



CENTRE FOR EUROPEAN REFORM

policy brief

Russia's crisis – what it means for regime stability and Moscow's relations with the world

By Bobo Lo

- ★ The global recession has hit Russia hard. The economy is deteriorating rapidly, the government appears to have no answers, and the mood of the elite is one of growing anxiety.
- ★ But despite its troubles, the regime will survive. There is no popular will to challenge Putin's hold on power, while self-interest and the lack of alternatives will ensure elite loyalty.
- ★ There is a renewed desire to engage with the West. However, the fundamentals of Russian foreign policy remain unchanged. Moscow harbours a strong sense of strategic entitlement and will assert its 'rights' energetically.
- ★ The West should respond to Russia on a case-by-case basis – avoiding preconceptions, focusing on substance, and exercising strategic patience.

There is no doubt that the global financial crisis has had a tremendous physical and psychological impact on Russia. In August 2008, following its military successes in Georgia, there appeared to be no limit to Moscow's self-confidence. The mantra, 'Russia is back', was reiterated ad nauseam, while the West fretted about a new Cold War and the difficulties of managing an ever more assertive 'partner'. Russia became the centre of attention, if often for the wrong reasons, and its resurgence as a global great power was seen as part of a 'new world order'.

Fast forward to today and the transformation in Russia's fortunes is striking. The extraordinary developments of the past six months have undermined many assumptions. While the advanced industrialised economies of the West are suffering considerably from the global recession, it is Russia that has arguably been the greatest casualty. Internationally, it has become a largely peripheral presence, while domestically there has been a radical shift in mood. Russia's once buoyant economy has suffered major shocks and the seemingly unassailable regime of Prime Minister Vladimir Putin has become

the subject of feverish speculation about its viability and even survival.

Russian policy-makers have lost their swagger. Putin continues to inveigh against the failings of the 'Anglo-Saxon' economic model and to blame America for the global financial crisis, most recently at the 2009 World Economic Forum in Davos. But these days the climate in Moscow is one of mounting anxiety. The illusion of near-invincibility has given way to an acute sense of vulnerability and a renewed awareness of Russia's dependence on the outside world.

Two key questions

This policy brief addresses two questions. The first is the impact of the global financial crisis on regime stability and on Putinism itself – the Russian leader's brand of semi- or 'soft' authoritarianism. Putin has consistently argued that Russia's current problems are largely a function of the wider global malaise, and that its economic fundamentals are sound. But critics point to deep-seated weaknesses: rampant corruption, dysfunctional governance, flimsy rule of

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law, over-dependence on the energy sector, and the absence of structural reform. Our purpose here is not to debate the merits of Putin's economic policy, but to assess the capacity of his regime to preserve its authority and legitimacy in the face of deteriorating socio-economic conditions. On a more personal level, what does the future hold for Putin himself? Given the improbability of an early economic recovery, will

¹ *Recent opinion polls show Putin's popularity at a remarkable 83 per cent.*

the Russian population fall out of love with this still highly popular figure?¹ If so, will such disenchantment translate into

moves to replace him, either within the ruling elite or as part of a more general movement akin to Ukraine's Orange Revolution?

The second question centres on the implications of the global financial crisis for the conduct of Russian foreign policy. There have already been some modifications. The crisis has underlined to decision-makers that Russia's future depends on engagement with the West, even while it seeks to redefine the terms of this engagement. But it is unclear whether Moscow's attitude is a short-term response to straitened circumstances, or whether the elite has absorbed a larger lesson. If and when Russia emerges from the crisis, will it revert to type, reasserting itself as an 'indispensable' global power and demanding special consideration in the former Soviet space? If indeed Moscow is committed to constructive engagement, can Russia and the West develop a more sober relationship, profiting from their shared experience in meeting the crisis?

How bad are things?

