



Did Russia regain its position on the world stage at the cost of democracy?

“In the beginning of the 21st century Russia found itself in transition from a liberal market democracy to a managed democracy. The reforms proposed by Putin can be seen as Russia’s shift from a Western development scenario to a Chinese one: less democracy and more market, with the main emphasis on preventing the country’s disintegration and collapse.” (Tretyakov, 2004)

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Preface

In order to graduate from The Hague School of European Studies, a student is obliged to write a dissertation. The theme of the dissertation is either appointed by the placement provider, or is a personal decision of the student. This dissertation has to be based on thorough research, which can be conducted as desk research, field research or a mixture of both.

My choice of topic fell on the presidency of Vladimir Putin and the changes Russia went through in the short eight-year period of his administration. In 2007 Putin was chosen as 'Man of the Year' by *Times Magazine*. His presidency was highly controversial, but he did succeed in restoring Russia's image on the world stage. Since I am a Russian native and completed my internship at the Royal Netherlands Embassy in Moscow, I wanted to explore this issue more thoroughly to understand whether the changes Russian has undergone are just superficial. Are they mainly the result of the rising price of energy resources? Or did Putin truly find the secret formula for Russian prosperity and if so, how did this formula affect the development of democratic rule? In writing this thesis I obtained a critical and comprehensive view on the subject and enlarged my knowledge of Russia.

During the writing I received great help from my supervisor Mrs. A. Grebner for which I would like to thank her. I would also like to thank my supervisors at the Royal Netherlands Embassy in Moscow for their support with the data research and for providing me with enlightenment about the proceedings of Russian politics. Finally I want to thank my husband for his support, especially during the hard times.

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Introduction

Ever since the fall of communism Russia has been going through periods of transition. Gorbachev brought 'glasnost' to the country. Yeltsin brought private ownership, immense freedom but pulled the country into a complete post-communist chaos. Putin restored the sense of order and stability and brought Russia onto the world arena again.

Putin's administration has been highly controversial, especially in the West. He introduced a strategy of 'managed democracy' as well as a new sense of Russian pride and identity, and a strong foreign policy. He renationalised national industries and energy resource production and introduced contentious laws restricting the media, NGOs and the multi-party system. Putin's dogma made him extremely popular in Russia but it also made the Western world apprehensive about the Russian future. Although Putin was helped along the way by stable economic growth at a steady 7% per year and rising oil and gas prices, Russians tend to overlook this and approve of the measures that brought the return of stability and Russia back into the international arena. That in exchange Russians have to miss out on some essential political freedoms does not interest the majority of the population. Of course there are exceptions. For example, the 'intelligentsia' (group of intellectuals) are frustrated by Putin's actions and worry about the unsolved murders of his opponents, such as Anna Politkovskaya and Aleksandr Litvinenko. The intelligentsia are questioning whether Russia is heading towards a new era of dictatorship.

This brings me to the main goal of my dissertation, which is to try to present a comprehensive overview of the changes Russia underwent during Putin's presidency. The central question of this paper is therefore:

- **Did Russia regain its position on the world stage at the cost of democracy?**

In order to answer this, I concentrate on internal policy developments, such as political and economical reforms, and the state of freedom of speech, focusing mainly on the media and NGOs. Furthermore I consider the increased nationalism in the country. Other aspects I discuss include Russian foreign policy developments with the United States, the European Union and the Commonwealth of Independent States. I conclude by giving a short overview of new alliances and the basics of those relations.

The following related sub-questions are examined in order to give a suitable answer to the central question:

- What transitions did Russia undergo before 2000?
- How did Putin get his post and what was his initial political position?
- What political reforms did Putin introduce?
- What was the idea behind the concept of ‘managed democracy’?
- What was the role of the ‘siloviki’ and ‘oligarchs’ in Putin’s administration?
- Why did Putin decide to restore federalism?
- What reforms did Putin carry out in the field of Rule of Law?
- How did elections and the multi-party system develop under president Putin?
- How did the situation around the media and NGOs change after Putin became president?
- How did nationalism support Putin’s presidency?
- What economic reforms did Putin take on?
- How did the Russian dependency on petrodollars develop?
- How did Russian foreign policy change after 2001?
- How did relations develop with the United States?
- How did relations develop with the European Union?
- Why did Russia lose its alliances in the Commonwealth of Independent States?
- Which new alliances did Russia make during Putin’s presidency?

To write this paper I mainly made use of desk research. I consulted several books, but most of the information examined comes from Internet sources, such as international newspapers, online journals and databases of international agencies and organisations. As I spent time in Russia, I had unfortunately little choice in books and those I could get my hands on offered only one perspective. However, I think I managed to obtain enough information relevant to the subject to be able to conduct the research in the best possible way. Regrettably, I did not manage to conduct a personal interview to attain an expert’s view on the subject of my research.

This paper contains five chapters. The first chapter describes Russia’s transitions from the fall of communism to liberal democracy under Yeltsin and the heritage Yeltsin left to his successor. It also provides some background on Putin’s rise to the presidency and his initial perceived principles. Chapter two is an overview of the most important political changes that occurred during the two terms of Putin’s administration and the evolution of his policies. The third chapter provides a discussion of economic reforms in Russia including economic growth as well as the influence of the petrodollars on the Russian economy. Chapter four focuses on the foreign policy conducted under Putin and the aspects that brought Russia back into the

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global arena. The fifth and final chapter tries to give an answer to the central question, through a brief examination of the main issues of this dissertation.

1. Russia in transition

In order to understand the current situation in Russia, it is essential to briefly examine the historical background of Russian transition. Over the past 20 to 25 years, the history of Russia has been marked by revolution, striking leaders, and crises. The turmoil started after the fall of the Berlin Wall and subsequent collapse of communist ideology that had ruled the country in the previous 70 years. The initiator of the reform, Mikhail Gorbachev, envisioned *glasnost* (openness) and *perestroika* (reform) as tools for the much-needed and sought change in the country. These changes were supposed to prevent Russia from succumbing to the anticipated crises. “Gorbachev’s goal was to bring the communist system to a point of perfection, based on the ideals of Marxist-Leninist materialism. He estimated that the improvement of the economy would result in the correction of the entire ‘superstructure’ of Soviet society” (“The Gorbachev Era: Losing the Initiative”, p.73). However his suggested reforms were too radical for the rest of the established party system, which was used to the party privileges they had enjoyed so far. Although considered a great success from the global prospective, Gorbachev’s decision to improve international contacts by signing agreements with the United States on the matter of arms control – and the subsequent peaceful breakaway of the countries of Eastern Europe, followed by German unification and NATO membership for the new Germany – was deemed by his own party to be a sell-out. In his desperation to stay in control of the reforms, Gorbachev miscalculated the influence of the economic crisis, and likewise he seemed to ignore the power of the nationality issue: “Glasnost created ever-louder calls for independence from the Baltics and other Soviet republics” (*Michail Sergeevich Gorbachev, Soviet Premier*).

His reign came to an end, though not officially, in August 1991 when a group of hard-line members of the Soviet Union’s government had tried to seize power. Though the coup failed, due to the lack of support from the military and public masses, nonetheless Gorbachev lost political support in USSR, and thus he resigned in December of the same year the man tot profit from this situation was Boris Yeltsin who gained all the devolved power of the Communist Party of the Soviet Union (CPSU).



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These events also contributed to the hastened disintegration of the Soviet Union. From that moment on, one can certainly speak of a new era in Russian history.

The changes that ensued came as a surprise to everyone. The first-ever popularly elected president of Russia, Boris Nikolayevich Yeltsin was partly responsible for the arrangements to replace the Soviet Union and establish the Commonwealth of Independent States (CIS). And this was just the beginning of his envisioned reforms. He came to power on a wave of high expectancy, and vowed to transform Russia into a free, democratic state with a market economy. He opened the way to massive privatisation and endorsed a programme of price liberalisation, raised taxes and cuts on government subsidies and state-welfare spending, conform to his election promises. In 1993, relations between Yeltsin and parliament climaxed, ensuing in a constitutional crisis, which gave Yeltsin the necessary grounds to impose a new constitution. The new, revised document ensured stronger presidential power.

Regrettably most of his political actions and reforms turned out to be less prosperous for the Russian population than envisaged. The privatisation worked only in favour of a select group, the 'oligarchs', who knew how to enrich themselves, while the rest of the country suffered a deep depression; some authors have even called this 'economic genocide' (Bohlen, 1992). Another decision to invade Chechnya, in an attempt to restore control over the breakaway republic, ended in a retreat of Russian forces and a deal to give greater autonomy to the devastated republic. This affected the Russian voting majority, and in 1996 Yeltsin almost lost his post to the communist party representative, Gennady Zyuganov. His miraculous victory in the second round of elections was due to the support of the oligarchs close to the Yeltsin administration, who owned the TV stations, and oil and gas companies.

During his second term in office, Yeltsin became highly detested for his inability to change the situation and allowing the oligarchs to grasp the power in the country. His unhealthy and sometimes obviously intoxicated television appearances were considered an embarrassment to the country's image. All of this, and a certain degree of unpreparedness in the Russian population for the pace of reforms led Russia to stumble slowly into an economic crisis. The government's default on its own debts resulted in panic in the financial markets and caused the national currency, the ruble to collapse. State loans kept on growing in Russia. According to Aron (2001), during Yeltsin's entire presidency "Russia received a total of 40 billion dollars in funds from the IMF and other international lending organisations".

On New Year's Eve of 1999 Yeltsin announced his resignation and gave the title of acting president to the virtually unknown prime minister, Vladimir Putin. In his resignation speech Yeltsin expressed his regret to the Russian population for the errors of his presidency. "I want to beg forgiveness for your dreams that never came true. And I would also like to beg forgiveness for not having justified your hopes" (Yeltsin: I resign, 1999).

The balance sheet of his turbulent and often chaotic rule of social and political transformation was thus not as successful as some had foreseen. Though Yeltsin was able to set new values for the country's sphere of democracy his actions brought the Russian economy to fall. "GDP had fallen over a decade by some 45%; government revenues had nearly halved" (Anderson, 2007). The economic instability and oligarchic rule made Russian's highly suspicious of the authorities. Russia lost its military power, and as a result of the overwhelming economic debt it lost its influence on the world stage. "Other factors include: the ruinous demographics of the population. According to statistics the mortality rate had increased by 50%; the insignificance of Russia's nuclear power after the end of the Cold War because the principles of force no longer applied in Western societies; and a weak governmental structure ruled by corruption with a crime rate double of that at the beginning of Yeltsin's presidency" (Stefan Batory Foundation, 2007). All in all, the state had lost all its influence in the international arena and was simply ignored by all the major actors; this was the legacy Boris Yeltsin left to his successor, Vladimir Putin.

The situation in Russia and its role in the international arena began to change when the handpicked successor took office in 2000. The elections were held among eleven possible presidential candidates. Putin won the first round with 52.94%. His win heralds a qualitatively new stage in the political and social life of post-Soviet Russia. "A man who was almost unknown in 1999, and who possesses no independent political biography, has filled the highest state post, with its immeasurable plenipotentiary powers. Former KGB officer Putin reached the pinnacle of state power exclusively through the machinations of the Kremlin apparatus" (Volkov, 2000). Under the rule of Putin Russia started another period of transition. In the eight years of his presidency Russia regained its position on the world stage. The change in perception is quite drastic for the period of time it took to achieve. The theories on how this has happened are countless, some simpler than others. Most international scholars and observers (The Economist, 2008), (Kaletsky, 2007), (Lucas, 2008), have claimed that Russia's achievement is nothing more than coincidence. Arguing that rising oil prices are the

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reason for the flourishing economy: “high oil prices and recovery from the transition away from communism deserve most of the credit” (McFaul & Stoner-Weiss, 2008). On the other hand even Kremlin critics are impressed with the results Putin was able to provide in past eight years. “Russian comeback is due to success of market reforms” (Aslund, 2007). Others praised Putin’s ‘strong leadership’ and diplomatic abilities. According to Stengel (2007), “if Russia succeeds as a nation-state in the family of nations, it will owe much of that success to one man, Vladimir Vladimirovich Putin”. However from all of the observations one conclusion could be drawn: Russia is once again a country that not only shapes the future fate of the world and whose opinion is well considered, but it is a country that is feared, if only for its ability to cut off energy supplies to the West.

Putin personally incarnates this newly regained strength of the country. Regardless of the controversy his presidency has caused in the West, Russians adore their leader. According to the latest polls the confidence in his leadership is over the 80%; the vast majority of people are sure of the course of his policy and tend to agree with the prolongation of the development Russia has been through. Even more so the vast majority of the Russian population is pleased to know that Putin was not leaving politics after his second term in office came to an end.¹ And polls in many Western countries show a similar confidence in Putin’s global leadership.

Figure. 1 Comparative confidence: Bush vs. Putin



Source: Global Unease with Major World Powers and Leaders (2007)

¹ Putin accepted the position of the prime minister under recently elected president Dimitry Medvedev.

Democratic developments in the country, however, as opposed to economics, cannot be measured by this popular support. In actual fact, according to most NGOs and other research institutes the level of democracy in Russia has deteriorated and the country's political proceedings are much less democratic than they were during Yeltsin's presidency. Putin's presidency often challenged the Western democratic model, and did so openly. Through providing Syria with arms, supporting Iranian nuclear programme, holding talks with Hamas.

The new Russian political system is described by analysts in many and various ways: as a neo-patrimonial democracy, an oligarchy, an autocracy, a surface democracy, a managed democracy, as tsarism and even imperialism. Yet the president himself has always insisted that "a political system cannot be somewhat democratic, just as one cannot be somewhat pregnant" (Kremlin, Transcript of Annual Press Conference, 2008). Hence according to Putin, the Russian political system cannot be qualified as anything else than a democracy. However, the new developments often qualify Russia as a petro-state, due to the rise of its oil revenues that have escalated as a result of the high oil and gas price in the world.

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1.1 Putin's rise to power

On the verge of the year 2000, when the former KGB colonel was appointed their president, Russians had little understanding of their new incumbent and what he could and would change in their desperately worsening situation. Due to the miraculous work of his campaign leaders, “the public had accepted him as an antidote to Boris Yeltsin” (Bakker & Glasser, 2005, p.39).

Putin's rise to the presidency was rapid. Originally a lawyer, he had spent most of his professional life in service with the KGB and entered politics only in the early 1990s. Due to his loyalty to his superiors he first reached prominence in the local politics of St. Petersburg, and then in the Kremlin. After the failure of the Sobchak-Putin government in St. Petersburg, He owed first posting to Moscow to his political saviour, Pavel Borodin. Borodin was the head of the Kremlin's property department and a member of Yeltsin's 'family', the common name for those closest to the president. Borodin made the necessary arrangements for Putin to become deputy chief of staff in the Kremlin in 1996. A new promotion followed in 1998 – as director of the Federal Security Service (successor to the KGB) – due to Putin's ability to be imperturbable, not to impede matters and his discretion. Putin quickly settled into his new role and kept on demonstrating his loyalty to the president. This behaviour did not go unnoticed. Just over a year later Yeltsin, on the advice of Boris Berezovsky, one of the oligarchs and his closest adviser at the time, appointed Putin the new prime minister. “From that moment Putin became a wartime prime minister “(Bakker & Glasser, 2005, p.55) and pledged no mercy in the second Chechen war that broke out in August 1999. He spoke of his Chechen foes in an address to the press and promised to pursue the terrorists everywhere. “If it is in the airport, then in the airport. You'll forgive me but if we catch them in the toilet, we'll wipe them out in the outhouse” (Bakker & Glasser, 2005, p.55,). He made an indisputably strong impression as a young, innovative, law-abiding leader who was willing and able to restore Russia to greatness. Behind this facade, however, was a support structure of rigged farces, media manipulation and strong allies in the oligarch environment that shaped the age of Putin for years to come.

Not beforehand, nor during the actual elections did Putin propose a proper election programme. Thus the people voted for the hype surrounding Putin. However he constantly stated his support for the development of democratic order in the country and promised to

reinstate the Rule of Law, one of the cornerstones of democracy. Elections were held at the peak of insecurity; the state was weakened, it had lost most of its influence on the world arena, it was living off foreign loans and could not offer any sensible stability to its citizens. Thus instability was the driving power of the Russian electorate at the end of the 1990s. The behaviour of the electorate is understandable; when a country's administration is unstable people tend to seek change, a new face, and new ideas.

