

# DIIS REPORT

## **SILOVIKI VERSUS LIBERAL-TECHNOCRATS**

THE FIGHT FOR RUSSIA  
AND ITS FOREIGN POLICY

*Jørgen Staun*

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## **Contents**

<b>Abstract</b>	<b>4</b>
<b>Introduction</b>	<b>6</b>
<b>Chapter 1: Putin's Russia</b>	<b>12</b>
Catastrophes avoided or a rollback of democracy?	12
The fight against the oligarchs	17
The Khodorkovsky case	20
<b>Chapter 2: Who is in power?</b>	<b>26</b>
Clans and grey eminences	26
The siloviki	28
The liberal-technocrats	30
<b>Chapter 3: Russian Foreign policy</b>	<b>34</b>
Actors and institutions	34
Strategic thinking	37
Parting with the West	41
<b>Chapter 4: After Putin: Putin look-a-like or chaos</b>	<b>47</b>
The 2008 problem	47
<b>Chapter 5: Conclusion</b>	<b>52</b>
The Putin regime	52
Russian foreign policy under Putin	54
How to deal with Russia	59
<b>Literature</b>	<b>63</b>
<b>Defence and Security Studies at DIIS</b>	<b>68</b>

## Abstract

The window of opportunity for ensuring Russian democracy is closed or rapidly closing, at least in the intermediate term. Putin's so-called "managed democracy" has turned the Putin-regime into an autocratic system of power where all matters of importance, be it of domestic or foreign policy concern, are decided upon by the members of the small, non-elected elite of powerful bureaucrats surrounding Putin. Elections, parties, court-decisions, major media as well as major business deals – especially in so-called "strategic sectors" of oil, gas, metals and arms – are controlled by the Kremlin, based upon a closed matrix of private, corporate, organisational and national interests. Russia is still a market-based society where property rights are generally accepted – even if they are suspect of turf wars between competing clans and well-connected business groups. But "rule of law" in Russia is at least in high-profile cases a matter of "telephone justice", that is, rulings are decided outside and not inside the courts.

Even if Putin has secured high federal control over policies being implemented in this vast country and Russia on the surface today may be more stable than during Yeltsin's reign, stability is tied closely to the person Putin, rather than to the institution of the presidency. The reason for this is first and foremost Putin's deliberate erosion of all public institutions outside of the Kremlin: the Federal Council, the Duma, the courts and the major parties. Secondly, it is because of his policy of division of power between the two major clans within the Kremlin – the so-called "siloviki", representatives from the security services and the armed forces, and the "liberal-technocrats", the powerful bureaucrats with strong ties to business – thus rendering Putin the only possible mediator. None of the two main successor-candidates, Sergei Ivanov, representing the siloviki-fraction, and Dmitri Medvedev, representing the liberal-technocrats, are likely to be able to control the members of the opposing clan, and each of the candidates seem unacceptable to the other side, rendering the possibility of a turf war between the clans highly likely. Without Putin as powerbroker, the two clans are likely to end up in open conflict with each other.

Concerning foreign policy, Russia is neither moving East nor West. Under Putin Russia has been moving more and more in its own direction, away from the West, but not notably in the direction of China and India. Russia and the West still have common interests, and Russia can still move towards greater "integration" with the EU concerning markets and trade – with a large weight on energy cooperation – but

the West must acknowledge that it is dealing with an increasingly strong authoritarian power, which does not play along the rules of the West, but follows its own interests as defined by the inner echelons of the Kremlin.

Concerning the two leading candidates to succeed Putin, Dmitri Medvedev is cast as the more Western prone, whereas Sergei Ivanov is cast as the hawk. However, none of them are democrats, none are especially Western-leaning – and both agree that Russia should be governed by a so-called “single vertical”, a strong and centralised executive, and that democracy should be “managed”. Where they disagree is on visions of economic development. Here, Medvedev arguably is more in line with Western contentions concerning market economy, whereas Ivanov seems to be more prone towards state intervention and state control. Concerning foreign policy, Dmitri Medvedev’s foreign policy position can be considered as being framed within the foreign policy schools “pragmatists” and “neo-imperialists”. Sergei Ivanov’s position on foreign policy can be considered as being framed within the foreign policy schools “multipolarists” and “neo-imperialists”, with occasional references to Slavophile ideas from the “hard traditionalists”.

## Introduction

On a late Saturday afternoon in October last year the Russian investigative journalist Anna Politkovskaya went to pick up the grocery bags in her car parked outside the communal apartment building in the centre of Moscow where she lived. Minutes later she was shot dead by an unknown gunman. Politkovskaya was found in the elevator together with a discarded Makarov pistol and four bullets. Grainy CCTV footages from the building show a man clad in black wearing a baseball cap following her into the building, shortly before her killing. Deputy Prosecutor Vyacheslav Rosinsky said that one of the theories the investigation team was following was that the murder was “linked to the victim’s social or professional duties”.<sup>1</sup> And Anna Politkovskaya, who worked for the bi-weekly *Novaya Gazeta* with around 100.000 readers, surely had many enemies. Over the years of her journalistic work on Chechnya she had lived with harassment, intimidation and death threats. On her own account, she had been held in a prisoner hole in Chechnya by the Russian military, threatened with rape and execution by Russian soldiers, attempted killed by poisoned tea on her way to Beslan in southern Russia during the hostage-situation on a public school on 1 September 2004 – which ended with officially 331 killed, over half of them children taken hostage by Chechen terrorists on their first day of school – and been labelled an “enemy of state” on national television. During an interview I made with her in the beginning of 2003 in the crowded offices of *Novaya Gazeta* in Moscow, however, she seemed completely undeterred by the pressure put on her person. If she on appearances looked somewhat ordinary – her hair greying, wearing plain blue trousers and a dark, dull sweatshirt – the insistency of her voice and eyes told a different story: Anna Politkovskaya was a woman of willpower, integrity and incorruptibility. She would not give in to intimidation, even if the source at that time were the Russian ministry of defence.<sup>2</sup> This kind of insistency – and her writings on Chechnya, Russian governmental corruption and her extremely critical line towards the Russian president – probably cost her her life. Whether by coincidence or as if it was some sort of morbid birthday present, she was killed on 7 October, the birthday of Vladimir Putin.

Now, the murder of Politkovskaya was not the only high-profile murder in Putin’s Russia in 2006. Only a month earlier the first deputy chairman of Russia’s central

<sup>1</sup> BBC News, “Russia hunts journalist’s killer”, 24/11-06.

<sup>2</sup> Staun, Danish national radio, DR-P1, Agenda, “Intet nyt fra Tjetjenien”, 2/3-04.

bank Andrei Kozlov was shot dead in Moscow. And in the evening the 23 November, the defected, former FSB-agent and well-known Putin-critic Alexander Litvinenko died in London apparently after being poisoned with polonium 210. On 2 March defence journalist Ivan Safranov from the business-daily Kommersant, who had been investigating Russian arms sales to Syria and Iran, died after “falling” from a window in his fifth-floor apartment.

The return of contract killings in (and outside of) today’s Russia may not resemble the “wild West years” in the early 1990s, where killing your business opponent was a more or less commonly used way to settle business scores. Still, the killings of dissident voices are a visible symbol of the instability and lawlessness in today’s Russia. Or, if there is a government hand involved, a sign of a growing authoritarian trend, where government controlled death squads liquidate critics of the regime. Indeed, the killings could be a result of the Duma decision in June 2006 to give the FSB authority to kill without trial “terrorists and extremists” inside and outside Russia, defining “extremists” in such broad terms that most opposition-activities more or less falls within it.<sup>3</sup>

Furthermore, the contract killings do not come alone. During the second part of Putin’s presidency public elections of governors has been replaced by central appointments by the president. New election laws that make it much harder for small political parties to get permission to participate in national elections have been introduced, along with a heightening of the threshold from five to seven percent. The justice system has been reigned in under Kremlin control – most notably in the widely debated Yukos case – and the old system of “telephone justice” has been reinstated, at least in high profile cases.<sup>4</sup> A strict NGO-law has been introduced, which has caused sever trouble especially for non-Russian NGO’s.

So where does that leave Russia? In what direction is Russia and Russian politics developing? Towards stability, prosperity and – eventually – democracy? Or have we during Putin’s reign witnessed a rollback of the democratic landmarks achieved during Yeltsin? And what consequences will this development have for Russian foreign policy? Is the new, powerful and self-conscious Russia a friend of the West, a partner in trade and politics, a “party spoiler”, which wants things its own way

<sup>3</sup> BBC-News, 27 November, 2006.

<sup>4</sup> Ledeneva, 2006.

(which is not necessarily the way of the West), or possibly developing towards again becoming a foe of the West?

Studying Russia is no easy task. It is the world's largest country with a landmass (and an identity) stretching from Europe to Asia, the Arctic Circle to Central Asia. On one hand highly centralized, on the other extremely diverse from region to region and even within regions – just a couple of hours drive out of Moscow's high-pace evolving centre revolves a backyard countryside with houses lacking running water, water-closets and electricity. On the one hand Russian development moves at a pace that leaves Western economic centres jealously behind, on the other hand there is a constant and unchanging undertow of inalterability. Russia is a country where rulers promise, ideologies change, but the country's problems stay the same. This leaves the Russian people, who in general are stout, proud and often determined fatalists, with the questions: why be a non-smoker or use a seatbelt if you believe that you have to go the day your time is up and not a second before? Why bother about democracy if you believe that whoever is in power will fill his or hers pockets the best he or she can? As one of my Russian friends contended: better have a rich guy in a top position, because then his pockets are already full and he will not steal as much when in power.

According to Lilia Shevtsova, a well-renowned analyst from the Carnegie Endowment in Moscow, the "Russian System is a specific type of governance structure whose characteristics include paternalism, the state domineering over the individual, isolation from the outside world, and ambitions to be a great power. The heart of the system was the all-powerful leader, above the law and a law unto him-self, concentrating in his hands all powers, without a balancing accountability, and limiting all other institutions to auxiliary, administrative functions. The Russian System did not need fixed rules of the game; it needed fixers".<sup>5</sup> Now, the use of the word "system" may not be the most appropriate, when dealing with Putin's Russia. Thus, using the word "system", when discussing the "political system" of Russia, more or less implies a rule bound and legal-rational management of the state, which in democratic states would involve an ordered circulation of elites on the top posts of society and some sort of accountability to the public. Rather, the word "regime", which implies some sort of arbitrariness and degree of authoritarianism and a system where the accountability of the regime to the public is weak, seems more appropriate.<sup>6</sup>

<sup>5</sup> Shevtsova, 2003, p. 16.



One of the key observations researchers and journalists often do when studying Russia is to acknowledge its profound lack of institutionalisation. That is institutionalisation in the sense of power being related to an official position, like that of the foreign minister, and decisions being taken according to formalized, official rules. Power in post-Soviet Russia is to a large extent personalized and relational, tied around central individuals, their clans, business-empires or power groups. As a direct or indirect consequence of the lack of institutionalisation and formalized decision-making, the media as well as academia is rife with speculations on what goes on within the Kremlin walls. And even if researchers nowadays do not have to confine to studying the composition of leaders on the Lenin tomb on national holidays or on state parades as in the days of “Kremlinology” during the Cold War, the lack of ruled institutionalisation leaves some uncertainty in determining the motives and strategies behind specific policies and the expected outcome. In connection with the promotion of defence minister Sergei Ivanov to first vice-prime minister in February 2007 (which in other countries normally would be seen as a demotion) the financial daily, *Vedemosti*, wrote an editorial on what they termed the different levels of explanations in Russian politics. Level A represents the official justifications: “Ivanov was promoted to allow him to work on diversifying the economy. ‘One of the main objectives is to support innovation in our economy and this will be Sergei Ivanov’s role in the government’, Putin said while appointing Ivanov”.<sup>7</sup> The next level of explanation, Level B, represents explanations we get from experts, academics and political analysts. Here, the explanation we get on Ivanov’s promotion is that he has finally been freed from a collapsing ministry and put on an equal standing with the other potential presidential ‘successor’ candidate, Dmitri Medvedev. So *Vedemosti* complains about the level of discrepancy between official explanations and what is said unofficially to journalists or experts. “The only places levels A and B run into each other are news conferences where Western journalists take part and ask Putin questions about democracy, civil society, high-profile murders and so on,” *Vedemosti* writes. Here, the journalists get answers at level A, but “all of the answers are clearly understood by Russians interested in politics, who explain them at level B”. This, *Vedemosti* contends, is of course not a problem peculiar to Russia. However, the magnitude of discrepancy is distinctly Russian. “In Russia, level A is strictly ceremonial and virtual. Any real competition between political players probably doesn’t even occur at level B, but at some unseen level C, which we might deduce involves the struggle between power groupings for influence in the Kremlin.

<sup>6</sup> For more on the distinction between “system” and “regime”, see (Sakwa in Cox 1998, p. 183)

<sup>7</sup> Editorial in *Vedemosti* reprinted in *Moscow Times*, “Multi-Level Explanations”, February 20, 2007, p. 10.

All kinds of experts analyse what is happening and sell their secret knowledge, but this is all speculation. We can never know what is really going on”.<sup>8</sup>

This is a line of thinking generally agreed upon in this report. In order to systematize the, hopefully, learned speculation – learned, because it is theory guided and because one over time to some extent has the possibility of checking whether what is said is also what is done and whether the said is in accordance with the political line of what has been said previously – this report tries to work through a set of parameters, which can guide us towards a better understanding of the nature of Russian foreign policy and where Russia is heading.

The report’s theoretical foundation is grounded in Foreign Policy Theory, that is, in the tradition of Graham T. Allison’s *Bureaucratic Politics*.<sup>9</sup> Here foreign policy is seen as an outcome of varying overlapping bargaining games among players arranged hierarchically inside and outside the national government. The bureaucratic politics model “sees no unitary actor but rather many actors as players, who focus not on a single strategic issue but on many diverse intra-national problems as well, in terms of no consistent set of strategic objectives but rather according to various conceptions of national, organizational, and personal goals, making government decisions not by rational choice but by the pulling and hauling that is politics”.<sup>10</sup> In line with Andrew Moravcsik<sup>11</sup> the state is seen as a representative institution, constantly subjected to power struggles. Representative is not to be understood as democratically representative, but that the state represent the power groups, institutions and societal ideas, which are prevalent in a given country at a given time. For Russia, representative means representing a bureaucratic class, private/corporate interests and societal ideas, which within the foreign policy area can be framed within what can be labelled foreign policy schools. Thus, it is a mainly inside-out driven model of foreign policy. This does not mean, that the international system does not affect Russia’s foreign policy. State-preferences reflect patterns of transnational societal interaction, and the position of particular values in a transnational cultural discourse help define values in each society<sup>12</sup> – also Russian values. But it means that the configuration of state preferences at least in the short run is generally more important than capabilities (as the realists would have it) and information/institutions (as the functionalist regime

<sup>8</sup> Ibid.

<sup>9</sup> Allison, 1969.

<sup>10</sup> Allison, 1969, p. 707.

<sup>11</sup> Moravcsik, 1997, p. 513.

<sup>12</sup> Moravcsik, 1997, p. 522.

theorists argue) when determining foreign policy. Societal ideas, institutions and private/corporate interests influence state behaviour by shaping state preferences. Capabilities are, of course, also important and over time probably the most important factor, when determining state behaviour. In this understanding where Foreign Policy Theory is used as a “weak” or “minimalistic” theory it can be incorporated in a modified neo-realist framework<sup>13</sup> as a unit-level explanation.<sup>14</sup>

In order to determine the matrix of Russian foreign policy and see in what direction Russia is developing, one first has to establish what kind of entity Putin’s Russia is. In order to do that, we first embark on an examination of how Russia has developed under Putin – and discuss what Putin took over from Gorbachev and Yeltsin, and what is of his own accord – and determine whether a tendency, a trend, can be established. Next, we have to have a look at who is in power, what fractions and what persons are the central players concerning the bargaining games, which shapes policy-outcomes. After this, we look at who are the central players when it comes to Russian foreign policy, what the important actors and institutions are and what the important trends concerning foreign policy strategic thinking are. Hereafter, the report takes a look at some of the “political quarrels”, which Russia has had and has with the West – which it is argued, are part of an overall change in Russian domestic and foreign policy. The “political quarrels” – or central political platforms concerning Russia’s slow departure from the direction of the West – are analysed in order to characterize the Russian foreign policy line and judge how stable it will be after 2008.

<sup>13</sup> Buzan et al, 1993.

<sup>14</sup> For a discussion of the so-called “Scandinavian approach” to foreign policy and it’s ability to fit into an overall IR-framework of modified neorealism, see (Wæver 1990a; Wæver 1990b).

## Chapter I: Putin's Russia

### Catastrophes avoided or a rollback of democracy?

How one characterizes Putin's Russia depends not only on the eyes that see, but also from what distance. Compared to the turbulent years of Yeltsin's reign, Putin's Russia is a stable and economically prosperous country with GDP growth rates around 5-7 percent (2006: 6,7 percent<sup>15</sup>). The prevailing fears of the 1990s – economic collapse, disintegration and civil war – are a thing of the past. The Russian middle class (or really middle layer) is growing rapidly and now includes up to 40 percent of the working population. In peoples' own judgement of their position, figures are even more positive. In 1999, 37 percent of the respondents viewed their material situation as placing them in the middle layer. Now the figure is 59 percent.<sup>16</sup> According to the state pollster All-Russian Public Opinion Research Centre (VTsIOM) 70 percent of the respondents say that 2006 has been successful for them, only 30 percent described 2006 as an unsuccessful year.<sup>17</sup>

Russians are once again proud of their president and their country: Putin seldom touches alcohol (unlike his predecessor), he is sporty, energetic, competent, he has until recently been on more or less friendly terms with the world's most powerful leaders and been accepted as their equal. Russia has paid its foreign debt before time, retained its strategic nuclear deterrent, it is one of the five permanent members of the UN Security Council, and it has risen to a member of the G8, one of the premier clubs among the world's leading industrial countries. After some more or less "hesitant" years in the 1990s Russia has again asserted its influence in Central Asia and in large parts of the former Soviet area. And after USA's long awaited approval, Russia is today closing in to become a member of the WTO.<sup>18</sup> Private property rights are in general irreversible, if sometimes subject to power struggles between conflicting clans and business groups. And in comparison with the Soviet era of total pre-publication censorship, Russian media today enjoy considerable freedom.<sup>19</sup>

<sup>15</sup> Economist Intelligence Unit, eiu.com, Country Report, Russia, Main report: June 1<sup>st</sup> 2007, economic structure: annual indicators.