In the early stages of the global financial crisis, Putin promoted the idea of Russian exceptionalism – the resilience of its more statist system compared with the free-wheeling, brittle capitalism of major western economies such as the US. Since the middle of 2008, however, Russia's own situation has deteriorated to such an extent that its only plausible claim to exceptionalism today is that its problems are even more critical than those of other countries. It is not only a victim of the failings of the global financial system, but also of weaknesses peculiar to the Russian economy. An over-dependence on the energy sector has been highlighted by the collapse in world oil prices to a quarter of their July 2008 level – from nearly \$150 to under \$35 a barrel. Its stock market has been virtually wiped out, suffering a 75 per cent fall in value over the same period. The rouble has declined by a third against the dollar/euro basket, while gold and hardcurrency reserves have fallen from \$600 billion to under \$400 billion as a result of efforts to defend the rouble. The indebtedness of Russia's 'national champions', such as Gazprom, Rusal and Rosneft, has reached critical levels. Remarkably, too, at a time of global recession inflation has risen to 13 per cent.

Confident predictions of 7 per cent GDP growth for 2009 have given way, first to revised estimates of 3-4

per cent growth and then more recently to acknowledgement that the economy is in recession as of the first quarter of 2009. Most reputable estimates predict a contraction of 2-3 per cent for this year, while one Russian government scenario allows for the possibility that this could even reach 10 per cent. The contraction has not only hit the energy sector and such artificially inflated service sectors as real estate and construction, but also manufacturing, where unemployment has increased dramatically. The near-extinction of one-industry towns is widely forecast – a throwback to the early 1990s when Russia underwent a painful transition from the dysfunctional Soviet command model to President Boris Yeltsin's distorted version of capitalism.

Such negative indices would be serious in any country. In Russia, the problems are compounded by the nature of political power. During his eight-year presidency (2000-08), Putin consolidated popular legitimacy precisely because of his ability to deliver measurable benefits to the Russian people. He brought political stability, albeit of an authoritarian bent; 6-7 per cent annual economic growth; much improved living standards based on double-digit increases in income; a significant reduction in poverty; and a feel-good factor based on the conviction that Russia had, after a 20-year hiatus, resumed its 'rightful' place as one of the world's leading powers. Although he was condemned in the West for his emasculation of democratic processes and restrictions on media freedoms, few Russians cared. With memories still fresh from the demise of the Soviet Union, the financial crises of the 1990s, the misgovernment of the Yeltsin administration, and a series of foreign policy humiliations (NATO enlargement, the war over Kosovo in 1999), they were grateful for Putin. It mattered little that he was lucky, enjoying sky-high energy and commodity prices; the outcome was all that counted.

Today, Putin's achievements are in question. The main pillar of his legitimacy – the ability to improve the lives of most of the population – is under serious threat. And for the first time in years, it is not just the politically marginalised (and numerically insignificant) liberals who are claiming that Putin and Putinism have run their course. Growing doubts are being raised about the sustainability of a system in which corruption and misgovernment are not aberrations, but intrinsic to its very functioning.² Such doubts have been fuelled by the largest demonstrations since the pensioners' marches in January 2005.³ In the far eastern port city of Vladivostok, several thousand people protested in December 2008 against the central government's decision to raise tariffs on second-hand imported Japanese cars, which

² Celeste Wallander 'Russian transimperialism and its implications', *The Washington Quarterly*, vol. 2, Spring 2007.

³ 'Unauthorised' rallies took place in several cities, including St Petersburg, Kazan and Samara, with several thousand pensioners protesting against the monetisation of social benefits. The Kremlin subsequently backed down.

make up about 90 per cent of local passenger vehicles. Significantly, the local administration and law enforcement authorities supported the protesters, forcing Moscow to dispatch special interior ministry troops to quell the demonstrations – which they did with some violence. The Vladivostok disturbances were only the most obvious manifestation of a growing tide of public discontent, which has been replicated in cities and towns across the Russian Federation, including Moscow.

The search for answers

The Putin regime has been shocked, both by the extent of Russia's economic difficulties and the public reaction to them. In its confusion, Moscow has come up with various responses, but no overarching or coherent strategy. It has resorted, in the first instance, to the time-honoured device of blaming 'outside forces' for Russia's troubles – above all the US for causing the global economic downturn. Such finger-pointing has in the past resonated with the public. During the 1990s western neo-liberal prescriptions were blamed for hyper-inflation, unemployment and lost savings, while the western powers were routinely accused of 'humiliating' Russia on the international stage. As president and more recently as prime minister, Putin has found it useful to deflect blame from his administration's shortcomings by tapping into anti-western and anti-American sentiments, whether in relation to NATO enlargement, missile defence or Georgia.

