



Australian  
National  
University

## **ANU Centre for European Studies Briefing Paper Series**

### **ANUCES Roundtable Summary: Aspects of Russia in Putin's Third Term**



Vol. 4 No. 3 (June 2013)

ISSN 1838-0379

**ANU COLLEGE OF ARTS & SOCIAL SCIENCES**

The ANU Centre for European Studies Briefing Papers are an interdisciplinary series that aims to provide a concise overview of the latest research that promotes greater understanding of issues relating to Europe, the European Union and the Europe-Australia relationship.

They serve as a summary of these issues, and as a ready information source for the preparation of submissions, media releases or reports for use by university students, government departments, diplomats and other interested parties, as well as the general public.

The Briefing Papers showcase the work of the centre, providing an avenue of public outreach for the broad range of workshops, seminars, public lectures and conferences that form the Centre's work program.

They showcase, too, the research projects supported by the centre through its appointment of highly qualified scholars as staff members, postdoctoral research fellows, adjuncts and associates, and by its competitive visiting fellowship program.

## Recent Briefing Papers

*American and European Competing Strategies in Free Trade Agreements in the Asia Pacific* | Maria Garcia | April 2013 | Volume 4 Number 2

*Regional Trade Agreements and Regionalisation: Motivations and limits of a global phenomenon* | Gabriele Suder | April 2013 | Volume 4 Number 1

*New Patterns of European Migration: A Broad View from a Multidisciplinary Perspective* | Paweł Kaczmarczyk, Magdalena Lesińska and Marek Okólski | August 2012 | Volume 3 Number 10

*France, EU and the South Pacific* | Denise Fisher | August 2012 | Volume 3 Number 9

*The Ocean Currents of EU Financial Regulatory Reform: Irish Periscope, International Waters* | Shaun Elder | August 2012 | Volume 3 Number 8

*Asylum Policy in the EU: The Case for Deeper Integration* | Timothy J Hatton | August 2012 | Volume 3 Number 7

*New Alliances: Australia and Europe in a G20 World* | Alastair Walton | July 2012 | Volume 3 Number 6

*Harmonising Private Law in the European Union: Past, Present and Future* | Ken Oliphant | July 2012 | Volume 3 Number 5

*France in the South Pacific: Countdown for New Caledonia – Review of Implementation of the Noumea Accord* | Denise Fisher | May 2012 | Volume 3 Number 4

*Towards the 9th ASEM Summit in Laos in 2012: Asia-Europe Relations in the 21st Century* | Thomas Roe | April 2012 | Volume 3 Number 3

*The Regulation of Electronic Communications in the European Union: Lessons Learned and Remaining Challenges* | Marialuisa Costa | April 2012 | Volume 3 Number 2

All ANUCES briefing papers can be viewed at

<http://ces.anu.edu.au/research/publications>

**ANU Centre for European Studies**  
**ANU College of Arts and Social Sciences**  
**1 Liversidge Street, Building 67C**  
**Australian National University**  
**Canberra ACT 0200**  
**Australia**  
**W: <http://ces.anu.edu.au/>**  
**F: +61 2 6125 9976**

## **ANUCES Roundtable Summary: Aspects of Russia in Putin's Third Term**

### **Abstract**

*On Thursday 14<sup>th</sup> March 2013 the Australian National University's Centre for European Studies held the first in a series of occasional seminars named in honour of the late Professor T.H. 'Harry' Rigby. A graduate of the Universities of Melbourne and London, Rigby worked at the ANU from 1958 until his retirement in 1996. By the 1970s he had won a reputation as a leading authority on the Soviet Union, and he was the main force driving the ANU's emergence as a centre of Soviet and Russian studies of global standing. He was among the very few who, in the early 1980s, foresaw fundamental change looming in the Soviet Union, and he remains Australia's foremost scholar of Russia.*

