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## **ELECTIONS IN RUSSIA BACK TO THE FUTURE OR FORWARD TO THE PAST?**

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Russia's long-awaited presidential elections are now over. After United Russia gained a large majority in the Duma elections in December 2007, Vladimir Putin's favoured candidate as his successor, Dmitry Medvedev, has won the presidential elections with 70.2% of the votes. How can the country he will now inherit from Vladimir Putin be described in economic, political and societal terms? What are the implications of the current state of affairs in Russia for EU policy at this turning point between the two presidencies? These are the questions the EUISS Russia Task Force discussed during its meeting on 18 January 2008.

### **State and society at the end of the Putin era**

As the timing of the seminar between the parliamentary and presidential elections might suggest, parts of the discussion focused on the 'management' of the Russian electoral system. Already in 2005 the current leadership had started to reorganise the electoral process in a way which would ensure that they would retain power in the 2007 Duma elections. Most of the measures introduced in the electoral legislation, as for example the abolition of single member constituencies, the restriction of the right to participate in elections to registered parties only (excluding electoral blocs and associations of smaller parties), and the lifting of the electoral threshold from 5% to 7%, aimed at weakening smaller opposition parties without a traditional voter base. The abolition of the possibility to vote 'against all' candidates in election ballots and the removal of the minimal turnout requirement deprived the Russian electorate of two more means of expressing their dissent with the ruling elites.

It was pointed out that while the way in which the Duma elections were organised (or orchestrated) suggested the existence of a certain degree of pluralism, the presidential elections were organised along quasi-'monarchical' lines, with no alternative candidates being admitted. Different perceptions were voiced as to voters' attitudes towards these practices and the elections in general. Some participants expressed the

opinion that the elections and their results corresponded to the expectations and attitudes of the Russian electorate. The success of Putin and his entourage, it was argued, is not merely the result of the manipulation of the political, electoral and media system, but is based on the appetite among the public for a national leader of the generation whose life experiences have been shaped by the 1980s and 1990s and whose members are now bringing to the fore their own political leaders. Others emphasised opinion polls demonstrating that the Russian population is aware of Duma election fraud and does not expect the presidential elections to be free, fair and open. It was also pointed out that support for the Russian government and its policies is much weaker than for the President, thus calling into question the legitimacy of the political outcome of the 'Putin system'. In any case, in the absence of a real political process and political debates which would involve parties as well as civil society, for the time being the leadership is able to ignore these signals and control the situation.

Another aspect of the political system highlighted during the discussion was the influence of the so-called *siloviki* or representatives of the power structures. Here again the decision to introduce change took place in 2004/2005, when the leading circles in Moscow decided to subordinate the key sectors of the Russian economy (the military-industrial complex, transport, the nuclear industry and oil and gas) to the state. In the next few years numerous leading positions in companies in these sectors were filled by relatively young people who had been working with Vladimir Putin and his associates in St. Petersburg during the 1990s, most of them with a background in the security services. It was pointed out that the distinction between 'liberals' and 'non-liberals' often used in Western debates was not really valid. The so-called 'liberals' in these circles, it was emphasised, simply have a more flexible approach towards the international community, while fundamentally they share similar ideological positions with their 'non-liberal' counterparts. At the same time certain sections of the ruling elite were seen as having a strong interest in a more open and transparent political system. This applies essentially to economic actors with trade and business relations abroad, but also to the Russian middle class. While participants agreed that this societal layer is increasing constantly and has a supportive attitude towards reforms, it currently lacks the mechanisms and channels to influence decision-making.

State-society relations have been heavily shaped by the emergence of the 'power vertical' under Putin. The NGO law adopted in 2006 has aggravated the situation of non-governmental organisations significantly by increasing administrative pressure and forcing up the costs of running an NGO. Furthermore, public information campaigns denouncing civil society organisations as being funded and guided from abroad have undermined their legitimacy in the eyes of many Russian citizens. However there are still some direct channels between civil society and the state, namely the Public Chamber which has been created by the government. Although these channels might be controlled – and manipulated – by the Administration, they provide independent NGOs (which still do exist) with limited access to the state. The future of NGOs in Russia now depends on the importance the new Administration will ascribe to civil society.