<sup>16</sup> WPS, What the Papers Say, "Tracking changes in Russia's socio-political climate", Story of the Day, # 293, 2007.02.01.

<sup>17</sup> Rosbalt newsagency quoted from WPS, What the Papers Say, "The lovely long-term outlook: 2007-08", # 285, 2006.12.29. Dmitri Trenin talks of a "new bourgeoisie" under way in Russia and its likely rising political aspiration with its economic resources. Trenin 2005, p. 3.

<sup>18</sup> Among the countries which still have to approve Russia's accession to the WTO are Georgia with whom Russia at present are not on the best terms.

<sup>19</sup> Gessen, 2005, p. 1.

Thus, leading Russia analyst Dmitri Trenin from the Carnegie Endowment in Moscow argues that Putin's Russia does not "constitute a rollback of democracy in contrast to the Yeltsin era".<sup>20</sup> Following suit, Graeme Gill from the University of Sydney, Australia, question observers who points towards an "increasingly authoritarian nature of Russian polity".<sup>21</sup> Instead, Gill argues, Putin is "merely building on what went before", namely successive elites led by respectively Gorbachev and Yeltsin. The primacy of informal, personal relations, where loyalty and personal access to the president is more important than institutionalised and routinized, official procedures, was not Putin's invention, but also a marked feature of Yeltsin's presidency.<sup>22</sup> The importance of "The Family" – cronies, personal friends and family members who surrounded the president from the mid-1990's when Yeltsin's health deteriorated<sup>23</sup> – may not have been in accordance with the Russian constitution, but it was a system of power that was already in place, when Putin took over the presidency.

As Mark Medish points out, Russia's development since Gorbachev could also be seen as a "story of catastrophes that were avoided".<sup>24</sup> Imagine how wrong things could have gone since the fall of the Berlin Wall in 1989; the attempted coup against Gorbachev in 1991; during Yeltsin's confrontation with the Russian parliament in 1993; or in 1998 when Russia suffered a major financial crack. Indeed, if one looks at Russia over the time-span of three decades, it is remarkable how radically different the political, social and economic situation has changed. Compared to the Soviet Union, most critics talk freely over the phone, meet with foreigners in full daylight in the centre of Moscow, and they usually live without server repercussions when comments on the political situation are published. As Andrew Jack, Moscow bureau chief for the Financial Times sees it, compared with other parts of Europe, Russia looks disappointing. Whereas when one measures it against China, Central Asia – or the Soviet Union – it looks much better.<sup>25</sup>

<sup>20</sup> Trenin, 2006, p. 2.

<sup>21</sup> Gill, 2006, p. 58.

<sup>22</sup> Gill, 2006, p. 68; Lo & Trenin, 2005, pp. 9-10.

<sup>23</sup> Prominent members of the Family in the later half of Yeltsin's presidency include Yeltsin's daughter, Tatyana Dyachenko; Anatoly Chubais, head of the Presidential Administration (15 July 1996-11 March 1997), the financier and link to the oligarchs; Valentin Yumashev, Tatyana's husband, Yeltsin's ghost writer for his memoirs and head of the Presidential Administration (11 March 1997-7 December 1997); Alexandr Voloshin, the later head of the Presidential Administration (19 March 1999-30 October 2003); the oligarch Boris Berezovsky, and later the financier Roman Abramovich. (Mommensen, 2003, pp. 70-72; Lo & Trenin 2005, p. 21, note 31).

<sup>24</sup> My translation of a Danish translation of Medish original English manuscript, see Medish, 2006, p. 76.

<sup>25</sup> Jack, 2004, p. 300.

Viewed in total, however, Putin's presidency has been marked by a clear trend towards centralisation and conglomeration of power in the Kremlin.<sup>26</sup> When Putin came to power his priorities appeared to be to strengthen the central, or federal, government, revive the economy and restore Russia's status as a great power: He talked at great length of re-establishing the so called "vertical"<sup>27</sup> – ensuring uniform implementation of Kremlin policies in this vast country – and of the "dictatorship of law". One of Putin's first initiatives as president was to create seven super-regional districts, which were to be headed by presidential appointees – five of which ended up being generals from the police and the military (Putin-trustees)<sup>28</sup> – in order to secure more federal control with implementation of policy. Shortly after he changed the composition of the upper chamber of the parliament, the Federation Council, in which the heads of the regional governments and legislatures were represented.<sup>29</sup> For the deputies, Putin's changes resulted in greater independence from regional forces once they were elected, but greater dependency on the Kremlin. Later, with the approval of the parliament, Putin passed a law, which gave the president the right to remove popular elected governors who violate federal law.

The term "managed democracy" – invented by Putin's chief political strategist Vladislav Surkov – was evidently applied in the run-up to the parliamentary elections in December 2003 and the presidential elections in March 2004. The so-called "administrative resources" – whereby is meant financial, bureaucratic as well as judicial powers on federal, regional and local level – were used in order to gain support for the United Russia and for Putin's candidacy. The international election monitors from ODIHR (OSCE) denoted the election for the Duma on 7 December 2003 "generally well-administered" but failing to meet OSCE standards because the advantages of the incumbency "seriously distorted the process".<sup>30</sup> In the words of spokesperson Urdur Gunnarsdottir, the election put "a question mark on Russia's willingness to move in the direction of international democratic standards". "Because of the government's effective control of the media, the citizens did not have the opportunity to make an informed choice".<sup>31</sup> According to ODIHR

<sup>26</sup> Even if the "super-presidential" constitution was a result of the Yeltsin presidency, the separation of powers was a marked feature of the pre-Putin years, because of the ongoing struggle between the Kremlin and the Communist opposition in parliament.

<sup>27</sup> Shevtsova, 2003, pp. 96-97.

<sup>28</sup> Taylor, 2002, p. 1; Thumann, 2002, pp. 194-203.

<sup>29</sup> Libak, 2004, p. 3; Thumann, 2002.

<sup>30</sup> Final report on the elections to the State Duma, Russian Federation, 7 December 2003, OSCE (ODIHR), Warsaw 27 January 2004.

<sup>31</sup> Staun, Interview with Urdur Gunnarsdottir, Berlingske Tidende 9/12-06

“most media coverage was characterized by an overwhelming tendency in the state media to exhibit a clear bias in favour of United Russia and against the CPRF”.<sup>32</sup> According to the official results, United Russia received 37,1 percent of the votes in the parliamentary elections, the right wing Liberal Democratic Party (LDPR) led by Zhirinovskiy received 11,6 percent, and the patriotic and socialist Rodina received 9 percent of the votes, resulting in a fall for the Communist Party from 24 to 12,7 percent of the votes. The two liberal-democratic parties, Yabloko and the Union of Right Forces (SPS), only received 4,3 percent and 3,9 percent respectively and did not pass the then 5 percent threshold for the parliament. Including the results of the non-party lists the pro-Kremlin forces were able to gain control over 2/3 of the seats in the Duma, with 300 of 450 seats to United Russia alone.<sup>33</sup> Also in the run-up to the presidential elections on 14 March 2004 there was a clear bias in the media coverage in favour of President Putin, but the presidential election was not distorted to the same extent as the parliamentary elections.<sup>34</sup> Thus, since 2000 the Kremlin has effectively created a one-party system run by the pro-Kremlin United Russia, which has a solid majority in parliament, supported by the Kremlin-controlled Liberal Democratic Party (LDPR) and Rodina.<sup>35</sup>

After the Beslan hostage tragedy in September 2004, the United Russia<sup>36</sup> controlled Duma under the pretext of combating terror gave the president power to appoint regional governors – officially in an attempt to strengthen the “vertical”, Putin’s official response to the growing corruption and the terrorist threat. The election law was also changed, raising the threshold for parliamentary elections from 5 percent to 7 percent, election coalition-blocs were banned – thereby effectively banning minor opposition parties from parliament – the rules for party registration were tightened severely<sup>37</sup> and non-party representation in the Duma were cancelled (previously 350 seats were reserved non-party lists). Furthermore, the traditional

<sup>32</sup> Final report on the elections to the State Duma, Russian Federation, 7 December 2003, OSCE (ODIHR), Warsaw 27 January 2004, p. 14.

<sup>33</sup> CRS Report for Congress, “Russian Political, Economic, and Security Issues and U.S. Interests”, October 19, 2006, p. 5.

<sup>34</sup> Final report on the elections to the State Duma, Russian Federation, 7 December 2003, OSCE (ODIHR), Warsaw 27 January 2004. Because of Putin’s high approval ratings – generally around 70 percent – there was no need to disfavour the other incumbents. The problem was rather to get people to vote and thus make the vote valid, since the outcome seemed given in advance.

<sup>35</sup> Both LDPR and Rodina are rumoured to have been created by the Kremlin spin-doctor Vladislav Surkov.

<sup>36</sup> United Russia is the largest of the Russian parties and is mostly castigated as the so-called “party of power”, that is “a rubber-stamp” to the Kremlin’s policies.

<sup>37</sup> In order comply with the registration requirements a new party must have at least 50.000 members nationwide, with at least 500 members per region in at least half of Russia’s 89 regions.

option on Russian voting lists to vote “against all” has been abolished, the minimum voter participation in elections of 20 percent has been removed and the new law on extremism (from July 2006) could possibly be used to ban a candidate from criticizing his or her opponent, or anyone in office.<sup>38</sup>

Another of the prevailing problems for Russian society is the widespread corruption of government officials at all levels. For years without end Russia has scored low in the Corruption Perception Index performed by the Berlin-based anti-corruption watchdog Transparency International. Thus, Russia in 2005 was ranked number 126 out of 158 countries, i.e. on par with Niger, Albania and Sierra Leone (scoring 2,4 points on a scale from 1 to 10). This was slightly lower than in 2004, when it scored 2,5 points.<sup>39</sup> Putin has in his annual address to the nation consistently named corruption as one of the main problems of Russian politics, and promised tough measures, but so far without much effect.<sup>40</sup> However, corruption is, according to Russia analyst Celeste Wallander from the CSIS, “not merely a feature of the system; it is essential to the very functioning of political power” in Russia, which she describes as a “patrimonial” system. Thus, she contends, the “political system is based on the political control of economic resources in order to enrich those within patron-client clans”.<sup>41</sup> Lilia Shevtsova describes Russia’s governmental form as “bureaucratic capitalism”, a system where the government without halt expands the scope of the state within the economy by establishing large state-controlled corporations, controlled by a class of oligarchic bureaucrats.<sup>42</sup> Or as Putin’s outspoken former chief economic adviser, Andrei Illarionov, puts it about Putin’s Russia: Russia is a “corporatist” state, where “power is concentrated in the hands of corporations whose members hold all the key positions in the political, economic, ideological, informational, financial, and other spheres of life. The elimination of freedoms leads, among other things, to the elimination of institutions – the weakening, collapse, and ultimately the destruction of public and state institutions”.<sup>43</sup> This line of thinking is not far from Steven Lee Meyers, Moscow-correspondent for The New York Times: “Kremlin

<sup>38</sup> The New York Times, “Russians to Vote, but Some Parties Lose in Advance”, February 15, 2007. Actually, the law on extremism in place before the amendment in July 2006 was used against Rodina in the local elections in Moscow in December 2005. Here Rodina was barred for inciting ethnic strife in an elections video after a lawsuit from the ultra rightwing LDPR.

<sup>39</sup> Transparency International, Annual Report 2005, p. 17. A study in 2005 by the Indem Foundation found that the average bribe was 136.000 dollars. (Moscow Times, 5/3-07, p. 3.)

<sup>40</sup> See for example Putin’s Annual Address to the Federal Assembly of the Russian Federation, April 25, 2005.

<sup>41</sup> Wallander 2007, p. 116.

<sup>42</sup> Shevtsova 2007, p. 3.

<sup>43</sup> Illarionov quoted from Radio Free Europe/Radio Liberty, “Pussia: Economist Says Political Elite ‘Have Their Own Law’”, February 2, 2007.



Inc. has become the name for the hybrid system Putin created: capitalism with an authoritarian face”.<sup>44</sup>

### **The fight against the oligarchs, ... and the media**

In May 2000, shortly after his instalment as president, Putin met with representatives from the Russian business elite at an informal gathering – later known as the “Grill party”<sup>45</sup> – in a dacha outside Moscow. Here Putin promised the oligarchs to leave them and their businesses alone, if they stayed out of politics. This signal was first and foremost addressed at two of the political heavyweights among the oligarchs, Boris Berezovsky and Vladimir Guzinski. Berezovsky was known as the financier of the Yeltsin Family, befriended with Yeltsin’s daughter, Tatiana Dyatschenko, and is said to have favoured Putin as Yeltsin’s follower. Berezovsky is said to have been instrumental in installing the then chief of the Presidential Administration, Alexander Voloshin, as well as then prime minister Mikhail Kasyanov on their posts. Vladimir Guzinski’s political power was primarily based on Media-MOST, his media conglomerate, with the influential national television network NTV as its flagship, the high-quality independent Ekho Moskvyy radio, the daily paper Sgodnya and the weekly news magazine Itogi – all of which had been more or less critical of Putin. Both Berezovsky and Guzinsky considered themselves out of the Kremlin’s reach – Guzinsky even failed to show up at the “Grill party”.

The first to taste the new president’s will was Guzinsky. He was arrested 13 June 2000 and charged with embezzlement of state propriety, but after pressure from Washington and Berlin he was released and allowed to leave the country.<sup>46</sup> In April 2001, the media-arm of the state-controlled gas monopoly Gazprom, Gazprom Media, took over NTV and replaced Yevgeniy Kiselyov as director with the Kremlin appointed Boris Jordan.<sup>47</sup> Shortly after Segodnye was shut down and the editorial staff on Itogi fired. So far Ekho Moskvyy has kept its editorial independence.

<sup>44</sup> “The ‘2008 prblem’ in Russia. What role will Putin play in the election?”, International Herald Tribune, February 24-25, 2007, pp. 1-2.

<sup>45</sup> Kryshtanovskaya, 2005, p. 220.

<sup>46</sup> After Guzinsky’s release a secret agreement was made public in which the Russian minister of the press, Mikhail Lesin, had signed in agreement, that all the charges against Guzinsky would be dropped, when all of Guzinsky’s shares in Media Most were effectively sold to Gazprom. (Mommson 2003, p. 127)

<sup>47</sup> Jordan was subsequently fired two years later when the Kremlin tightened its control over the television station further. Washington Post, January 18, 2003.

<sup>48</sup> Kryshtanovskaya, 2005, p. 221.

Putin is said to have been furious with the NTV-show “Puppets” – modelled after the British “Spitting Image” show – where Putin was presented as the not very flattering character of a gruesome dwarf.<sup>48</sup> Furthermore, Putin knew that NTV had been instrumental in the independent Russian media coverage of the first war in Chechnya 1994-1996 that led to widespread public condemnation of the war. The public dissatisfaction with the war had made Yeltsin conclude, that he had to end the war – even if the terms were not seen as fair by the Russian military – if he was to be able to win a second term as president. Putin was intent on not letting independent media coverage of the war and the atrocities in Chechnya hamper his presidency. After all, the war had been instrumental in bringing him into the presidency in the first place.<sup>49</sup>

The next oligarch to feel the pressure of Putin’s proclaimed wish to “destroy the oligarchs as a class” was Vladimir Potanin, the owner of Interros<sup>50</sup>, who was presented with an extra bill of 140 million dollars from his acquisition of 38 percent of the formerly state-owned Norilsk Nikkel, which the Kremlin thought he had bought at too low a price. Potanin chose to pay the bill. Then Alpha-group owner, Mikhail Friedman, had his offices in Tyumen searched and was accused of manipulating finances in his Tyumen oil company (TNK) back in 1997. Apparently he also made a deal with the Kremlin.<sup>51</sup> Then Gazprom-chief Rem Vyachirev’s offices were searched, the president of Lukoil, Vagit Alekperov, was accused of tax embezzlement, as was AvtoVas’ CEO Vladimir Kadannikov.<sup>52</sup> All chose to cooperate and follow the new rules of the game: Not only follow the lead of Kremlin and stay out of politics, but also publicly show loyalty to the president as well as contribute financially to his

<sup>49</sup> The murdered, former KGB-spy Alexander Litvinenko claimed – along with others, for example tycoon and former Kremlin-insider Boris Berezovsky – that the FSB was behind several apartment-building bombings in Moscow and other major Russian cities in the summer of 1999 when Putin was prime minister. The Russian government blamed Chechen terrorist’s and this was one of the legitimating factors for sending the Russian troops back to Chechnya late 1999, beginning of 2000, along with deterring Chechen rebel-leader Shamil Basayev’s attack on Dagestan, which another conspiracy theory also claim to have been orchestrated by the Kremlin. Thus, Karl Grobe-Hagel claims that Boris Berezovsky, who was then part of the Kremlin inner circle, paid 2 million dollars to Basayev, officially to ‘build a cement factory’. Money, which was then used to finance Basayev’s war on Dagestan (Grobe-Hagel, 1995, p. 163). Matthew Evangelista purports with reference to French intelligence sources, that the then Kremlin chief of staff, Alexandr Voloshin, met Basayev at a French estate and provided him with 10 million dollars to fund the invasion of Dagestan (Evangelista, 2002, p.79). Whether or not one believes the accusation that the Kremlin started the war in order for the then still rather unknown prime minister Putin to gain popularity, it is hard not to acknowledge that the Kremlin spin-doctors were eminent in using the war as a means for Putin to strengthen his image as a strong and resolutely acting prime minister.