*The seminar was opened by Harry Rigby's son, Professor Richard Rigby, Executive Director of the ANU China Institute. The occasion brought together academic experts and government officials to discuss contemporary trends in Russia. The ANUCES invited Dr Bobo Lo, one of the foremost authorities on Russia's foreign relations, to Australia to give the first paper at the inaugural seminar. The other contributions were all from former students of Harry Rigby: Associate Professor Stephen Fortescue, University of New South Wales; Dr John Besemeres, Adjunct Fellow at the ANUCES; and Kyle Wilson, Visiting Fellow of the ANUCES. This brief provides a summary of the four presentations.*

### **Bobo Lo: Russian foreign policy in Putin's third term – a return to confrontation?**

Dr Lo set Russian foreign policy in a global context. He argued that China's rise is a huge challenge to a Russia ill equipped to cope with geopolitical uncertainties and strains. For all the talk of its resurgence, Russia's standing remains modest and its influence limited.

Russia faces five main challenges. It must show that it can contribute to global governance; recalibrate its influence in the post-Soviet space; re-engage with Asia; reconfigure its relations with the West; and acquire the tools to advance its interests by modernizing itself. But Russian strategic culture has changed little under Putin, who still takes a Hobbesian world view: geopolitical clout is critical and hard power still dominant. And Putin's regime retains a strong

sense of entitlement, seeing Russia as a global power by right. Putin has three main foreign-policy aims: external acquiescence to his rule and Russia's 'specific' path of development; Russia's emergence as one of three global powers in a new multipolar order, along with the United States and China; and recognition of Russia as an indispensable actor in regional and global affairs.

### **Russia and global governance**

Moscow is keen for Russia to be in as many international bodies as possible but has little respect for multilateralism. Its real allegiance is to a 'multipolar order' shaped by the relations between a few great powers. It believes in the primacy of national sovereignty and prerogatives over supranational notions of global governance and universally applicable norms. Russia's accession to the World Trade Organisation does not reflect a serious interest in multilateral trade diplomacy so much as a desire for international respectability.

Russia's contribution to such global issues as new financial architecture, combating climate change and enhancing human security is superficial. This reflects both a lack of capacity and a lack of interest. Russia will use its chairing of the G20<sup>1</sup> to sell itself as a good international citizen but Kremlin interest in the G20 agenda is minimal. Russian decision-makers are similarly indifferent to the adverse effects of climate change.

### **Post-imperialism in the post-Soviet space?**

Moscow knows it cannot re-create the Soviet empire, but it wants to reassert dominance in the post-Soviet space. This is not imperialism or post-imperialism; rather, the policy reflects a post-modern vision of empire that is more flexible regarding means—emphasizing economic and cultural influence—but whose strategic goals do not differ much from Soviet times. Nor is Putin's 'Eurasian Union' a re-Sovietising gambit: it is geopolitical project designed to re-assert Russia as the leading strategic actor in Eurasia and as an 'independent' pole in the emerging multipolar world order.

---

<sup>1</sup> The Group of Twenty (G20) is the premier forum for international cooperation on the most important issues of the global economic and financial agenda. Members include; Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, the Republic of Korea, Mexico, Russia, Saudi Arabia, South Africa, Turkey, the United Kingdom, United States of America, and the European Union.

## **A turn to the East?**

Asia remains a sideshow of Russian foreign policy. The notion of Russia as a ‘Euro-Pacific power’ is a vague aspiration, and the hosting of the 2012 APEC<sup>2</sup> summit in Vladivostok had little impact. It was an ‘Olympic moment’, rather than the harbinger of a fresh approach. Moscow does not have an Asia policy so much as a ‘China-plus’ policy. It has bet on China, while its ties with other regional players, such as Japan and the US, have stagnated or deteriorated. That said, the spectre painted by some of a Sino-Russian alliance is bogus. Moscow is perturbed by China’s rise, though for now these fears are outweighed by strategic anxiety about the United States.

## **Engaging with the West**

Russia-West relations are adrift and tensions are mounting. Moscow is not concerned by this deterioration—its approach is one of selective engagement, maximizing its own access to the West while resisting the ingress of subversive Western ideas into Russia. The US-Russia ‘reset’ is long over. The bilateral agenda is dominated by tensions—on missile defense, the Magnitsky case and Syria. The illusion of consensus—‘you pretend to agree with us, and we pretend to believe you’—has gone. Putin’s recent statements show a regression to a visceral dislike of the US. Obama’s re-election and Kerry’s appointment as Secretary of State have slowed the rate of deterioration, but the differences are intractable. Ties have slipped into ‘mutually assured stagnation’, with potential for strife fuelled in Russia by xenophobic nationalism and a renewed sense of grievance.