Regarding the succession procedure and the role of the two 'heirs apparent', Vladimir Putin and Dmitri Medvedev, three different scenarios dominated the discussion:

- The swift return of Vladimir Putin: Medvedev will not be left with much time to develop his own policy as Russian President. Instead, Putin as Prime Minister together with the United Russia majority in the Duma will push for constitutional changes – such as for instance the extension of the presidential term to 7 years – before Medvedev resigns as President after 1.5 to 2 years in office. Early presidential elections will then bring Putin back to power and the amended constitution would allow him to stay in power for an even longer period.
- Open future: Putin will try to maintain control of and influence the decision-making process (most likely as Prime Minister), but in the meantime Medvedev will himself develop a strong position. Under such conditions it will be unclear whether Putin and his associates (among whom Medvedev still ranks today) will succeed in stage-managing Putin's orchestrated return to power as envisaged in the first scenario. Proponents of this scenario warned that it would be premature to underestimate Medvedev's capacities to develop an independent line.

Putin's approach to the office of the Prime Minister was seen as a possible indicator for the future development of the political system. Putin (and United Russia) will not promote any constitutional reforms weakening the President's powers, in case he should want to return to the President's office soon. Steps taken in the direction of the establishment of a parliamentary republic would most likely prove that Putin does not intend to return as President.

- Putin's departure: Putin will leave the political stage after March 2008 and will not maintain a dominant role in Russian politics thereafter. Participants taking this perspective reminded the audience of the year 1999, when nobody seriously reckoned with Putin himself becoming a strong political actor. They pointed to certain developments, for instance increased activities at the Centre for Strategic Research, which might indicate that steps are being taken to pave the way towards a 'new' Presidency.

### **Reform processes under Putin**

The discussion about reform processes focussed on state performance and efficiency in the fields of economic and military reform.

Russian economic reform policy during the Putin era can be roughly divided into two phases. The first stage from 2000 to 2004 saw an active reform policy and the introduction of numerous market-oriented measures (reform of the tax and banking system, measures to help the small business sector, the creation of the Stabilisation Fund, the introduction of the land code and labour code, to name just a few). Many of these measures were worked out and prepared conceptually by the Centre for Strategic Research, an economic think tank headed by German Gref, who had become Minister of Economic Development and Trade in 2000. They were endorsed and

supported by the President and key figures in the government. The new political leadership considered reforms necessary for a variety of reasons. First of all, the shock of the economic breakdown in 1998 was still vividly present in the memory of the political elites and indeed of Russian society at large at that time. Although the Russian economy had already started to grow because of increasing revenues from energy exports, it was unclear how long this positive development would last. Another decisive factor was the political will uniting large parts of the executive, as well as the support and demand for such measures coming from the emerging private business sector. Reforms were furthermore backed and supported by international agencies, in particular the WTO, the OSCE, the IMF, the World Bank, and by the European Union.

The second stage of the government's reform policy coincides with Putin's second term. During this period, reform measures adopted were of an increasingly statist character, for instance the administrative reform, the retreat from the monetisation of social services, the introduction of state corporations and the like. During the discussion, several explanations were offered for this loss of reform momentum. The decline in influence of liberal reform-minded actors in the government weakened the political will for further market-oriented reforms. Easily achieved economic growth enforced 'reform fatigue' during this period. Relations between the state and business changed profoundly: this was most clearly visible in the Yukos affair, which alienated proponents of private business and brought to the fore a more state-oriented business elite. In addition to that, the Russian elite have become significantly less receptive to external advice, which has diminished the influence of international agencies on reform policies. The exceptionally high growth rates Russia enjoyed during the first half of the decade were partly a result of skilful macroeconomic management and economic reforms during Putin's first term. With the stagnation of the reform processes, however, growth rates are increasingly ascribable to high energy prices on the world market while domestic economic problems are accumulating. The rouble is experiencing high inflationary pressure, real wages are growing faster than labour productivity, the export-import balance is deteriorating, negative demographic trends and unresolved social problems abound, and future growth increasingly depends on investment, while the investment rate is still comparatively low. The Russian economy does not (yet) suffer from the 'Dutch disease', participants argued, but is already showing some of its symptoms. Therefore, what is needed most in order to secure economic growth in the near future is the resumption of market-oriented economic reforms, the diversification of the economy, the improvement of the business and investment climate as well as administrative efficiency, rapid technological innovation and decisive measures against corruption.