<sup>50</sup> Interros is the holding company for Norilsk Nikkel, one of the world’s largest producers of platinum and palladium.

<sup>51</sup> Kryshchanovskaya, 2005, pp. 221-222.

<sup>52</sup> Ibid.

projects. Only Boris Berezovsky did not cooperate. Berezovsky could apparently not believe that Putin, who Berezovsky himself had helped into office, could turn against him. In order not to be taken into custody, Berezovsky left the country for Britain, where he now has status as a political refugee. Berezovsky had to give up his controlling share in the ORT TV-network. Later, he was forced to sell his controlling stake in the independent business daily, *Kommersant*, to Badri Patarkatsishvili, who later sold to the Kremlin-near metals magnate, Alisher Usmanov.<sup>53</sup>

All in all, the Kremlin has successfully worked to gain control over privately owned media, especially broadcast media, or – in case this was not possible – shut them down, which happened to TV-6 in January 2002, where the staff from NTV had found refuge after Gazprom took over the channel. The license was subsequently given to a sports channel. All in all, since Putin became president, the country's largest electronic media, particularly national television, have been taken over by the state or corporations close to the Kremlin.<sup>54</sup> In its annual report for 2006, *Reporters Without Borders*, concludes: "The lack of broadcasting diversity and closure of several independent newspapers crushed by huge fines is alarming" ... "TV stations, now all controlled by the Kremlin or government associates, are also subject to very strict censorship".<sup>55</sup> And even though the number of internet users is rapidly increasing – in 2005 the number of regular internet users exceeded 20 million, whereas in the beginning of the millennium it was only a little over two million<sup>56</sup> – national television is still the most important news source for more than 80 percent of the Russian public.<sup>57</sup>

For a long time the spin-doctors in the Kremlin were content with having established control (or substantial influence) over most or the major national TV-networks. But, as the U.S.-based organisation Freedom House noted in its recent survey of media freedom, the Kremlin in 2006 diverted its attention towards independent print media, which so far has been left more or less alone. "Papers such as "Novaya

<sup>53</sup> Alisher Usmanov is general director in a Gazprom subsidiary, Gazprominvestholding, and controls a number of metals companies through his holding company Metalloinvest. He is close to the Kremlin clan of liberal-technocrats.

<sup>54</sup> The state owned first national channel ORT is the largest with 140 million viewers. The state owned Russia-channel is the second national channel with around 50 million viewers. Liuhto 2007, p. 19.

<sup>55</sup> *Reporters Without Borders*, Annual report, 2006, p. 98.

<sup>56</sup> *Ibid.*, p. 20.

<sup>57</sup> *Ibid.*, p. 19. Today, the Kremlin, via Gazprom Media, where Gazprom owns 86 percent of the shares, controls or owns the (formerly private) TV networks NTV, NTV Plus and TNT and newspapers and weekly's such as *Izvestiya*, *Chas pik*, *Tribuna* and *Trud* and several lesser newspapers and the publisher *Seven Days*, which publishes a long list of magazines covering 16 percent of the market in Russia and 30 percent in Moscow. Liuhto, 2007, p. 38.

Gazeta”<sup>58</sup>, “Nezavisimaya gazeta”<sup>59</sup> and “Kommersant”<sup>60</sup> all came up against, in one fashion or another, (attempts of, J.S.) either of management or ownership takeovers with Kremlin-friendly entities”.<sup>61</sup> So far, Novaya Gazeta has stayed starkly independent, and Nezavisimaya gazeta and Kommersant still have an independent line, even if its regime critique seems reduced.

One case, which is exemplary for determining how to characterize the current state of affairs in Russia, is the legal case against the oligarch Mikhail Khodorkovsky, formerly Russia’s richest man, and his oil company Yukos, which therefore will be dealt with at length.

### **The Khodorkovsky case**

The Russian tycoon Mikhail Khodorkovsky, who had a controlling stake in Menatepbank, a holding company with a majority of the shares in the private oil company Yukos, managed for a long time to stay out of the Kremlin spotlight. But in 2002 he established the Open Russia foundation to support what he called a new generation of democratically minded Russian politicians. He also supported the liberal parties Yabloko and Union of Right Forces (SPS) financially, as well as the communists and even several members of the pro-Kremlin United Russia. Apparently he was able to uphold a blocking majority in the Duma against a Putin proposal to raise windfall taxes on private oil companies. Khodorkovsky had become the de facto leader of the oligarchs working to secure political influence, thus overstepping Putin’s boundary between politics and business. In January 2003 a paper prepared by the siloviki-fraction<sup>62</sup> leaders Viktor Ivanov and Igor Sechin for a Kremlin national strategy meeting, warned of a threatening coup by the oligarchs.<sup>63</sup> The document was leaked to the press and in April and May it was followed by a large-scale media campaign

<sup>58</sup> I am not aware of what kind of attempts of management or ownership takeover Novaya gazeta, who has Michael Gorbachev as its official protector, has been up against in 2006.

<sup>59</sup> The independent newspaper Nesavisimaya gazeta was in 2005 sold by Berezovsky to the wife of Deputy Economic Development and Trade Minister Konstantin Remchukov and then later sold to Alisher Usmanov, president for Gazprominvestholding, a subsidiary of Gazprom.

<sup>60</sup> Kommersant has also been sold to Alisher Umanov, Reporters Without Borders, Russia – Annual Report 2007.

<sup>61</sup> Freedom in the World, Freedom House, Report for 2006, cited from Radio Free Europe/Radio Liberty, “CIS: Freedom house Sees Further Democracy Decline”, January 17, 2007.

<sup>62</sup> Siloviki is the Russian word for trusties with a background in the security service, police or military (from silovie strukturi or power structures). The siloviki-fraction in the Kremlin will be dealt with at length in chapter 2, below.

<sup>63</sup> Kryshstanovskaya, 2005, p. 224. The Kremlin spindoctor Stanislav Belkovsky presented the idea of a creeping coup d’état in an article in magazine Kompromat in the summer 2003.

against the oligarchs. The first direct warning to Khodorkovsky was when one of his top managers in Yukos and right hand, Platon Lebedev, was arrested in June 2003. But Khodorkovsky chose not to cooperate, apparently convinced that he as Russia's richest man with a net worth of 15 billion dollars (according to Forbes 2003) could not be touched. And with Alexander Voloshin still in office as chief of staff in the presidential administration – a Yeltsin crony, and thus far protector of Khodorkovsky – Khodorkovsky might have held onto the belief that he would be safe.

In the early morning on Saturday 25 October 2003, Khodorkovsky's private airplane, which had landed briefly en route to a business meeting in the Far East, was surrounded and stormed by black clad and armed FSB security agents. Khodorkovsky was arrested and flown back to Moscow where he was presented with six charges of tax evasion and theft of public property, all centred on the questionable privatising of the state fertilizer company Apatit.<sup>64</sup> Monday morning Alexander Voloshin stepped down and on the following Thursday, prosecutors froze 44 percent of the shares in Yukos, worth some 12 billion dollars. In May 2005, after a "fabricated"<sup>65</sup> trial – with "apparent manipulated accusations, where the additional tax claims for some of the years were larger than the total revenue of the company"<sup>66</sup> – Khodorkovsky was found guilty and sentenced to nine years of prison and sent to a penal colony in Siberia. To satisfy a proclaimed back-tax log of some 28 billion dollars, Yukos was broken up, and on 19 December 2004 its main production unit Yuganskneftegaz was sold at a state-run auction. The sole bidder, the previously un-heard of Baikalfinansgroup, paid 9.7 billion dollars, far below the market value.<sup>67</sup> Baikalfinansgroup, it was later uncovered, was headed by Igor Sechin, deputy chief of the presidential administration and one of the leaders of the siloviki-fraction in the Kremlin. On 30 December Baikalfinansgroup was bought by the state-owned oil company, Rosneft, where Sechin has been chairman of the board since July 2004. Later, documents leaked to the financial daily Vedemosti in June 2005 showed that Russia's Central Bank provided the money for the cash-scraped Rosneft through the state-owned Vneshekonombank (controlled by Yuri Zaostrovstev, a siloviki close oligarch).<sup>68</sup>

<sup>64</sup> CRS Report for Congress, "Russian Political, Economic, and Security Issues and U.S. Interests", October 19, 2006, p. 5.

<sup>65</sup> Cf. the international defence council for Khodorkovsky, Robert Amsterdam, Berlingske Tidende, 15/4-04.

<sup>66</sup> Russlandanalysen, 127/07, p. 13.

<sup>67</sup> Yuganskneftegaz had been valued between 15,7 and 17,3 billion dollars by the German investment Bank, Dresdner Kleinwort Wasserstein, on the Kremlin's request. Staun, Berlingske Tidende, "Khodorkovskij's fald", 27/4-05.

<sup>68</sup> Bremmer & Charap, 2006/07, p. 88.

Theories of why Khodorkovsky was targeted are manifold. Not many analysts doubt that irregularities were present when Khodorkovsky's Menatepbank bought a controlling stake in Apatit. Or when he in 1995 in a dubious loans-for-shares deal bought the state-owned oil company Yukos for 350 million dollars. But on the other hand most analysts also argue, that a lot (or most) of the private entrepreneurs of the "wild" 1990s broke some law or other, manoeuvring in the still young and lawless Russian private enterprise society.<sup>69</sup> Why hasn't Roman Abramovich or Vladimir Potanin or Mikhail Friedman been imprisoned? The political thesis would be that they chose to bandwagon and play along with the wishes of the Kremlin and stayed out of politics. Thus, Mikhail Khodorkovsky not only broke Putin's pact with the oligarchs to stay out of politics. He broke with it in public and publicly showed "disrespect" towards the new man in the Kremlin, when he chose to show up in the Kremlin in the beginning of 2003 in jeans and without a necktie. "A sign of disrespect, which Putin could not oversee", as the Russian analyst Pavel Felgenhauer remarked in an interview. And as Khodorkovsky publicly flirted with the idea of running for president in 2008, the pressure on the Kremlin to take action grew heavier. With the large funds from oil-giant Yukos as backing, Khodorkovsky and the liberal opposition posed a serious threat towards the prospects of a Kremlin-chosen successor to Putin as well as to a Kremlin-controlled Duma after 2007. And when Yukos started negotiating a sale of 40 percent of the shares in Yukos to Exxon Mobile – thereby rending Yukos and Khodorkovsky's wealth out of reach of the Russian government and thus weakening Putin's plans for creating a large state-controlled energy sector, which could be used as a foreign policy tool – he probably overstepped the line that made Putin accept the demands from the siloviki fraction that Khodorkovsky should 'be taught a lesson'.<sup>70</sup>

The consequences of the Khodorkovsky-case concerning foreign investment were serious, at least in the short run. The flight of capital from Russia almost tripled as a

<sup>69</sup> As Dmitri Trenin argues, an "universal application of justice would likely land the whole business class (and the entire government bureaucracy) in jail". (Trenin 2005, p. 4.)

<sup>70</sup> Part of the reason for choosing to go after Mikhail Khodorkovsky's Yukos could also be attributed to Yukos' attempt to build a pipeline from Angarsk in eastern Siberia to Daquin in north-eastern China, thus threatening the Transneftprodukt monopoly on pipelines (and thereby the statist-liberal fraction, since Vladislav Surkov, deputy head of the presidential administration, also is chairman of the board in Transneftprodukt). A Yukos-pipeline would also threaten the revenues from oil railway transport rights for the Russian Railway Ministry (Yakunin, second tier siloviki). Thus, Khodorkovsky was a threat to the business interests of central figures within both of the dominant fractions of the Kremlin. The Chinese oil-companies CNPC and Sinopec in 2003 received 3,5 million tons crude oil from Yukos via train, and Yukos had promised the Chinese to enhance the capacity to 10 million ton crude a year at an average cost of 5 dollars a barrel. See Bremmer 2005/06, p.3.

consequence of the case.<sup>71</sup> However, the booming Russian economy soon stabilised and capital started to come back to Russia. And even if the Russian GDP fell a couple of percent in 2004 – which may or may not be a result of insecurity among investors – Russia’s GDP growth still keeps its remarkable rate around 5-7 percent.

More problematic are the long-term consequences of the Yukos case for the still shaky Russian justice system. Denounced as the “scam of the year” by Putin’s then economic adviser Andrei Illarionov (former liberal-technocrat, 2. tier), the Yukos-case has done severe damage to the notions of rule of law in Putin’s Russia. In an interview for the Ekho Moskvyy radio station in December 2003 the well-known Russian author Arkady Vaksberg identified what he called “basmannoe pravosudie” (Basmanny justice) as the worst tendency in contemporary Russia. He defined the term – named after the courtroom in which most of the case against Khodorkovsky took place<sup>72</sup> – as follows: “This is the rapid and demonstrative transformation of law enforcement agencies: not only into simply obedient but into zealous executors of political orders, who break the law and don’t even bother to camouflage it, who present it as a merit, and show off their muscle and impunity to the world”.<sup>73</sup> The defence lawyers of Platon Lebedev and Mikhail Khodorkovsky were called in for formal questioning by the prosecutor general, violating the laws on the rights and duties of lawyers. Their offices searched, also a violation. They were periodically blocked from meeting their clients. Private notes from the meetings between defence lawyers and clients were confiscated. Hearings were held in closed court sessions, often on shifting times without notice.<sup>74</sup> As the German analyst, Otto Luchterhandt puts it: “The conviction of Mikhail Khodorkovsky and Platon Lebedev as felons of white-collar crime will go down as the most spectacular legal scandal in Russian history of the 21<sup>st</sup> century. As henchmen of what in the mean time has become an all mighty presidential executive, the prosecutors office and the courts have fabricated criminal proceedings, within which elementary principles of due process were systematically and cynically violated.”<sup>75</sup> At present, Mikhail

<sup>71</sup> EUI, Country report: Russia at a glance 2004-05, p. 26. In the beginning of August 2003 the Russian finance minister, German Gref, announced that capital flight was expected to grow from 2.9 billion dollars in 2003 to 8.5 billion dollars in 2004.

<sup>72</sup> Until it was moved to another court in Moscow, apparently in order to avoid the spreading of the term “Basmanny justice”.

<sup>73</sup> Arkady quoted from Ledeneva, 2006, p. 24.

<sup>74</sup> Jack, 2004, pp. 307-308.

<sup>75</sup> Luchterhandt, 2005, p. 7. See also Nussberger & Marenkov 2005. Another likely example of “telephone justice” was when the Chief Justice Valery Zorkin of the Russian Constitutional Court ruled that Putin’s decision to abolish the gubernatorial elections was unconstitutional and shortly after decided, that he had changed his mind and that his “interpretation” had changed. Ledeneva, 2005, p. 29.

Khodorkovsky and his former right hand man Platon Lebedev, are facing charges of money laundering, which could give Khodorkovsky up to seven years on top of his eight year sentence. Otherwise, Khodorkovsky and Lebedev would be eligible to apply for parole later this year after having served half of their sentence and thus probably be out of prison before the parliamentary elections in December this year.<sup>76</sup>

One of the main puzzles concerning the Yukos-affair is Putin's role in the case. Not, whether he gave the order to go after Khodorkovsky and Yukos in the first place – which he probably did – but to what extent he was able or unable to control the unfolding of things during the case. In the autumn of 2003 after Khodorkovsky's arrest Putin publicly tried to reassure potential investors that the case was exceptional and that Yukos would not be bankrupted.<sup>77</sup> And in April 2005 Putin used his annual address to the nation to criticize the tax police and told them to stop, what he called “terrorizing” companies.<sup>78</sup> His then chief economic adviser Andrei Illarionov followed suit and in interviews talked of “tax terrorism”. But that didn't stop the siloviki-fraction, and within days, the tax authorities presented the Russian-British joint venture TNK-BP (TNK is controlled by the liberal-near oligarch Mikhail Friedman) with a tax bill for almost 1 billion dollars. Putin also stated publicly that he wanted a three-year statute of limitations on investigations into the investments in the wild Russian economy of the 1990's. However, the law that followed, states that the three-year limitation only starts when the terms of the earlier privatisations have been disclosed fully – thereby handing the tax investigators a giant loophole for future tax investigations.<sup>79</sup> The crucial question is whether these cases are just examples of Putin “double-talk” – one face to western media, another the Russian media – or whether they are showcases of how a siloviki-fraction, hostile to foreign investment in what they term “strategic sectors”<sup>80</sup>, within days is able to undercut Putin's promises, without reprisals from the president?

<sup>76</sup> “U.S. Blasts Russian Move to Slap New Charges on Khodorkovsky”, Mosnews, 6/2-07.

<sup>77</sup> Bremmer 2005/06, p. 2.

<sup>78</sup> Putin, annual Address to the Federal Assembly of the Russian Federation, April 25, 2005, p. 4.

<sup>79</sup> Bremmer 2005/06, p. 2.

<sup>80</sup> The Kremlin has so far not fully defined what sectors are included in the so-called “strategic sectors”, but generally is meant areas such as oil, natural gas, minerals and the weapons industry. (Skidelsky 2007) However, areas such as automotive, machine tools and aerospace are usually part of the definition. As senior economist in the OECD William Tompson expressed it when presenting OECD's Russia Report for 2006: The “definition of “strategic” is somewhat elastic”. (Tompson in Moscow Times 28/11-06) However, prime minister Fradkov has promised a full definition during the Spring of 2007.



Thus, an explanation could be, that the Yukos case can be seen as one of the first signs of a shift in the internal balance of power in the Kremlin – which is divided, as we will see below, between two major fractions, the so-called “siloviki”, people from the security services and armed forces, and the “liberal-technocrats” – rendering the siloviki more powerful. A balance of power shift, which has moved Russia in a more statist, anti-democratic and neo-imperialist direction.<sup>81</sup>

<sup>81</sup> The Moscow-Bureau chief for the Financial Times, Anthony Jack, sees it as a shift towards “hyper-legalism”, where the authorities uses the pretence of respecting the law in its actions against dissent. (Jack 2004, p. 307)

## Chapter 2: Who is in power?

In the following chapter we first discuss “who is in power” including a discussion of the two overarching power groups within the Kremlin and their political worldviews. Second, the report goes through the actors and institutions, which have a say in foreign policy. Third, the report identifies four “schools” within Russian foreign policy strategic thinking, after which it discusses the reasons behind some of the present “quarrels” with the West.