The outlook for Russia’s relations with Europe is just as bleak. Putin has given up on the EU, and once strong ties with Germany and France are showing strains. Russia no longer even pretends to subscribe to European values. It wants not normative convergence but normative acquiescence.

Russia has yet to understand the challenges of the new world disorder. Core instincts are entrenched: belief in the primacy of hard power; a superiority-inferiority complex that veers between triumphalism and insecurity; and convictions of historical victimhood and national exceptionalism. The Putin regime deludes itself that its conduct of foreign policy has been a success, and that Russia’s experience in recent years has emphasized the importance of reaffirmation over reinvention. But a Russia unable to reinvent itself at home or abroad faces the

---

<sup>2</sup> Asia-Pacific Economic Cooperation.

prospect of a long-term decline analogous to that of 16<sup>th</sup> century Spain—which in just over a century declined from superpower to European backwater.

According to Lo, such a decline could be rocky: Russia will not subside without trying to reassert itself as a great power. We are seeing this—on the one hand, a fall in Russia's real influence in the world; on the other, a raging against 'the dying of the light'—an increasingly desperate refusal to recognize changing realities, much less adapt to them.

### **Kyle Wilson: Seeking truth from facts – emerging shifts in Russia's East Asia policy?**

Wilson noted that in his analysis of the Soviet Union Professor Rigby had liked to use a *bot mot* from the economic historian Alec Nove: 'many a micro makes a macro'. Two sets of facts that suggest emerging shifts in Sino-Russian and Japan-Russia relations that may prove important for the geopolitics of North Asia: the two 'micros' may yet make a macro.

Wilson reviewed the evolution of Sino-Russian relations under Putin, Jiang Zemin and Hu Jintao. Deng Xiaoping had proposed an operative principle for the relationship during Gorbachev's historic visit in 1989: 'close off the past, open the future' and time was showing how prudent that notion was. The relationship is firmly based in converging strategic calculus and a lack of illusions. As former empires with autocratic political cultures, China and Russia share similar views of the role of the state, of the international order and of the US and its allies—indeed, each sees value in playing to the other's anti-American views. And despite the fulsome rhetoric both sides employ to describe their relations, neither has illusions of genuine warmth between them, so they tend to deal with each other pragmatically. And their 'strategic partnership' in action looks imposing, with its panoply of bilateral machinery: annual head-of-state summits, a prime-ministerial commission with profusion of sub-committees, from defence to education and culture; and myriad academic exchanges.

Noteworthy too is their collaboration on many global and regional matters, especially in the United Nations Security Council. Indeed, the pattern of Sino-Russian actions and joint statements over the last decade or so suggests some manner of agreement that each will respect the other's proclaimed spheres of interest (with Central Asia, where their interests collide, in a separate basket). Hence Russia's *de facto* alignment with China, noted by Dr Lo—that is, Moscow's practice of 'falling in behind' Beijing on issues that for China are 'core interests'.



Obviously the relationship is dynamic, and if the two seemed to have reached a state of equilibrium, we may be seeing a maturation of unresolved tensions and the accretion of new ones. In this context one might focus on Russia's evolving relations with Vietnam, including recent sales of Russia arms (six submarines, four 'Gepard' class frigates with ship-to-ship missiles, twelve Sukhoi-30MkII aircraft); and their cooperation in energy which cuts across China's claim to the South China Sea.

One might note too Putin's proclaimed goal of establishing a 'Eurasian Union' of Russia and former Soviet republics, which looks in part like geopolitical hedging against China. Similarly, Putin's decision to make the world's biggest firm, ExxonMobil, the key partner in the most important infrastructure project he will ever undertake: the tapping of Russia's energy riches in the Arctic. During Xi Jinping's recent visit Putin seemed to discard his veto on China acquiring equity in Russian energy projects (he is reliably reported to have once said 'anyone but the Chinese'), but it seems likely that those parts of the Arctic fields he offered to the Chinese were ones in which Exxon had no interest.