After his election, Putin stated his main goals for the upcoming four years of his presidency in his inauguration speech. He promised to build a prosperous Russia. He said: "We have faith in our potential. We have faith in our ability to truly reform and transform the country. We have common aims. We want our Russia to be a free, prosperous, strong and civilized country, a country that its citizens are proud of and that is respected internationally" (Putin's inauguration speech, 2000). He made internal strengthening of the country a priority and stressed the national factor.

However many experts argue that along the way towards the stability and prosperity Putin undermined and lost many initial and critical aspects of the democracy he vowed to strengthen. Democratic order, something so valued and rightfully praised in the Western world is defined in detail by Juan Linz (1978), (as cited in Peterson Institute for International Economics, 2007), as the "legal freedom to formulate and advocate political alternatives with the concomitant rights to free association, free speech, and other basic freedoms of person; free and non-violent competition among leaders with periodic validation of their claim to rule; inclusion of all effective political offices in the democratic process; and provision for the participation of all members of the political community, whatever their political preferences".

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2. Changes in the Russian political system under Putin

During his inauguration speech of May 7, 2000 Putin expressed his belief that together with the Russian population he could change life for the better. He emphasised, “For the first time in the entire history of the state, for the first time in Russian history, supreme power in the country is handed over in the most democratic and the most simple way through the will of people – legally and peacefully – and this peaceful succession of power is the crucial element of the political stability which Russian people have dreamt of. Russia is becoming a truly democratic modern state. The movement towards a free society has not been easy. The establishment of a democratic state is a process, which as yet is far from complete. We must safeguard what has been achieved, maintain and develop democracy to ensure that the authorities elected by the people work in their interests, defend Russian citizens everywhere including both inside and outside our country, and serve society” (Putin’s inauguration speech, 2000).

The course of the political reforms in Russia during Putin’s first governing period started at a low pace. All was aimed at rebuilding the Russian state. First of all, Putin undertook a series of actions aimed at rectifying the excesses of the Yeltsin era, or what he considered them to be excesses. Putin discharged several of Yeltsin’s followers and relatives from his cabinet, including Yeltsin’s daughter who served as his chief adviser. However, an article published by *The Economist* dismissed these changes as cosmetic, pointing out: “the other Kremlin insiders remain firmly in place” (What will Putin do, 2000). In addition, Putin surprised everyone when, a couple of weeks later, he effectively excluded most democrats from the Duma by making a power-sharing pact with Communist party. “Most analysts called it a pragmatic manoeuvre, orchestrated by Putin to consolidate power, while others considered it to be a cynical and calculated move to shunt political rivals. Still others observed that by forging the alliance, candidate Putin had “silenced the Communists, and, at the same time, created a situation in which they will be the only ones able to compete with him” (Russia: Duma Pact, ‘Nuclear doctrine prompts new questions on enigmatic Putin’, 2000). Regardless of what the experts thought, Putin had created a political environment that would give him all the necessary tools to govern without restraints.

During his two executive terms Putin “has replaced the institutions outlined in the constitution with those of his own design. The government has given way to the Security Council, the

centre of power around [Minister of Economic Development and Trade] Gref, and the presidency. The Federation Council has given way to the State Council, and the Duma has given way to the Public Chamber” (Carnegie Endowment, 2005). According to Michael McFaul and Kathryn Stoner-Weiss (2008) “the formal institutional contours of the Russian political system have not changed markedly under Putin, whereas the actual democratic content has eroded considerably”. Moreover Putin leaves the presidential chair with a prophecy for the future of Russian development. This ‘Putin Plan’ is written “for residents of Russia’s Centre and the entire nation, that plan incorporates strategies for victory over poverty and corruption, over economic and technological underdevelopment. Victory in the competition among leading world powers, establishing order, concentrating of resources and developing of the country” (What is Putin’s Plan? 2007).

2.1 Managed democracy

Shortly after the first elections, together with his public relations assistants in the Kremlin, Putin formulated the term ‘managed democracy’. It describes the unique features of Russia’s evolving political system. “As the label faded in appeal and explanatory power, this same team of communication specialists floated a new term, ‘sovereign democracy’ as a new way to describe Russian President Vladimir Putin’s regime. The new moniker cleverly fused a nationalist notion with an ideal regime type” (McFaul, 2006). However this was not the first time the phenomenon of managed democracy was used, according to Amina Afzal (2007): “it has existed since 1989 when government authorities sought to control elections under Mikhail Gorbachev. His shortly instated term of managed democracy and dictatorship of Rule of Law theories have shaken up the western world that does not believe in such terms”. Putin introduced the ‘Third Way’ system that did not fully qualify as a democracy, but also could not be considered an autocracy. It was a model of centralised liberal conservatism. According to Richard Sakwa (2008), “Putin was evidently trying to move beyond traditionally amorphous definitions of centrism towards a more radical future-orientated model” (p.473). The new political model came together as a result of weakening and limiting the number of independents among the Kremlin’s political actors; and the reluctance of the Russian public to participate in the political processes, which made it highly susceptible to possible manipulations of public opinion. On the other hand, Putin was committed to observe aspects of the constitution and to “a policy of political stabilisation accompanied by capitalist modernisation, and the attempt to return to a native model of development” (Sakwa, p.473

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2008). On the whole “managed democracy controls society while providing the appearance of democracy. Its main characteristics are as follows: a strong presidency and weak institutions; state control of the media; control over elections allows elites to legitimise their decisions and visible short-term effectiveness and long-term inefficiency” (Carnegie Endowment, 2005). The other main aspect of the managed democracy includes such key features as Kremlin’s dominance in the national economy by “serving as both the initiator and implementer of economic policy; the slowing down or freezing of structural liberal reforms; rapid expansion of the state sector of the economy; and growing reliance on security services, police and civil courts as the tools of policy implementation” (Aron, 2006, p.5).

All in all it is a form of reform above and a practical response to the tiresome developments of the late 1990s. The choice of means Putin opted for was quite controversial. Moreover it directly desecrates the conventional ideas of democracy. Basically it led to a manually controlled system (Ryabov, 2005, p.29) under which the president governed through the apparatus trusted to him by the people instead of the available institutions. Nonetheless, “there is nothing objectionable in Putin’s ending the polarisation of executive and legislature, removing the anomaly of governors sitting in the upper house of parliament, squeezing more tax revenues from the provinces, tinkering with the electoral system, putting one or two of the most arrogant oligarchs in their place, and retaliating against the Chechen incursion into Dagestan” (Herspring, p, 2005, p.24).

2.1.1 The role of the siloviki in Putin’s Russia

During the 1990s Yeltsin surrounded himself with a small group of business moguls that became known as ‘oligarchs’. However when Putin stepped into the presidential arena he brought his own devotees to Kremlin that were eager to fill the space vacated by the oligarch’s. These devotees can actually be divided into three primary groups commonly referred to as the liberals, technocrats, and siloviki.

“The liberals, led by Economic Development and Trade Minister German Gref and Finance Minister Aleksei Kudrin, are defined by their shared approach to economic policy, which, although significantly more interventionist than Western liberalism, is more market friendly than the philosophies of their rivals. This group, generally comprised of economists and former businesspeople, is considered the weakest of the three. The technocrats are led by First Deputy Prime Minister and Gazprom chairman Dmitry Medvedev and Gazprom president

Aleksei Miller. The group's control of Gazprom, the state-controlled gas monopoly, gives it significant influence on all policy matters. The third group, the *siloviki*, is probably the most powerful of the three" (Bremmer & Charap, 2006-07).

Due to Putin's KGB background the trustees he chose to help him manage the democracy were the representatives of his most common environment of force structures, the group named *siloviki*, a term derived from *siloviye strukturi*, referring to the armed services, law enforcement bodies, and intelligence agencies. "According to the Kremlin strategists' plans, Putin would be presented as a 'reanimated Andropov' and one who – like his predecessor – would engage in the consolidation of society, the restoration of public order, and the strengthening of state power, using the mechanisms of the Soviet system whenever necessary" (White, 2003, p.291).

Siloviki were a large group of loyal subordinates, in contrast to Yeltsin's choice to surround himself with power-seeking oligarchs. Putin invested a great deal of his trust in the *siloviki*, and under his rule they immediately "formed a new sort of Russian elite that constituted 25% of all civil servants during Putin's first term in office. According to the Russian Academy of Sciences Institute of Sociology this is more than double of that under Yeltsin (11%). Olga Kryshtanovskaya called this snowball effect 'a brotherhood of Chekists'" (Bakker & Glasser, 2005, p.253). Even more appointments followed in his Putin's second term. "Siloviki occupied the highest posts in the largest state corporations, for example Aeroflot, Rosneft (the largest oil company), Almaz-Antey (the largest rocket producer) and not the least Gazprom (the largest gas company). Allegedly they infiltrated all spheres of political and economical conduct in Russia (Peterson Institute for International Economics, 2007). Besides this, "under Putin the influence of these people has grown, to the point even that some have argued that Russian policy is now determined by them" (Sakwa, 2008, p.101).

Putin sacredly believed in the old Stalinist quote "cadres decide everything" (Bakker & Glasser, 2005, p.253). His strategy seemed to be focused on the creation of a loyal core group around him, who were able to challenge the corrupt bureaucrats and oligarchs that had seized power during the Yeltsin era. Simultaneously, the aim behind this strategy was to return the control structure to the state and unite the appointees under the common idea of a stable society and effective social reforms, with Putin's vision at its head. With stability as foremost important objective, the state came to look more like a 'militocracy' (Sakwa, 2008 p.101),

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controlled by his fellow 'Chekists' (old title for KGB agents), people like Putin of high moral and endurance able in his eyes to control the situation in the country and "stress the need to restore the coherence of the state and have strong views about how the economy should be run" (Sakwa 2008, p.101).

Siloviki simply took over the powers and wealth of the oligarchs, but the Russians did not seem to mind. "The sole resonance of the oligarch title became equal to a nuisance; hence by taking hold over the oligarchs the siloviki even earned popularity and a certain amount of respect, especially with the older generation. However, the siloviki also created another 'closed corporation' (Ryabov, 2005, p.26,) and this corporation was ready to reach their aims by any means, due to their prior history as former servants of the 'power ministries' (Sakwa, p.100, 2008). The best-known means to them was ferocity. Putin and his trustees "tend to create the image of common foe that gives them the ability to live off nationalistic feelings and internal disputes, but does not give the country the feeling of security and flourishing" (Russia under Putin, 2007).

However, according to Bettina Renz (2007), "there are no grounds for believing that Putin systematically promoted the siloviki as a deliberate strategy aimed at creating a more authoritarian regime". Discussing her views on the siloviki, Bettina Renz points out, "They were far from dominant in the policy-making process. Only nine of 47 leading officials in the presidential administration had a security background, and none of the nine was in the top echelons of power. Only two of ten presidential advisers were siloviki. Putin simply relied on people with whom he had worked in the past, and in his view security officials were just one group of many. They certainly did not constitute a coherent clan, [Renz] insists, as the concept of 'militocracy' implies" (2007)

Moreover, "President Vladimir Putin himself appears to be growing increasingly wary of the siloviki's advance and is taking steps to stem their influence" (Walters, 2005). In Past years the technocrats and liberals actually gained some points over the 'siloviki'. For example: "the liberals are working to rein in the tax service, while the lawyers have successfully fended off the siloviki's bid to take control of Gazprom" (Walters, 2005). Moreover Putin installed Dimitry Medvedev a democratic and "pro-Western-minded" as his successor, what could be considered as a change of tactics. Nonetheless according to Walters (2005), "though Putin increasingly distanced himself from the 'siloviki' he is still interested in preserving a balance of power rather than rolling back the group completely".

2.1.2 *War with the oligarchy*

At the time of Putin's election the oligarchs were an inseparable part of political life in Russia. Their rise was unpredicted and unforeseen. By the end of Yeltsin's administration "Russia had dismantled an autocracy, but instead of rule by the many (democracy) it had arrived at the rule by few (oligarchy)" (Herspring, 2005, p.162.). The oligarchs openly supported Putin's candidacy and "Berezovsky gave out an impression that he personally had been the architect of Putin's rise to power" (Herspring, 2005, p.166). However the oligarchs underestimated Putin's ability to choose his own political course. Shortly after his elections Putin distanced oligarchs from the power center, "a signal that the tycoons would no longer be able to flout government regulations and count on special access to the Kremlin" (Goldman, 2005).

From the very start, Putin declared that all of the oligarchs would be equidistantly alienated from the Kremlin. He proclaimed: "There will be no such oligarch as class" (Bakker & Glasser, 2005, p.86). At first this threat was disregarded by the oligarchs and considered good politics and election techniques, but "the sudden arrests of Gusinsky and the nosing of law enforcement agencies around many tycoons and moguls" (Bakker, P. & Glasser, 2005, p.86) shook up the oligarchs. After a while two of them, Vladimir Gusinsky and Boris Berezovsky (who both controlled critical mass media sources) found themselves in exile. To the rest of the oligarchs Putin once, allegedly, proposed a deal. "You can keep your wealth and avoid prosecution for the shady privatisations of the 1990s if – and only if – you stay out of politics" (Whitmore, 2005). This move was officially considered the end of the oligarch era. Many fled from the country in fear of political prosecution, the less obedient ones were put on trial in cases that strongly resembled the Soviet-era public show trials.

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2.2 Restored federalism

From the start of his political career in the Kremlin Putin vowed to restore the Kremlin's executive authority in the country. This is one of Putin's more successful and important contributions. As one of the first changes, he reversed the autonomy of regional governments. "Under Yeltsin, a total of 89 political territories had been granted autonomy" (Russian Presidential Leaders). One of the negative effects of this decentralisation policy was the growth of separatist movements, the most outstanding one being Chechnya. "Putin had witnessed the extent of the problem when he supervised Russia's regions for Yeltsin from March 1997 to July 1998" (Herspring, 2005 p. 237). His background as head of the 'Main Control Department'² allowed Putin to set out policies to attempt to restore federalism in these regions and take the appropriate approach towards the regional leaders.

In May 2000 he announced the creation of new level of administration between the centre and the regions. The territorial and geographic order was reinstated through the formation of seven federal administrative districts, or "super- regions"³ (see map p.19) and the appointment of seven special presidential representatives who were charged with the difficult task of restoring the authority of the Kremlin and the vertical distribution of power in the regions. What was significant about these administrative districts that they completely corresponded to the old Soviet Union structure of military districts and were not an outcome of new political or administrative strategy. Some authors interpreted it as an illustration of Putin's preferences for the Soviet time administration. Additionally these districts were created by a presidential decree and "their creation was para-constitutional in the sense that they represented a change to the constitutional order without changing the letter of the constitution" (Sakwa, 2008 p.269).

² Glavnoe kontrolnoe upravlenie

³ Federal'nye okruga: the Central district, the North-western district, the Southern district, Volga district, the Urals district, the Siberian district and the Far Eastern district

Figure. 2



Further, Putin's policy created a system of so-called 'super-governors' by personally appointing envoys (*polpredy*) to the super-regions. As these envoys were directly accountable to the president, they were "undermining the principle of regional democracy" (Sakwa, 2008 p.267). The appointees were primarily in favour of Putin and his administration and out of the seven envoys 'five were generals' (Herspring, 2005, p.242).

The new envoys were assigned the task of taking control of and optimising all the federal agencies in their jurisdiction, many of which had developed affinities with the regional governments during the Yeltsin era. They also began investigating regional leaders as a way of undermining their autonomy and threatening them into subjugation. Their other task was to ensure prominence of federal law and the formalisation of the division of power between the regions, and local and central government. Putin's justification for these reforms was that under this new model governors would be more effective and could be held accountable more easily. Besides, he felt that "segmented regionalism threatened the rights of the minorities of minorities and individuals" (Sakwa, 2008 p.267).

Later in his first term and actually just after the terrorist attacks in Beslan, in a speech televised on September 13, 2004 Putin emphasised that "the most important factor in strengthening the state is a unified system of executive power in the country" (Kremlin, 2004). According to his belief, terrorism had to be fought on the national level and "unity of actions

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of the entire executive power vertical must be ensured here unconditionally” (Kremlin, 2004). Hence he proposed a new measure, which replaced the election of regional governors.

According to the new system governors would be proposed by the president and approved by the legislative assemblies.