However, such buck-passing no longer works so well. First, public attitudes towards the West are on the whole positive. This is especially true vis-à-vis Europe, as reflected in the millions of Russians who travel there for work, study and holidays. While there are significant and sometimes acrimonious disagreements between the Russian government and the EU (and its individual member-states), this does not translate into Europhobia. Just the opposite. Culturally, socially and even economically, Russians see themselves very much as part of Europe, not outside it. Second, the America-bashing of the past five years has lost its principal focus (and *raison d'être*), with Barack Obama having succeeded George W Bush in the White House. A universally loathed administration has given way to one that, for many people, including in Russia, embodies real dynamism, aspiration and hope. Third, the Russian population retains a somewhat sceptical attitude towards its leaders. It knows or senses that many problems – a falling rouble, rising unemployment and inflation – are home-grown. Popular support for the Putin regime is very broad, but it is also very thin. When things go wrong, the public is quick to criticise, as recent events have shown. Fourth, the regime is a victim of its own success – and immodesty in taking credit for it. Since Putin has identified the key to Russia's resurgence as a determination to forge its own political and economic path, it is problematic for him then to claim that Russia is a victim of larger

forces beyond its control. The argument for exceptionalism only works when the going is good.

In fact, Russia's rulers recognise that a degree of *mea culpa* is appropriate in the current circumstances. Putin and his protégé, President Dmitry Medvedev, have publicly acknowledged the pain of the population, and accepted a limited degree of collective responsibility for failing to alleviate it. This approach is intended to take the sting out of popular discontent.

It not only conveys a message that the authorities care, but also that they will lean on, and in some cases punish, those directly responsible for this state of affairs. The ulterior motive here is to insulate the supreme leader from blame. Throughout his nine years in power, Putin has justifiably earned the moniker, 'the Teflon president', by surviving national calamities such as the Kursk submarine disaster, the Dubrovka theatre siege and the Beslan massacre, with his standing largely intact.⁴

⁴ *In the accidental sinking of the Kursk nuclear submarine in August 2000, 118 sailors perished; a similar number of hostages died in the Dubrovka theatre siege of October 2002; and over 300 people (mainly children) were killed during the storming of the Beslan school in September 2004. All three tragedies highlighted gross incompetence on the part of the authorities.*

But the tactic of taking credit for achievements while avoiding blame for setbacks is coming under strain. The immediate problem is that the latter have begun to outweigh the former. A population used to rising living standards now faces the prospect of serious economic hardship. The positive legacy of Putinism is in danger of disappearing under the burden of the system's many weaknesses, exacerbated by the pressures of collapsing commodity prices, growing protectionism, and a febrile international financial system.

The political risks are exacerbated by the fact that Putin is now prime minister and not president. Although he remains by far the most powerful figure in the country, his shift from the Kremlin to the White House (the seat of the prime minister) has major symbolic importance. Historically, the prime minister has borne direct responsibility for economic management, an arrangement that enabled the president (and previously the Tsar) to preserve a certain mystique and deniability. But in his new position, it is much more difficult for Putin to avoid direct responsibility. While we should not exaggerate his accountability – Russia is a democracy in name only – it is significant that many of the recent protests have criticised him personally and in very strong terms. The halo that once surrounded Putin has started to slip.

Regime resilience

Given the problems facing Russia and Putin personally, it is tempting to suggest that the regime faces an existential crisis so serious as to lead to its early downfall. A more temperate version of this argument is that the regime will be forced, finally, to address the

critical shortcomings that have constrained Russia's economic and political development.

Such arguments contain a large dose of wishful thinking. The apocalyptic scenario, in particular, proceeds on the basis that the Putin regime will fail because it is essentially immoral. A similar argument was applied to the Chinese Communist Party in the wake of its suppression of the Tiananmen demonstrations in June 1989. A number of commentators claimed then that the regime's brutality revealed its intrinsic weakness, and they predicted that it would soon collapse under the weight of its contradictions and irreparable loss of legitimacy. Instead, the Party re-emerged stronger than ever, confident in the knowledge that legitimacy Chinese-style is far more contingent on rapid economic growth and rising living standards than on the observance of western standards of civil and political rights.