China's campaign for permanent observer status on the Arctic Council is another new source of bilateral tension. This successful bid contravenes the principle of respect for spheres of interest—China is not an Arctic Rim power. And the Russians must have noted that Beijing focused its campaign on Iceland and Sweden, a tacit admission that it knew that Moscow takes a dim view of the bid. But, Wilson said, he wished to highlight other new trends.

### **Recent Chinese commentary on Sino-Russian history**

In 2011 the eminent Russian Sinologist Viktor Larin published an analysis of trends in Chinese academic writing on the history of Sino-Russian relations (*Goriachkie tochki rossiisko-kitaiskikh otnoshenij v sovremennoi kitaiskoi istoricheskoi i ekonomicheskoi mysli*, Vladivostok 2011). Larin is notable for his record of moderate, sober assessments of Sino-Russian relations. His basic methodology in this analysis is to survey and compare a total of 115 academic papers presented at conferences of the Chinese Association for the Study of Sino-Russian Relations. The following summarises his conclusions:

- 1) Russian scholars have noted a shift in the views of Chinese researchers on the history of China's relations with Russia. A comparison of 56 papers submitted in 2003 to the Chinese Association for the Study of Sino-Russian Relations and a further 59 submitted in 2008, shows a clear trend to present Russia and Russians more negatively. This shift

reflects a loosening of official doctrines and ideological templates on the presentation of history.

- 2) In China the influence of historiography on the national consciousness is profound. In evaluating the 'Sino-Soviet split' of the 1950s-60s a researcher in the Institute of History of Heilongjiang had concluded that 'the historical legacy' was a far more important cause than ideological disputes or perceived conflicts of national interest.
- 3) Chinese historians blame Russia for the abiding distrust between Russians and Chinese, but China must bear some responsibility. To inculcate patriotism by using teaching materials that assert the *a priori* 'aggressive nature of tsarist Russia' is to reinforce attitudes common among ordinary Chinese, such as a victim-of-history complex and a desire for retribution.
- 4) In 2007 and in 2010 a four-volume 'History of Tsarist Russian Aggression against China', written during the period of Sino-Soviet conflict in the 1970s-80s, was reissued under the aegis of the Chinese Academy of Social Sciences. The decisions to republish are consistent with the trends which emerge from the comparison of the 115 conference papers.
- 5) The formulation 'Tsarist Russia's aggression against China' is now a doctrinal verity for Chinese writers, and it crops up in works that have only a tenuous tie to the subject of Sino-Russian history. Chinese popular histories now refer almost invariably to 'the repeated massacres and plundering of the indigenous peoples of Heilongjiang by Russian aggressors in the 17<sup>th</sup> century' and the 'armed aggression of tsarist Russia in the Heilongjiang and Ussuri Basins', including 'the seizure of more than a million square kilometres of Eastern China'.
- 6) Some of the work of a new generation of scholars makes the conclusions of their forebears look moderate by comparison. An associate of the prestigious Institute of International Relations at Beijing University asserts that tsarist Russia was a worse aggressor than Japan, and that Russia, having 'invaded Siberia at the end of the 16<sup>th</sup> century, seizing more than 10 million square kilometres of Asia'.



- 7) Perhaps the most neuralgic theme for Chinese historians in the history of Sino-Russian relations is Mongolia's gaining of independence early in the 20<sup>th</sup> century. This is presented invariably as the result of intrigue and maneuvering by tsarist Russia.

### **Second set of facts: Russia, Japan, China**

In September 2010, after then president Medvedev had visited Beijing, China and Russia issued two joint declarations: (i) 'on the Comprehensive Deepening of the Sino-Russian Partnership and Strategic Cooperation'; and (ii) 'on the 65<sup>th</sup> anniversary of the Second World War'. They had been issuing such statements after every head-of-state visit since the early 1990s, but this time both texts contained new words and formulations that were noteworthy.