### Clans and grey eminences

Like Yeltsin before him, Putin has tried to secure power by installing trusties and loyalists in various top positions in society, thus enhancing the tendency towards de-institutionalisation or personalisation of policy.<sup>82</sup> Putin has curbed the power of the Yeltsin Family business leaders and the once powerful regional bosses. And he has concentrated authority in the presidential executive at the expense of the legislative and judicial branches of the federal government, as well as the rest of the government executive. But with authority concentrated in the Kremlin, factionalism and personal disputes have become more significant in determining policy – especially so, in cases where policy involves government or state-run business’ interventions in the economy.<sup>83</sup> This leaves plenty of room for speculation and populist and black-and-white expressions like the much talked-about “siloviki”.

Thus, Bobo Lo & Dmitri Trenin criticizes what they call “facile speculation about the ‘shadowy’ influences allegedly exerted by the *siloviki*, members of the Yeltsin ‘Family’, the military, big business interests and so on”. As they put it, “such crude judgements underestimate the untidiness of the policy environment, notably the complex web of personal and bureaucratic interactions – between different officials (and certain well-connected ‘private citizens’) and government (and non-government) entities – that is usually informal and often results in *zakulishnye sdelki* (behind-the-scenes deals) rather than open decisions arrived at in formal settings”.<sup>84</sup> It is of course true that real world political decisions cannot be put into two- or threefold schemes because

<sup>82</sup> As Kryshtanovskaya and White remarks it, formal positions and institutions have never counted for much in Russian nor in Soviet politics. Kryshtanovskaya & White, 2005, p. 1065.

<sup>83</sup> Bremmer & Charap, 2006-07, p. 84.

<sup>84</sup> Lo & Trenin, 2005, p. 9. For a similar opinion, see Renz 2006, p. 4.

off their inherent complexity. However, for the sake of clarity and in order to draw up guidelines for possible future political developments, a description of the overall factions and their respective worldviews and political interests comes in hand.

The Kremlin factions are usually believed to consist of two or three primary groups. The Russian sociologist Olga Kryshtanovskaya divides the factions in three primary groupings: 1) The “Family” (Yeltsin’s people), 2) the “St. Petersburgers”, Putin’s friends and trustees from when he lived in St. Petersburg and 3) the “chiefs of power ministries”<sup>85</sup>, trustees with a background in the security service, police or military – usually referred to by their Russian label *siloviki*.<sup>86</sup> However, as a group, the representatives from the Yeltsin “Family” are no longer that relevant in a discussion of Kremlin factions after the then chief of staff Alexandr Voloshin left (was fired) in October 2003 when Khodorkovsky was arrested and prime minister Mikhail Kasyanov was fired as part of a government restructuring shortly before the presidential elections in 2004.<sup>87</sup> And the distinction “St. Petersburgers” does not tell us much about the worldview or political interests of this group, since it consists of friends from university, liberals Putin knows from his years in the city-government of St. Petersburg (former Leningrad), under the liberal-democratic reformer Anatoly Sobchak, as well as hardliner friends from his past in the KGB. In her later work, Kryshtanovskaya has replaced the three-fold schema with a two-fold schema, with the primary interest groups divided in “liberals” versus “*siloviki*”, where the *siloviki*-group is divided in a domestic and an international group. “Liberal” should in this context be seen ‘as more liberal’ than the nationalistic and statist *siloviki*, which does not amount to much, and primarily be seen in an economic sense. “Liberal” in the Kremlin sense means, that the liberals are not as keen as the *siloviki* on state control of the economy or on nationalizing the so-called “strategic sectors” of the economy. Lilia Shevtsova divides the power-groupings in the Kremlin in four groups, namely “apparatchiki”, “*siloviki*”, “bureaucrats” and “big business”.<sup>88</sup> However, this confuses things, since the *siloviki* both are bureaucrats, apparatchiki as well as representing (state-controlled) big business. Thus, for the sake of clarity and in order to enhance our understanding of the complex power struggles within the Kremlin, I suggest a two-fold scheme: *Siloviki* versus liberal-technocrats.<sup>89</sup>

<sup>85</sup> My translation of the German “Chefs der Repressionsorgane”, which is used in my German version of Kryshtanovskaya’s original Russian text (Kryshtanovskaya 2005).

<sup>86</sup> Kryshtanovskaya 2005, p. 149. A similar division is used in Mommsen, 2003, p. 103.

<sup>87</sup> One of the leading figures with “Family”-relations is Vladislav Surkov, Putin’s chief strategist.

<sup>88</sup> Shevtsova 2006, p. 2.

<sup>89</sup> Bremmer & Charap, 2006-07, p. 85, distinguishes between “liberals, technocrats, and *siloviki*”. Bremmer 2005/06, p. 1, distinguishes between “technocrats” and “*siloviki*”.

## The siloviki

The siloviki-faction in the Kremlin can be divided into two main groups: A group, which is primarily interested in domestic affairs and a group, which is primarily concerned with international affairs and Russia's security. The first group is lead by Igor Sechin, deputy head of the presidential administration and chair of the board of the state-owned oil company Rosneft. Sechin is a friend of Putin's from St. Petersburg in the 1990's, when he was Putin's second-in-command in the St. Petersburg city government's Foreign Affairs committee.<sup>90</sup> Sechin followed Putin, when he first moved from St. Petersburg to the Kremlin presidential administration in Moscow, then to the FSB, and then back to the Kremlin. Sechin was appointed head of the chancellery on 31 December 1999 – the day Putin became acting president. Sechin enjoys Putin's full confidence and controls the president's schedule, the "incoming paper flow and decides who has access to him". He also makes decisions on issues of state secrets protection and is responsible for disseminating secret information among the Kremlin insiders.<sup>91</sup> Another leading member of this group is Viktor Ivanov. A former KGB colonel, Ivanov is advisor to the president and controls personnel issues, a position which gives him large powers to install loyalists in positions in the administration as well as state-owned or state-controlled companies. Ivanov is also chairman of the board of Russia's largest producer of anti-aircraft defence equipment Almaz-Antei and the international air carrier Aeroflot. He was appointed deputy chief of the presidential administration immediately following Putin's appointment as acting president and has direct access to the president. A third top-member of the "domestic" siloviki-fraction is minister of justice, Vladimir Ustinov, the former Procurator General.<sup>92</sup> Ustinov's son is married to Sechin's daughter. Among the other members of the "domestic" siloviki, albeit with a lower ranking (2. tier), are Sergei Pugachev, member of the Federation Council and former head of Mezhprombank – which was instrumental in Rosneft's acquisition of Yukos' main production unit, Yuganskneftegaz – and the president of Rosneft, Sergei Bogdanchikov.

The second and more international and security minded group of siloviki are more or less lead by former defence minister, now first vice-prime minister Sergei Ivanov,

<sup>90</sup> Mukhin 2005, p. 204.

<sup>91</sup> Charap 2006, p. 1; The Kremlin information portal on [www.kremlin.ru](http://www.kremlin.ru).

<sup>92</sup> Ustinov was fired as procurator general in May 2006 following a major corruptions scandal surrounding the furniture company "Liga Mars" and its showrooms "Three Wales", involved in weapons smuggling and money laundering. According to the political analyst Alexandr Makarkin, Ustinov was fired in order to re-establish the balance between siloviki and non-siloviki forces in the Kremlin. (Moscow Times, 19/6-06) An argument supported by the political commentator Julia Latinina (Moscow Times, 21/6-06). However, the siloviki appears to have regained their strength shortly after, since Ustinov was appointed minister of justice on 23 June 2006.

so far one of the two most likely successors to Putin.<sup>93</sup> As a member of this group can also be counted the director of the FSB, Nikolai Patrushev, foreign minister, Mikhail Lavrov, director of the foreign intelligence service SVR, Sergei Lebedev, and the chief of the General Staff, Yuri Baluyevsky. According to Kryshstanovskaya and White<sup>94</sup>, Prime-minister Mikhail Fradkov is a protégé of Sergei Ivanov and has the function of promoting the policies of the siloviki within the government. A new member of the higher-ranking siloviki is Putin's new chief of staff, vice-prime minister Sergei Naryshkin, who is also a member of the board of Rosneft.<sup>95</sup>

Even if the term "siloviki" refers to the member's common present or former background in the armed services, law enforcement structures or intelligence agencies, they are united more by "worldview" and outlook than occupational background. Thus, among the group of siloviki are also people who do not share a background in force structures, like Sergei Bogdanchikov, who is president of the state-owned oil company Rosneft, who is a key member (2. tier) of the siloviki despite never having served in the force structures.<sup>96</sup>

Uniting the siloviki are a set of core values or joint preferences of policy. First of all, the siloviki believe that the state is the very base of society and therefore should be strong. Thus, they work for an enhancement of state power in all spheres, consolidated by a strengthening of the security and defence structures. The state should also control (not necessarily own) the economy, at least within the so-called "strategic sectors". They believe that Russia's rich natural resources belong to Russia, meaning the state, and deplore the privatisation of the economy in the early 1990s. There are clear nationalistic and xenophobic elements and sometimes even anti-Semitic views on public display by leading siloviki members, as well as widespread support for the Orthodox Church. The siloviki "national project" can somewhat sharply defined be summarised as follows: "patriotism; anti-Westernism; imperialism, Orthodox clericalism; militarism; authoritarianism; cultural

<sup>93</sup> The former director of the tv-station NTV and political commentator Yevgeny Kiselyov argues that Sergei Ivanov is independent of the two Kremlin clans. *Moscow Times* 24/1-07, p.9.

<sup>94</sup> Kryshstanovskaya and White, 2005, p. 1070.

<sup>95</sup> Sergei Naryshkin, who is Mikhail Fradkov's former chief of cabinet, is occasionally described as a sort of middle-ground person between the two fractions. Furthermore, he is also sometimes pointed out as the possible third successor-candidate to Putin, see Georgy Bovt, "Just Muddyin the Waters", in *Moscow Times* February 19, 2007, p. 11; Olga Kryshstanovskaya in *Moscow Times*, "Putin Seeks to Narrow Presidential Race", February 19, 2007, p. 3. For further on the siloviki, see: Kryshstanovskaya and White 2005; Charap 2006; Bremmer 2005/2006; Bremmer and Charap 2006/2007; Mukhin 2005.

<sup>96</sup> Bremmer and Charap 2006/2007, p. 86.

uniformity; xenophobia; economic dirigisme; and demographic pessimism”.<sup>97</sup> Vis-à-vis foreign policy, the siloviki work to establish a strong Russian state which can restore Russia’s “greatness” in international relations and reclaim Moscow’s former sovereignty and influence in the so-called “near abroad”, the non-Russian states of the former Soviet empire, which was lost with the collapse of the Soviet Union – according to Putin, the “greatest geopolitical catastrophe in the 20<sup>th</sup> Century”.<sup>98</sup> Some of the siloviki even talk of reintegrating the former Soviet republics into Russia to the largest possible extent.<sup>99</sup> The United States and NATO are (still) viewed as the main threat to Russia’s interests as well as Russia’s sovereignty. An enemy, which can only be countered by a viable Russian nuclear deterrent, a strong and large army with the possibility of countering a NATO lead invasion. Shortly after the Orange Revolution in Ukraine in 2004 – where Putin openly supported the (temporarily) loosing part, Viktor Yanukovich – there was much fearful talk among the Moscow elite of the risk of a similar public uprising happening in Russia, seeing the revolution mainly as a result of Western power’s influence in Ukraine, rather than as a self-grown public revolt. The siloviki to a large extent also support the notion of Russia being encircled by NATO expansion and growing American presence in the Caucasus (notably Georgia) and Central Asia.

### **The liberal-technocrats**

The other major fraction within the Kremlin is the “liberal-technocrats”, who are in opposition to the power of the siloviki. “Liberal” should in this context as explained above simply be understood as more liberal than the very statist siloviki. Thus, clear authoritarian views are also commonplace among the leading “liberal-technocrats”. The leader of this group is the former head of the presidential administration, now first vice-prime minister and possible successor candidate to Putin, Dmitri Medvedev, who is also the chairman of the state-controlled gas-company, Gazprom. He is seconded by Vladislav Surkov, the Kremlin chief strategist and supposed creator of United Russia<sup>100</sup>, Rodina and LDPR; German Gref, minister for economic development and trade; Alexei Kudrin, finance minister; Dmitri Kozak, presidential envoy, as well as Alexei Miller, director of Gazprom.<sup>101</sup>

<sup>97</sup> T. Polyannikov quoted from Kryshatanovskaya and White 2005, p. 1073.

<sup>98</sup> Putin, Annual Address to the Federal Assembly, 25/4-05.

<sup>99</sup> Bremmer and Charap, 2006-07, p. 89.

<sup>100</sup> Surkov is accredited with the fusion of the two, large “administrative” parties, “Unity” and “Fatherland-All Russia” into “United Russia”. Mommsen 2006, p. 6.

<sup>101</sup> For more on the liberal-technocrats, see: Kryshatanovskaya and White, 2005; Bremmer 2005/2006;

The liberal-technocrats agree that Russia should be governed by the so-called “single vertical” – a strong and centralised executive. Where they disagree with the siloviki are on visions of economic development. They have not been (terribly) against partial re-nationalisation of the economy, especially in the so-called “strategic sectors”. However, they insist that the re-nationalisation should be carried out over a relatively extended period of time and at best in accordance with the law. One of their main concerns at the time of the Yukos-case, was its possible damaging effects on investment in Russia and thus for the continuing private sector growth. Capital flight was four times greater in 2004 than the year before, probably as a result of the Yukos-case<sup>102</sup>.

For the sake of clarity the different key persons of respectively siloviki and liberal-technocrats are listed in the table below.

<sup>102</sup> The flight of capital from Russia increased four times in 2004, from approximately 1,7 million dollars to approximately 8,5 million dollars, according to the Russian central bank. The economic growth in the first quarter of 2005 fell to 5,2 percent from 7,1 percent in 2004 and 7,3 in 2003. Berlingske Tidende 5/7-05.

## The siloviki

### 1. tier

Igor Sechin, deputy head of the presidential administration  
Viktor Ivanov, advisor to the president  
Vladimir Ustinov, minister of justice  
Sergei Ivanov, first deputy prime minister  
Nikolaj Patrushev, director of the FSB  
Sergei Lavrov, minister of foreign affairs  
Sergei Lebedev, director of the foreign intelligence service SVR,  
Yurii Baluevsky, chief of the general staff  
Anatoly Serdyukov, minister of defence  
Sergei Naryshkin, chief of staff, vice-prime minister

### 2. tier

Sergei Pugachev, member of the Federation Council; Sergei Bogdanchikov, director of Rosneft; Viktor Cherkosov, head of the Federal Service for Drug Control; Vladimir Yakunin, president of the Russian Railways; Sergei Oganessian, director of the Federal Energy Agency.

### 3. tier

Andrei Belianinov, director of the Federal Customs Service; Sergei Chemezov, head of the state-controlled arms exporter Rosoboronexport; Igor Levitin, minister of transport; Rashid Nurgaliev, minister of internal affairs; Sergei Shoigu, minister for emergency situations; Sergei Mironov, chairman of the Federation Council and leader of A Just Russia.

### Related companies (major)

Rosneft (Igor Sechin chairman of board)  
Rosoboronexport (Sergei Chemezov director general)  
Aeroflot (Viktor Ivanov chairman of board)  
Almaz-Antei (Viktor Ivanov chairman of board)  
Vneshekonombank (Yuri Zaostrovstev)  
Rosatom (Sergei Naryshkin)



## The liberal-technocrats

### 1. tier

Dmitri Medvedev, first deputy vice-prime minister, head of board of Gazprom

Vladislav Surkov, Kremlin chief strategist

German Gref, minister for economic development and trade

Alexei Kudrin, finance minister

Dmitri Kozak, presidential envoy

Alexei Miller, director of Gazprom

### 2. tier

Leonid Reiman, minister of telecommunications; Aleksei Gordeev, minister of agriculture; Yuri Trutnev, minister of natural resources; Igor Shuvalov, presidential aide; (Andrei Illarionov, former chief economic adviser to Putin); Vladimir Kogan, St. Petersburg Banking House; Anton Ivanov, chairman of the Higher Arbitration Court; Sergei Kirienko, former presidential envoy (and prime minister under Yeltsin); Boris Gryslor, leader of United Russia, (promoted by Dmitri Kozak); Mikhail Zubarov, minister of health and social development.

Oligarchs associated with the liberal-technocrats: Mikhail Friedman, owner of Alfa Bank (and Alexander Abramov, deputy chairman of Alfa Bank); Alisher Usmanov, metals magnate.