The next step Putin took to ensure federalisation was the reform of the Federation Council by replacing the elected representatives of the regional legislatures with permanent representatives who would be appointed by the governors and the legislatures. In this process, the regional legislators lost their parliamentary immunity (Herspring, 2005, p.243). In this way Putin gained full support behind his every decision. Further reforms to support this policy included: “the adoption of laws that allow the president, under certain conditions to remove governors and dismiss regional parliaments; the creation of a new body for governors, the Presidential State Council, as a consolation for losing their seats in the Federation Council; changes in inter-budgetary relations through a new tax code, which increases the centre’s share and gives the federal government greater control over tax receipts and expenditures” (Herspring, 2005, p.243).

As Petrov (2006) put it, “Federalism and democracy are interrelated. The dismantling of one leads to the weakening of the other. Putin’s over-assertive behaviour towards this policy actually was a primary demonstration of his willingness to create a unitary state. His conduct around this issue could in fact be considered anti-federal.” As federalism presupposes quite a specific distribution of powers between regional and national governments, the administrative changes made by Putin were designed to take away or at least constrain most of the powers exercised by regional authorities. Most of the sovereignty declarations of the Russian republics were declared unconstitutional by the Constitutional Court in 2000. The court’s decision was based on a state-centred view of sovereignty referring to the constitution of the Russian federation that “does not allow any kind of state sovereignty, which from the start belongs to the Russian Federation in general” (Sakwa, 2008, p.271).

Under Putin’s administration the new federal system seems to suffer from limitations and reflects Putin’s KGB background, his choice of the envoys and means make obvious that he is aiming at a unitary and recentralised structure. The prominence of the strict hierarchical order, discipline and obedience were at the core of Putin’s federal reform. However, the designed system actually failed to establish a vertical distribution, due to a third party in the form of federal districts, which was added to the scheme so that the system resembled a triangle of the relations between the centre and the regions.

“The system of strengthening the vertical distribution of power developed by Putin had led to imitation by other agencies within presidential administration. In the shortest time ministries in Moscow were taking control over the federal district agencies and these in their turn assumed control over officials in the region. The idea of appointed regional governors was contested as well. It resembled a return to the Soviet era’s centrally-run political system. So instead of creating a transparent and lawful decision-making sphere, Putin’s attempt at federalisation created a highly centralised system without a genuine balance of power. The new quasi-military state organisation resembles the Soviet state organisation, with its multiple vertical chains of command and direct subordination to the highest level of power; an anti-subsidiary principle based on the assumption that the highest level is the source of power; a Stalin-like horizontal rotation of federal officials in regions; and a neglect of regional diversity. Such a system can be stable only in stagnation” (Petrov, 2006). This situation is not only highly undemocratic, but it also poses the risk of a collapse of the whole system.

2.3 The Rule of Law

The reforms of the legislative structures and procedures, one of the vital cornerstones of democracy, were necessary in post-Yeltsin Russia. The Russian constitution Yeltsin established in 1993 upholds the basic principles of democratic state-building, such as the separation of powers, independence of law and it defines the rights and duties of various levels of government. This document also meets the standard requirements to ensure the civil rights of citizens and provides the basics for both freedom of speech and publication. The constitution does not refer to any religion or state ideology. Articles 28 and 29 of the Constitution of the Russian Federation guarantee freedom of religious conscience, speech and thought, derived from the multi-party system and religious pluralism. However, due to the chaos of Yeltsin administration several of these principles failed to be upheld, for example the separation of powers.

When Putin came to office he vowed to make the judiciary system independent. The former lawyer by profession explained that “an independent and impartial court is the legal protection of citizens. It is a fundamental condition of the development of a sound, competitive economy. Finally, it is respect for the state itself, faith in the power of the law and in the power of justice” (MID, 2001). Although it was supposed to be Putin’s strongest reform

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and should have provided evidence that he was the genuine moderniser he was supposed to be, from the start his approach to this reform was rather curious. In a message to voters he called democracy a ‘dictatorship of law’ (Constitution of the Russian Federation). Putin’s administration introduced a number of measures reshaping the judiciary and the established operation of the courts. Before Putin initiated these reforms, the Russian judiciary was notoriously corrupt. Unfortunately there is no specific information available on corruption within judiciary. However, according to the Corruption Perception Index (CPI) issued by Transparency International, Russia is 82nd in a long list of 90 countries, making it perceived as one of the world’s most corrupt countries (see Figure 3 and 4, below).

Putin assigned the task of the reform to Dimitry Kozak, one of the experts at the Kremlin who had followed Putin from St. Petersburg. Kozak was supposed to design a legal system that would not tolerate previous misconduct and was intended to move away from Soviet-style system towards a more adversarial system with evenly balanced rights of the defendants and the court. The adopted laws “were designed to improve guarantees for the human and civic rights of the individual and the economic rights of the citizens” (Sakwa, 2008, p.72). The first draft that Kozak sent to the Duma for approval ran into fierce opposition. That draft actually suggested stripping prosecutors of their unilateral power to arrest suspects or conduct searches without obtaining court warrants, “a practice already banned by the Russian constitution in 1993 and a Constitutional Court ruling in 1999, both of which had been completely ignored” (Bakker & Glasser, 2005, p.239). Due to the opposition Putin backed down from such a radical reform and withdrew the motion in a matter of hours.

Kozak did not give up though, and his second attempt worked out changes in the balance of power in the judiciary system. This proposal required prosecutors to obtain warrants “to conduct searches or hold suspects longer than forty-eight hours. [Kozak] suggested expanding jury trials beyond the provincial courts and that prosecutors would not get any more extensions on their investigations if their cases were inconsistent. Defendants would no longer face double jeopardy except in rare circumstances. Judges would be required to explain in writing whenever they barred a witness or a piece of evidence” (Bakker & Glasser, 2005, p.240). Kozak also proposed a fivefold increase in the monthly salary of judges (from \$200 to \$1000) and to increase funds for the judiciary as well in attempt to fight corruption, but in return the judges would lose the immunity from prosecution. In addition judges would face a three-year probation period and retire at the age of sixty-five instead of seventy. Besides all

this, “a new judicial governing board, including outsiders, would control selections, dismissals and the budget” (Bakker & Glasser, 2005, p.240). The main objective behind this proposal was to secure the role of judges as impartial overseers of the process between defence and prosecution attorneys. Nonetheless Putin overruled some of the stronger changes and Kozak had to cut deals on others, which led to a much weaker proposal than originally suggested.

However some substantive measures were taken to improve the system. For example, the use of jury trials was expanded, although their application was restricted to only the most serious crimes. The system of Justices of the Peace was also expanded. According to the Supreme Court of the Russian Federation, “Justices of the Peace are judges of the subjects of the Russian Federation and form an integral part of the system of courts of general jurisdiction. The reestablishment of the institute of Justices of the Peace in Russia provides for more operative and accessible judicial protection for the citizens of the country. The law entrusts the Justices of the Peace with functions and duties equal for all the judges of Russia: to exercise justice observing precisely and strictly the requirements of the Constitution of the Russian Federation, generally recognised rules, norms and principles of international law and international agreements concluded or joined by the Russian Federation”.

“New codes were introduced to criminal, arbitration and civil procedures, whereby the criminal code increased judicial powers, in an attempt to boost judicial responsibility by rendering judges more accountable” (Sakwa, 2008, p.72). Despite the fact that the general trend was set towards the promotion of judicial independence, the system under Putin still allowed prosecutors “to use evidence from anonymous witnesses and introduce written statements from witnesses who failed to appear during trial, negating the opportunity to cross-examine them” (Bakker & Glasser, 2005, p. 241). The measures that made it possible to remove judges under limited conditions and the concept of a judicial governing board were dropped, on direct orders from Putin. In its final amended form the law was passed by the Duma in November 2001.

In line with the new law the Duma passed a total of eleven comprehensive legislative amendments to the criminal codes in December 2003. Most were aimed at reclassifying less serious crimes as administrative infringements and others to conform Russian laws to the federal law. Furthermore, “a Presidential Programme for the support of Courts had been

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installed (2002-2006) and it increased the funds of the judiciary budget for the court system. Overall expenditure for the five-year plan was budgeted at 45 billion rubles (more than US\$ 1.5 billion)” (Rose-Ackerman, 2005, p.35). Further changes occurred in the wake of the rebel attack in Beslan. Besides the legislation permitting Putin to affect the outcome of the regional gubernatorial elections, Putin proposed changes to the Qualification Boards. According to an International Bar Association (IBA) report, “the law was amended so that “judges would compose only two-thirds of the membership. Of the 29 members of the Supreme Qualification Collegium, 18 would be judges elected by secret ballot every four years by the Congress of Judges. The remaining ten members would be selected from among members of the public and appointed by the Federation Council, but would be legal scholars. A further change was that each Collegium would have one representative of the President, although in reality such representatives were often not appointed” (Rose-Ackerman, 2005). The latter is not an uncommon case in many western European systems. Putin abolished the Presidential Pardon Committee in 2002 on the advice of a member of the siloviki, Viktor Ivanov, and passed this process down to the regional governors.

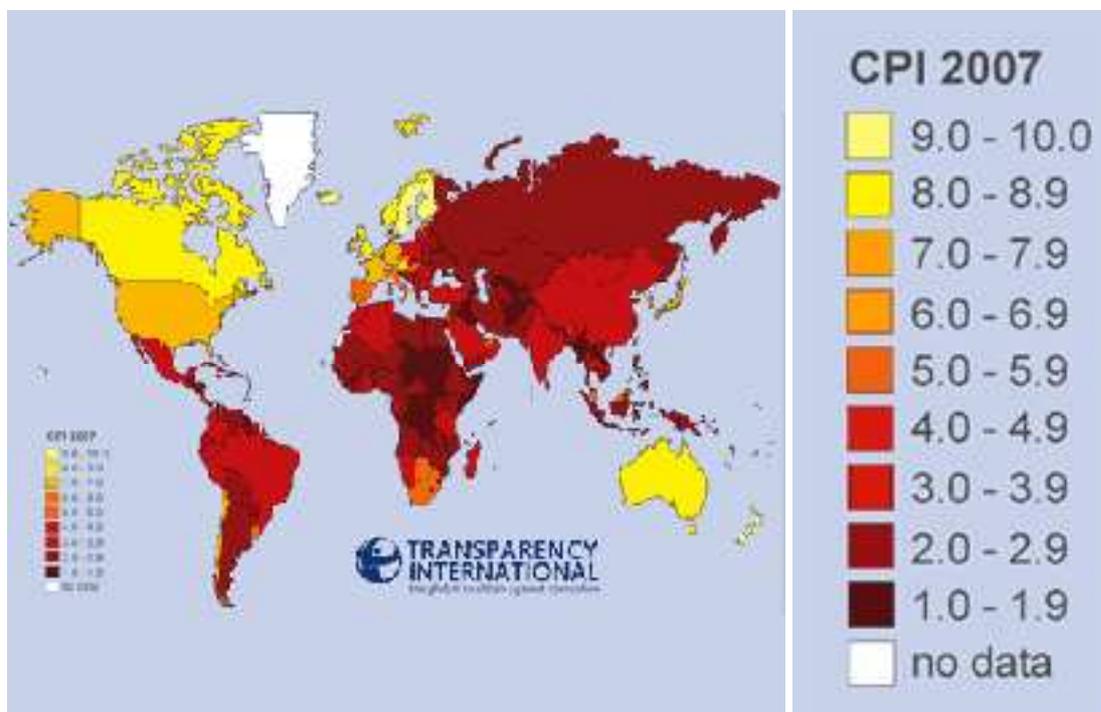
On paper the reforms seemed to be a great advance on the Soviet era, but in fact they reduced the power of the judiciary and found loopholes to be able to influence its actions. Unlawful behaviour by the legislative apparatus became more profound. A vivid example of this is the saga around the Khodorkovski imprisonment. The West had witnessed the misuse of new powers by the authorities to their own gain. Explicitly in December 2004, just 15 month after the Khodorkovsky imprisonment, his company Yukos got expropriated and was sold off to a state owned Gazprom. In addition, an increasing number of cases were brought before the European Court of Human Rights (ECHR) in Strasbourg. Likewise the system proved incapable of tackling one of the Russia’s worst diseases, corruption. In fact the Russian rate on the Corruption Perception Index (CPI) grew. In 2007 Russia descended to 143rd place on the list as one of the worst corrupted systems worldwide (see Figures 3 and 4). According to an IBA⁴ report issued in 2005: “Domestic security is one factor that has provided an impetus towards more control of the judiciary.”

An additional factor, very important when considering the judiciary reforms, is the attitude of Russian society. Ever since the Yeltsin era Russians have remained highly sceptical and

⁴ International Bar Association

negative about the system and to some extent even indifferent. Stories on the corruption and inefficiency of the judiciary are actively publicised. According to the IBA ⁵(2005) the idea is being forced on society that the judicial community is demonstrating a closed and corporate attitude when deciding on questions connected with the purging the judiciary of persons unworthy of their elevated position. According to the most recent polls, carried out in February 2006, only 2% of the sample believed that the procurers and courts would defend citizen’s rights if the police or some other governmental institution infringed them.

Figure. 3 The 2007 Corruption Perceptions Index (CPI)



Source: Transparency International

Figure. 4 Country ranking on the Corruption Perceptions Index (2000 and 2007)

Year	Country Rank	Regional Country Rank	Country /Territory	CPI Score 2007	Confidence Intervals	Surveys Used
2000	82	-	Russia	2.4	-	13
2007	143	13	Russia	2.3	2.1 - 2.6	8

Source: Rose-Ackerman, 2005

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2.4 Elections and the multi-party system

“Managed democracy under Putin did not appear out of nowhere. Government authorities have sought to control elections in Russia ever since the first relatively free and fair election in 1989 under Mikhail Gorbachev” (Petrov, 2006). Competitive elections were a novelty to the Soviet authorities then and the possibilities of controlling them had to be explored. However, “the ruling elite was not consolidated enough to provide effective control over elections, and substantial public activism made controlling elections a difficult task. In time, the political elite became much more experienced” (Petrov, 2006). Moreover according to Petrov (2006), as soon as the authorities figured out how this phenomenon functioned, a clear trend to enhance control over elections became visible as early as 1993. “Since that time, Russia has evolved from a democracy that is managed haphazardly from various centres into a system of government managed in an organised way from a single centre. Meanwhile, societal disappointment in the election process grew and public activism declined” (Petrov, 2006). The electoral system in Russia went through many transitions “with the electoral legislation modified following every electoral cycle and becoming even more detailed” (Sakwa, 2008, p.162).

When Putin first took office he decided to reform the electoral cycle. In particular he decided to adopt a law on political parties (2001). The content of this law “had a profound impact on the electorate process, allowing only registered parties to stand and changing electoral finances. A new framework law on elections for parliament and presidency was adopted on 12 June 2002, with specific laws for each, and the whole package came into effect on 14 July 2003” (Sakwa, 2008, p.164). However Putin did not stop here. “The 2004 party law banned the creation of electoral blocs, with the intention of parties to merge to create more permanent viable organisations” (Sakwa, 2008, p.164-165).

The nomination procedures for independent candidates had been toughened. Now they were “obliged to collect two million signatures, with no more than 50,000 from one region, (Art. 34)” (Central election commission of Russian Federation). Many other strict requirements that were aimed at “discouraging by the independent candidates (those not belonging to a political party)” (Sakwa, 2008, p.165). Now they had to collect two million signatures, with no more than 50,000 from one region (Article 34, Federal electoral legislation, 2007). Many other strict requirements were aimed at “discouraging the independent candidates (those not

belonging to a political party)” (Sakwa, 2008, p.165). These provisions did not apply to the nominees of parties already represented in the parliament. Furthermore Putin approved of a law that established “a 7% representation threshold” and a minimum of “three party list groups had to enter the Duma” (Sakwa, 2008, p.165). Though these reforms could be considered favourable in that they imposed useful legal and organisational tests to the party participants, on the other hand they did make it harder for smaller parties to have a say on the political stage.

In the case of Russia, such reforms worked at weakening of the parliamentary autonomy. Now for the first time the Organisation for Security and Cooperation in Europe (OSCE) issued a critical report on the Russian elections accusing them of untransparency, media abuse, and falsification of ballots. The further Putin came, the more reforms he proposed so that by the time of the elections scheduled for 2007-2008, “[the elections] were defined by significant changes in both the mechanism (i.e., increased centralisation) and rules of the game. These include 1) reformed electoral commissions, which have been organised into a vertical chain of command; 2) manipulated courts; 3) large-scale use of law enforcement agencies against political opponents; 4) the introduction of a system of presidential envoys and political offices of public grievances; 5) amendments to legislation on political parties; and, finally, 6) a change to a mixed system in regional legislative elections and a purely proportional system in Duma elections” (Petrov, 2006). This was Putin’s idea of consolidating power in the Kremlin and prohibiting polarisation of the political system.