For instance, the second declaration states *'Russia and China resolutely condemn the attempts to falsify the history of the war, to make heroes of Nazis, militarists and their collaborators and besmirch (the reputations of) the liberators...Any revision of the results of the war... risks reviving an atmosphere of hostility between states and peoples.'* Three days before the texts of these statements appeared on the Russian presidential website the Chinese ambassador to Moscow was asked by a Russian journalist for China's view of Russia's position on the dispute between China and Japan over the Diaoyu or Senkaku islands. According to Russian media reports the ambassador responded by quoting from the declaration:

*"The two heads of state resolutely condemn the attempts to falsify the history of the war, to make heroes of Nazis, militarists and their collaborators and besmirch (the reputations of) the liberators".* And the ambassador added: "Given the evolving international and regional situation, this joint declaration takes on an ever-increasing significance and gravity. Both sides must continue to implement the policies in the statement".<sup>3</sup>

Some commentators saw the Joint Declaration as an agreement to offer mutual support in both states' 'history wars'. That is, Chinese support for the Russian position that any criticism of the Soviet Union's actions in World War II—such as the assertion that the Baltic states were incorporated into the Soviet Union by force—is inadmissible; and Russian support for China's position that Japan's claims to the Senkaku/Diaoyu islands represents a 'rebirth of Japanese militarism'.

---

<sup>3</sup> Refer to: <http://vz.ru/news/2010/10/24/604024>

The Joint Declaration on deepening strategic cooperation also had new words, including firmer language on the obligation to support each other on ‘core’ interests. For the Chinese this meant support for its policies on Taiwan, Tibet and Xinjiang; for Russia—Chinese support its core interests and security ‘not only in the Caucasus, but also in the Commonwealth of Independent States’. Russian commentators were coy as to whether the joint declarations constituted Russian support for China’s claim to the South China Sea. Russia’s Foreign Policy doctrine has Russia as ‘an *independent* pole of power in the Asia Pacific’. But early in 2011 Russia’s Foreign Minister Lavrov endorsed the Chinese position in talks with his Australian counterpart, asserting that disputes over the South China Sea should be ‘settled bilaterally’.

So early in 2011 the Russia position on the South China Sea disputes and the wrangle between China and Japan over the Senkaka/Diaoyu islands was, apparently, to support China. Then on the 11<sup>th</sup> March 2011 came the earthquake and tsunami that devastated parts of eastern Honshu. This disaster gave Moscow an opening in its frozen relations with Tokyo that it exploited adroitly: Putin swiftly expressed sympathy and his steward for Russia’s energy industry, Sechin, announced that Russia could help Japan to secure energy to offset the shortfall caused by the damage to the Fukushima nuclear plant. Russia has since claimed it offered more aid to Japan than any other country. About 18 months after the earthquake, in November 2012, the Secretary of Russia’s National Security Council, Patrushev, a figure more senior than either the Ministers for Defence or for Foreign Affairs, paid an un-foreshadowed visit to Japan. According to the Japanese, he said that Russia would not take sides in the dispute over the Senkakus but believed it must be solved through negotiation.

Taken together, these disparate facts suggest that new nuances may be emerging in Sino-Russian relations. Perhaps uneasy about China’s growing power and the more assertive nationalism that accompanies it, Moscow may be recalibrating its policy of China alignment, seeking to strengthen ties with Japan and moving to neutrality in the territorial disputes involving China in the Asia Pacific.

### **Stephen Fortescue: politics and economics in Russian in Putin’s third Term**

Associate Professor Fortescue explained that his primary interest was how politics affects economic policy making and how economic performance affects politics. Analysis of the

politics-economics relationship under 'Putin #3' generally fell within two broad characterizations.