### Related companies (major)

Gazprom (chairman of board Dmitri Medvedev. Also Kudrin, Gref, Miller on board)

Transnefteproduct (chairman of board Vladislav Surkov)

Transneft (chairman Kristenko)

Alfa Bank (majority owner Mikhail Friedman)

## Chapter 3: Russian Foreign policy

### Actors and institutions

Foreign policy is in the Russian tradition by all means a *tsarskoe delo* – a matter for the tsar, now **the president**, to decide. Yeltsin favoured personal contacts with state leaders – it was Boris and Bill, Boris and Helmut – thus resembling a return to the time when Europe was ruled by family-related kingdoms. But also during Soviet times foreign policy was centrally controlled. In the USSR, foreign policy was marked by strong individuals such as Lenin, Stalin, Khrushchev, Brezhnev and Gorbachev. According to Valentin Falin, a former Soviet secretary of the Party Central Committee, “decisions regarding German reunification in 1989-1990 were made personally by Gorbachev, advised by Anatoly Chernyaev and Georgi Shakhnazarov. The Party Central Committee (where Falin then worked as secretary, i.e. a sort of party minister) and even foreign minister Eduard Shevardnadze were generally not in the loop”.<sup>103</sup> Thus, Putin’s insistence on tight control over Russia’s foreign policy is not without historical precedence – rather more the rule than not. Apart from the central control and the primacy of individuals over institutions attributed to the foreign policy area, there is also a preference towards personal relations over institutionalised relations. Like Yeltsin before him, Putin has shown a preference for personalised relations (in the German public debate denoted as so-called “*männerfreundschafts*”, friendships between men) with the former German Chancellor, Gerhard Schröder, the former Italian prime minister, Silvio Berlusconi, and the former French president, Jacques Chirac, who all on several occasions were invited to Putin’s Sochi-resort at the Black Sea or to his private estate outside Moscow, where they in the icy winter frost would be invited for sauna leisure time before bilateral agreements between the two countries were agreed upon and the invited businessmen signed their own deals.<sup>104</sup> As the Russian political commentator Yulia Latinina argues, Putin wins friends, because friends don’t betray you: “The Kremlin operates according to simple principles: Make a friend of someone and you can do as you please; your friend will always back you up”.<sup>105</sup> Even if this might be a bit simplistic, the “winning-friends” policy seems

<sup>103</sup> Trenin and Lo, 2005, p. 9.

<sup>104</sup> The weakness of this “personalised approach” to foreign relations is of course that the build-up partnerships between statesmen risks falling apart when they are no longer in office. Which seems to have been the case for Russian-German relations after the former East-German Angela Merkel took office. The same seems to be true for Russian-Italian relations after the technocrat Romano Prodi took office. What direction Russian-French relations and Russian-British relations will take with Sarkozy and Brown remains to be seen.

<sup>105</sup> Latinina, Moscow Times 24/1-07, p. 8.

to have underscored the bilateral strategy with which the Kremlin during Putin's reign have been able to play the European states' interests out against each other and outmanoeuvred the institutionalised approach of the EU bureaucracy, particularly concerning energy security, where the lack of a joint European energy strategy have let the minor EU countries at odds with a hard negotiating Russia. Thus, Moscow has had luck in negotiating separate deals with energy companies from Germany, France, Italy, Hungary, Serbia, Slovakia and Denmark, which undercut the possibilities for a joint EU-policy and weakens EU's efforts to build additional pipelines to bypass Russia's near monopoly on supply from Central Asia.<sup>106</sup> And for a long time the "friendship" with George Bush – who famously had "looked the man in the eye" and "was able to get a sense of his soul"<sup>107</sup> – kept the critical voices in the US-administration at bay.

Even if the Russian president himself is the final arbitrator in foreign policy matters, he does not seem to have a real foreign policy advisor, but only an aide who helps him with daily routines and information flows. Lo and Trenin argues that this is because "the president believes he knows it all himself".<sup>108</sup> The reason could also be that the president on foreign policy issues receives advice from his usual advisors in the **presidential administration** (presidential executive office), which is fully and exclusively answerable to the president – also dubbed Russia's "true national government"<sup>109</sup> – and from the people, who take part in the regular Monday and Saturday meetings<sup>110</sup>, which are dominated by the two main fractions of the Kremlin inner circle, the siloviki and the liberal-technocrats. As a sub-division of the presidential administration, the **Security Council**, at present led by former foreign minister, Igor Ivanov, was originally thought as a counterpart to the U.S. national security advisor (or a modern version of the Polit Bureau) but has only periodically lived up to its name. During the Georgian crisis in 2003 Ivanov played an instrumental role in securing a peaceful transfer of power between the Shevardnadze- and the Sakashvili-governments, but during the Orange Revolution in Ukraine he only had an insignificant role. The **FSB** (Russia's domestic intelligence service), which is headed by an old time ally of Putin, Nikolai Patrushev, and the **SVR** (foreign intelligence service), headed by Sergei Lebedev, play a crucial role since they "seem to provide the Kremlin with much of the

<sup>106</sup> Smith 2007.

<sup>107</sup> Press Conference by president Bush and Russian Federation president Putin, Brdo Castle, Brdo Pri Kranju, Slovenia, June 16, 2001, The White House, p. 4.

<sup>108</sup> Lo and Trenin, 2005, p. 10.

<sup>109</sup> Ibid., p. 10. See also Bremmer and Charap 2006/07, p.87.

<sup>110</sup> For more on this, see Krystanovskaya and White, 2005.

analysis of the domestic and international situation, as well as policy proposals”.<sup>111</sup> As globalisation makes economic issues more important, institutions like the IMF, the World Bank, the WTO and the EU have given an increasing importance to the government ministers from the involved ministries vis-à-vis delivering expert input on specific issues.<sup>112</sup> The closer we get to the presidential election in March 2008, the larger the role of the **prime minister** – a position, where an appointed possible successor to Putin could be tested and gain publicity with the wider public – will be, also on important foreign policy issues.<sup>113</sup>

If Dmitri Trenin’s description of Putin’s Russia as “something like a Russia Inc., with top Kremlin staffers and senior minister sitting on the boards of various state-owned corporations and taking an active interest in their progress and profits”<sup>114</sup>, where foreign policy to a large extent is determined by private and corporate interests, which are “behind most of Moscow’s major policy decisions, as Russia is ruled by people who largely own it”<sup>115</sup> is valid, **private interests** (in combination with a high ranking place in the network around the central institutions of the Kremlin) should also play a role in Russian foreign policy. Thus the recent price hikes on natural gas for first Ukraine and then Belarus, leading to short-lived termination of the gas deliverances, also for EU-customers, could be seen as a result of private interests among the liberal-technocrat fraction of the Kremlin, which control Gazprom. In the conflict between terminating gas subsidies to former Soviet republics and keeping them in Moscow’s political orbit, the material interests of Gazprom (and thus Medvedev, Gref, Kudrin and Miller) won.<sup>116</sup> Private interests could also play a role in Gazprom’s takeover of the majority rights in Shell/Royal Dutch’s Sakhalin II project as well as explain the hard state pressure on TNK-BP. Moreover, the infighting between the different Kremlin fractions is occasionally visible in the public, most notably

<sup>111</sup> Lo and Trenin, 2005, p. 12.

<sup>112</sup> Ibid., p. 11.

<sup>113</sup> The publicity-issue has so far been dealt with by testing both Ivanov and Medvedev on high-profile foreign policy issues. Thus, as Foreign Minister Sergei Ivanov was given the opportunity to follow Putin on his January trip to India, concluding a large arms deal and signing off a deal on export of four new nuclear power stations to India. First Vice-Prime Minister Dmitri Medvedev on the other hand, was the Russian head attraction at the World Economic Forum’s annual meeting in Davos, Switzerland, trying to convince international investors of Russia’s attractiveness and reliability as energy exporter. Both trips made headlines in Russian and international press.

<sup>114</sup> Trenin, 2007, p. 95.

<sup>115</sup> Ibid.

<sup>116</sup> Ibid., p. 96. This policy, however, could also be explained with the concept of neo-imperialism, which we go through below. Thus, the pressure, which has hit Georgia, Ukraine, Moldova and lately Belarus, involving trade sanctions and expulsion of ethnic groups living in Russia (Georgians), could be explained as a neo-imperial Russia trying to consolidate its interests in the former Soviet area. (Shevtsova 2006, p. 3)

in the turf wars between different businesses or state monopolies over resources or lucrative business opportunities. Thus, Transneftproduct, Russia's pipeline monopoly, controlled by Gazprom, has battled the Russian Railway Ministry (controlled by Yakunin, a 2. tier member of the siloviki fraction). Also, the Yukos-case could be seen as a result of a shift in the internal power balance between the liberal-technocrats and the siloviki coupled with a private interest in taking over the spills of Yukos, most notably Yuganskneftegaz. Concerning Russia's policy on Iran one could also speculate whether private interests has a role in Russia's insistency on supplying Iran with nuclear power stations and fuel. Thus, Sergei Prikhodko – who is responsible for organizing information and analysis for the president on foreign policy matters – also has a seat in the board of TVEL, the Russian monopoly on export of nuclear fuel<sup>117</sup>, and vice-prime minister Sergei Naryshkin is director for RosAtom.

### Foreign Policy strategic thinking

Since the break-up of the Soviet Union there can be identified four so-called “schools” of foreign policy thinking.<sup>118</sup> They follow more or less successively in time (representing different power groups), but are still present in the debate as distinct if sometimes overlapping discursive formations articulated around central concepts, which it is possible to re-articulate and subsequently use in policy-formulation<sup>119</sup>:

1) The “**hard traditionalists**” exemplified by the hard-line opposition to Gorbachev's democratic reforms. But whereas the Soviet thinking was based on a premise of two antagonistic economic systems, this post-Soviet view is guided by a traditional geopolitical worldview, wherein states strive for control over lines of communication, natural resources or strategic geographical positions in order to gain regional or global hegemony. The geopolitical premises are then supplemented with romantic nationalist

<sup>117</sup> Schröder 2007b, p. 4.

<sup>118</sup> Fedorov 2006. The concept of “foreign policy schools” used here is more narrowly formulated than Ole Wæver's concept of “schools” in international relations (Wæver 1992), and functions more like the layered discourse formations (somewhere between second and third layer) in (Wæver in Dyrberg, Hansen and Torfing, 2000; Hansen and Wæver, 2002)

<sup>119</sup> Fedorov 2006, p. 2. Russian foreign policy thinking is often divided in a two-fold scheme between “Westerners” and “Eurasionists”. See for example (Pointkovsky 2006). However, I believe that these two categories are not accurate enough in order to describe the overall lines or “schools” of Russia's foreign policy after the break down of the Soviet Union. Rather, elements of the thinking from the “Westerners” and the “Eurasionists” (or “Slavophiles”) can be found scattered among the four foreign policy schools. For a conceptual history on how the debates between the “Westerners” and the “Slavophils” are an integrated part of Russia's selfunderstanding vis-a-vis Europe, see (Neumann 1996). Or see (Lo & Trenin, 2005, p. 5.) for a description of Russia's foreign policy as a “major battleground in the struggle for a new national identity between the traditionalist/conservative and innovative/liberal trends in Russian society”.

Slavophile and Eurasian ideas of a civilisational conflict between Russia and the West, caused by a “thousand-year antagonism towards Russia harboured by the West and by our own Russian intelligentsia”.<sup>120</sup> Thus, the US and some European states have the intension of trying “to establish a ‘pro-Western’ puppet regime (in Russia, J.S.) so as to gain control of Russia’s natural resources”. Chechen terrorism is perceived as “a method employed to seize by force the territories that Russia defended from the Ottoman Empire and Persia, having Britain behind”.<sup>121</sup> Thus, the US is fighting for “imperial interests” in order to achieve “global governance”, while Russia is fighting for its “continued existence on its own territory”.<sup>122</sup> To avert the threat from the US and Europe, Russia has to maintain a strong and viable nuclear deterrent – perhaps even re-establish some of the Soviet arsenal – and be able to fight a large conventional war in Europe.<sup>123</sup> The “hard traditionalist” view is supported not only by nationalists from the Rodina fraction (or the ultra rightwing LDPR), or by eurasionists such as Alexandr Dugin, leader of the Eurasian Party, but also by non-transition-adapt members of the Russian armed forces, so-called hard ‘statists’ (gosudarstvenniki) with strong positions within the bureaucracy or the security sector, and members of the siloviki-fraction.<sup>124</sup>

2) The “**pragmatist**” school also stems from the early 1990s and follows suit on what can be called the “European choice for Russia” or the “Europeanist” side of the centuries old struggle between “Europeanists” and “Slavophiles”.<sup>125</sup> Russia in the view of the “pragmatists” has to align itself with the Western democracies if it is not to become irrelevant in the world system. Thus, Russia has to engage in the ever globalizing world economy, develop effective public institutions and systematise its cooperation with the West, especially the European states. In the early 1990s foreign minister Andrei Kozyrev unsuccessfully tried to establish Russia as an equal

<sup>120</sup> Vice-Chairman of the Duma Foreign Policy Committee, Duma-member for the Rodina-fraction, Natalia Narochnitskaya quoted in TOL 19 December 2003, “Rodina’s Roots” from *Ezhenedelny Zhurnal*.

<sup>121</sup> Narochnitskaya, 2007, p. 5.

<sup>122</sup> *Ibid.*

<sup>123</sup> According to the independent Russian defence analyst, Pavel Felgenhauer, the Russian army is still preparing to fight a major war with NATO and the U.S. This, he claims, is obvious from the fact “that within the Russian army there are still around 100.000 colonels and lieutenant colonels. Because what would you need that many colonels and lieutenant colonels, if not in order to be able to handle the mobilization of an army of 5 to 10 million men”. (Staun, DR-P1, “Europaklip”, 20/6-03)

<sup>124</sup> Thus, it could be argued that this is the line of thinking behind the Chief of the General Staff, Army General Yury Baluyevsky’s threat that Russia could unilaterally abandon the INF treaty and re-deploy intermediate Russian nuclear missiles in the European part of Russia, primarily targeting Western Europe. See RIA-Novosti, 15/2-07, “Russia may unilaterally quit INF treaty – General Staff”.

<sup>125</sup> Neumann, 1996. The distinction between “Europeanists” and “Slavophiles” is also often framed as “Westerners” versus “Eurasians”, see: Piontkovsky, 2006.

partner for the Western states.<sup>126</sup> The pragmatists do not believe in the likelihood of an all-out war with NATO or the US or of a military confrontation with the US in the Russian so-called “near-abroad”, i.e. the former Soviet Union area. Thus, they argued (and argue), Russia needs a small but mobile, well-equipped and well-trained professional army, which can fight local, minor wars and participate in anti-guerrilla operations in and outside Russia’s borders.<sup>127</sup>

3) The “**multipolar**” concept, usually attributed to then foreign minister Yevgeny Primakov who offered it as a corrective of the ‘pro-Western’ line of Kozyrev, asserts that the international system after the Cold War is not unipolar, but determined by an interaction of many “poles”, or great powers, in the system: Russia, the integrated Europe, China, Japan, (sometime India and Brazil is included) and the US. The US is still seen as Russia’s main opponent, but whereas the “hard traditionalists” see the West as one core unit, the multipolar concept splits up the West in a more and more independently acting (or split) EU pole, which sometimes is at odds with US policy, thus leaving room for manoeuvre for Russia, which was used in the pre-phase to the Iraq war, when Russia aligned itself with Germany and France against the US-lead invasion. And in order to counterbalance US interests especially in Central Asia, the multipolarists opt for a so-called “strategic partnership” with China and India, or as one of Primakov’s advisors, Andrei Kokoshin, originally put it: the “Big Triangle”.<sup>128</sup>

4) The “**neo-imperialists**”. The multipolar concept has undergone several changes since the days of Primakov, notably in the aftermath of 11 September 2001, when Putin declared his solidarity with the US, supported the US-led war on terror and let the US establish military bases on former Soviet soil – in Georgia, Kyrgyzstan and Uzbekistan – as part of the American lead invasion of Afghanistan. However, Putin’s opening towards U.S. was not followed by US concessions or enhanced cooperation. Shortly after the US cancelled the ABM-treaty without taking Russia’s protests into account, supported the “coloured revolutions” in Georgia and Ukraine – which the Kremlin largely see as a result of Western interference and not of the political elites corruptness – and invaded Iraq in spite of a Chinese and Russian UN-veto and vocal protests from several of its larger European NATO-allies. This led

<sup>126</sup> Schröder 2006, p. 3.

<sup>127</sup> The professionalization of the Russian military has been one of Putin’s most long-lived reformist projects, a task which he put his trusted friend and former FSB-colleague, Minister of Defence Sergei Ivanov, in charge of. So far without much success – opposition within the military has apparently been to strong.

<sup>128</sup> Federov, 2006, p. 6.

to a re-interpretation of the multipolar concept drawing on many Russians' almost instinctive sense of Russia's greatness (*dershavnitschestvo*, the sense of being a great power)<sup>129</sup> adding on elements from the Eurasianist or Slavophile ideologies into a neo-imperialist concept of Russian foreign policy goals. Russia's foreign policy is first and foremost to secure Russia's sovereignty and to work to restore the country's "international status as a global great power", including "restore its dominion over the new independent states except the three Baltic states".<sup>130</sup> In order to reach these goals, Russia is to keep its nuclear deterrent intact and use its newly won status as energy-giant to regain lost influence on the international scene and work to establish a "strategic partnership" with China.<sup>131</sup> One of the proponents of neo-imperialism, Anatoly Chubais<sup>132</sup>, who is leader of the liberal-democratic party, Union of Right Forces (SPS), and majority owner of Russia's electricity monopoly, Unified Energy Systems (UES), in October 2003 wrote an article in the *Nezavisimaya Gazeta* – one of the Foreign Policy establishment's preferred newspapers for launching debates – proclaiming Russia the "only, unique and natural leader" of the former Soviet area, now to a large extent joined in the CIS.<sup>133</sup> Chubais claimed that Russia's mission in the 21st Century was to build a "liberal empire"<sup>134</sup>, which again could "take up its position side-by-side with the USA, EU and Japan, the position it has been given by history". Shortly after, he was seconded by the then leader of the nationalist Rodina (Motherland) party, Dmitri Rogozin, who in November 2003 in *Izvestia* called for a Russian "economic policy of expansion in all of the post-Soviet area" coupled with a military pre-emption policy against any threats to Russian citizens or borders.

Celeste Wallander argues that the concept of neo-imperialism cannot adequately explain "the maligned neglect and failure to reform the Russian military" nor why "Russia has been very restrained in the use of force toward its post-Soviet neighbours" or withdrawn its military forces from bases in Georgia.<sup>135</sup> Instead she proposes the concept "transimperialism": "In the transimperialist framework, it is not surprising

<sup>129</sup> Shevtsova 2006, p. 3.