The Russian Ministry of Defence already in 2003 declared the reform of the Russian military completed. The performance of the Armed Forces and the interoperability of the Power Ministries did in fact improve visibly. At the same time, and despite its declarations to the contrary, Russia is still far from having completed the process of military reform. Although new weaponry and methods have been introduced, Russia's Armed Forces still lag far behind in terms of technological development. This poses problems to the Armed Forces and the Ministry of Defence, but also to the military-industrial complex, which is still struggling to attain profitability. It was outlined that the increase of arms exports was not a result of a qualitative improvement in the Russian position on the international arms market, but rather of the emergence of

some new customers like Algeria and Venezuela. The increase in the overall defence spending of the Russian state approximately equals GDP growth, which means that there is no increase in absolute terms. Another problem facing the Russian Armed Forces is the contracting population. It was pointed out that given daunting demographic developments Russia is not just having difficulties in recruiting a sufficient number of conscripts. It is the lack of qualified young personnel, in particular, which severely constrains the internal restructuring of the Armed Forces. The slight increase in birth rates recently reported does not solve the serious recruitment problems the Russian Armed Forces face in the years to come.

From this perspective, it seems clear that many pressing problems regarding Russia's Armed Forces persist. There was broad agreement among participants that the Putin administration has not succeeded in addressing these problems efficiently. It was argued that there is no political will strong enough to consistently pursue a project as drawn-out as extensive military reform. Furthermore, military reform is not subject to a broader political debate, but is dealt with almost exclusively by the traditionally conservative General Staff. As a result, traditional threat perceptions tend to prevail and get in the way of much needed modernisation projects. This might also have implications for Russia-EU security cooperation in the future, since the lack of interoperability aggravates joint measures. At the same time, it was argued, Russia displays less and less interest in joint missions with the EU, because they require joint planning and command structures. Therefore the Russian leadership might simply not feel the need to adapt its military in order to meet such requirements.

## **EU policy options**

As the EU's most important energy supplier and potential partner in many issues of global importance, and as a crucial factor for European security and as the EU's largest neighbour, Russia remains an indispensable but difficult partner. The division over the question about Russia as a *strategic* partner, which has been shaping EU debates on relations with Russia for years, was also visible during the seminar. The discussion highlighted dilemmas and options regarding EU policy towards Russia.

The first dilemma which was pointed out was the discrepancy between intensifying economic relations and growing political disagreement. This concerns domestic political developments in Russia as well as its increasingly assertive foreign policy. At the same time, Russia insists on reciprocity and denounces what it perceives as democratic deficiencies and human rights violations in EU Member States. Commitments to 'shared values' are becoming empty talk, reflected in mutual allegations and recriminations and the fruitlessness of the EU-Russia consultations on human rights as well as by Russia's policies towards various international organisations committed to human rights and democracy (OSCE, the Council of Europe etc.). There was agreement among participants that the EU has to stand firmly by its values and regularly remind Russia of its international commitments. Reciprocity, it was argued, should be seen as a chance to involve the Russian side more deeply in human rights and democracy issues. Most speakers rejected the option of *realpolitik*, relying exclusively on common interests and ignoring values. At the same time, it was pointed out that even if Russia shared all the values promoted by the EU, this would not guarantee smooth cooperation in any policy field.

A second dilemma occurred with the enlargement of the European Union. With the accession of 12 new Member States it has become more difficult to reach common positions on foreign and security issues. In the case of Russia this is even more complicated since many of the new members bring with them very specific – and negative – historical experiences with Russia and the Soviet Union respectively. Central European societies' reading of the Socialist past clashes with the Russian interpretation of the role of the Soviet Union in Eastern Europe and the world. While the EU should not engage in the interpretation of history, it has to come to terms with divergent attitudes and stances towards Russia among its own Member States if it wants to be able to pursue a coherent policy. It was agreed that this is the most important task for the EU, and a precondition for any progress the EU might want to achieve in its relations with Russia. One important step towards such a collective approach would be more common EU approaches towards important policy fields, first of all energy policy. The Commission proposal on the development of an EU common energy policy, issued in autumn 2007, was cited as a first step in this direction; and the general view was that similar approaches should be applied to other policy fields as well. The EU should act much more decisively, relying on the fact that increasing economic interdependence makes Russia and the EU equally dependent on good relations. It was emphasised that the EU does not tap the full potential of its economic relations with Russia and should therefore push for an early start of negotiations on the follow-up to the Partnership and Cooperation Agreement, as well as a free trade agreement after Russia's accession to the WTO, in order to deepen economic integration.