According to the first, Russia has a political strategy of muddling through and a political system well suited to such a strategy. The electorate wants stability, and is willing to moderate its economic expectations as part of a stability pact. The policy-making process, with a dominant but cautious leader and reasonable levels of inclusion and consultation, produces, slowly but surely, reasonable outcomes. The whole range of 'contemporary' policy issues—from parking in Moscow through to pension reform - are debated copiously. There is enough political and economic freedom to allow some play for animal spirits and inputs from outside, but enough state control to 'keep the bastards honest'. This produces enough growth and rent to allow the leader to pay off his elite and electorate supporters (albeit the former more generously than the latter). Although the consequences are severe for any individual who refuses to play by the rules of the game, those rules are fairly liberally written; the leader is prepared to be inclusive in approach; and there is no sense of a class-based approach to exclusion or inclusion. So unless you want to make a martyr of yourself, everyone has the opportunity to share in the benefits of slow but steady growth, with some reasonable link between effort and reward.

Although presumably not part of Putin's calculations, there are commentators who see the moderate growth and improvements in prosperity expected under this scenario as gradually leading to a more broadly based and assertive middle class, and an elite that will eventually calculate that a deal with the middle class is better than confrontation. That will provide the conditions for genuine change in a desirable direction. This hasn't happened yet—the middle class isn't big enough or sufficiently broadly based—but we have seen the outlines.

Under the second interpretation, Russia is stuck with a repressive, populist and corrupt political system, which condemns the economy to perform well below its potential, to such a degree that eventually Putin will not be able to pay off his supporters, both in the elite and the electorate, so the regime will collapse, probably in a disorderly if not violent way. Putin's primary interest is the enrichment of himself and his cronies, and to that end he maintains tight and ultimately asset-destroying control of the richest parts of the economy. In order to maintain secure access to the trough, he has to keep his core electorate on side, but with ever less cash to do so he must rely increasingly on nationalist/imperialist propaganda. Those bits of the economy and economic policy making that are Putin's core interests are fought over—usually to a standstill—by a range of bureaucratic and private interests. These non-core interests (basically anything outside the fuel

and energy sector—and some socially sensitive issues) include many important, indeed urgent policy issues, which as a result of lack of leadership remain unresolved. So we have at best stagnation and at worst degradation, from which a positive exit is hard to see.

The economic data do not, alas, provide the basis for a clear choice between the scenarios. Growth could be summed up as ordinary without being catastrophic, and to a large extent it's a judgement call as to whether the growth data suggest a positive or negative outcome. It doesn't help that both scenarios see the result as panning out over the long term, not in the short term. Is there anything that we can take from the data, even if it is no more than to suggest the right questions to ask?

1) Is there a trend in the growth? Who knows? The executive summaries of World Bank reports for Russia from the spring of 2012 and of 2013 – the most recent – seem to say the same thing. But while the 2012 report is basically optimistic, that for 2013 is downbeat. The figures have worsened over the 12 months, but one can easily imagine them improving over the next 12 months and the World Bank's tone changing again. There is no sense of a take-off in growth, nor of a collapse—the current level and trend of economic growth fits both scenarios.

2) How much does growth depend on global conditions and how much on domestic circumstances? If it is the former, will the Kremlin's much trumpeted 'turn to the east' help? Most commentators are sceptical that Moscow's policy will match its rhetoric. If growth depends more on domestic circumstances, that might suggest an opportunity for Russia. Regardless of external circumstances, if Russia can modernise its economy and manage it better it will do well—that is, it holds its fate in its own hands.

If we look at the metals and steel sector, one has the sense of a genuine struggle, that the easy accessible competitive advantages that the sector has enjoyed in the past (basic but fully amortized fixed assets and technology, low labour and legacy costs) have almost run their course. Admittedly, it is difficult global market conditions that make that obvious. The same question can be asked about hydrocarbons: has the time of easy money passed, regardless of global conditions?

If there are serious challenges to Russia's competitiveness, is it a simple matter of changing policy settings? Most reformist commentary gives that impression—fix the investment climate, reduce the role of the state, diversify the economy, and all will be well. That may be so, but

arguments based on the 'resource curse' and even 'cost of the cold' are persuasive. Even with the best will in the world—a bold assumption—achieving policy shifts of that type to bear fruit is very difficult.

3) What are the socio-political implications of what growth there is? Is it enough to keep Putin in power by allowing him to keep his core electorate happy? Is it enough to bring middle-class driven political reform?