<sup>130</sup> Fedorov, 2006, p. 4.

<sup>131</sup> Putin's "strategic partnership" with China, proclaimed in the summer 2005, as well as the establishment of the Shanghai Cooperation Organisation (SCO), which includes China, Russia, Kazakstan, Kyrgyzstan, Tadshikistan and Uzbekistan and with India as observer, can be seen as specific policies grown out of this strategic idea.

<sup>132</sup> A position Chubais might have taken in order for his controlling stake in Unified Energy Systems, UES, be left alone.

<sup>133</sup> Eurasia Insight, "Russian Policymakers air notion of 'liberal empire' in Caucasus, Central Asia", 27/10-03.

<sup>134</sup> "Liberal" should here be understood more or less in economic terms only.

<sup>135</sup> Wallander 2007, p. 114.



that Russia is withdrawing military forces from the Caucasus while extending Russian ownership of gas pipelines through joint projects with its post-Soviet neighbours. Military power is not the key to sustaining the patrimonial networks at home and abroad. Instead, non-transparent transnational companies and state-to-state negotiations beyond the scope of normal commercial relations create the rents<sup>136</sup> and mechanism for accessing and distributing them”.<sup>137</sup> However, if one stresses the “neo-” in neo-imperialism, the features of transimperialism could be seen as part of the concept of neo-imperialism.

### **Parting with the West**

Since the end of 2003<sup>138</sup> Russia has on central issues gradually parted with the West and is moving more and more in its own direction. One of the defining features of Russian post-2003 foreign policy has been the prevalence of so-called zero-sum thinking – a central feature of the hard traditionalists, the multipolarists and the neo-imperialists. Within zero-sum thinking growing Western influence in the Caucasus (i.e. in Georgia) or Eastern Europe (i.e. in Ukraine) has come to be seen as loss for Russian interests. The same goes for NATO’s eastward expansion, which is seen if not as a threat then as a de facto diminishing of Russian influenced territory. Furthermore, one of the key issues for the Western public, human rights, are broadly seen as “no more than a disguise for ‘real’ political goals of the Western leaders”<sup>139</sup> – ‘real’ understood as economic, political or military interests of the Western powers. Thus, there has been a growing Russian pressure on the European Court of Human Rights in Strasbourg. The court each year receives more complaints from citizens in Russia than from any other country – presumably because ordinary Russians do not trust their own courts to give them a fair trial – which is a thorn in the eye of the Kremlin. In December 2006 the Russian lower house of parliament, the State Duma, refused to ratify a court reform, which is designed to speed up decision-making. And even if the Russian government officially supported the reforms, Russia is now the only country out of the 46 member-states, which has refused to agree to the changes, thus de facto blocking reform. “It’s not acceptable that this organization

<sup>136</sup> Wallander’s concept of “rents” is a central part of his description of the Russian “patrimonial” society, where “patron-client relationships are dependent on control and distribution of ‘rents,’ wealth created not by productive economic activity but by the political manipulation of economic exchange”. (Wallander 2007, p. 116)

<sup>137</sup> *Ibid.*, p. 118.

<sup>138</sup> With the Yukos-case as the first major public starting-signal.

<sup>139</sup> Morozov, 2002, p. 2. Morozov denotes this type of thinking as “romantic realism”.

<sup>140</sup> Washington Post, “European Court Finds Two Chechens Were Tortured”, January 19, 2007, p. A14.

is used for attacks on the Russian Federation”, as leader of the Party of National Revival (Narodnaya Voljya) elected for the Rodina block, Sergei Baburin said of the European Court at the time of the vote.<sup>140</sup>

Russia has also tried to hamper the work of the OSCE. Firstly, Russia disallowed the OSCE human rights mission in Chechnya to continue its work after 31 December 2002, reportedly as a consequence of OSCE’s decision to stop the OSCE-missions in Estonia and Latvia, and probably also because of the OSCE’s continuing critique of the human rights situation in Chechnya during and after the war. Secondly, Russia has turned its critique towards the OSCE election-monitoring unit, ODIHR. The Russian policy-shift started during the second war in Chechnya, when deputy foreign minister Yevgeny Gusev in June 2000 said that there was “direct evidence”, that the West was trying to convert the OSCE into “a mechanism for interference in the internal affairs of some member states”, “as well as a tool for the expansion of the Western influence”.<sup>141</sup> The critique continued with renewed effort after the “orange revolutions” in Georgia, Ukraine (and Kyrgyzstan) – where Moscow supported the losing parties and the independent election monitors played a vital role. Thus, Russia vetoed OSCE’s budget and worked to change the organisation’s purpose. Russia wanted the organisation to spend less time on human rights and democracy and more time on security and terrorism. “If the OSCE is that committed to human rights, why does it not apply more pressure on Latvia to give full citizenship rights to the large Russian minority”, the Russian ambassador to the OSCE, Alexei Borodavkin, asked in an article in the *International Herald Tribune*.<sup>142</sup> After months of delicate negotiations Russia lifted its veto on the 2005 budget on condition that the issue of future contributions and the priorities of the OSCE should be reviewed at a later point in time.<sup>143</sup> Thus, in February 2007 foreign minister Sergei Lavrov reiterated the Russian critique of the OSCE and said, that the organization was no longer needed.<sup>144</sup> And in a blistering speech at an international security conference in Munich on 10 February 2007, Putin chided the OSCE for “interfering in the internal affairs of other countries”, and said that “people are trying to transform the OSCE into a vulgar instrument designed to promote the foreign policy interests of one or a group of countries”.<sup>145</sup>

<sup>141</sup> Gusev quoted from Morozov 2002, p. 26.

<sup>142</sup> “Russia tries to force cut in rights monitoring”, *International Herald Tribune*, March 30, 2005.

<sup>143</sup> *International Herald Tribune*, “Russia ends dispute over human-rights body’s budget”, May 13, 2005.

<sup>144</sup> RFE/RL Newswire, 5 February 2007.

<sup>145</sup> Putin, *Moscow Times*, 12/2-07, p.1.

One of the reasons for the Russian critique of OSCE during and after the Ukrainian “Orange Revolution” was not only geopolitical zero-sum thinking within the top echelons of the Kremlin viewing a democratic Ukraine a loss for Russia, but also because of a widely felt anxiety that the same thing could happen in Russia. Shortly after the upheaval in Ukraine, the Kremlin chief political strategist, Vladislav Surkov, created a new youth organisation called “Nashi”<sup>146</sup>, or “Ours”, a pro-Kremlin “Putin-youth” organisation, designed to battle the creation of any opposition youth organisations on Russian soil similar to the Ukrainian Pora!<sup>147</sup>. Pora! was instrumental in the demonstrations in Kiev and other Ukrainian cities during the standoff between prime minister Viktor Yanukovich and Orange Revolution leader Viktor Yushchenko. Dmitri Medvedev, then Putin’s chief of staff, warned in the magazine “Ekspert” that an “orange revolution” in Russia where the elites were not consolidated under one leader, would mean that Russia “may disappear as one state”. “The break-up of the Soviet Union will look like child’s play compared to a government collapse in modern Russia.”<sup>148</sup> In order to secure that such a scenario did not play out in Russia, the Russian government in the end of 2005 tightened the rules regulating domestic and foreign NGOs, giving the authorities, without a court order, wide-ranging powers to monitor the activities and finances of NGOs, including the right to suspend NGOs should they “threaten Russia’s sovereignty or independence”.<sup>149</sup> Publicly, the Kremlin purported the view, that NGOs attract “all the world’s intelligence services”, as head of Russia’s Foreign Intelligence Service, Sergei Lebedev, expressed it, and that the new NGO-law was made in order to make “their funding being transparent ... we don’t want them led by puppeteers from abroad”, as Putin put it in 2006 commenting on a spying row in which Russia accused British diplomats of making secret payments to non-governmental organisations through a fake rock (!) equipped with an electronic device.<sup>150</sup>

Also concerning the issue of Kosovo’s future, Russia has been at odds with the West. Russia’s foreign minister, Sergei Lavrov, has stated that Russia only will support a solution on Kosovo, which is “acceptable to both Belgrade and to the Kosovo

<sup>146</sup> Washington Post, “Another Russian Revolution?”, 9 April 2005, p A17.

<sup>147</sup> Pora!’s equivalent in Serbia was Otpor, in Georgia it was Kmara, and its less succesful sister organisation in Belarus was called Zubr.

<sup>148</sup> Medvedev quoted from Washington Post, “Another Russian Revolution?”, 9 April 2005, p A17.

<sup>149</sup> Human Rights Watch, World Report 2007, Russia, Overview over Human Rights Developments; BBC-News, “Putin warning over ‘puppet’ NGOs”, 31.01.2006.

<sup>150</sup> BBC-News, “Putin warning over ‘puppet’ NGOs”, 31.01.2006; BBC-News, “From fake rocks to dummy NGOs”, 02.02.2006.

population”.<sup>151</sup> This position has been confirmed by Putin, who in September 2006 said that Russia might use its security-council veto if it disagreed with UN envoy Martti Ahtisaari’s plan on Kosovo. Putin has repeatedly stated that an independent Kosovo would set a precedent for the unresolved conflicts in the former Soviet Union, including the Georgian breakaway provinces Abkhazia and South Ossetia, Transdnestr, the breakaway province of Moldova, and Nagorno Karabakh, the Armenian enclave in Azerbaijan.<sup>152</sup> Thus indirectly threatening to recognize the statehood of the breakaway republics, which at present are dependent on Russian financial, political and military support and, in Georgia’s case, at odds with the interests of a Western backed state.<sup>153</sup>

Apart from the critique of human rights, of the so-called humanitarian interventions (Kosovo), of the European Council and of the OSCE, there have also been harsh words towards the Western critique of lack of democracy in Russia and in several of the former Soviet states, which the Kremlin sees as untimely interference in internal affairs. Thus, foreign minister Lavrov in late 2004 said that the “capitals east of Vienna need no lessons in democracy”.<sup>154</sup> Also, American statements in 2004 that the proposed ending of direct election of Russia’s governors, raised concern about whether Russia was striking the “right balance” between “moving forward rather than backward on democracy”, was refuted by Sergei Lavrov as an “internal matter” which took place “within the framework of the Russian Constitution”. The American critique was refuted with a statement that there are other models of democracy than the American. “At the very least it’s strange that the US secretary of state, talking about his concern for the Russian Federation’s alleged diversion from the democratic process, should be conveying the thought that democracy can exist only in one form”.<sup>155</sup> The view, that Russia has to follow its own understanding of what democracy is, was underlined by Putin in his annual address to the Federal Assembly 25 April 2005. Thus, Putin, in refuting the Western criticism of “backsliding on democracy”, noted that he would not give up the original national character of Russian democracy. “The democratic road we have chosen is independent in nature, a road along which we move ahead, all the

<sup>151</sup> Lavrov quoted from The Financial Times, “Putin reassures Belgrade over territorial integrity”, 16 January 2007.

<sup>152</sup> Financial Times, January 16, 2007.

<sup>153</sup> Chairman of the international affairs committee of the Russian state duma, Konstantin Kosachev, put it more bluntly: “Russia could acknowledge the independence of some ‘frozen’ territories such as South Ossetia or Abkhazia if the US acknowledges the independence of Kosovo without a Security Council decision”. (Kosachev in Financial Times, 22/3-07, “America and Russia: from cold war to cold shoulder”)

<sup>154</sup> BBC-News, “Analysis: Russia’s mixed signals”, 2004/12/22.

<sup>155</sup> Sergei Lavrov quoted from The Associated Press, September 15, 2004.

while taking into account our own specific internal circumstances”. Russia will “decide itself how best to ensure that the principles of freedom and democracy are realised here, taking into account our historic, geopolitical and other particularities”<sup>156</sup>

Recently, we have been witnessing a spat over the American plans of establishing an anti-missile defence system with bases in Europe. The U.S. plans to situate a radar-system in the Czech Republic and a missile interceptor base in the eastern part of Poland, not far from the Russian enclave Kaliningrad, has been met with strong worded condemnation from Russia. First, Putin delivered a hard voiced speech at an international security conference in Munich on 10 February 2007, where he criticised the American plans. Putin’s speech was followed by a range of critical comments from the Russia’s foreign minister Sergei Lavrov and then minister of defence Sergei Ivanov as well as from members of the General Staff and other high ranking members of the Russian military. Thus, General Makhmut Gareyev, president of the Russian Academy of Military Sciences, claimed that the missile shield is “aimed at Russia” and linked this to NATO’s eastward expansion: “NATO is expanding, and it is expanding directly toward Russia”, dismissing US claims that the missile-shield is directed towards North Korea and Iran.<sup>157</sup> Chief of the General Staff, Yuri Baluyevsky, warned that Russia could pull out of the INF-treaty, and the commander of Russia’s strategic missile forces Nikolai Solovtsov even warned that Poland and the Czech Republic could become targets of a Russian missile strike if they allowed the interceptors to be placed there.<sup>158</sup> As the new U.S. secretary of defence, Robert Gates, remarked, “one Cold War was enough” for him.<sup>159</sup> However, even if it wanted, Russia is in no position to embark on a new weapons-race with the West. In spite of the harsh Kremlin rhetoric, Russia is in no position to challenge US supremacy in world affairs. Russia’s gross domestic product (GDP) of 987 billion dollars (2006 estimate, official exchange rate)<sup>160</sup> is on par with countries like India (875 billion dollars),

<sup>156</sup> Putin’s Annual Address to the Federal Assembly of the Russian Federation, 25 April 2005, p. 5. Also see CNN.com, 7/9-04, “Putin blasts U.S. on terror stance”. Putin’s view is, according to a poll by the independent Levada Center, in line with general public opinion in Russia. Thus, only 16 percent of those surveyed identified what was called the “Western model” of democracy as the ideal (the figure was 25 percent in 1996). 35 percent said they preferred “the Soviet system before the 1990s”. Furthermore, 30 percent said that Western democracy “wasn’t a fit for Russia”, whereas 12 percent said that it had a “devastating effect on Russia”. Moscow Times, “Splitting From and Over Europe”, 1/3-07, p. 8.

<sup>157</sup> Gareyev in RIA-Novosti, “U.S. missile shield plans in Europe target Russia – expert”, 5/2-07.

<sup>158</sup> RIA-Novosti, 15/2-07, “Russia may unilaterally quit INF treaty – General Staff”; RFE/RL, “Russia Warns Czech Republic, Poland On Missile Defense”, 20/2-07.

<sup>159</sup> AFP, 11/2-07, “US does not want new Cold War”.

<sup>160</sup> In Putin’s by now famous Munich speech in February 2007 he carefully avoided counting GDP growth in dollars (GDP according to current exchange rates) and used the GDP purchasing power, which lets one assume that Russia is much richer than it really is. (Putin, Moscow Times, 12/2-07, p.1.)

Mexico (818) and Brazil (947) – and is less than half of United Kingdom’s (2.352) and a third of Germany’s (2.995). And the United States’ GDP (13.225 billion) is more than 13 times bigger than Russia’s.<sup>161</sup> The same can be said if one looks at the Russian armed forces. Russia’s defence budget for 2007 is 31 billion dollars, under a proclaimed eight-year plan to spend 189 billion dollars over the years 2007-2015.<sup>162</sup> This is still less than half the UK defence budget for the fiscal year 2007-2008 (65,9 billion dollars). And the U.S.FY 2007 defence budget request of 435 billion dollars is 14 times larger than Russia’s.<sup>163</sup>

<sup>161</sup> Economist Intelligence Unit estimate. In the literature on Russia’s economic power it is often stated that Russia’s GDP is no greater than that of the Netherlands, see Schröder, 2006, p.2; Casier 2006, p.390. However, according to the figures from the Economist Intelligence Unit, the Netherlands GDP is 670 billion dollars (2006 estimate), which is considerable lower than Russia’s. The 2006 estimate from CIA World Factbook gives somewhat lower figures for all countries in question.

<sup>162</sup> Sergei Ivanov in Moscow Times, February 8, 2007, p. 1. To this should be counted the funds for the different paramilitary forces for example under the control of the interior ministry. Thus, according to Army Lt. Gen. Michael Maples, who heads the Pentagon’s Defense Intelligence Agency, Russia spent about \$90 billion on defense in 2006. Mosnews, 27/2-07

<sup>163</sup> Department of Defence budget for fiscal year 2007, February 2006.

<sup>164</sup> “The ‘2008 problem’ in Russia. What role will Putin play in the election”, International Herald Tribune, February 24-25, 2007, pp. 1-2.

## Chapter 4: After Putin: Putin look-a-like or chaos

### The 2008 Problem

One of the characteristic features of Russian democracy is that the presidential election on 2 March 2008 is not called the “2008 election” or “2008 vote” in the public debate, but the “2008 problem”. The reason for this is that the Putin-regime is so tied to Putin – who with a rating of around 70 percent in most opinion polls is genuinely popular – that it has become difficult to imagine anyone else but Putin in the presidential office. As Steven Lee Meyers, Moscow correspondent for The New York Times, puts it: “The search for his replacement has started to look less like a political campaign and more like a boardroom struggle to select a new chief executive. And like most executives, Putin is susceptible to choosing someone most like himself”, when he – as he is obliged to according to the constitution and constantly has stated that he will – steps down in 2008, when his second and last term ends.<sup>164</sup>

At present, two candidates unofficially counts as possible “successor candidates”: Former defence minister, now first vice-prime minister, Sergei Ivanov, and Putin’s former chief of staff, now also first vice-prime minister, Dmitri Medvedev. But they are not the only possible candidates, which are talked about as potential successors to Putin. With varying agreement, individuals such as Valentina Matviyenko, governor of St. Petersburg; Vladimir Yakunin, head of the state-owned Russian Railways; Sergei Sobyenin, Putin’s chief of staff; Dmitri Kozak, Putin’s envoy to the Caucasus (South Russia); Boris Gryzlov, speaker of the Duma (parliament’s lower chamber) and leader of United Russia; Sergei Mironov, speaker of the Federation Council (upper chamber); Sergei Chemezov, director of the state-controlled arms exporter Rosoboronexport. None of the above-mentioned possible candidates have expressed a desire to run for president, which would immediately hamper their chances, and none have distinguished themselves in any particular way. What they all have in common is their closeness to Putin, being old friends or colleagues from Leningrad, now St. Petersburg (apart from Sobyenin).<sup>165</sup> The presidential election will also feature contenders from the opposition as well as the Kremlin-controlled “opposition”. Thus, former prime minister Mikhail Kasyanov has publicly stated that he is running for the

<sup>165</sup> Apparently the domestic oriented siloviki-fraction in the Kremlin in spring 2006 tried without succes to launch the then prosecutor general Vladimir Ustinov as a potential successor to Putin. (Shevtsova 2006, p. 2) This was thwarted, however, after Vladimir Ustinov was forced to resign following a major corruptionscandal surrounding the “Liga Mars” and its showroom “Three Wales” owned by FSB deputy director General Colonel Yuri Zaostrovtshev and his father Yevgeny, a retired FSB major general. (RFE/RL, 26/9-06, “Russia: Corruption Scandal Could Shake Kremlin”)

presidency. The leader of the Communist Party, Gennady Zyuganov is also expected to run. Likewise is the leader of the (Kremlin controlled) ultra rightwing party The Liberal Democratic Party, Vladimir Zhirinovskiy. None of them are considered as having much of a chance.

