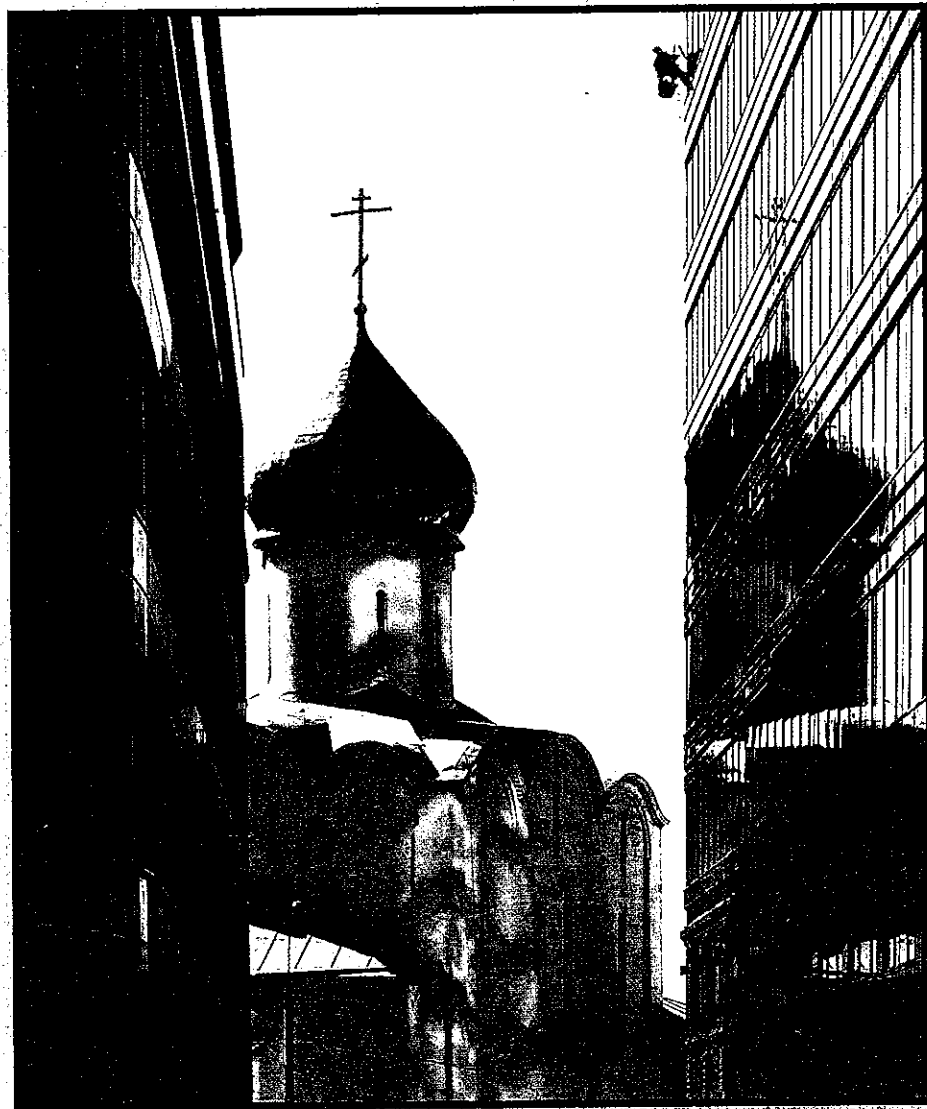



RUSSIA

THE CHALLENGES OF
TRANSFORMATION



EDITED BY PIOTR DUTKIEWICZ AND DMITRI TRENIN

FOREWORD BY CRAIG CALHOUN AFTERWORD BY VLADIMIR I. YAKUNIN

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Edited by Piotr Dutkiewicz and Dmitri Trenin

Foreword by Craig Calhoun

Afterword by Vladimir I. Yakunin

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Foreword

Craig Calhoun

For seventy years, Western policy makers and social scientists obsessed anxiously over the Soviet threat. For twenty years after the collapse of the USSR they have underestimated the importance of Russia. It is time to move past both exaggerated anxiety and relative neglect. Likewise, since the collapse of the Soviet Union Russian intellectuals themselves have vacillated between overstated assertions of the country's power and importance, and insecure catalogs of unfavorable international comparisons highlighting its weaknesses and problems. Again, understanding Russia today demands moving beyond these misleading extremes. And understanding Russia is crucial to understanding what sorts of futures are open on a global scale.