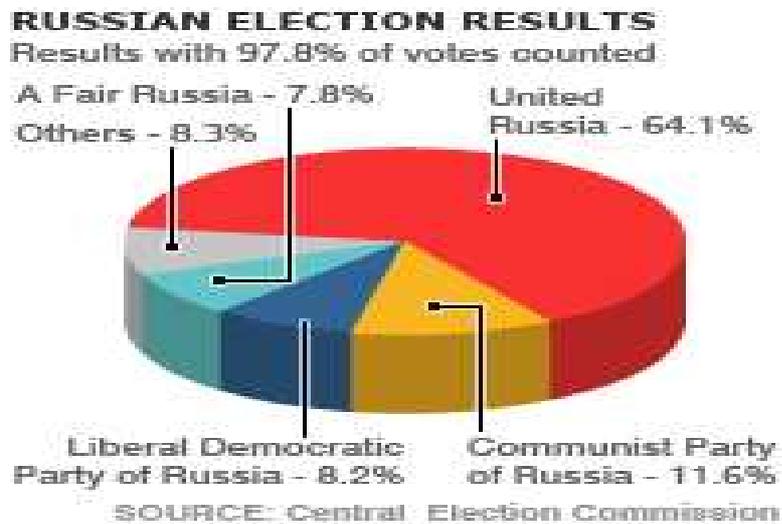
According to Petrov (2006), “the electoral reforms conducted by the Kremlin are interrelated. The first wave in 2000-2003 can be described as the first application of managed democracy to elections, tested on a nationwide scale during the 2003-2004-election cycle. These elections demonstrated the extreme inefficiency of the system that was created, however. Rather than reinstitute previously dismantled democratic elements, the Kremlin proceeded to consolidate control. A second set of electoral reforms in 2004-2005 remain to be fully applied in 2007-2008; these reforms signal the shift from managed democracy to an over managed one.” This was again underlined by the OCSE/Office for Democratic Institutions and Human Rights (ODHIR) report denouncing the presidential elections that took place in 2008. “As a result, Russia has revived virtually Soviet-style decorative elections, entirely controlled by authorities and, in most cases, perceived to be of little significance. Unlike in the Soviet past, participation in elections is not obligatory and turnout has dropped” (Petrov, 2006).

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The political party system had also undergone remarkable reforms. By the end of the Soviet era, parties were registered in their hundreds. In fact “by early 2001 Russia had 56 registered parties and 150 political associations” (Sakwa, 2008, p.145). New legislation has introduced forbiddingly high hurdles for political parties. This precludes the emergence of new parties without the direct support of the Kremlin. “As of February 2004, the Russian Ministry of Justice registered 48 political parties and 20 all–Russian public movements, and based on the requirements under the amended law only 14 parties (see Figure 5) have met all the requirements set forth in Clause 2, Article 36 of the Federal Law ‘On Political Parties’” (Political Parties & Movements). Only 11 received confirmations that they could participate in the elections of 2007, however only four parties had passed the 7% threshold. (see figures 5 and 6 below)

If under Yeltsin the Kremlin sought to create a system in which two slightly different parties of power would alternate, “today’s model is of ‘one-and-a-half’ parties: one major party exists and a few minor, auxiliary ones are controlled by the government. This looks increasingly like the ‘people’s democracy’ once enjoyed by Soviet-bloc countries” (Petrov, 2006). “The ruling party, United Russia, founded December 1, 2001 from a union of the Unity and Fatherland-All Russia, does not accurately qualify as a political party, but is rather a coalition of bureaucrats” (United Russia). “It is a mechanism that relays impulses from the top down and a mechanism to ensure that officials are loyal to the Kremlin” (Petrov, 2006). However it is one of the largest parties in Russia and due to the fact that Putin bound his name to this party in the latest elections it has won the vast majority of two thirds of the seats in the parliament.

Figure. 5 Monitors denounce Russia election (2007)



Source: BBC

Figure. 6 Parliamentary elections (2007)

- | | |
|------------------------------------|---|
| 1. United Russia (315 seats) | 8. Union of Rightist Forces (0.96%) |
| 2. Communist Party (57 seats) | 9. Patriots of Russia (0.89%) |
| 3. Liberal Democratic (40 seats) | 10. Party of Social Justice (0.22%) |
| 4. Fair Russia (38 seats) | 11. Democratic Party of Russia (0.13%) |
| 5. Agrarian Party of Russia (2.3%) | 12. People's Union (failed to register) |
| 6. Yabloko (1.59%) | 13. The Greens (failed to register) |
| 7. Civil Force (1.05%) | 14. Party of Peace and Unity (failed to register) |

Source: (Central election commission of the Russian Federation)

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2.5 Freedom of speech

A speech Putin gave in December of 1999 emphasising that “free speech and free access to information, right for the accurate coverage of what is really happening in the country, will remain immutable law for the Russian authorities” (Country Reports and Ratings, 2006) was an indication gladly received by liberal politicians, NGOs, journalists and other concerned parties. However, there was a reasonable amount of doubt even though Putin kept on stressing freedom of speech and how important it is to protect and improve the already acquired state in Russia. Today, however, Russia is considered one of the most dangerous countries for journalists. According to Reporters Without Borders (RSF), the international press freedom watchdog, Russia is currently ranked 136th out of 167 possible countries (2006).

Putin’s relationship with the press was complex from the start. He realised the full impact of the press in 2000 prior to his election, when a wonderfully orchestrated media campaign helped him to gain his post. Putin grasped then and there the real potency of the media. According to Bakker and Glasser (2005), “the relationship worsened after the Kursk submarine drama, when independent media showed the images that terribly undermined the president’s image” and “was critical of Putin and ‘the family’”(Sakwa, 2008, p.347). Putin went into self-protective mode and launched an attack on the media moguls and oligarchs, accusing them of “stealing money to their hearts’ content over the last few years and now [...] buying everyone and everything” (Bakker and Glasser, 2005, p.83).

In the short period under Putin’s reign, the state acquired the ownership of Channel One (ORT), one of the best-watched channels in Russia belonging to Boris Berezovsky, once Yeltsin’s right-hand adviser. After Berezovsky fled the country in fear of politically motivated prosecution, he sold his shares to Roman Abramovich, and the latter transferred them later back into state ownership. A similar destiny was laid out for Gruzinski’s first independent network (NTV). “After a long hard struggle the studio was literally stormed and the network became state owned” (Bakker & Glasser, 2005, p.91). State ownership of TV stations concentrated after the public punishment of NTV. Unlike TV networks, the press and the Internet in Russia are relatively more independent. Besides these, there is only one relatively independent radio station, the *Echo Moskwi*. Certainly there are regional differences when considering the freedom of speech in different mediums of media. The situation

depends on the fact whether the medium is economically dependant on the local authorities. The less dependant the medium the more freedom of expression it has. Besides according to Catone (2008), "the Internet is the freest area of the media in Russia".

From 2000 Russian state authorities tried to restrict the mediums of media for example through the 'Doctrine of Information Security'. "The major trend in this field was to replace the independent press with a pro-Putin press" (Austin, 2004). Another major trend observed in the Russian media was the reinvention of the "cult of the person" (Panfilov, 2005) that existed in Soviet times. Putin is partly responsible for this (see also, section 2.5). According to Laura Belin, "The aims of Putin's policy have been unambiguous: to enhance state power and deter media outlets from challenging the president. (Belin, 2004, p. 16-17).

Despite Putin's hard line approach of "you're either with us or against us" (Bakker&Glasser, 2005), his interactions with the media caused no major demonstrations of dissatisfaction among the average population. The people seemed to be enjoying the little benefits of the improved economy and therefore it is doubtful whether they felt an uprising to be necessary. To some extent they did not seem to mind having a restricted media in exchange for stability. So when in 2000 Putin first suggested restricting the media by introducing the 'Doctrine of Information and Security' it became the policy to follow even if it had no legal force. This doctrine is also peculiar because it explicitly mentions the constitutional rights of Russian citizens in the preamble, namely the right to objective and reliable information. And the new Russian media doctrine recommended that the country "clarify the status of foreign news agencies, foreign mass media reporters, as well as investors' background for the purpose of their partaking in the Russian Informational Structure" (Panfilov, 2005).

The amendments to the Law on Mass Media and the Federal Law on Combating Terrorism were passed by the Duma in December 2001. The amended laws were "designed to prevent terrorists from having access to the mass media. In effect the amendments are aimed at giving the state yet a more rigid and harsh control of the information flow from Chechnya" (Voronskaya, 2001). "The bill envisaged amending Article 4 of the key media law to provide for 'inadmissibility of abuse of freedom of the media'" (Law of the Russian Federation "On Mass Media, 2003). After the amendment, "Article 4 expressly banned the use of mass media and computer information networks for propaganda or vindication of terrorism or extremism. In addition, after its amendment, Article 15 of the federal law against terrorism states a

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prohibition for media outlets from publications or broadcasts of “statements made by terrorists, extremists and other persons who impede the conduct of counterterrorist operations, who propagate and/or justify resistance to counter-terrorist operation in any form According to Nikolay Kovalev, the initiator of the amendments to the lower house deputy, the amendments were designed to ensure the personal safety of all people, including those who combat terrorism” (Voronskaya, 2001).

The amended media law caused a reaction from only a small number of journalists and a few members of the intelligentsia. However, the almost immediate reaction of media observers and human rights activists was that these amendments may pave the way for strict censorship and a considerable curtailment of the democratic freedoms, primarily the freedom of speech and press and citizens’ right to information. The problem of this law is that the term ‘extremism’ is not defined by any text related to any of the Russian legal codes. This lends ambiguity to the term and thus provides the necessary loopholes for the state government to convict anyone who might hold political opinions or undertake political tactics different from those of the president. Furthermore, journalists would have to be very cautious with their choice of person for interviews and the quotes used for publication (Voronskaya, 2001).

Other developments in the field of freedom of media were even more terrible, according to the Glasnost Defence Foundation (GDF), a Russian non-governmental media-monitoring group in Moscow. Thirteen journalists were killed in 2004 and one other journalist is missing and presumed dead” (Fitzpatrick, 2005). Russian authorities are often criticised for their inability to provide a safer environment for the reporters and for lack of initiative when it comes to investigation of these crimes. There are also frequent notifications of improper interference, even kidnappings, by state officials in the daily work of journalists.

Another change that occurred in the media is the cult Putin managed to create around his personality, a cult that had been left behind in the Soviet era. A massive number of books has been published on President Putin, all with the same content. Realising that the trend of politically correct media coverage had returned, the authors were fully aware that writing these biographies could actually bring personal gain whether or not they were doing so by order of the Kremlin. For the first time since Brezhnev, Russians were buying framed photos, posters and all beloved Russian dolls “matryoshkas” all decorated with Putin’s face, before this was mostly tourist domain. The president even had a pop song dedicated to him: ‘I want a man like Putin’ described all the great qualities of the man merged in one strong leader. All of this evidently propagandist rubbish actually became very popular among bureaucrats who

bought it keenly, thus expressing their loyalty towards the Kremlin and to the presidential persona.

2.5.1 The NGOs

The situation around the non-governmental organisations (NGOs) is even more complicated. Development of NGOs and civil society in general in Russia was severely repressed for over seventy years of Communist rule. What happened in Russia after the fall of communism is that many "dissidents movements emerged from the underground operations, such as "democratic Underground movement" (Sundstrom, 2006, p.4). Newly formed NGOs were mostly supported by the foreign governmental aids and nongovernmental assistant foundations, the importance of this lies within the amount of influence these transnational actors had on the development of Russian civil society. Foreign assistants tried to transfer their countries policies directly into Russian society, ignoring Russian specific background. People seldom liked this approach, however abiding with it however in the hope of profiting from the knowledge and support of these organisations.

Ever since the fall of communism "civil society is on the rise, and at least 50% of NGOs are well-functioning. The NGO sector already accounts for 1% of the Russian GDP which is quite a lot and it is developing" (Russia's Public Chamber receives new tasks, 2007).

In his Federal Assembly address on May of 2004 Putin spoke of the NGOs as "fed by an alien hand. Concerns had increased in the wake of the Ukrainian Orange revolution of Autumn 2004 that NGOs were being supported from abroad to continue the wave of coloured revolutions, seen already in Serbia (2000), Georgia (2003) and Kyrgyzstan (2005)" (Sakwa, 2008, p.343). Supported by his party majority (United Russia) in the Duma, in 2005 Putin introduced a new law that restricted the NGOs' ability to register.

"The new law focused above all on ensuring of the depoliticalisation of NGOs, to be achieved through intense vetting during a complex registration procedure and much tighter financial monitoring" (Sakwa, 2008, p.343). Furthermore, NGOs had to provide annual reports on the spending of foreign funds, which added an unnecessary degree of paper work. But as Interfax points out, "When an Organisation fails to submit financial reports, its activities can be suspended and it may even be liquidated. This new regulation is considered as a plague mostly by the smaller NGOs" (Interfax, 2008). A newspaper story adds that in 2007, "the first

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full year the new regulations were in effect, more than 11,000 NGOs were denied registration and 8,274 registered groups were closed by court order” (*Moscow Times*, 2008).

Indeed, the law provoked a storm of criticism from Russian human rights organisations, foreign politicians and organisations, including the European Parliament, which “urged Russia to ensure that the law conformed to Council of Europe standards” However, this new accountability measure had a positive side effect in “encouraging professionalism in NGO activity and improvement in the NGO governance. [T]he law proved to be transparent and immune to arbitrary interpretation and thus the active ties of Russian NGOs became more transparent and accountable” (Sakwa, 2008, p.343-344).

2.6 Revival of the Russian patriotism

In the July 2003 press conference Putin emphasised that “patriotism must become a unifying ideology of Russia” (Patriotism as unifying ideology of Russia, 2003). Rodriguez (2008) says that under Putin, the Kremlin increasingly turned to Soviet-era symbols to revive a sense of patriotism in a country disheartened by its post-Soviet economic free fall. Nikonov (2008) says “Putin placed much more emphasis than his predecessors on traditional civic values: patriotism, morals, family and religion. The new Russia, although changing, has established a strong connection to its former self”.

“The impact of the colourful revolutions which shook Russia’s neighbouring countries during the first half of the decade 2000 has had a profound effect on the Kremlin. The strategic role of the movements led by young political activists, who were at the heart of the protests especially in Ukraine and Georgia, but also to a certain extent in Kyrgyzstan, has aroused similar fears in Moscow as to the potential mobilisation of a Russian educated youth movement from urban areas and which are close to the liberal and democratic opposition parties Yabloko and the Union of Right Forces (SPS), that actually were responsible for the first emerging youth movements” (Vinatier, 2007, p.4). The federal authorities in Moscow and their regional allies did not take long in organising their own groups. Putin acknowledged importance of patriotic approach, restoring a sense of pride among the Russian citizens would unify the nation. Therefore “boosting patriotism is one of President Vladimir Putin's priorities. The \$17m programme was established to urge youths to mark military victories, and will fund the re-introduction of military-style games in schools. Bearing the grand title The State

Programme for the Patriotic Education of Citizens, it quadruples government spending on patriotic projects” (Rosenberg, 2005).

Not since the days of the Komsomol, the Soviet-era youth movement, have Russia's leaders lavished so much attention on the nation's young people. Putin had recognized the usefulness of youth movements as an instrument in a game of influence often reduced to a mere function of communication if not propaganda. The most outspoken examples of these movements in Russia are Nashi (Ours) and Molodaia Guardia (Young Guard) created in 2005 they grew considerably at the end of 2005 and especially during the year 2006. “With the financial support from the regional and federal administrations, these youth movements rapidly established themselves on the civil and political scene in Russia. They became the real gateway to the Kremlin network, the obligatory path for those in Moscow or the regions wishing to embark upon a public career” (Vinatier, p.4).

Unlike their rebellious neighbours in Ukraine, young Russians are very supportive of Putin’s government. A recent poll by the Public Opinion Foundation found that 80% of Russians approved of the President's policies.⁶ Young people regard Putin as one of their own. “Putin, whose rhetoric combines nostalgia for the Soviet past with calls for political and economic modernization, has successfully captured the contradictory mood of the nation's youth” (Bush, 2005), and according to Vinatier (2007) “mass movements capable of mobilizing thousands (even tens of thousands) of young adults and teenagers” (p.13), these youth groups tap into attitudes that are widespread among Russia's youth. Besides Vinatier (2007) found that “strength and resources (human and financial) of these youth movements, as well as their modus operandi, are invaluable indicators of the situation of the political forces within the country” (p.10).