As previously mentioned at present the two leading (unofficial) candidates are Dmitri Medvedev and Sergei Ivanov. According to the independent pollster Levada Center, 19 percent of the Russians would vote for Medvedev and 16 percent for Ivanov. Ivanov's popularity grew 5 percent after he was pulled away from the (scandal-ridden) defence ministry. Communist leader Gennady Zyuganov and LDPR leader Vladimir Zhirinovskiy would each receive 8 percent of the votes. However, the big winner with nearly a fourth of the votes was the "against all" box, despite it recently has been crossed from the ballots.<sup>166</sup>

**Dmitri Medvedev**, 41, is cast as the more liberal, business-oriented and democratic of the two leading candidates, being the leader of the group of liberal-technocrats. He is a lawyer of education, is co-author of a book on civil law and used to be a lecturer at St. Petersburg University, from where Putin (also a lawyer) graduated, when the city (and the university) was named Leningrad. He used to work for St. Petersburg's governor, Anatoly Sobchak, one of the vocal advocates of democracy in the Soviet Union and in the early 1990s. Medvedev has been following Putin for the last 15 years and his career is tied closely to Putin's rise to power. He is also chairman of the state-controlled Russian gas-giant, Gazprom, which is his and the liberal-technocrat's main power-base. At his first major international presentation as an unofficial candidate to the presidency, in Davos, Switzerland, where he was leading the Russian delegation, he argued, that Russia "are building new institutions founded on the basic principles of full-fledged democracy. Democracy without any unnecessary additional definitions. Effective democracy, relying on market economy principles, the rule of law, and the government's accountability to the rest of society".<sup>167</sup> Thus, presumable being at odds with the Kremlin chief strategist Vladislav Surkov, father of the concepts of "managed democracy" and its apparent successor "sovereign democracy". The Interfax news agency thus quoted Medvedev as saying: "Vladislav Surkov and I have been discussing this topic for about three years, and its had nothing to do with any speeches or Davos. (It is) a friendly conversation about how to describe various political phenomena. I like classic definitions of the word 'democracy'. But Surkov

<sup>166</sup> Kommersant, "Ivanov, Medvedev Lead in Presidential Candidate List", 26/2-07.

<sup>167</sup> Medvedev, quoted from What the Papers Say, WPS, Politruk, nr. 289, 2/2-07, p. 2.



and I don't have any fundamental disagreements".<sup>168</sup> If this position is not only for show – which it, according to costume in Russian politics, very well could be, and probably is – it could point towards a more democratic Russia, if Medvedev was to become president and follow this line. Dmitri Medvedev's foreign policy position can be considered as being framed within the foreign policy schools "pragmatists" and "neo-imperialists".

**Sergei Ivanov**, 54, on the other hand has had the role of the hawk, and occasional US-basher, being the leader of the international minded group of the siloviki. Ivanov has over the years been one of Putin's most trusted and loyal men. In March 2001 he was promoted from secretary of the Security Council to defence minister, being the first "civilian" (that is, civilian with a KGB-background) to be defence minister in Russia (and the Soviet Union). Ivanov has over the years been a vocal critic of NATO-enlargement. In 2003 he warned that Russia would not tolerate the "encroachment" of NATO military infrastructure on Russia's borders.<sup>169</sup> In connection with a public presentation of the new, Russian national security doctrine, Ivanov would not rule out "pre-emptive military strikes" anywhere in the world "if the interests of Russia or its alliance obligations demand it".<sup>170</sup> The security doctrine allows the use of all possible force, including nuclear weapons, if all other methods fail, he said. In the previous security doctrine, Russia said it would only use nuclear weapons if its national sovereignty was under threat. And in March 2004, shortly before NATO expanded with seven new members including the Baltic republics, he warned that Russia could "reassess its military planning" in view of what he called NATO's aggressive strategy.

Just before his promotion, then defence minister Ivanov presented an ambitious new spending plan, which would allow Russia to maintain its nuclear deterrent. Thus, intercontinental ballistic missiles and aircraft carriers will figure prominently in the defence ministry's eight-year 189 billion budget (2007-2015), Ivanov said presenting the new plan to the public.<sup>171</sup> Ivanov accompanied Putin on his visit to the Munich security conference on 10 February 2007, where Putin blasted at US unilateralism,

<sup>168</sup> Ibid.

<sup>169</sup> BBC-News, "Russia 'blasts Nato encroachment', 10/12-03.

<sup>170</sup> Ivanov quoted from BBC-News, "Russia bares its military teeth", 10/2-03.

<sup>171</sup> Moscow Times, 8/2-07, p. 1. The independent defence analyst, Pavel Felgenhauer, contends that "Ivanov's rearmament plan only pretends to be a replica of a Cold War build up, while in fact it is a modest attempt to keep even a fraction of Russia's present Soviet-made strategic defence holdings operational until 2015. (Felgenhauer in Eurasia Daily Monitor, "A potemkin democracy, a potemkin free market, and a potemkin arms race", Volume 4, Issue 32, 14/2-07.

OSCE, NATO expansion and US plans for a missile shield with interceptor-stations in Poland and the Czech Republic – timed only a few days before Putin promoted Ivanov, which commentators saw as a sign of Putin's support for Ivanov. Shortly before the conference Ivanov wrote an article in the German daily *Süddeutsche Zeitung*, criticizing the missile shield plans as an “unfriendly signal” and as new block-politics and criticized NATO's new intensive dialog with Georgia, as well as Georgia's and Ukraine's possible membership of the organization.<sup>172</sup>

Over the years Ivanov's image has been tainted by a growing amount of hazing scandals within the Russian armed forces during his tenure. Especially in 2006, a brutal hazing of an 18-year old conscript, Andrei Sychev, who had to have his legs and genitals amputated because of beatings and torture by fellow servicemen, damaged Ivanov's image. First Ivanov had dismissed the case as unserious, and later he said he had not been informed of the case, even if it was already in the media, thus leaving him castigated as either heartless or as a minister not in charge of his ministry. Also concerning the much talked about reforms of the military – from conscript to (partly) professional army – Ivanov has met severe criticism. As Stanislav Belkovsky, a Kremlin connected political analyst, expresses it: “Ivanov was not able to implement military reform, and he was unable to control corruption and stop the outflow of money from the armed forces”.<sup>173</sup>

In connection with the his promotion to first vice-prime minister in February 2007, in order for him to be on par with Medvedev, he was thus relieved from the scandal ridden defence ministry. With his new duties, Ivanov will have responsibility for Russia's powerful military-industrial complex, which last year exported for 6 billion dollars, as well as having responsibility for co-ordinating parts of the “civilian sector of the economy”.<sup>174</sup> Sergei Ivanov's position on foreign policy can be considered as being framed within the foreign policy schools “multipolarists” and “neo-imperialists”, with occasional references to Slavophile ideas from the “hard traditionalists”.

Whether an “**operation successor**” will be a success or not, is a matter of discussion. Anders Aaslund do not believe that Putin can get away with appointing a successor the way Yeltsin did. “Putin has encouraged a maximum of strife between his subordinates

<sup>172</sup> Ivanov in *Süddeutsche Zeitung*, 8/2-07.

<sup>173</sup> Belkovsky in *Moscow Times*, 16/2-07, p. 1.

<sup>174</sup> *Financial Times*, 15/2-07.

to ensure that they cannot collude against him”.<sup>175</sup> However, since Putin’s “underlings” are at the brink of “open warfare” against each other, whomever Putin chooses as his successor will be seen as a dangerous enemy by his or her colleagues, Aaslund argues. The main reason is, that the two power-groups in the Kremlin controls huge amounts of wealth through state companies or state-controlled companies. But since they do not own the companies, and since some of them have grown big on forced re-nationalisation, through a selective (and Kremlin-controlled) use of the courts or through sell-offs as a consequence of state pressure (see for example Oleg Mitvol’s use of Russia’s Environmental Agency to force Royal Dutch/Shell to agree to selling a controlling stake to Gazprom in the Shakhalin II natural gas project)<sup>176</sup>, they themselves will have large difficulties in holding on to their wealth, under a new president. “Regardless of who takes over, many of Putin’s top officials will likely fear the loss of their fortunes and will do whatever they can – meaning a lot – to ensure that a real transition does not take place”.<sup>177</sup> Thus, the fundamental problem is, according to Anders Aaslund, that Russia “no longer possesses institutions that can grant legitimacy to any successor”.<sup>178</sup> Thus, it is likely that we in the run up to the elections will see a fresh round of privatisations, thereby creating a new round of oligarchs, who are trying to hold on to their values.<sup>179</sup> In this process there will most likely be some kind of unrest and turf wars resulting in political instability. The murders of Politkovskaya, Kozlov, Litvinenko and Safranov could therefore be the first of a series of contract killings, being early warnings of a coming struggle between the power groups of the Kremlin.

<sup>175</sup> Anders Aaslund in Moscow Times, “Reverse Is the One Way Out of This Cul-de-Sac”, 14/2-07, p. 9.

<sup>176</sup> Wallander 2007, p. 119. For more on Oleg Mitvol’s “environmental fight” against the foreign oil majors Shell/Royal Dutch and TNK-BP, see Moscow Times 19/10-06, p. 1, “Police Seize Sakhalin-2 Probe Papers”; Moscow Times, 12/12-06, p. 1, “The Mysterious Influence of Inspector Mitvol”; Moscow Times, 19/1-07, p. 5, “Mitvol Lays the Groundwork for Kovykta Gas Field Probe”.

<sup>177</sup> Ibid.

<sup>178</sup> Aaslund, Moscow Times, 14/2-07, p. 9.

<sup>179</sup> Shevtsova, 2006, p. 3. There have long been rumors of a full privatization of the state-owned oil company Rosneft “within a year”, that is before the next presidential election, scheduled to 2 March 2008. (Mosnews 8/9-2006)

## Chapter 5: Conclusion

### The Putin regime

To sum up Putin's regime is not a totalitarian state – the state does not control nor seek to control every aspect of society. However, it is not a democratic state either. As a matter of fact, during Putin's reign close to all the hard won democratic freedoms of the post-Soviet era have been systematically eliminated or at least come under Kremlin control: Most of the political parties are today mere imitations of real parties, and have been created and are controlled by the Kremlin. The elections in 2003 were fraudulent, with state, regional and local administrative resources publicly campaigning for United Russia, the so-called "party of power", and the presidential election in March 2004 was not especially democratic either. Most of the media have come under control of the state, Kremlin-friendly businesses (such as Gazprom Media, owned by Gazprom, controlled by first vice-prime minister Dmitri Medvedev) or Kremlin-friendly oligarchs (such as Alisher Usmanov, who is general director of a Gazprom subsidiary, Gazprominvestholding, who bought the business daily Kommersant). The justice system is in an appalling state, characterized by so called "Basmanny Justice" also known as its Soviet counterpart "telephone justice": Judges are politically controlled, at least in politically important cases, such as the Yukos-case, which was labelled the "scam of the year" by Putin's then economic adviser Andrei Illarionov.

Another of the prevailing problems for Russian society is the widespread corruption of government officials at all levels. For years without end Russia has scored low in the Corruption Perception Index performed by the Berlin-based anti-corruption watchdog Transparency International. Thus, Russia in 2005 was ranked number 126 out of 158 countries, i.e. on par with Niger, Albania and Sierra Leone (scoring 2,4 points on a scale from 1 to 10). This was slightly lower than in 2004, when it scored 2,5 points.<sup>180</sup> Putin has in his annual address to the nation consistently named corruption as one of the main problems of Russian politics, and promised tough measures, but so far without much effect.<sup>181</sup> However, corruption is, according to Celeste Wallander "not merely a feature of the system; it is essential to the very functioning of political power" in Russia, which she describes as a "patrimonial" system. Thus, she contends, the "political system is based on the political control

<sup>180</sup> Transparency International, Annual Report 2005, p. 17. A study in 2005 by the Indem Foundation found that the average bribe was 136.000 dollars. (Moscow Times, 5/3-07, p. 3.)

<sup>181</sup> See for example Putin's Annual Address to the Federal Assembly of the Russian Federation, April 25, 2005.

of economic resources in order to enrich those within patron-client clans".<sup>182</sup> Lilia Shevtsova describes Russia's governmental form as "bureaucratic capitalism"<sup>183</sup>. Andrei Illarionov, Putin's outspoken former chief economic adviser, names Putin's Russia a "corporativist" state. And Dmitri Trenin argues that "under President Vladimir Putin's watch the Russian state has turned into something like Russia Inc., with top Kremlin staffers and senior ministers sitting on the boards of various state-owned corporations and taking an active interest in their progress and profits".<sup>184</sup>

Thus, the window of opportunity for creating viable democratic institutions in Russia is closed or rapidly closing, at least in the intermediate term. The parliamentary and presidential elections in December 2007 and March 2008 respectively cannot be expected to be free and fair, nor live up to international democratic standards. And Kremlin control over public institutions, civil society and the media is likely to be enhanced in the period up to the elections and during the power-struggles that can be expected before and after the elections, until the new president has established a stable power-base.

Even if Putin has secured high federal control over policies being implemented in this vast country and Russia on the surface today may be more stable than during Yeltsin's reign, stability is tied closely to person Putin, rather than the presidency. The reason for this is Putin's deliberate erosion of all public institutions outside of the Kremlin – the Federal Council, the Duma, the courts, the major parties – and because of his policy of division of power between the two competing clans within the Kremlin – the so-called "siloviki", representatives from the security services and the armed forces, and the "liberal-technocrats", the powerful bureaucrats with strong ties to business – thus rendering Putin the only possible mediator. None of the two main successor-candidates, Sergei Ivanov, representing the siloviki-fraction, and Dmitri Medvedev, representing the liberal-technocrats, are likely to be able to control the members of the opposing clan, and each of the candidates seem unacceptable to the other side, rendering the possibility of a turf war between the clans highly likely. Thus, without Putin as powerbroker, the two competing clans are likely to end up in open conflict with each other.<sup>185</sup>

<sup>182</sup> Wallander 2007, p. 116.

<sup>183</sup> Shevtsova 2007, p. 3.

<sup>184</sup> Trenin, 2007, p. 95.

<sup>185</sup> The Vedomosti newspaper in December 2006 speculated that rivalry between United Russia and Just Russia in the upcoming parliamentary elections in December 2007 could escalate "from sparring into a real fight, with a mild level of intra-elite disagreement turning into an all-out war among the elites". Vedomosti quoted from WPS, What the Papers Say, "The lovely long-term outlook: 2007-08", # 285, 2006.12.29.

Former minister of defence, Sergei Ivanov, is probably the most able of the two, because of his possibility of use the powers of the security services in order to reign in the resistance of the opposing fraction. On the other hand first vice-prime minister and chairman of the board of the state-controlled Russian gas giant, Gazprom, Dmitri Medvedev probably has the largest money-bank to support his campaign. The outcome is so far undetermined.

### **Russian foreign policy under Putin**

Russia's foreign policy is best described as the outcome of varying overlapping bargaining games among players arranged hierarchically inside and outside government structures. In order to draw up the outcomes of these bargaining games the report has displayed what is believed to be a matrix of personal interests (to some extent in reality corporate, as the powerful individuals represent corporate' and/or state entities' interests as well as their own personal interest), institutionalised interests and foreign policy strategic thinking (that is discursive formations within which an actor or an institution formulates its foreign policy interests).

Russian foreign policy under Putin has been about re-establishing Russian power and being recognized as one of the major powers in the international system, as well as regaining its influence in the former Soviet area (minus the Baltic states), notably so in Central Asia. As if to say: "After 15 years, we are back!" The new won confidence mainly stems from the growth in the energy sector export revenues as a result of the high prices on natural gas and oil, rising exports in precious metals, a booming nuclear sector and the prospects of future soaring demand of energy as a consequence of the rise of consumption in the powers of tomorrow: India and China. Furthermore, Russia's new won position is a result of the United States' weakened position following the problems in Iraq and the beginning balancing of the unipolar position of the United States, as well as Europe's ongoing lack of a joint foreign policy. The lack of a joint EU position is especially noticeable when it comes to the EU's relationship with Russia, where the Kremlin has had success in bilateralizing relations between Moscow and Europe, keeping the rules and regulations and thus the transparency of Brussels at bay. However, as Shevtsova points out, Russia's ambition to re-establish itself as a world power – or as one

<sup>186</sup> Shevtsova, 2006, p. 4.

of the leading poles in the multipolar system, as the multipolarists would put it – is partly also of necessity. “The Russian system can’t consolidate itself without a global presence”.<sup>186</sup> The Putin-regime’s weight on patriotism, *dershavnitschestvo* (the idea of being a great power), and neo-imperialism are part and parcel of its ability to reproduce the current political system.