Russia is a major power. Its territory and its natural resources are huge. Though its military was disrupted and damaged during the post-communist transition—not least as equipment was stolen and sold abroad—it remains a nuclear power. After a wrenching transformation from communism to capitalism, Russia's economy is extremely uneven; massive profits haven't translated into either widespread economic opportunity or enough investment in new technology and other long-term sources of growth. But the Russian economy is nonetheless one of the world's largest—and larger in purchasing power parity than nominal values would suggest. It has great growth potential. The Russian state is beleaguered by its own transitional problems but has achieved considerable stability. Some leaders call for modernization and others for a new nationalism, but there is little doubt that most share

a commitment to economic development led by a strong state. Russia still faces enormous challenges in achieving stable economic growth, in delivering social services, in maintaining security throughout an ethnically diverse and far-flung territory. But how Russia faces these challenges is not just a local question, it is a question of global significance.

This makes the current book both timely and important. In it, a group of leading Russian intellectuals and social scientists join with front-rank researchers from around the world to examine processes of social, political, and economic transformation in Russia. Some of these processes are pursued as an active project, often under the label of "modernization." This is sometimes articulated as a more scientific and internationally oriented counterpart to nationalism. The two are not sharply opposed, however, and the authors here show how political challenges and ambitions interact with agendas for institutional reform and economic growth. At the same time, the chapters make clear that neither politics nor economics alone holds the key to Russia's future, since questions of social inequality and participation, and more generally of social reproduction, will also be decisive. Part of the contribution of the book is, indeed, to show how these three dimensions are inextricably interconnected. At the same time, the authors do not shy away from critical perspectives on challenges facing Russia, both in its domestic policies and in its international relations. Indeed, there is no likely future in which Russia's global context will not be a basic factor in its domestic affairs. Likewise, Russia's domestic successes and failures will inform what kind of international actor it is and whether it will be a force for stability or disruption on a global scale. It is appropriate that this book is published as part of the *Possible Futures* series in which distinguished social scientists explore factors that shape ways in which global order—or disorder—may develop over the coming decades.

The Return of Geopolitics

Russia is one of a small number of states that will play leading roles in an increasingly multilateral—or more worryingly, multipolar—world. U.S. hegemony is in decline, and with it five centuries of EuroAmerican global domination. But neither the United States nor Europe will fade from global power. Indeed, the United States remains the world's leading power. Its hegemony may decline slowly or more precipitously; in either case, the precise

way in which it adapts to a less dominating role will be crucial. How much European countries will act in concert and how much as separate nation-states also remains to be seen. The experiment in European unity is echoed in other regional blocks; at the same time, countries distant from each other are developing new models for cooperation, both in international organizations and in bilateral relationships. If the end of hegemony is not to be the beginning of chaos, cooperation among major powers will be vital. Along with the United States, Russia, China, India, Brazil, and Turkey are all likely to be leaders, perhaps along with Iran, South Africa, and others.

Those not part of this big country club will not be irrelevant or unilaterally dependent. Some small countries wield disproportionate financial clout; some have remarkable natural resources. Europe is not the only region trying to achieve greater strength or security or market standing by regional integration. This is likely to be important to South America, Africa, and Asia (whether of a larger or a subregional scale). Russia itself will act not only as an individual nation-state but also as the hegemonic power in its region. And beyond spatially compact regions, religions and solidarities of language or culture will bind otherwise diverse countries. Western Christendom and the Orthodox world may or may not overcome long-standing divisions to unify Christendom, but both will matter. Likewise, the Umma Islam will contend with its own schismatic tendencies but also keep extending and renewing long-distance links.

Crucially, geopolitics may well return to center stage. It never became irrelevant, even though it was pushed into the background during the eras of global European empires, capitalist integration of the modern world system, and enormous but asymmetric expansion in technological capacities. There was a fantasy of air travel and electronic communications linking the whole into a synchronous whole, but this was never altogether achieved. Today, both unequal development and economic crises limit capitalist unity, and for all the remarkable speed of global communications, these are used as much to mobilize people on lines of cultural difference as to overcome such difference. The political geography of the near-term future may look in some ways like the eras of empires past.

One of the pioneers of modern geography, Sir Halford Mackinder, saw the center of the Eurasian landmass as "the pivot of history." Politicians between the World Wars were impressed by his notion that Germany and Russia needed to be separated by an East European buffer, lest they be joined

by force or diplomacy and come to dominate the world. But Mackinder also worried about a new Asian empire integrating Russia with China and Japan. And indeed, something like this was the project of "Eurasianists" a century ago—and of Eurasianists like Alexander Dugin today, even if they command only a tiny political following. If Mackinder's specific political predictions don't arouse the fears they once did, his broader arguments about the literal centrality of Central Asia may gain renewed currency. Traffic across and along the coasts of the great Eurasian landmass is once again linking the political economies and cultures of the supercontinent. Russia is of pivotal importance.