“Masterly manipulated nationalistic affiliations played a significant role during the Duma elections in 2003 for LDPR and Rodina parties and for Putin’s victory during the presidential elections in 2004” (Ryabov, 2005, p.53). Nevertheless according to Ryabov (2005), “the ruling elite was obviously apprehensive about the prospective of nationalistic movement transforming into an independent actor of the political process, what would shift the Russian politics expeditious towards right, this would inevitably provoke a chain of severe ethnical conflicts and would substantially worsen relations between Russia and the rest of international society” (p.53).

⁶ The proportion among Russians under age of 35 is 87%.

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Though Vinatier (2007) guaranteed the continuity of the pro-Kremlin movements after March 2008 (p.10), this is not the case over the course of 2007-2008 these organizations started to loose their impetus after Dimitry Medvedev took office in May 2008. “Nashi has now splintered into different branches that support causes ranging from the Orthodox Church to business innovation. Sergei Markov, a United Russia MP and a key Nashi ideologist, admitted that the movement had “lost its mission” (Halpin, 2008).

Never the less development of the Youth movements under Puitn cannot be neglected since to certain degree these groups are forming the future of Russian civil society and thus will have crucial influence on the democratic developments in the country.

Figure. 7 Kremlin Loyalist movements

	Nashi	Molodaïa Guardia	Mestnie (locals)
Founded	April 2005	Spring 2005	Spring 2005
Leadership	Vassili Iakomenko, at the head of a federal council of 5 persons.	Alexandre Borissov. The leadership is divided between the central committee, the coordination council and the political council. ³	?
Activists	10000 active members. Other personality : Nikita Borovikov.	15000 declared members in April 2007 against the Disagreement March.	5 active members, but 30000 young adults, ready to be mobilized in exchange for a financial incentive.
Type of activities	Street actions. Summer camps, training institute. Social modernisation programs.	Street actions. Political campaigns.	Street actions in support of Nashi.
Partisan affiliation	None. The movement is only accountable to Vladislav Sourkov ⁴ .	United Russia.	None. The movement only comes under the authority of the Moscow governor, M. Grobov.
Financial sponsors	Federal administration. Large companies excluding energy sector.	Federal administration.	Moscow regional administration.

Source: Venitier, 2005

3. Economic reforms

The post-Soviet economy was confronted by a large range of persistent challenges in the form of redirected budgets and extensive inflation. “Economic development was burdened further by high foreign debt, which had “risen under Gorbachev to \$77 billion by late 1991” (Sakwa, 2008, p.290). “After the fall, Russia experienced widespread economic dislocation and a drop of close to 50% in GDP. Conditions worse than the Great Depression of the 1930s in the United States have impoverished much of the population, some 15% of which is still living below the government’s official (very low) poverty level” (Goldman, 2007, p.8). Under Yeltsin’s administration “a fully fledged independent economic policy that was presented to the Parliament in October of 1991 was installed. The main positions of his ‘shock therapy’ programme were aimed at expeditious liberalisation of the economy and stabilisation of the situation. The reforms that took place “over the course of the 1990s in Russia, installed the fundamental institutions without which a market economy cannot exist: a democratic constitutional system, the institution of private property, free price-setting, an environment of competition, financial markets, a banking sector, labour market and much else” (Mau, 2005). Nevertheless, reform was “undermined by corruption and public suspicion” (Reporters without borders, 2006, p.3) and the default caused another even more devastating depression, with its peak in 1998.

When Putin took office in 2000 “initially he declared reviving the economy and continuing economic modernisation his top priority” (Goldman, 2007, p.12). He stated that the main goal of this economic policy is “national competitiveness, and that state and business have been encouraged to focus their efforts on attaining this goal. In the first five years of the 21st century Russia’s economic development has revived hopes that the country will regain its leading positions in the world” (Dvorkovich, 2005, p.46). Thus when the prices per barrel of oil started to rise in 2000 onwards, the income came as a blessing to the Russian government. And though since 1998, the Russian economy has been growing “by 7% a year on average” (Moll, 2005, p.13), the need for structural reforms was obvious. To help him with this mission Putin chose a team of reformers from his native St. Petersburg.

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Furthermore, “during Putin’s first presidency (2000-2004), a steady pro-government majority was formed in the Lower House – the Duma. Practically every new bill sponsored by the government could now rely on parliamentary support, which was very important for the political regime to further advance its initiatives” (Mau, 2004, p.46-47).

One of the first economic reforms Putin’s government implemented was the introduction of international standards in the sphere of taxation. “These were reflected in Part I of the new Tax Code, establishing the basic relationship between tax-payers and the authorities. The main features of the tax package were a flat tax of 13% (the lowest in Europe), a minimum 5% unified social tax, a 2% social charge on wages, the raising of some excise taxes, and the amending of the law on VAT. Tax evasion (or avoidance) is always a problem in federal states, where the very structure of politics engenders the suspicion of the centre. This new legislation managed to increase collection of taxes by 60% in 2000” (Sakwa, 2008, p.300). Moreover, “the endorsement of the new Tax and Customs Codes in late 2000 had improved Russia’s business climate. In November a new financial agency, the Committee for Financial Monitoring, was set up to control financial flows in Russia and expose particular business people who evaded the payment of taxes or laundered illicit money. Further reforms were introduced to fight against unnecessary bureaucracy and lift ‘administrative barriers’” (Sakwa, 2008, p.308). “A new Land Code reaffirming the right to the private ownership of land and specifying the patterns of its sale was endorsed in September 2001” (Terentyev, 2004).

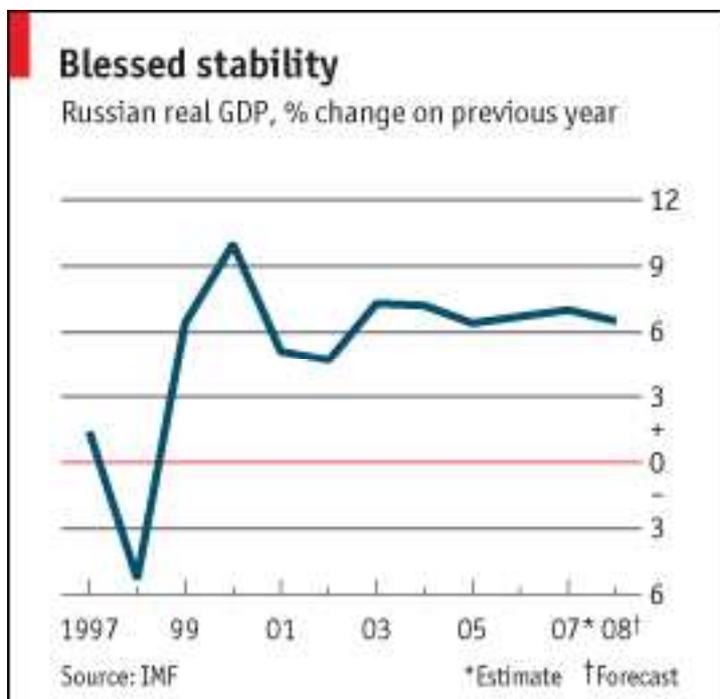
“The system of National Projects, state programmes targeted at solving the most crucial problems of national development by accumulating funds and resources for each of these high priority tasks were established and did begin to invest in four key areas: the agricultural sector, education, health, and housing. (Russian Priority National Projects, 2007, p 5). Putin even “came close to dismantling and privatising state-owned Gazprom and Rosneft, the two largest gas and oil monopolies. These developments “gave Russia’s top firms reassurance in a stable environment and many of those Russian companies started to adopt Western business practices, such as hiring international advisors, adapting to corporate governance and transparency, and some the companies even booked successes on Western stock-exchange markets” (Baker & Glasser, 2005).

On January 1, 2004 the Russian government established the Stabilisation Fund to balance the federal budget whenever the oil price falls below a certain cut-off price, currently set at

US\$27 per barrel. According to the Ministry of Finance, the Fund “is to serve as an important tool for absorbing excessive liquidity, reducing inflationary pressure and insulating the economy from the volatility of raw material export earnings. The Fund accumulates revenues from the export duty for oil and the tax on the oil mining operations when the price for Urals oil exceeds the set cut-off price” (Ministry of Finance, 2004). The fund is now worth over \$127 billion (2007) (Ria Novosti, 2008).

In addition Putin’s administration increased 2007 budget spending by 20% in real terms. “Over the past eight years spending on state bureaucracy and law-enforcement agencies has doubled as a percentage of GDP, and the number of bureaucrats has risen from 522,000 to 828,000. However when the oil price is unpredictable and inflation is in double digits, spending more money seems unwise. On the whole 2000-2008 were experienced as a period with positive economical dynamics; the country has been the largest single beneficiary of the world commodities boom of the early 21st century. For ordinary Russians, this has brought a tangible improvement in living standards. Though average real wages remain very low, less than \$400 dollars a month, they have doubled under Putin” (Anderson, 2007).

Figure. 8 Russian GDP



Source: The economist (2008)

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In the international arena, Putin's liberal economic reform started off well. "In 2002 the Russian economy was recognised by the US and EU as a market-based economy, the country was removed from the black list of the Financial Action Task Force (FATF), an agency established by OECD⁷ to fight money laundering. Putin's economic team formulated policies that won G-7 (now G-8, with Russia as a full member in 2002) and IMF approval in his first term" (Goldman, 2007, p.9). "Another important step Putin took towards economic development was resuming the WTO membership negotiations. Putin was unambiguously of the view that only through membership could Russian industry be modernised and symbolically mark Russia's entry into yet another international organisation" (Sakwa, 2008, p.305). The growth of the economy after 2000 made it possible for Putin "to pay foreign debts on time and free Moscow from the huge infusion of foreign assistance from the IMF, the United States and other major bilateral lenders that it had required throughout 1990s" (Hill, 2004 p.15). "A structural transformation of the economy had taken place, with cuts in defence spending, the rise of vigorous financial services industry and the growth of the service sector. These reforms gained a self-sustaining character" (Sakwa, 2008, p.310-311).

However Putin also set out some less favourable dynamics in economic development. His administration began to change the way in which the government functioned, "above all strengthening the power of the federal treasury, and made changes in the management of natural monopolies, including Gazprom and RAO UES [the electricity monopoly]" (Sakwa, 2008, p.298). Over the last four years of Putin's presidency, the most evident measures of the state's "economic 'dirigism'" (Yudaevais, 2004) included a certain assertion of the importance of the oil and gas sector in the Russian economy that "sought simultaneously to increase its attractiveness to foreign investors while enhancing Russian state control. Since Putin took office two separate documents outlining the country's energy policy have been prepared ('Energy Strategy up to 2020'). These strategic plans encompass oil and gas, as well as coal and hydroelectric power." (Baker & Glasser, 2005, p.23)

The Duma has passed "a package of laws introduced by the government on the privatisation of the main components of the state electricity monopoly (United Energy Systems) and the liberalisation of the wholesale and eventually retail trade in electrical power" (Aron, 2006).

⁷ Organisation for Economic Co-operation and Development

Putin actually decided to reverse some privatisation of ‘unrightfully acquired property’. The Russian government considers oil and gas production a tool for exerting influence on the world stage and has thus started to return control of these industries back to the state.

“Yukos Oil Company was expropriated by the state and split up. Meanwhile Rosneft Oil Company acquired Ugansneftegaz and Gazprom purchased Sibirneft” (Blagov, 2006). “The state’s tendency to acquire control of the oil and gas sectors was obvious. If prior to 2000 only 15% of all oil was produced by the state, then in 2005 it reached 35% and by 2006 almost a half of all oil production was in the hands of the state” (Blagov, 2006).

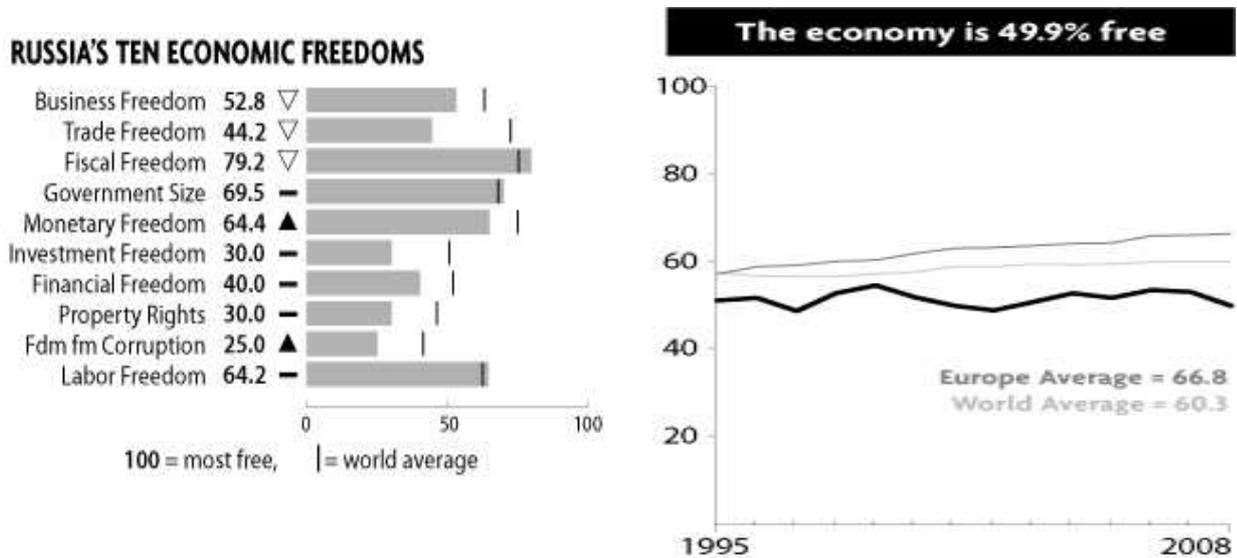
Another less favourable development in the eyes of the West was the limitation of foreign investment in the state’s strategic sectors. “In 2007 the Duma ratified a list of 42 strategic industries with limited access for foreigners, which included aviation, mining and extraction, arms production and sale, and other defence-sensitive industries. Firms controlled by foreign governments are barred from seeking control over the Russian companies on the list. Foreign firms also need permission from a committee chaired by the prime minister if they wished to take a 25%–50% stake in a firm listed as strategic. Fishing has remained on the list, as has television, radio and publishing, sectors whose inclusion has raised eyebrows and worried foreign investors” (Adelaja & Krainova 2008). Large-circulation newspapers and publishing companies with the capacity to print 200 million pages per month are included, as are periodicals with a circulation of at least 1 million copies.

According to the bill, broadcast media covering at least half the country would be deemed strategic. (Adelaja & Krainova, 2008)

Overall, according to the latest Index of Economic Freedom (the Heritage Foundation, 2008) Russia’s economic freedom ranks 134th worldwide; with an economic freedom rate of just 49.9% its overall score is 2.5 percentage points lower than 2007, one of the largest annual declines. Russia is ranked 40th out of 41 countries in the European region, and its overall score is much lower than the regional average.

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Figure. 9 Russia's economic freedoms



Source: The Heritage Foundation, Index of Economic Freedom (2008).

Considering the state of economic development over the last eight years of Putin's administration, one can say with certainty that Russian economy is booming. And though most of the economic growth stems from the oil and gas industry, there has also been seen a genuine development of entrepreneurship in retail, telecom, consumer credit, information technology, brewing, food processing and other sectors. According to Farrell (2008), "recent list included 87 Russian billionaires, a 64% increase from the previous year. The millionaire population grew a respectable to 136,000". Russian's enjoy their newly acquired economic freedoms and thus approve of Putin's policies.

However these positive trends are paralleled with some alarming signs, so alarming that some European, U.S. legislators and even some human-rights groups had frequently insisted on Russia to be forced to leave G-8 group (Medish, 2006; Morgan, 2008.). "State-controlled companies already run 40% of the economy, and the share is rising — part of a wider pattern of centralizing power in the hands of the President and his closest associates. One result is that the World Economic Forum ranks Russia poorly on corruption: 106th out of 117 countries, for example, in 'favoritism in decisions of government officials,' and 108th in protection of property rights". Russian authorities need to take different course when dealing with free-market economy; otherwise there are numerous scenarios that foresee economic

recession. Russian economy is in urgent need of innovation and serious investment in different economic sectors (agricultural, industrial, SME's, etc.); because oil prices will not be rising forever and Russian energy reserves are not infinite.