In terms of the first question, it's a struggle. Inflation remains stubbornly a few percentage points above the growth rate (around 7% at the moment, with growth just below 4%). That means there's constant pressure to index the incomes of Putin's core electorate, those paid by the state, and workers in manufacturing. That means a redistribution of wealth in their favour when there are a lot of other demands on the budget. There is room for that redistribution, in the sense that there are other social groups that have something to hand over, Russia being a very unequal country. Whether the expanded role of the state in key parts of the economy will make it easier or harder to bring about that redistribution is something that will bear watching. But the core electorate is a forgiving lot, for whom stability is just as weighty as income as a core value, so Putin doesn't have to compensate them fully for the effects of inflation.

If keeping the core electorate quiescent is difficult, what hope is there of the 'middle-class-ization' of society, with what some suggest would then lead to a strong social demand for more liberal political and economic arrangements? There has indeed been some evolution of society of this kind. The intelligentsia has become less of a caste and more of a class, driven more by material interests than ideological values, and thereby more open to alliance and indeed merging with other sectors of society. At the same time the *narod*—the common people—has taken on some middle class attributes: it owns property and goes to Spain for holidays.

But it is still simple for Putin to play on the differences between the middle class and his core electorate: the cultural gap remains wide. And the market tends to harm the core electorate, while benefitting the middle class. That means the differences are not just cultural but have an economic policy basis. So politically it's in Putin's interests to maintain the class divide, and any increased marketization enhances rather than reduces it.

The conclusions we may draw are: first, Russia's fate is not in its own hands only. But Russia is

fairly well placed to survive global difficulties - its main revenue earners are not totally demand-inelastic, but there is a substantial core level of demand. Second, while that might suggest it has some room to manoeuvre to control its own fate, Fortescue was sceptical of its capacity to do much with it, in the sense of radically reshaping its economy. There are deterministic factors (the resource curse and the 'cost of the cold'), unhelpful socio-economic-political circumstances (the incentives of various social groups are not aligned aright), and a clunky policy-making process to boot.

If forced to choose Fortescue would select the second scenario. What we have today is not slow, steady development but stagnation. The elite—or a section of it—might wake up to the danger in time and do something about it, but it is hard to see what arrangements they might parley with what social forces. More liberal arrangements with the middle class is the one we all hope for but we cannot count on that occurring. The economic circumstances are positive enough that stagnation can be maintained without collapse for some time, although it is hard to imagine that Putin will hang on politically as long as economic capacity might suggest is theoretically possible. If he were to do so, we would have a truly Brezhnevian stagnation, with all that that implies.

### **Dr John Besemeres: Back to the USSR? Putin's Third Term**

Dr Besemeres set out a 'standard narrative' of Russian political events in the last 18 months:

The ruling United Russia party's poor showing in the December 2011 parliamentary elections was a shock, though not wholly unexpected. But the big spontaneous popular demonstrations that followed gave Putin a seriously bad fright. Until he won the presidential elections in March 2012, he was very much on edge.

Since then, however, he had recovered his usual confidence and belligerence, adopting repressive policies at home and aggressive anti-Westernism abroad, especially towards the United States. The opposition had largely subsided and failed to press home any advantage it ever had. Putin is securely in the saddle for the next six years, and possibly for twelve. We should prepare for more of the same.

While broadly accurate, in Besemeres' view the standard narrative requires some qualification. Putin's position should not be underestimated, but it is less stable than it looks, and less than it

once was. His legitimacy has been damaged and the chorus of criticism in independent media is shrill. The urban middle classes are disheartened but also deeply alienated. The opposition leadership is weak and divided and the numbers at demonstrations are down, but resistance is diffuse and can sometimes draw blood, for instance Aleksei Navalny's campaign of exposing corruption and plagiarism among prominent hardline officials.

The Russian economy looks solid compared to much of Europe, but growth has slipped to the equivalent of an annual rate of 2 per cent, which compares very unfavourably with the 7 per cent during Putin's previous terms as president. Putin's reckless election campaign commitments have placed a heavy and long-term burden on the state budget. The oil price at which the Russian budget can be balanced has now reached US\$117 a barrel.