At the same time, the future of Russia is inextricably bound up with the future of the modern world system. This is true partly because of the disproportionate importance of energy and other natural resource exports to the Russian economy. Trade requires markets. But as the current unusually hot summer is reminding policy makers, Russia is an importer too. And the issues are not just net trade balances but specific relationships, especially with other countries throughout Asia and the Middle East. Politics and economics cannot be fully separated. The modern world system organizes capitalist production and trade on the basis of a division of labor with unequal returns. Resource trade gives Russia an advantage, but to gain a position in the relatively advantaged upper tier of the world system depends on complementing extractive industry with higher value-added production and developing more openness to entrepreneurial innovation. And this Russia does in competition with other countries—and in recent years, it has been at a disadvantage both directly because of institutions that were slow to change and indirectly because opportunities elsewhere led to brain drain. Russians have founded capitalist businesses that lead the world—most famously, Google—but not in Russia.

Politics and Social Reproduction

Here economic challenges are entangled with social and political ones. Economic activity in Russia remains marked by the wrenching transformation from communism, the rapid but strikingly inequitable privatization of many assets, and the challenges of transforming Soviet-era industries into effective capitalist ones. It has begun to develop a financial infrastructure, but this is heavily dependent on both the state and global capital markets. The crisis of 2008 hit hard, particularly because Russia had invested heavily in dollar-

denominated securities and more generally accepted a good deal of Western economic advice. The financial crisis, and the weakness of the global financial regulatory system, shocked many. Some responded with renewed nationalism and calls for a romantic withdrawal from global integration; others responded with calls for further modernization, but with greater controls to protect Russian interests.

As neoliberalism was discredited globally, more than a few Russians felt confirmation for what they already knew. Russian leaders already thought an anti-state liberalism was bankrupt not just intuitively but because of the social chaos of Russia's go-go years in the 1990s. The shock therapy recommended by the IMF and American economists like Jeffrey Sachs had indeed produced a transition to markets, but with little fairness, attention to the public interest, protection for ordinary citizens, or development of state capacity. Radical market reforms with weak institutional supports had produced hyperinflation and then the Russian financial crisis of 1998. Millions were plunged into poverty. At the same time, wealth became extremely concentrated, producing an extravagant class of the new rich. Corruption not only became endemic but also took on a large-scale organized character in the combination of criminal economic activity in Russia and heavy reliance on offshore havens for unregulated and untaxed business.

Many of the policies of the Putin years that followed were a response. They reestablished some level of state control and sought to reduce the independent power of the new super-rich "oligarchs." Critics contend that corruption remains widespread and that insiders close to the government are still able to accumulate huge fortunes. They argue that democratic freedoms and human rights have been curtailed along with economic liberalism. Even if the critics are right, the government achieved much greater macro-economic stability—before the shock of the global crisis—and simply much more control. The need for this was felt not only because of economic chaos but also because of major security challenges—not least as fighting in Chechnya and Central Asia more generally was linked to terrorist incidents in Moscow.

Russia is a reminder that we need to shake ourselves free of the illusion that states are fading from the forefront of global affairs. For twenty years after the fall of the Soviet Union, the right wing and much of mainstream academic economics celebrated an illusory neoliberal vision not just of free trade but of reduced roles for state policy and regulation, and, in too many

cases, striking elimination of public services, including those hard won by generations of workers' struggles (themselves shaken by the disappearance of the global alternative suggested by the USSR). The financial crisis that came to a head in 2008 brought a renewal of Keynesianism with enormous financial bailouts and stimulus packages. Some economists argue the Keynesian policies haven't been strong enough; others criticize the extent to which they were organized to benefit corporate elites, investors, and especially the financial industry more than ordinary citizens. But in any case, both the policies and the debates signal much wider recognition of the importance of states to economic stability and long-term productivity and prosperity. This is not just an issue of right-wing thought, however, since during the same period that neo-Hayekians and monetarists promoted economic liberalism an anti-authoritarian left was equally suspicious of states. Proper stress on the importance of civil society, social movements, and international organizations too often slipped into imagining that they could somehow substitute for the work of states. At an international level, the idea spread that globalization would somehow bring in its wake not just a rich array of international connections but "cosmopolitan democracy," or at least new forms of governance that would dramatically reduce the importance of states—and do this not only in the interest of capitalist corporations, but of ordinary people.

Russian disillusionment with neoliberal globalization is now shared by a variety of movements and politicians elsewhere. As deeply as China is committed to globalization, it is also strongly nationalistic at the level of both government policy and popular sentiment. The so-called new nationalisms of Latin America have brought forward critiques and alternative policies. And indeed there are critics in the United States and Europe, though generally not among central policy makers. The point is not that all these different critics of neoliberalism now want to follow the same path. It is rather that observers should be clear that states and state interests, sometimes bolstered by strong nationalist identities, are pivotal to political and economic affairs.