Figure. 10 Assessment of success of the economic reforms carried out in the period from 2000-2007

Successful	Rather successful	Rather unsuccessful	Unsuccessful
	<ul style="list-style-type: none"> • Tax reform • Development of the stock market • Budget policy • Banking reform • Forming the land market • Reform of labour relations 	<ul style="list-style-type: none"> • Deregulation of economic activities • Regional policy • Scientific and technological policy • Reform of education • Health care reform • Development of agricultural industrial complex • Anti-inflation policy • Reforming of natural monopolies • Forming of state financial control • Industrial policy 	<ul style="list-style-type: none"> • Administrative reform • Retirement security • Housing and communal service • Protection of property rights • Development of competition • Privatization • Monetization of the privileges

Source: Ovyann (2008)

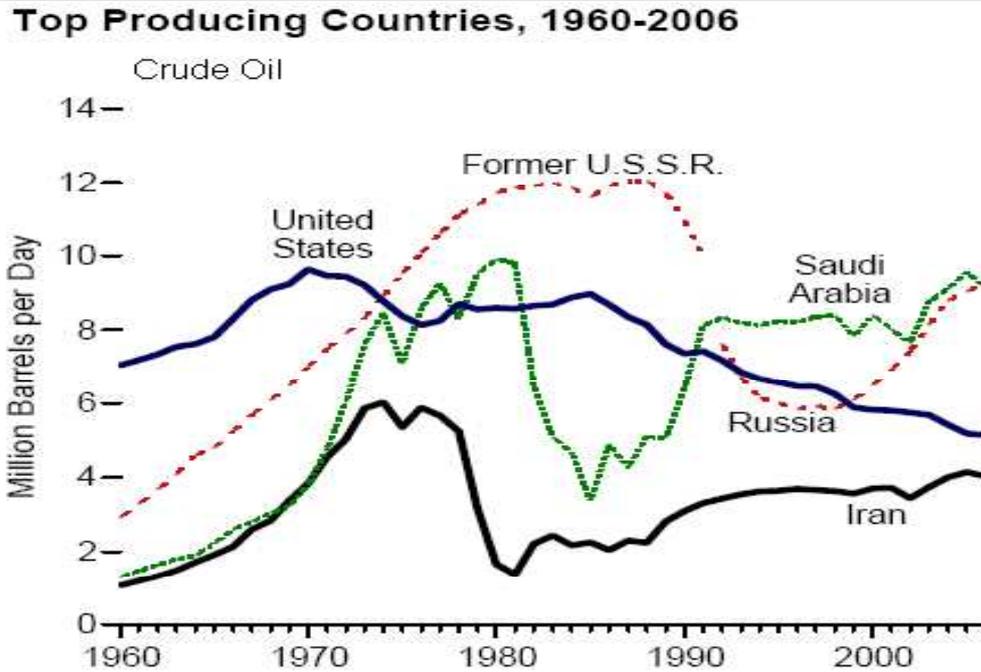
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3.1 Petrodollar dependency

“The Russian comeback onto the global strategic and economic map, as one of the world’s most energy abundant countries” (Hill, p.1, 2004), was highly unexpected. Nonetheless, the Russian economy has grown confidently over the past eight years. “Economists debate what fraction of Russian economic growth is directly attributable to rising commodity prices, but all agree that the effect is extremely large” (Stoner-Weiss, 2008, p.80). “The share of oil and gas in Russia’s GDP has increased, according to the Institute of Economic Analysis (as cited in *The Economist*, 2008), from 12.7% in 1999 to 31.6% in 2007”. “Natural resources account for 80% of total Russian exports, and energy accounts for 60% of resource exports. More than 50% of investment flows into the natural resources sector” (Shevtsova, 2006, p.3). The impact oil prices have on the economy made it the fastest of any big economy since 2000. “The flow of petrodollars is fanning a massive consumption boom, making Russia the sixth-biggest market in Europe. Disposable incomes (and retail trade) have been growing twice as fast as GDP” (*The Economist*, 2008).

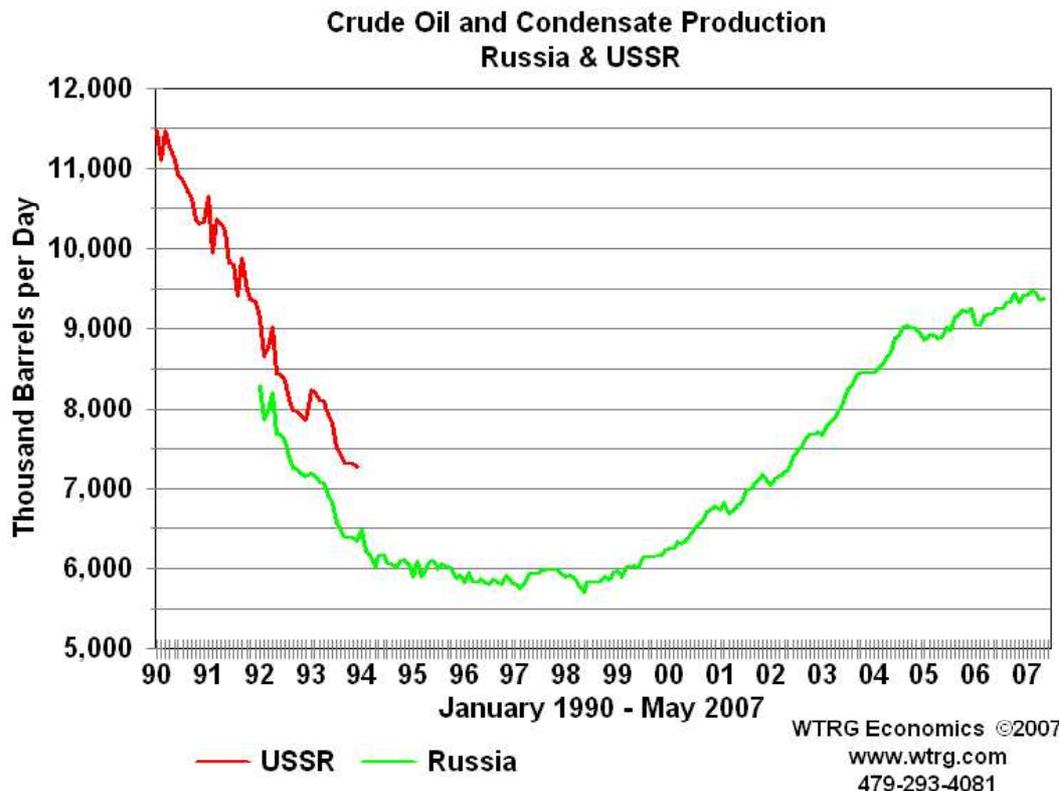
However the downside to this economic prosperity lies within Russia’s economic dependence on oil and natural gas exports and the height of the world’s energy prices. According to calculations by Alfa Bank, (as cited in *Russia Energy Data, Statistics and Analysis*, 2007), “the fuel sector in Russia accounts for about 20.5% of GDP, down from around 22% in 2000. According to IMF and World Bank sources, the oil and gas sector generated more than 60% of Russia’s export revenues (64% in 2007), and accounted for 30% of all foreign direct investment (FDI) in the country”. Furthermore “last years, Russia’s was the world’s second-leading oil producer, with an average 9.3 million barrels of oil a day, close behind Saudi Arabia’s 10.6 million barrels a day” (Walker’s World, 2005), and “in June 2006 for the first time Russia extracted more oil than Saudi Arabia” (Sakwa, 2008, p.306).

Figure. 11, 12 WTRG economics



Source: US DOE, Energy Information Administration
Annual Energy Review 2006

Figure 11. WTRG economics (2)



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Because of the significant contributions from the oil and gas industries to the flourishing state budget many scholars are apprehensive about Russia beginning to resemble a 'petrostate'. However, according to Milov (2005) "there is no consensus on a single definition of such a state. The first interpretation implies critical economic dependency on obtaining and exporting oil. The second interpretation is more politicised, implying a significant influence of oil and gas on state politics". Milov (2005) "rejects the theory behind the first interpretation and emphasises that despite all its problems, Russia is an industrially developed country, which aims at a transition to a post-industrial phase of development. As for the second interpretation, Milov has to agree that Russia is closer to being a 'petrostate' due to the obvious influences on national politics and the state's consideration of gas and oil as instruments of pressure and control". Putin has employed natural resources to bolster Russia's position in the world, using a soft geo-political approach and placing national emphasis on the strategy behind state control of the natural resource industry.

State-owned Gazprom controls Russia's natural gas resources and boasts the world's largest gas reserves. "With the Sibneft deal, the Russian state now owns a third of the oil currently being pumped from Russian soil, and a sizeable share of its refining capacity. Adding the oil and gas together, and throwing in state-owned Rosneft, the Kremlin now owns 57.4% of Russian's energy sector, according to figures released by the Moscow-based Novosti agency" (Walker's World, 2005).

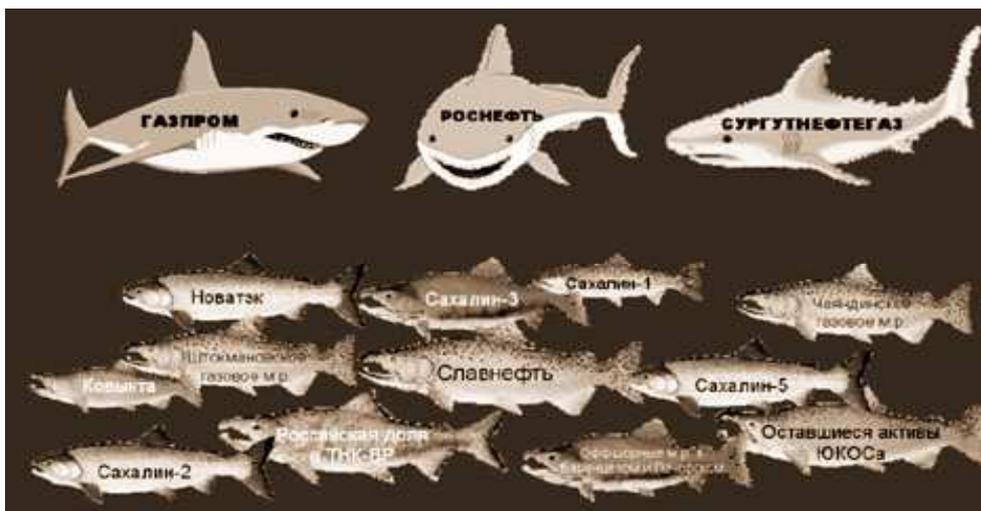
"Other characteristics of the petrostate are becoming increasingly pronounced in Russia: the fusion of business and power; the emergence of a *rentier* class that lives on revenue from the sale of natural resources; endemic corruption; the dominion of large monopolies; the vulnerability of the economy to external shocks" (Shevtsova, 2006, p.4). Corruption in particular, as it has been a real plague for the Russian society. "Back in 1994, then-president Boris Yeltsin declared in his annual state-of-the-nation address that the mafia had Russia 'by the throat' and that the population was at the mercy of an army of corrupt bureaucrats" (Bernstein, 2008). Putin has made numerous attempts to address the problem throughout his presidency, starting by announcing the 'dictatorship of law', launching a series of high-profile dismissals in 2004 and making the fight against corruption a key priority for his government in 2006" (Pfeifer, 2006). Nevertheless during his last big annual press

conference Putin had to admit that he “did not succeed in his fight against corruption” (Kremlin, 2008).

The matter of state control, however, is very dangerous for the state economy. “It is a strategy that testifies to the government’s failure to develop a competitive, high-tech economy. The paradox in Russia is exactly that those extraordinary amounts of natural resources interfere with the modernisation of industrial technologies and could initiate another economic crisis Russia. The most probable threat is ‘Dutch disease’ (natural resources curse); the situation in which a booming sector adversely affects the performance of other sectors of an economy, and in particular, the non-booming tradable sector” (The World Bank Group, 2006).

According to Oomes and Kalcheva, Russia has clearly exhibited three out of four symptoms of this disease: (1) an appreciation of the real exchange rate; (2) a slowdown in manufacturing growth (deindustrialisation); (3) an increase in service sector growth; and (4) an increase in wage growth (The World Bank Group, p.22, 2006). However the outcome of their research was inconclusive. “The problem, says Peter Aven (as cited in The economist, 2008), Head of Alfa Bank, is that Russia has failed to convert the oil stimulus into domestic production. Imports are growing. Meanwhile the economy, unable to digest the money generated by the oil-and-gas boom, is clearly overheating”.

Figure 13. What’s been eaten and what’s still on the menu



State-controlled sharks (l-r): Gazprom, Rosneft, and Surgutneftegaz circle ready to prey on the ‘small fry’ underneath (l-r): Novatak, Sashalin 1-5, Slavneft; the remainder are former Yukos divisions. Source: *Novaya Gazeta* (Milov, 2005).

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The current situation on the energy market is very favorable for Russian authorities and population. Besides it allows Kremlin to stress Russia's importance on the world stage and use it as a political tool to protect its sovereignty, thus allowing the state to omit important democratic foundations, such as freedom of speech and human rights. Moreover it brings along a misconception of a stable environment. Unfortunately "Russia is lagging behind industrialized countries and fast-developing emerging economies in terms of technological standards. Economic Development and Trade Minister German Gref said the Russian model of economic development should be overhauled, because Russian business is largely uncompetitive compared with its foreign rivals" (Khmelev, 2007). This means that Russian authorities understand that as soon as demand on the energy market will decrease and new sources of energy will be offered, Russia could lose the position it regained.

Therefore current economic problems need to be addressed, especially the competitiveness of the Russian economy and its petrodollar dependency. For Russian economy to function it should be diversified and refocused on knowledge-based innovations supported by effective market mechanisms and favourable investment opportunities. Hence "Russian government has approved an excessively optimistic socioeconomic development forecast for 2008-2010. The government is shifting its focus from the oil and gas sector to the manufacturing industry, the consumer sector and a general growth in consumption of national product" (Khmelev, 2007).

4. Russian foreign policy after 2001

When Putin was first elected he faced a considerable challenge in trying to forge a coherent and effective foreign policy for Russia (Herspring, 2005, p.259). “He turned out to be an effective diplomat, being the first Russian leader since Lenin’s time able to speak a foreign language, German, fluently” (Trenin, 2008). Under Putin’s administration the conduct of foreign policy changed significantly. Unlike his predecessor, “Putin had the opportunity and inclination to make a top priority of the restoration of Russia as a great power. The ideology that drove Putin was nationalism, not built on ethnic, cultural or spiritual values, but on the centrality of the state power, which in his case embraces a deep-seated desire to restore Russia’s former greatness” (Herspring, 2005, p.259). However, as von Twickel (2008) points out, there is a real distinction between Putin’s two terms as president. Quoting Nikolas Gvosdev (as cited in von Twickel, 2008), “During the first term, there was a lingering sentiment that Russia would be welcomed as a major player by the Western community. Twickel also cites Kremlin spokesman Dmitry Peskov who said Russia’s foreign policy has become more proactive in recent years and that Russia has found it easier to pursue its economic interests abroad”. Moreover, Russia has become increasingly outspoken, independent and sometimes even aggressive on the international stage.

“The first step towards achievement of Putin’s objectives was Russia’s new Foreign Policy Concept that was adopted on 28 June 2000 and combined integration with an assertion of Russia’s status as a great power” (Sakwa, 2008, p.372). Putin did not replace the man in charge of the policy, Igor Ivanov, whose approach to the conduct of foreign policy was quite pragmatic. “In a keynote speech to the MFA on 26 January 2001, Putin urged, “Russian diplomacy had to focus more on promoting the country’s economic interests abroad, while at the same time improving its relations with Commonwealth countries and the EU” (Ministry of Foreign Affairs, 2001). According to Trenin (2006), “At the beginning of his presidency, Putin appeared willing to be associated with the leaders of the West, possibly even to a greater degree than his predecessor”. “Most observers then thought Putin’s foreign policy objective was for Russia to become a European country and believed that one of Putin’s personal aims was to be perceived as a modern leader who was strengthening Russian democracy, and was willing to reconsider the possibility of integration of ‘Westpolitik’” (Trenin, 2006, p.87).