While Putin's "power vertical" has coped with the immediate challenge from political opponents, there are signs of instability within the elite. Hardline factions have been given their head by the president and are now overtly attacking Medvedev's government as well as the opposition. If Putin were to try now to rein them in, he could precipitate a challenge to his rule from the increasingly dominant *silovik* (securocrat) forces. But he himself, of course, is a *silovik* by both background and temperament; and his own pronouncements have become increasingly hardline since the street protests of 2011-12.

The battered liberals within the elite have attached themselves to prime minister Dmitry Medvedev, but he is an even weaker reed as prime minister than he was as president. Putin himself has openly and repeatedly criticised the government, thus giving clear support to the attacks of the *siloviki*.

To get re-elected, Putin promised everyone everything, and is now demanding that the government meet those promises on his behalf by squaring the resulting fiscal circles. Putin seems to be planning to use the government as a scapegoat for the economic downturn that has set in. But while sacking them may relieve the growing public dissatisfaction, doing so will further destabilize the ruling elite, making it harder for Putin to play the role of arbiter of last resort between the different regime factions.

Putin's crackdown on public dissent has erected a police state in Russia, unlike anything that has been seen there since the early 1980s. While the draconian measures rushed through parliament late in 2012 were not immediately enforced, now they are being applied, crudely and extensively. Putin's propaganda assault on the population also appears quite crude on the surface. Despite presiding over a society with some of the greatest socio-economic inequalities in the world, he



continues to pretend to be a man of the people, a champion of the working class and a resolute opponent of the petty-bourgeois intelligentsia.

Simultaneously he presents himself as a social conservative, a devout Orthodox church-goer and the scourge of unpopular minorities, even including (*sotto voce*) Muslims and, more overtly, those who transgress against traditional sexual propriety, like the Pussy Riot group.

While seeming primitive to the delicate sensibilities of the contemporary West, this approach headed by the president personally has been fairly effective. The Kremlin studies the Russian public's attitudes closely, and knows how to target its residual left-wing Soviet beliefs as well as its conservative social attitudes. In this way, the regime has driven a wedge between the 'ordinary people' and the more sophisticated urban middle-class protesters and their sympathizers.

The aggressively anti-Western foreign policy is intended to and does appeal to much the same target audience. Putin blamed the US repeatedly for fomenting the demonstrations and unleashed a campaign of harassment against the US presence in the country, including its ambassador McFaul and non-government organisations in Russia that draw any financial support from US sources. The Obama administration seems content to respond to these repeated insults with pleas to revive the 'reset', of which McFaul was a key architect. What this illustrates is that in present conditions, Russian foreign policy is in large measure determined by its domestic politics, and the mindsets, phobias and propaganda tactics of the people who dominate it, namely Putin and his circle of siloviki.

But while Putin's response to the domestic challenge has had some success, it may not suffice to keep him afloat to 2018, much less to 2024. The economy is trending badly, and his growing disregard for his once respected liberal economic advisors will not help him to grapple with the stagnation that is setting in. He is alienating the most economically vital section of his workforce, and those of them that do emigrate will continue to resent and in some cases to resist his rule.

Meanwhile, the increasingly Islamist insurgency in the north Caucasus bubbles along, and is showing signs of metastasizing into hitherto stable Muslim regions of Tatarstan and Bashkiristan in the middle Volga. Putin's essentially Russian-nationalist and Soviet-nostalgic policy responses to this are unlikely to contain the problem.

In Besemeres' view, Putin seems to think that he can draw in all the Western investment and technology that he needs to sustain his petro-state economy, whilst maintaining his present

policies. But domestic show trials and sustained prickliness towards the United States and Western Europe will do little to further that objective.

**ANU Centre for European Studies**  
**ANU College of Arts and Social Sciences**  
**1 Liversidge Street, Building 67C**  
**Australian National University**  
**Canberra ACT 0200**  
**Australia**  
**W: <http://ces.anu.edu.au/>**  
**F: +61 2 6125 9976**