But the issues faced by states are not only matters of political power or economic growth. They are matters of social reproduction. Here again, Russia exemplifies the broader pattern. Enormous wealth is concentrated in a narrow class. Too much of this wealth flows offshore and too little into productive investments at home. Too few jobs and opportunities for economic mobility are created. The government attempts to deal with some of the issues by regulatory means, but much depends on social development.

"Modernization" is a code word with many meanings, including updating technology and making government bureaucracies more efficient. But it also necessarily means attempting to build or rebuild institutions that deliver public services and thereby use national wealth in ways that benefit a wider range of citizens and strengthen social solidarity. Nationalist ideology by itself is a weak substitute for policies that ensure that all citizens share in economic benefits and have opportunities for social, economic, and political participation—though it can be a support for such policies. And if modernization and nationalism are currently evocative terms, we shouldn't imagine they exhaust the conceptual frameworks for possible futures. Where, we might ask, does religion fit into Russia's future, as religious practice grows both within the Russian Orthodox Church and outside of it? Where does concern for the environment fit in? Environmental challenges are becoming increasingly important and also pose basic questions about the conditions under which social life can be reproduced—and in some cases, the costs of reproducing environmentally unsustainable social systems.

In Russia's case, many older institutions inherited from the Soviet Union were allowed to deteriorate through years of underfunding and poor management. Compared to other countries of comparable economic standing, Russia still has a highly educated population, but it has suffered sharply from both brain drain and neglect of its educational institutions. The Soviet scientific establishment that was world-leading in many fields simply has not been reproduced, and the same is true at many levels of the educational system. Russians with mathematical skills have been exported to become economists or MBAs in the United States. Health care has suffered in similar ways, and the effects are evident very directly in life expectancy. In each case, there are private alternatives for some, but not for most of the population.

Communism offered an approach to social reproduction, to making sure that the benefits of industrialization and economic growth were distributed widely and became the bases for improvements in both the condition of social life and the capacity of citizens to contribute to social life. Different approaches were developed in capitalist countries during the late nineteenth and twentieth centuries, from public education systems to welfare states. Some of the innovations came specifically in response to crises like the Great Depression and were accompanied by expansion of economic regulations to try to minimize such crises and the damage they do to social reproduction. It is not likely that Russia will return to communism. And in many of the

world's capitalist countries, there is a massive curtailment of public services now underway as a result of fiscal stringencies. In a sense, debt-burdened countries of the rich world are being asked to impose "structural adjustment" on themselves — as they, through the IMF, asked it of poorer countries in the 1980s. In the West as in Russia, however, the question of social reproduction is not likely to vanish. On the contrary, it is moving to the forefront, becoming a challenge as basic as economic growth and macro-economic stability or national security.

Russia is in crisis today partly because of specific Russian circumstances, but partly because the world itself is in crisis. Conversely, the continuing transformation of Russia is of central importance to efforts to build a new world order today as well as to efforts to create a flourishing national future. This book is published alongside a series of efforts to look globally at the "possible futures" that are open as the world deals with financial crisis, declining U.S. hegemony, rapid growth in Asia, and a range of other challenges, from environmental degradation to infectious diseases. Russia is a vital shaping influence on these possible futures. This book is a good place to start giving Russia the intellectual attention it deserves.

Introduction

Piotr Dutkiewicz and Dmitri Trenin

This book seeks to "re-think Russia." Over the past years, there has been a tendency, in the global academic community but even more widely in the world media, to focus on Russia's failure to transit from communism to democracy. The verdict reads, sternly, "lost in transition." A counter-tendency, actively propagated within Russia, has extolled the virtues of the country's stabilization after the tempest and tumult of the 1980s and 1990s. The motto of this group proudly states, "Russia has risen from its knees." From that perspective, it is the outside world's responsibility to be more objective toward Russia.

Both arguments were superseded by the world economic crisis, which did not spare Russia as a safe haven, as some of its leaders had hoped. In fact, Russia turned out to be among the world's worst-hit economies. The recovery has been slow. The crisis, however, also has laid bare the flaws in the economic, social, and political systems of North America, Europe, and Japan, which had been touted as models for the rest of the world, including Russia. Thus, the debate along the familiar lines of the mimicry of the "Western model" is now definitely over, and a new round of thinking is about to begin.

In Russia, the buzzword is "modernization." President Medvedev's "Go, Russia!" article, first posted in September 2009, set the tone for a wide-ranging debate. There is a broad realization that unless the country curbs its runaway corruption, diversifies its economy, thus diminishing its dependence on energy exports, and builds a knowledge industry, Russia's future might be