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“Putin has proceeded to reiterate this during his frequent trips to EU, as well as more generally in discussions on EU security and economic integration” (Lo, 2003, p.13). “The new Russian president was looking to strengthen Russia’s ties to its neighbours to the East and West and to create alternative foci of power to offset the global leadership position of the United States” (Cohen, 2001). Putin’s approach to the foreign policy was not however solely focused on the west. “For all his alleged Eurocentrism it has been Putin who had concluded friendship and cooperation agreements with China and North Korea given new impetus to relations with India and increased Russian involvement in Asia-Pacific regional structures as APEC (Asia-Pacific Economic Cooperation), the ARF (the ASEAN Regional Forum) and the Shanghai Cooperation Organisation. As a result of multifaceted approach, he has managed to restore credibility to Russian international position” (Lo, 2003, p.17).

As Russian importance in the international arena as well as its geo-political position grew, the Putin administration altered their conduct in the sphere of foreign affairs. “The most disturbing development under Putin is the extent to which Russia’s national security and diplomatic institutions attempt to sway public opinion against the United States and its policies” (Cohen, 2001).

Tapping into notions of national identity and using energy resources as a tool of political pressure worked in favour of Putin’s policy conduct. “Hence most Russians consider the restoration of the Russian position in world politics Putin’s greatest achievement” (Aron, 2004). According to polls conducted in 2007 by the Russian Public Opinion Research Centre⁸ “83% of all questioned approved of Putin’s job in strengthening Russia’s position. The idea of integration with the West was positively perceived by 62-65% of respondents. At the same time, 69% of respondents agreed (as opposed to 16% against) that Russia should achieve more influence on the countries of the Commonwealth of Independent States. Moreover 47% of respondents in general believed that the most recent economic success of Russia was connected with high prices for oil” (VCIOM, 2007).

“Putin’s ‘new realism’ sought far more to engage with a Western-orientated international system, although on its own terms. Putin’s new realism is concerned not so much with balancing as joining, while at the same time it is tempered by neo-Slavophile concerns about

⁸ VCIOM

autonomy and uniqueness, and pragmatic Eurasianist notions of balance between East and West. It was only under Putin that engagement with the west moved into a more cooperative basis, although relations continued to be soured by the regime question – the nature of the political system emerging in Russia” (Sakwa, 2008, p.381-382).

“The mindset of most key foreign policy decision-makers is a bizarre combination of faith in tradition (classic power-broking in the Romanov style), recognition of economic realities (globalisation Gazprom-style), with a weakness for virtual, post-modern constructs (thanks to the political technocrats employed by the Kremlin administrators)” (Trenin, 2008)

4.1 Russia and the US: From mutual war on terror to NATO’s eastwards expansion

The foundation of US-Russian relations was an insecure heritage from the Cold War era. “Plans to expand NATO to Eastern Europe, the war in Kosovo and American plans for a National Missile Defence (NMD), which led to the American repudiation of the 1972 Anti-Ballistic Missile (ANM) treaty in December 2001, brought Russia’s apparent national interests into confrontation with those of America” (Sakwa, 2008, p.383). Nevertheless, Putin’s primary determination was to become a major ally of Washington. The Russian leader decided not to exacerbate relations with the US, which faced presidential elections in 2000. “Putin waited for the White House’s new master to be elected, thoroughly prepared for his first meeting with George W. Bush in Slovenia” (Trenin, 2008). “Mr Bush described their meeting as straightforward and effective. He said it was time to move beyond Cold War attitudes, away from mutually assured destruction towards mutually earned respect. Putin stressed the special responsibility both countries bore for maintaining world peace and security. Though they still differed over enlarging NATO and US NMD plans, both leaders spoke of a successful summit, bringing two countries a little closer to resolving the issues that divide them” (Bush and Putin: Best of friends, 2001).

“American’s immediately warmed to the new Russian leader, and initial predictions were that their relationship would herald a new era of Russian-US cooperation and that the scars of the Cold War might finally be healed. This view was further embedded when Putin was the first leader to offer his support to the United States after the terrorist attacks of 9/11” (Brenton & Malofeeva, 2007). Russia made a choice to join the ‘coalition against terror’. “Putin stressed that Russian would stand full square with the United States in the struggle against

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international terrorism” (Sakwa, 2008, p.383). “Certainly, it was a decision of strategic scale: the Russian president acquired a chance to become America’s leading ally in the struggle against international terrorism” (Trenin, 2008). Besides, “September 11 gave Russia a chance to legitimise its actions in Chechnya, the subject of intermittently harsh criticism by Europe and to a lesser extent the US” (Herspring, p.272, 2005). “In the Iraq crisis Putin sought to act as mediator between Europe and America. Russia, like France, insisted that any war against Iraq should be conducted under the aegis of the UN, and that the legitimacy of Russia (and France) in the country should be respected in a post-Saddam Iraq” (Sakwa, 2008, p.383). This was an important issue for both Russia and France as they had signed billion-dollar contracts with Saddam Hussein’s government for extradition of oil and feared that these contracts would disappear in “ ‘an oil grab by Washington’, if America installs a successor to Saddam”(Vulliamy, Webster & Walsh, 2002)

“Since then, however, relations have chilled to the point that Vice President Dick Cheney harshly criticised Russia, a move that was followed by Putin attacking the American ‘unilateral’ foreign policy at a security summit in Munich” (Brenton & Malofeeva, 2007). “Likewise during the conference of East European leaders in Vilnius in 2006 he argued that ‘no legitimate interest is served when oil and gas become tools of intimidation or blackmail, either by supply manipulation or attempts to monopolise transportation’” (Sakwa, 2008, p.384). As an answer to these statements Putin indirectly compared the US to the Third Reich during a Victory Day address on Red Square” (von Twickel, 2007). In Time magazine (2007) Putin has voiced his opinion: “I do not want to offend anyone, but let’s remember that the first election of your [USA] president was not free of difficulties. The fate of US presidency was decided to the courts . . . We in Russia have a direct and secret ballot, but you have the college of electors. We are not trying to force you to change you internal procedures. This is your sovereign right. Why would anyone think that they are in title to interfere in our internal affairs? That is the main issue and problem of our relations.”

Since then, the US and Russia have been at odds over missile defence, independence for Kosovo and how best to deal with Iran. (Brenton, 2007) Moreover, “American support for the various ‘colour revolutions’ in Georgia, Ukraine and Kyrgyzstan seemed to pose a threat to Russia itself, especially when American officials openly declared the strategy of using civil society to overthrow legitimately elected governments. It appeared that the US was trying to build an arc of containment around Russia, stretching from the Baltic in the North to Central

Asia” (Sakwa, 2008, p.383). “Tension in Russo-American relations was increasing notably in the area of energy supplies, in Russia’s supply of technology and materials for Iran’s nuclear energy programme, including the supply of anti-aircraft missiles to Syria” (Sakwa, 2008, p.383). “Events in Iraq and Iran combined with the eastwards enlargement of NATO and Russia’s assertion of its own vision of its place in the world, appeared to place Russia and the West in opposed camps once again” (Sakwa, 2008, p.384).

Figure 14. Attitudes to Russia in the US (%)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Consider Russia an ally	6	6	5	17	12	13	11	11	10	6
Consider Russia an “unfriendly country” or an “enemy”	48	54	50	33	38	37	37	36	50	54

Source: Trenin (2008)

4.2 Russia and the EU: Beyond economic cooperation

Russian cooperation with the EU actually goes as far back as 1994 when Russia signed a Partnership and Cooperation Agreement (PCA), which due to the Chechen war came into effect only in 1997. This document formed the legal basis for EU relations with Russia for an initial duration of ten years, which is automatically extended beyond 2007 on an annual basis. The Partnership and Cooperation Agreement is based upon the following principles and objectives: “the promotion of international peace and security; support for democratic norms as well as for political and economic freedoms. It is also based on the idea of mutual partnership aimed at strengthening political, commercial, economic, and cultural ties” (European Commission, p.5, 2007). Russia became a member of the Council of Europe in 1996, and in 1999 adopted the EU’s Common Strategy on Russia that was supposed to guide EU policy-makers in their relations with Russia. Conversely, “the Russian government formulated its own views on Russian-EU relations in the document Medium Term Strategy for the Development of Relations between the Russian Federation and the EU (2000-10)” (Sakwa, 2008, p.385). “Russia also became a functioning member of the Organisation for Security and Cooperation in Europe (OSCE) in 1973” (Participating states).

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“In the early 2000s, Vladimir Putin announced that Russia had made a “European choice” (Trenin, 2008). “Restoring ties with Europe had become a personal objective for Putin, who cultivated a friendship with Prime Minister Tony Blair and also carefully strengthened Moscow’s ties to Chancellor Gerhard Schröder of Germany” (Cohen, 2001). With the support of these two partners Putin could afford to disregard the criticism of the war in Chechnya coming from the EU (Trenin, ‘Foreign Policy, Russia is back’, 2008). “As France and Germany sought to strengthen the EU and European military power, Moscow began expressing an interest in joining the ESDP⁹, which would drive a wedge between Europe and the United States” (Cohen, 2001). “During the US invasion of Iraq a ‘new entente’ emerged – a short-term union of Paris, Berlin, and Moscow, with the purpose of friendly containment of the US” (Trenin, 2008). “By joining the major European powers in opposing the US invasion, Moscow hoped to enter the Western system through the European door and create a Russo-German-French axis to counterbalance Washington and London. Russia failed again. A new anti-American entente did not materialise” (Trenin, 2006).

“Since then, relations with the European Union have become rather more pragmatic” (Trenin, 2008). Energy resources are the main link between the two sides. “Faced with European scepticism, Moscow has begun to regard the EU not as an essential long-term strategic partner for pan-European integration, but as an economic and political competitor to the Russian Federation. As a result, Russia could be missing out on the opportunity of speeding up its modernisation process and consolidating its geopolitical position” (Trenin, 2008).

“Russia decided to reinforce its cooperation with the EU at the St. Petersburg Summit in May 2003 by creating four longterm ‘common spaces’ in the framework of the Partnership and Cooperation Agreement:

1. The Common Economic Space, covering economic issues and the environment;
2. The Common Space of Freedom, Security and Justice;
3. The Common Space of External Security, including crisis management and non-proliferation;
4. The Common Space of Research and Education, including Cultural Aspects” (European Commission, p.7, 2007).

⁹ European Security and Defence Policy

“EU-Russian relations in other spheres appeared unable to move beyond the stage of ‘dialogue’ towards ‘partnership’” (Sakwa, 2008, p.387). Transatlantic and European institutions continued to expand to the east, taking in the remaining former Warsaw Pact and Council for Mutual Economic Assistance countries and the Baltic states. With the entry of Poland and the Baltic countries into the EU, the EU’s overall approach became even more alarming for Moscow. At the same time, both the US and Europe began supporting the regime’s changes within its geopolitical reorientation in Russia’s borderlands, most notably in Ukraine and Georgia, thus projecting their power of attraction beyond the former Soviet border into the CIS. “The concept of ‘the near abroad’ which Moscow used in the 1990s to justify its hegemony over the new states on Russia’s periphery, was suddenly revived – only now there were two versions of it, one from the perspective of Moscow, the other from the perspective of Brussels, both of which were claiming the same territory” (Trenin, 2006).

“The relations between Russia and the EU have evidently suffered since Russia’s emergence as an economically strong and stable nation state on the Union’s eastern border. Problems have arisen over energy security and the protection of European companies’ rights in Russia – notably over the treatment of Royal Dutch Shell – and disagreements between Russian and Ukraine over energy supply” (Trenin, 2006). Namely, in the winter of 2006 “after the Ukrainian elections, state-controlled Gazprom cut gas supplies to Ukraine and, consequently, to Europe amid a politically tinged price dispute” (von Twickel, 2008).

“Meanwhile, the EU countries are concerned about the current instability in the Middle East and would like to increase their imports of Russian natural gas. Political instability or policy differences can threaten energy exports and thereby force the dependent country to mute its concerns. For example, Europe, especially France, according to Cohen (2001), had temporarily toned down criticism of Russia's actions in Chechnya And during the Lahti summit (2006), “new EU members insisted that the bloc focus more on human rights issues when having dinner with Putin, while older EU members preferred to tone down the rhetoric in return of Russia's pledges for better cooperation in energy and other areas” (A year of readjustment for EU-Russian relations, 2006). Thus, with” higher dependency on energy from Russia, the EU may become even less critical of Russia’s assertive foreign policies” (Cohen, 2001). According to the statistics published in the EU Energy in Figures report (2007-2008), “in 2006, 4121 billion barrels of oil were imported into EU the biggest share came from the Russian Federation (33, 5 % of the total imports). In addition Russia accounts for 42% of all

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gas imports to the EU, as EU is dependant on energy supply from Russia while Russia depends highly on exports to the EU. (see Figure. 15)

Many analysts state that between EU and Russia there is a mutual dependency with regard to energy supplies. As Figure 15 shows, 78% of Russian oil exports flow to Europe, while the EU’s dependency on Russian supplies is only 29%. The biggest source of worries is the EU’s growing dependency on natural gas supplies from Russia (currently 66 %). Yet, Russian dependency on exports to the EU constitutes 98% (Gault, 2002).

Figure 15. Mutual Energy Interdependence 2000

Supplier	Europe’s dependence on supplier		Supplier’s dependence on Europe	
	Oil	Gas	Oil	Gas
(Former Soviet Union) FSU	29%	66%	78%	98%
North Africa	19%	31%	77%	96%

Source: Gault (2002, p.11)

Finally, Russia’s ability to exploit energy as a strong-arm tactic to achieve its foreign policy objectives sets a dangerous precedent. As Daniel Twining, (cited in Beehner, 2006), writes in the Weekly Standard, “a closer look at the way Russia has wielded energy supplies to support its allies and bludgeon its rivals in Eurasia suggests that major economies increasingly dependent on Russian gas and oil exports – including great powers in Europe – are rendering themselves vulnerable to the ambitions of an autocratic state that has not refrained from using energy as a geopolitical weapon and has been ruthless in its treatment of both internal political opponents and neighbouring states”.

4.3 The lost CIS

Russia's relations with its closest neighbours have changed dramatically in Putin's eight years in the Kremlin. As the Soviet Union collapsed in the 1990s, Russia was too focused on its own internal politics to be able to make a great effort to stop its influence from decreasing dramatically with its former partners, and aimed only to maintain friendly political relationships with the former Soviet republics, trying to preserve its remaining economic ties. Besides "Russia had been the greatest loser of the territorial settlements of the Soviet years" (Sakwa, 2008, p.381,) and Putin recognized that the "break-up of the Soviet Union was 'the greatest geopolitical catastrophe' of the twentieth century and a 'tragedy for the Russian people'", in his state of the nation speech (Kremlin, 2005). "Though Russia has a total new approach to the CIS, it remains one of the strongest supporters of the CIS. Russia, however, remains torn over whether it is simply an equal member of the Commonwealth, or whether it should act as *primus inter parus*" (Sakwa, 2008, p.431). "Under Putin there was an attempt to place relations between CIS on a more solid economic base, but the mixture of politics and economics became even more complicated, notably in the various 'gas wars' with Ukraine, Belarus, Georgia and others" (Sakwa, 2008, p.432).

Unfortunately disintegration processes have been typical of the CIS, especially in the past several years. "In recent years, the political interests of Russia and some CIS states have been seen to contradict each other ever more frequently, prompting the aggravation of inter-state relations" (Shmelyov, 2005). The most vivid manifestation of the latter are the 'colour revolutions' in Ukraine and Georgia. "These two countries had set their sights on NATO and the EU, which has caused friction with Moscow and resulted in difficulties over trade and, in the case of Georgia, a heightened level of tension around Abkhazia and South Ossetia" (Trenin, 2006). Along with an intimidating gas policy in Ukraine, for example, "Putin has resurrected the Soviet-era plans to build a gas pipeline from the Arctic Yamal peninsula into the heart of Europe through Belarus and Poland, bypassing Ukraine. Such a route will weaken Ukraine by denying Kiev tariff revenue from the pipeline and will prevent unauthorised siphoning of Russian gas" (Cohen, 2001).

In addition, "the Baltic states, along with Poland, have become the leaders of an anti-Russia movement in the EU, which has often resulted in economic retaliation from the Russian side. In Central Asia, Russia has had more success in building relationships with the former

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republics, but a new power struggle has emerged in the region, largely focused on control of the area's wealth of natural resources. The Russians remain on top of this battle for influence, but are being forced to compete on a more level playing field with the US and China" (Brenton & Malofeeva, 2007).

