to restore its competitiveness and attractiveness will have a major and positive effect on Russian domestic developments. Such a development will reinforce the need for modernization in Russia and greatly strengthen the idea of pan-European integration, while delivering a serious blow to the authoritarian model and the anti-Western tradition.

As the Russian domestic situation develops, Russia's international partners have the right and duty to monitor Moscow's fulfillment of its obligations under international agreements with respect to human rights, such as those responsibilities under the Council of Europe. While insisting on Moscow's fulfillment of those obligations, Russia's partners need to be much more open toward Russian society as a whole. They must ease business and human

contacts across borders that involve large numbers of Russians of various political and ideological persuasions. Liberalizing the visa regimes for Russian citizens in the European Union, the United States, and other countries is a key factor in that regard.

The Russian awakening should not be misconstrued as eventually leading Russia into the fold of the political West. Russia's foreign policy, even after systemic transformation, will likely continue to be based on the notion of great power, that is, it will continue to strive to be an independent strategic player. Moscow will certainly not accept Washington's or Brussels's (or Beijing's) leadership in international affairs, but it will seek a special co-equal role for itself in its relations with the United States and Europe, which is something the West needs to understand.

A systemic transformation in Russia, however, would likely lead to a qualitatively different relationship between Russia and the West. Differences and competition would persist alongside cooperation, but Moscow would cease to view the West as an adversary that is constantly plotting a regime change. A common economic space embracing all of Europe, including Russia, would become a possibility. Eventually, a security community of North America, Europe, and Russia would turn the Euro-Atlantic region into a zone of stable peace. Russia could also be a valuable partner to the United States in the Asia-Pacific.

A failure to transform, too, would have its own foreign policy implications. An isolationist Russia progressively alienated from the West, and Western attempts to contain or isolate such a Russia from outside, would create conditions for multiple conflicts that could get out of hand. A weak and disintegrating Russia would present a problem to its neighbors and major powers, and it would invite foreign meddling.

Recommendations for Western Policymakers

In the meantime, there are several steps that Americans and Europeans might consider taking to promote Western-Russian cooperation on the basis of mutual interests and to help Russia modernize to expand the area of common values.

Economic Relations

- The most important step is to make sure that Russia's World Trade Organization membership, which it acquired in 2012, succeeds in helping transform the Russian domestic economic environment. That will support the positive societal changes at the heart of Russia's transformation.

- The United States should grant Russia permanent normal trading relationship status and so repeal the long-outdated Jackson-Vanik amendment, which was a reaction to the Soviet ban on Jewish emigration to Israel and has prevented Russia from gaining normal trading status with the United States. This step is not only necessary to avoid discrimination against U.S. companies operating in Russia, but it would also lay the groundwork for an expanded economic relationship between the two countries. The Russian government, for its part, appears willing to expand trade links.
- Moscow has set its sights on membership in the Organization for Economic Cooperation and Development (OECD). An "OECD membership action plan" jointly developed between the organization's members and Russia would help the Russian government determine what it needs to do in order to secure admission to the prestigious group.
- Increasing trade with Russia as well as increasing investments in and technology transfers to the country would do a great deal to help modernize the Russian economy. Such modernization affects society as a whole, empowering the more advanced elements within it. The Russian government's stated goal of improving the business climate in the country—without which Russia will fall even further behind the leading powers and thus undermine its international status goes against the interests of preserving the existing system. As such, it presents the authorities with an existential dilemma, which might create a political opening.
- Next to expanded trade and investment, Western countries could also work to build free trade areas with Russian participation. With Russia now in the World Trade Organization, it makes sense to begin working on a pan-European free trade area, which would include the European Union, Russia and its customs union partners, as well as other countries in Europe, such as Turkey and Ukraine.
- At the same time, creating a North Pacific Partnership between the United States, Canada, and Russia to help develop Russia's Far East and eastern Siberia, and to bring Russia closer to the North Atlantic Free Trade Agreement and the Trans-Pacific Partnership, is a way to address Russia's concern about the underdevelopment of its eastern regions and to build overall stability in the north Pacific.

Political Relations

- There should be less focus on personalities that rule or aspire to lead Russia and more of an effort to identify common interests and organize practical cooperation. To achieve this, there must be serious, in-depth discussion between the West and Russia on global issues and regional contingencies, including the future of the Middle East, Afghanistan, and stability and security in East Asia.
- Track 1.5 working groups, in which both government officials and non-officials work together, can be particularly useful when it comes to crisis spots such as Syria, where Russian and Western positions are far apart.
- The Arctic, which brings together North Americans, Europeans, and Russians and offers opportunities for resource exploitation and building new transportation links, should be turned into a model of international cooperation.
- Reconciliation between Russia and Poland, already under way, needs to be deepened and expanded to include the Baltic States in order to build trust in Eastern and Central Europe, as was done in Western Europe after World War II.
- The ultimate goal of Russia and the West should be building a genuine security community across the Euro-Atlantic space that is capable of cooperating on efforts to strengthen security worldwide.

Strategic Relations

- Arranging for U.S.-NATO-Russian cooperation in the area of missile defense would ensure that Russia does not feel threatened by U.S. deployments in its vicinity and that Russia will not be on the wrong side if a conflict between the United States and another major power breaks out. If successful, this effort might begin a process that leads to a better and more solid foundation for Russian-Western strategic relations than Cold War–style, mutually assured destruction. This cooperation, doing away with the notion of the West as Russia's hereditary enemy, could also reduce and eventually remove anti-Americanism, one of the main pillars supporting the outdated domestic setup in Russia, and it could help the country advance politically, economically, and socially as an independent and solid partner of the United States and Europe.

Russia has turned a new page in its history. Its current political regime and its underlying political and socioeconomic system are in crisis, and Russian society has woken up. Coupled with the awakening, the crisis is a positive

phenomenon, chipping away at the obstacles to progress in politics. The awakening has the potential to clear the path and bring forth those who would build a better system.

Some encouraging signs can be seen even now. The private no longer trumps the public, and in the public domain, the rule of law has emerged as the top item on the agenda. Much is needed for that issue to prevail: pressure for change from below, an effective political process in the middle ground, and responsible behavior at the top. The next several years will determine whether Russian society is capable of making the required quantum leap.

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