Until around 2003, the Putin-regime in foreign policy followed what can be labelled as a “multi-vector” approach – on one hand cooperating and integrating with the West, on the other hand seeking rapprochement with the East, but without much commitment for either side. Putin had largely followed the “multipolarist” approach of Yevgeni Primakov, however with a more pragmatic touch. Until 2003 Putin’s foreign policy had primarily rested on an economization of Russia’s foreign policy with membership of the WTO as one of the prime goals. Putin saw a need to increase Russia’s participation in international affairs instead of challenging the hegemony of the US and initially hoped for a strong partnership with the EU.<sup>187</sup> Putin saw Russia as a power with unused potential and followed the objective of Primakov’s multipolarist school of restoring Russia’s position as a great power in a multipolar world through means of following a pragmatic formulation of Russia’s foreign policy interests. On September 12 2001 he called George W. Bush on the phone and expressed Russia’s support in what was to become the American war on terror. Putin agreed to US troops in Central Asia (Georgia, Kyrgyzstan and Uzbekistan) as part of the American lead invasion of Afghanistan and accepted NATO’s second enlargement in 2004 without severe protests from his hand. However, Putin’s opening towards America was not followed by US concessions or enhanced cooperation. Shortly after the United States cancelled the ABM-treaty without taking Russia’s protests into account, supported the “coloured revolutions” in Georgia and Ukraine – which the Kremlin largely sees as a result of Western interference and not of the political elites corruptness – and invaded Iraq in spite of a Chinese and Russian UN-veto and vocal protests from several of its larger European NATO-allies. This led to a re-interpretation of the multipolar concept drawing on many Russians’ almost instinctive sense of Russia’s greatness (*dershavnitschestvo*, the sense of being a great power)<sup>188</sup> adding on elements from the Eurasianist or Slavophile ideologies into a neo-imperialist concept of Russian foreign policy goals.

<sup>187</sup> Casier 2006, p. 389.

<sup>188</sup> Shevtsova 2006, p. 3.

Thus in 2003, after a power-shift in the Kremlin, Russia gradually started to follow its own direction.<sup>189</sup> The change came as a response to a strengthening of the so-called siloviki-clan in the inner echelons of the Kremlin in early 2003, which in late 2003 resulted in the dismissal of Putin's then chief of staff Alexandr Voloshin, prime minister Mikhail Kasyanov and in the arrest of the tycoon Mikhail Khodorkovsky, the owner of Russia's then largest private oil company Yukos, who was seen as a potential threat to an election victory by the pro-Kremlin United Russia in December 2003 and an even larger threat to Putin's successor in 2008. Thus, the Khodorkovsky-case it is argued here, can be seen as a major turning point for Russia's direction, first having consequences for domestic affairs (democracy, rule of law, the media and property rights) and a bit later also for Russia's foreign policy. Russia is not going to join the West, and the cooperation with China and India is still only on a very small scale and will probably not amount to much either. Instead Russia is standing alone – as it has been since 1989/91 – outside the major military alliances, moving less and less in direction of the West, and more and more in its own direction, as formulated in parts by the neo-imperialist school. Russia's foreign policy has moved into a more activist phase, mainly as a result of its energy riches. This new activism is vis-a-vis the West mainly formulated in economic and political terms, with Kremlin pressure through its energy-power and through a prolonged public criticism of basic Western institutions. Thus, we have seen political quarrels between Russia and the West over the OSCE (independent election monitoring); on Kosovo (the question of sovereignty challenged by the so-called "humanitarian intervention" of NATO); on the European Court (the human rights problems, not only but mainly in Chechnya); on the Kremlin's attempt to control/forbid (foreign) ngo's in Russia (reflecting the Kremlin's fear of an Orange Revolution in Russia); and we have seen a trend among highranking Russian officials trying to define Russian democracy as something different than Western democracy (reminiscent of the Cold War discussion over so-called "socialist democracy"). More recently, Russia has displayed frustration over the planned U.S. anti-missile defence system with a radar in the Czech Republic and an interceptor

<sup>189</sup> Whether the shift happened in 2003, earlier or later, can of course be discussed. Thus, Pointkovsky sees 2004 as the turning point, mostly because of United States' problems in Iraq (Pointkovsky 2004, p. 75) whereas Hans-Henning Schröder talks of a "major turning point" in 2006 (Schröder 2006, p. 4). On the other hand Iver B. Neumann shows that already when Putin was prime minister he had a clear sense of Russia having to "search for its won path of renewal", arguing that Russia would not "soon, if ever" be a replica of the US or Great Britain, where democracy and liberal values have deep-seated traditions. "For the Russian (rossiyanin), a strong state is not an anomaly, not something with which he has to struggle, but, on the contrary, a source of and a guarantee for order, as well as the initiator and main moving force of any change". (Neumann 2000; Neumann and Sending 2006, p. 23). Also see Alla Kassianova, who, through an analysis of four Russian doctrines on foreign- and security policy from 1992 to 2000, argues that the West in the late nineties is loosing ground as the point of reference for Russia's definition of self (Kassianova 2001)



base in Eastern Poland, which they contend is directed against Russia's first strike capability. Whether the system will ever work against, as the U.S. military asserts, missiles from North Korea and Iran, is not a matter of discussion here. However, as the system is designed at present, with only ten interceptor-missiles on the base in Poland it bears no real threat to the Russia's between 1800-2200 ballistic missiles, which furthermore would follow a route over the North Pole, rather than over Northern Poland. Thus, the Russian critique should instead be understood as the latest example of a long list of quarrels, where Russia is using a harder voice towards the West, and where Russia tries to split the West by dividing the U.S. and Europe and by trying to split the EU internally – a policy, which was also at display in the pre-phase to the American lead invasion of Iraq in 2003. Furthermore, Putin's harsh critique could be seen as an indirect support for the candidacy of former defence minister Sergei Ivanov, who is cast as a foreign policy hardliner.<sup>190</sup> In addition, we have seen quarrels between individual EU-member countries and Russia, notably Poland's veto of a renewal of the EU-Russia PCA (Partnership and Cooperation Agreement) because of Russia's blocking of Poland's veterinary export to Russia, which Russia says is due to health causes. Estonia is under hard pressure from Moscow (and says it is subject of internet-attacks where parts of the attacks came from computers in the Kremlin presidential administration, which Russia denies) in an internal spat over the transfer of a Soviet war memorial out of the centre of Tallinn, which the Russian minority in Estonia has been vehemently against. Furthermore, Lithuania claims it has been subjected to an 11-month long oil-blockade from Russia, which Russia says is because of pipeline problems.

In other words, there is a widening "values gap" between the West and Russia and possibly also an "interest gap". Russia is no longer listening to admonitions from the West. Unless of course, there are manifest gains to be made for Russia, or for the power-groups in the Kremlin. As Dmitri Trenin expresses it: "For each concession the Russians are now asked to make, they will quote a price".<sup>191</sup>

Vis-à-vis the CIS-countries (and some of the former Warsaw-pact countries, as described above) the foreign policy tools have been a bit tougher, including economic boycott (Georgia); turning off the electricity or gas (Georgia, Ukraine and Belarus);

<sup>190</sup> The strong Russian words on the anti-missile defence could of course also be part of an evolving security dilemma, where one sides attempts to enhance security by deploying additional defence systems triggers the other side's enhancement of its security by deploying additional defence systems etc.

<sup>191</sup> Trenin, 2007, p. 97.

direct support of authoritarian or undemocratic regimes (most of Central Asia, Belarus, Transnistria and Ukraine before the Orange Revolution).

Concerning energy, Russia's power is even greater, especially vis-a-vis the EU. 40 percent of the EU gas consumption today originates from Russia. By 2030, over 60 percent of its gas imports are expected to come from Russia, with an overall external dependency to reach 80 percent.<sup>192</sup> And as Roland Nash, a renowned financial analyst at Renaissance Capital in Moscow, argues, there is no such thing as a symbiotic relationship between a producer of energy (Russia) and a consumer of energy (the EU).<sup>193</sup> The EU cannot just stop buying Russian natural gas, since this would shut down its industry and let its citizens freeze. Russia on the other hand can, and has shown that it is willing to, turn off the gas supplies for Europe, even if the major EU-states so far have not been the target (but Ukraine, Belarus and Lithuania). This means, that energy-wise, the EU is in the hands of Russia, that is Gazprom (which is controlled by the liberal-technocrats side of the Kremlin). A EU-energy diversification strategy, which can decrease EU's dependency on Russian gas and oil, will take years if not decades to implement, because of increasing demand. And with China's and India's increasing demand, Russia has other customers. Not that it can just switch customers over night – gas is delivered via pipelines and is not traded on the spot-market like oil and is therefore regulated by long-term contracts – but Moscow has for some time shown interest in establishing an OPEC-style gas-association together with Iran, Algiers, Qatar and Venezuela, which can regulate prices.

On the other hand, Russia is dependent on the EU. The EU is Russia's number one trading partner, and more than 50 percent of its exports go to the EU-27.<sup>194</sup> And without enhanced cooperation with the West – especially the EU, which is the single largest direct foreign investor (62 percent of total)<sup>195</sup> – it runs the risk of turning into a so-called “petro-state”. In 2006 oil, fuel and gas accounted for 64,8 percent of exports,<sup>196</sup> and despite Putin's regularly calls for diversification, nothing much is happening. With the strengthening of the siloviki in the Kremlin, the liberal economic reforms have largely disappeared, and thereby also the possibility of diversification. At the same time, growth in the energy sector is stalling as a consequence of the

<sup>192</sup> “Geopolitics of EU energy supply”, 7. February 2007, [www.euractive.com](http://www.euractive.com)

<sup>193</sup> Nash 2006.

<sup>194</sup> Casier 2006, p. 43.

<sup>195</sup> Ibid.

<sup>196</sup> Economist Intelligence Unit, Country Report: Russia, Main report: 1st June 2007, economic Structure: annual indicators.

state-takeovers. And Gazprom's failure to increase its production of natural gas – and instead buying it in Central Asia and reselling in Europe – has lead observers to warn of Gazprom not being able to live up to its contracts in 2010.

### **How to deal with Russia?**

Seven years of skyrocketing prices on energy and high growth-rates, with prospects of more to come, has in the Kremlin led to a self-indulged overvaluation of Russia's power. If one look at raw statistics however, Russia is in reality still a minor power. Counting GDP-wise Russia is no super-, hardly even a great power, compared to the western countries. Rather, Russia's gross domestic product (GDP) of 987 billion dollars (2006 estimate, official exchange rate) is on par with countries like India, Mexico and Brazil – and is less than half of United Kingdom's (2.352) and a third of Germany's (2.995). And the United States' GDP (13.225 billion) is more than 13 times bigger than Russia's. The same can be said if one looks at the Russian armed forces. Russia's defence budget for 2007 is 31 billion dollars, under a proclaimed eight-year plan to spend 189 billion dollars over the years 2007-2015. This is still less than half the UK defence budget for the fiscal year 2007-2008 (65,9 billion dollars). And the U.S. FY 2007 defence budget request of 435 billion dollars is 14 times larger than Russia's. In other words, apart from its nuclear deterrence, Russia is not much of a military great power.

Russia's foreign policy power is based on energy, economic and political pressure, and its ability to project power on a global scale is limited. Russia's influence, apart from the energy field, is largely regional. In other words, Russia is not a military threat to the West. Russia's neo-imperialist objectives are economic, not military. It still has its nuclear forces, inherited from the Soviet Union, but its conventional forces are in a miserable state – even if Putin long has stressed the need to turn the Russian army into a partly professional force, the reforms have been stalled again and again.

If Russia according to economic and defence spending statistics is not more than a minor or at least only a regional great power, why should we care so much about Russia? Well, first of all because of its potential as a partner for Europe and the West, as an important trade-partner, a promising market for western products and as Europe's prime energy-supplier. Russia is presently the world's largest supplier of gas and the second largest supplier of oil, it is home to a third of the world's known gas reserves and has potentially vast, yet-untapped reserves of oil in Eastern Siberia.

Furthermore, Russia's ability as a "spoiler" of Western policy – on North Korea, Iran and nuclear and missile technology proliferation – is large. It still retains its membership of the Security Council and with enhanced cooperation with China it has the ability to block attempts from the West to legitimise its policy through the UN. Moreover, an unstable and restless Russia risks spreading instability to its land-locked neighbours, especially to Europe.

When drawing up a joint European Russia-policy, European leaders should remember that Russian negotiating tactics usually are based on a hard, un-relenting position supported by confrontational rhetoric in order to inflate the negotiation standing. However, it is the EU, not Russia, who is the relative great power – but only if the EU has a joint policy. Thus, firstly European leaders must agree on a common Russia-policy. This has to be a policy of integration. The West has a long-term interest in integrating Russia in Western, global structures like the WTO and the G8. And the EU has an interest in integrating Russia in trade and cooperation agreements, that is a partial economic integration outside formal EU-structures but based on what could be labelled the "special relationship" between the EU and Russia. These agreements should not be made on bilateral basis, which so far has been the Kremlin's preferred option, but on a joint EU-Russia level – or along joint EU-rules on how bilateral agreements with Russia are to be drawn up – thus enhancing transparency, rule of law and capital-discipline, which could have a long-term effect on Russia's domestic structures. So when the renegotiation of the PCA (Partnership and Cooperation Agreement) draws closer after months of stall-mate after Poland's veto at the EU-Russia summit in Finland in October 2006, the EU-Commission should forge a joint EU-energy policy towards Russia, which could supplant the present bilateral format of dealings with Russia. The EU should keep up pressure to ensure a Russian ratification of the Energy Charter (part of the PCA), which would give non-Russian companies access to Russian pipelines-systems.<sup>197</sup>

Furthermore, the EU could consider taking legal action against European companies, which engage in complicity in "illegal and unethical activities by the Russian government", thus following the example of California state controller, John Chiang.

<sup>197</sup> Kari Liuhto argues that the hydrocarbon pipelines are "strategically even more important for the Kremlin than are the hydrocarbon reserves per se (that is the oil and gas). As the majority of the oil transport is conducted through pipes, the Russian State practically controls, with these pipelines, the private oil majors". Liuhto 2007, p. 22. In Liuhto's view the pipelines do not only build bridges of cooperation between Russia and its customer countries. They also "build dependency with unpredictable consequences, if the siloviki-type of economic policy gains more foothold after Putin's presidency". Ibid., p. 22.

He has, in relation to the alleged fixed state auction over the remains of the Yukos oil company on 27 March 2007 – where the siloviki-controlled Russian state oil company Rosneft bought 9,44 percent of a Yukos-owned Rosneft stock below market value – asked the state’s public retirement fund to review investments in Chevron and warned of possible lawsuits against Chevron for its stated interest in taking part in the upcoming rest of the auctions over the Yukos-remains.<sup>198</sup> The list over European (and American) companies who over the years have taken part in murky deals with Russian private and state-controlled companies is long. But if Western companies are facing legal risks in Europe and the U.S. over complicity in not-so-transparent business deals in Russia, they would tend to insist on transparency, rule of law and capital discipline, which over time presumably would rub of on Russia. Otherwise, Russia would lose highly needed foreign investment and technology. A tougher measure would be to consider a no-buy policy concerning products, which can be established as stemming from Russian companies, which have been using “illegal methods” in their business dealings. In other words, if the state-auctions over and the legal proceedings against for example the Yukos-company in a European court can be established as flawed, a no-buy policy towards Rosneft products could be effectuated.<sup>199</sup>

Concerning policy recommendations for Denmark it must be to work towards a joint European Russia-policy and to seek to avoid further bilateralization of relations with Russia. Bilateralization of relations with Russia, where major business deals are concluded as part of high-level meetings between officials from both countries, undermines Denmark’s and Europe’s long term interests in a Russian business environment built on transparent, well-founded legal and commercial rules and it leaves a small power like Denmark the lesser power in the relationship.<sup>200</sup>

The issue of avoiding a bilateralization of relations with Russia also concerns issues such as the Zakayev-case in October 2002, where the special envoy to the Chechen

<sup>198</sup> International Herald Tribune, “Rosneft wins Yukos bidding, at a discount”, 28/3-07.

<sup>199</sup> In December 2003 Rosneft at an alleged fixed state-auction bought Yukos’ largest production-company Yuganskneftegaz through a shell-company Baikalfinancegroup, controlled by Igor Sechin, siloviki-1. tier, who is also chairman of Rosneft.

<sup>200</sup> The state-controlled Danish energy company DONG Energy in June 2006 made a deal with Gazprom to buy 1 billion m3 gas per year starting 2011, delivered through the much debated North European Gas Pipe-line (NEGP). This deal – along with other Western European EU-members who also has made bilateral deals with Gazprom – leaves the smaller and poorer Eastern European EU-members, who are heavily dependent on Russian gas, in a difficult situation. And it weakens the EU-Commission’s efforts to establish alternative gas-deliverances to the Russian near-monopoly through supplies from Central Asia.

president Aslan Maskhadov, Akmed Zakayev, was arrested in Denmark at the request of Russia (wanted through Interpol). The Danish justice minister Lene Espersen referred the case to the courts and had the Danish court system go through the Russian evidence material, ending up in a release of Zakayev and a quick transfer of him to Great Britain, where he applied for and received refugee status. During this period Denmark was under heavy pressure from Russia. In late October a private interest group was incidentally hosting a conference for the Chechen Congress in Copenhagen a few days after Chechen terrorists had ceased over 900 people in a three-day hostage crisis at the Dubrovka Theater in central Moscow, which ended in more than 129 dead. Holding a Chechen congress in Copenhagen angered the Russian public considerably and the unwillingness to hand over Akmed Zakayev, who in the eyes of Russia is a terrorist, severely damaged Danish-Russian relations. In that case, Denmark should have called upon its partners in the EU and faced the Russian pressure as part of the EU, instead of letting the case become a Danish-Russian bilateral issue.

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