Most recently, the new theme of energy emerged in Russia's dealings with other countries of the former Soviet Union. "Russia is trying to defend its monopoly in distributing gas to world markets from Central Asia and was a major opponent of the construction of the Baku-Tbilisi-Ceyhan pipeline, which bypasses Russia" (Brenton & Malofeeva, 2007). On the other hand, Russia is rather aggressively increasing the prices it charges for energy supplies to Georgia, Ukraine, Moldova, Armenia and Belarus. Relations with this latter group of countries have become more commercially based and, in fact, are already forcing these energy-importing economies to conduct reforms aimed at greater liberalisation and centralisation of the economy. These changes may result in decreased dependencies of these countries on Russia both politically and economically, probably contrary to Russia's own aspirations.

However, "Russia currently has only two staunch allies among CIS countries. The first is Armenia – a country that is going through difficult economic times, is dependent upon Russia for its energy supplies and has chilly relations with most of its other neighbours. Russia's other ally is Belarus, a rogue state ruled by a dictator with whom even Moscow sometimes has difficulty maintaining a dialogue" (Bovt, 2008). "Lukashenka had even suggested that Russia would unify with Belarus in 1997, however Putin rejected his plan of 10 June 2002, insisting that unification should not be at the 'expense of Russia's economic interests" (Sakwa, 2008, p 438,).

Nonetheless the greater picture around the CIS consists of disintegration from Russia. "Russia is losing its dominating position as the sole centre of economic and geo-political gravitation. The post-Soviet space has become a place of a fierce struggle between the U.S the EU and China for re-division of the spheres of influence" (Shmelyov, 2005).

4.4 The new alliances

Russia occupies a unique geopolitical position. “It abuts most of the important regions of the Eastern Hemisphere, including Western Europe and the oil-rich Middle East. It is a prime exporter of the arms and energy many of these regions desire” (Cohen, 2001). Such a position enables President Putin to focus his foreign policies on ways to increase Russia’s prestige and power. “Russia's perceived intention to become the leader of a bloc whose interests are opposed to - or at least not in line with - the thinking of NATO countries, has become another aspect of its apparent falling out with many of the main Western powers” (Cohen, 2001).

Cohen (2001) states, “Putin used arms sales to boost Russia’s influence as well, signing large deals in 2000 with China, India, and Iran that totalled almost \$10 billion. Weapons sales generated revenue for Moscow to use in the strategic modernisation of Russia’s aging military forces; they also strengthened Russia’s influence in important (and volatile) areas such as the Taiwan Strait, the Kashmir region between India and Pakistan, and the Persian Gulf”.

Under Putin administration resurgence of Russian - Middle Eastern relations had occurred. Putin pursued “a two track policy towards the Middle East, allowing Russia to develop friendly ties with Israel while simultaneously nurturing alternative, sometimes competing, interests with Arab countries” (Bourtman, 2006). “A June 2000 foreign policy concept paper approved by Putin defines Moscow's priorities in the Middle East "to restore and strengthen its position, particularly economic ones"(Elliott & Khrestin, 2007). Form the renewed cooperation “Russia has sought to achieve three major goals in the region. The first is to demonstrate Russia's renewed power and influence in a region where American influence is on the decline. The second is to increase trade with the nations of the region, so as to buttress to Russian economy, especially its non-energy sectors. The third goal is to minimize Arab, Turkish and Iranian support for the Chechen rebellion against Russian control, which the rebels are carrying out in the name of Islam” (Freedman, 2007, p.19).

As part of the renewed cooperation Moscow is boosting its ties with Iraq to break U.S. domination in the Persian Gulf. Lately Russia has written off Iraq’s \$12 billion dollar debt, a sum incurred when Saddam Hussein’s regime was an eager buyer of Soviet arms. “Baghdad’s debt to Moscow, long seen as a key reason why Russia supported Saddam to the last moment, was written off in exchange for Russian firms including Lukoil being allowed to invest,

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prospect and develop the Qurna oil fields, one of Iraq's largest. The deal quietly returns Russia to Iraq as a key player in the petroleum game" (Metzler, 2008). "In violation of the U.N. sanctions against Iraq, Russia began supplying it with high-tech military spare parts, such as gyroscopes for its Scud missiles, and equipment for the production of bacteriological weapons. Its efforts to rebuild the once-strong relationship between Iraq and Moscow include exchanges between the pro-Putin Unity party of Russia and Saddam's Ba'ath party" (Cohen, 2001). Moreover Moscow sold "arms to Iran and Syria, and made diplomatic efforts to legitimize Hamas" (Freedman, 2007, p.22). Putin had also supported Iranian nuclear programme, saying "peaceful nuclear activities must be allowed and cautioning against using force to resolve the dispute over Iran. In addition Moscow has blocked any new UN sanctions, saying it wants to enable the UN's nuclear watchdog, the IAEA, to work with Iran on clearing up outstanding issues" (Russia backs Iran nuclear rights, 2007) Moreover today Russia is one of Iranian key trading partners, with "annual trade transactions amounting to \$3.2 billion" (Iran, Russia discuss ways of expanding mutual trade ties, 2008).

Overall Putin's Middle East policy can be considered as successful, particularly in economic aspect. Besides Putin was able to successfully secure Russian influence in the Middle East due to two very obvious reasons. First is the Russian economic growth that allowed Russia to waive the debts of the several Arab countries, and secondly the domination of the United States over the region decreased due to their presence in the Iraq and Afghanistan. However some analysts are warning for the risks of "greater instability in the Middle East and at home, through Russian provision of greater legitimacy for Islamists, and Russia coming perilously close to being perceived as a rogue state" (Iran, Russia discuss ways of expanding mutual trade ties, 2008).

Another positive development was the blossoming of the Sino-Russian relation under Putin, "Russia supported China's claims regarding Taiwan, and China supported Moscow's activities in Chechnya" (Cohen, 2001). "As a consolidation of their relations Russia and China signed in July of 2001 'Good Neighbourly Treaty of Friendship and Co-operation', intended to defend both countries' mutual interests and boost economic and cultural trade. But some observers say the treaty is a move to strengthen their mutual opposition to the U.S.' plans for a global missile defence system" (Russia and China sign alliance, 2001).

Putin's foreign policy was aimed at restoring yet another important tie, those with Latin America. Russia's re-emergence occurred at a time when "much of Latin America strived towards a more Washington-free environment by promoting indigenous economic integration and looking in directions other than at the U.S. for its trade and political partners (e.g., China, Iran, Canada, Spain)" (Sanchez, 2007). Moreover election of "several left-leaning, or even anti-American leaders"¹⁰ and the desire of others to ally themselves with extra-hemispheric powers, (like the recently formed IBSA, consisting of South Africa, Brazil and India), also has contributed to opening up the environment for Russia's growing influence" (Sanchez, 2007). Russia officialised the cooperation with Latin America, by signing a "memorandum with ministers of MERCOSUR's member states" (Russia creates political dialogue mechanism with Mercosur, 2006). The memorandum is supposed to facilitate political dialogue and economic ties and includes such matters as protection of democracy and human rights, prevention of conflicts and the strengthening of international security, as well as maintaining of peace and international stability. However the ties between Russia and Latin America are still limited to Russian defence industry exports and imports of foods. Nonetheless Russia is gradually moving towards a stronger cooperation with Latin America, with Venezuela by its side already.

"Russia has consistently aggravated attempts by the UN Security Council to deal firmly with issues such as Iran's nuclear program, North Korea and the rise of a Hamas-led government in Palestine. Russia's proximity to a number of these regimes has proved to be a double-edged sword for the world's leading industrialized powers since, on one hand, Russia is often an obstacle to their desired aims in dealing with such regimes, but, on the other, often represents the main line for negotiation with them"(Brenton & Malofeeva, 2007). What worries West the most about Russia's keen representation of interests of these new allies is that Russia, according to Brenton and Malofeeva (2007), seems to be striving "to establish a bloc that can be a counterweight to NATO power".

Sino-Russian relation blossomed under Putin. Russia supported China's claims regarding Taiwan, and China supported Moscow's activities in Chechnya (Cohen, 2001). As a consolidation of their relations Russia and China signed in July 2001 a Good Neighbours' Treaty of Friendship and Cooperation, intended to defend both countries' mutual

¹⁰ Hugo Chávez (Venezuela), Lula (Brazil), Néstor Kirchner (Argentina), Tabaré Vázquez (Uruguay), and Evo Morales (Bolivia).

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interests and boost economic and cultural trade. But some observers say the treaty is a move to strengthen their mutual opposition to the US plans for a global missile defence system (CNN, 2001).

The main worry for the Western powers may be not that Russia is often keen to represent the interests of these nations, but that Russia seems to be keen to establish a bloc that can be a counterweight to NATO power. At first, Moscow acted cautiously, still somewhat unsure of itself. It joined Beijing in calling for the withdrawal of the US military from Central Asia. Then, toward the end of 2005, it boldly embraced Uzbekistan as a formal ally, and the year ended with a dispute with Ukraine over gas supplies” (Trenin, ‘Russia Leaves the West’, 2006).

5. Conclusion

This dissertation is a modest attempt to elaborate on whether Russia's newly acquired stability came at the cost of democracy, and how the reforms Putin's administration undertook in the past eight years have contributed to the current situation in and around Russia.

Russian political conduct today is far more complex than the media portrays it to be. The new system retains much of the Soviet principles, but is increasingly driven by commercial forces to adopt capitalism and globalisation. After Yeltsin's rule a widespread need for stability dominated Russian society, Putin was able to meet that necessity. However what has become evident in the past two terms of Putin's administration is that Russia has stepped off the liberal-democratic path. Although during the inauguration and the first years of his presidency Putin often spoke of democratic values and vowed to uphold and develop them, international society has witnessed measures to the contrary. Putin quickly consolidated control within the Kremlin, reintroducing a system of authoritarian presidential power "l'etat s'est Puitn" (Bremmer & Charap, 2006, p.84). Yet, pro-Putin writers argue that receding democratic gains was a necessary sacrifice on the course towards stability and growth. Hence Putin had carried out measures annihilating the checks and balances, one of the most important foundations of a democratically driven system. He re-established institutional procedures without actually altering the constitution, investing great power in the role of president and omitting the formal governmental structures and procedures to evade any possible criticism.

Putin's introduction of the notion of 'managed democracy' or 'sovereign democracy' took over the political sphere in the country. The notion legitimised the centralisation of power and state interference in the business sector, again openly undermining straight terms of democratic conduct. Putin sustained the dogma of centralisation of power all through his presidency, with reforms in the federal structure of the country and abolition of the gubernatorial elections. He also undermined another very important concept, that of federalism that presupposes exactly the opposite concept of centralisation. Putin's reforms of legal system and institutions were greatly undermined by corruption and the reluctance of the executives. In addition, a vast part of the legislation was manipulated to consolidate the Kremlin's grip on the country's political life. Putin discarded the important democratic belief in free elections and a multi-party system. The legislation adopted in this field made it practically impossible to participate in the electoral process and those who did manage to get as far as participation were unable to defeat the status quo. On the other hand, the legislation actually facilitated the discontinuation of political haggling over each piece of legislation, and

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thus allowed a coherent pursuit of the chosen course. Putin's administration may be considered as authoritarian and inefficient, but it did restore order in the country.

Putin's personal encounters with the media made him aware of the immense power of this communication instrument. He could not allow it to work against him and thus he created the legal basis that enabled him to regulate the media and allowing other loyal pro-Kremlin structures to acquire interests in the communication sector. Such documents as The Doctrine of Information Security creation of the strict media laws along side with extremism legislation and concepts of patriotism and spiritual values gave state the opportunity for mass repressions of political opposition and Kremlin critics. "Moreover statements on such issues as upholding of spiritual values, patriotism, etc, gave out a very coherent message to the media, namely, the fact that the authorities seemed to be going to take control in the relationship between them and the media, where it was demanded that the latter bend to the will of the former in order to keep Russia's informational integrity intact" (Key, 2008, p.10).

In addition the legislation on NGOs (non-governmental organisation), although it is some times suggested that the legislation passed on this matter will actually contribute to a better transparency and accountability of the organization, is posing unmanageable restrictions on the work of these organisations and it impedes the development of civil society and democratic conduct in the country.

Every single reform executed by President Putin in the past eight years is founded on the rhetoric of patriotism and nationalism. The main aim, as presented by Putin, was to restore Russia to greatness and return a sense of self-respect to the people. This notion was very important for the course of his reforms. After he had restored the feeling of pride among Russians, in a way it gave him a 'carte blanche' for further reforms. The patriotic hype spun around Putin's own persona served as an example to many on how to express these feelings. The main outcome of this situation were the Kremlin-loyalist movements such as the 'Nashi'. For some time their beliefs were imprinted on Russian daily life.

Putin's policies would not be as successful had it not been for the growing stability in the country, a result of the rising price of energy resources which reinvigorated the financial situation of the country and allowed it to regain a stable and powerful position. The Russian state proceeded to assume ownership of strategic industrial sectors and energy resources. Expropriations became ordinary conduct and foreign investments were banned by legislation from taking part in Russia's major economic activity, which again stresses Putin's patriotic notes and manifested state protectionism. The economic situation in Putin's Russia possessed

the main characteristics of an ordinary 'petrostate', depending foremost on commodity prices and using energy resources as an instrument of international influence. Soon economic reform turned from stabilization into stagnation. The fragility of newly acquired prosperity is worrying as oil prices could suddenly drop and reached development could fade away. Russian state 'deprived' national industries and businesses of foreign and national investments, due to the re-nationalization reforms, moreover it caused a decline in performance. Putin admits that he failed to switch from oil dependant economy to a high-tech economy. Besides due to its subsequent economic growth, Russia strengthened both its independence and its international position. Putin's administration tried to uphold the ideology of a market-based economy as much as possible, comprehending the necessity of further economic reform for sustainable and stable development of the Russian economy.

Putin's presidency was highly controversial in the West. When he had just acceded to power, the West expected him to initiate assertive development in accordance with Western democracy. However, as Putin prepares to leave office, his legacy on foreign policy looks likely to be affected by international disputes and unresolved conflicts. Russia was so taken with its regained position on the world stage that it got carried away with defining what matters it did not like and offered little room for open dialogue. Besides "Russia tried to occupy a position in the middle of the road -between the West and the Eastern world, China, the Muslim world, Hugo Chavez, and Hamas -and ended up drifting away from the West" (An Assessment of President Putin's Tenure and the Outlook for His Successor, 2008).

It failed to gain or retain Western allies. Moreover, due to Putin's chosen strategy of using the Russian energy policy to bolster its international position, instead of contributing to an open dialogue with the other participants of international policymaking, Western societies did not view Russia as a reliable partner and continuously criticized and offended present regime what was perceived in Russia as incomprehension and 'ill-will'. Kremlin on the other had is responsible for launching a somewhat paranoid anti-Western sentiment after the 'colour revolutions' in the Ukraine and Georgia. Russia has been cultivating close ties with China, India, Middle East and Latin America, however these new cooperation's are just partly successful, mostly in trade and arms export.

One accomplishment of Putin's reign that could be mentioned without a doubt is the small amount of authoritative intrusion in people's daily life. This is greatly appreciated by the Russian people that generally distrust the authorities. Regardless of some curtailments of

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democratic norms and institutions, Putin left Russians the ability to travel abroad at will. Furthermore in his last annual press conference Putin acknowledged three major failures of his reforms: (1) to diversify the economy; (2) to establish a high-functioning state apparatus; and (3) to defeat the corruption.

This brings me to the conclusion that Russian democratic development has most definitely diminished due to the reforms of Putin's government, although democratic values have not entirely disappeared. Putin was able to offer the Russian people economic stability. Passive political consent legitimised his political and economic conduct. The euphoria of change rapidly contained Russian society. No autocrat would want to conduct painful reforms if there was no call for them. The Russian people were exhausted by the economic catastrophe of the late 1990s and did not mind sacrificing some of their newly acquired freedoms for a sense of stability at least. Most Russians admire Putin for making Russia a global player again, even though this was not achieved by democratic reforms but through economic growth and world dependency on the energy market. Instability was definitely the main driving power of the Russian population at the beginning of 21st century or, better said, the search for stability. Although Putin set out on the road to support the needs of the Russian population for a safer and more stable country, he undermined many aspects of democracy along the way.

To restore democratic development in Russia, the newly elected president would have to strengthen institutions of accountability- genuinely independent media, a court system not controlled by Kremlin, real opposition parties. These actions in their turn would secure property rights and help defeat corruption thereby stimulating economic development and encouraging investments.

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