Many in the West disapprove strongly of the venality and arrogance of the Putin regime, but our views of its morality scarcely matter. The legitimacy of Putinism is not based on relatively abstract concepts such as the rule of law, probity and transparency, but on two things: the regime's capacity to deliver political stability and economic growth; and the ability to hold its nerve in the event of growing socio-economic tensions.

Taking the first of these, it is clear that Russia's rulers will find it increasingly difficult to deliver the material benefits to which the population have become accustomed under Putin. On the other hand, the regime has stored up considerable political credit in recent years, particularly by comparison with its predecessors. Mikhail Gorbachev presided over economic ruin and the collapse of the Soviet state. Boris Yeltsin was pilloried for the financial crises that wiped out the savings of the most vulnerable elements of Russian society. Putin, however, has been associated with the greatest period of economic growth and political stability seen in Russia for more than a generation. Under his leadership, there has been a revival of national self-confidence – the belief that Russians can once again hold up their heads high in international company. It will take some time for such perceptions to dissipate.

Just as important, the overwhelming majority of the population has become politically anaesthetised. The concentration of authority in Putin's hands and the elimination of alternative sources of power have resulted in a general indifference towards politics. In effect, Russians have swapped political participation for individual material freedoms – the opportunity to earn well, the freedom to travel, greater access to consumer goods and services. Capitalism has become the new opium of the masses.

This complaisance owes much to a deeply-entrenched fatalism – the belief that Russia's rulers can never be successfully challenged from below, regardless of how

badly they govern. Whereas in China peasant rebellions have often brought about the fall of imperial dynasties, Russia's revolutions have been elite affairs, as in the Bolshevik takeover in November 1917. Over the centuries, the Russian population has become thoroughly atomised, with little or no disposition for collective revolt. Exceptions, such as the pensioners' marches in 2005 and the recent demonstrations in Vladivostok, prove the rule. Collective action, when it does occur, is poorly planned, very rarely effective, and almost invariably short-lived.

Popular discontent also lacks an obvious focus, an alternative to the regime. Russian liberals have arguably been their own worst enemy during the post-Soviet period. Under Yeltsin, they were identified with an uncaring capitalism and an exploitative West, while in the Putin era the liberal cause has been crippled by internal conflicts. Add to this persecution by the Kremlin, the absence of political outlets and heavy restrictions on the media, and the liberals have more or less disappeared from public consciousness. The Communists have become almost as discredited, not only representing a dying generation, but offering bankrupt policy prescriptions from third-rate party hacks. As for the nationalists, they have either been co-opted or else pushed to the political (if vocal) fringes of society. For all its faults, the Putin regime still represents to the bulk of the Russian population the only source of serious ideas, and the only body capable of implementing them.

Class solidarity

Given these realities, the regime's major source of vulnerability appears to be internal schism. In a scenario favoured by some Russian liberal commentators, the elite will tear itself apart as the socio-economic situation deteriorates and public discontent becomes more vocal. Such critics point to the fact that these divisions have become more overt during the past year, after the transfer from the Putin presidency to the Putin-Medvedev tandem rule in May 2008. They, along with the western media, make much of the differences between the two men – Putin the statist authoritarian versus Medvedev the liberal moderniser. And to support this argument, they cite the latter's criticisms of the (Putin) government's failure to implement the anti-crisis programme in full, as well as alleged disagreements over the anti-treason law.⁵

⁵ *The anti-treason bill introduced by Putin's cabinet widened the definition of treason to include "financial, material, consultative or other assistance to a foreign state", as well as abolishing jury trials for cases of treason. Medvedev sent it back for re-drafting, saying he had been influenced by the outcry "in the media and society".*

The fractured elite scenario recalls the last years of the Soviet Union. Although many factors contributed to the USSR's collapse, divisions at the highest level proved critical. They not only resulted in a lack of coherence in the face of enormous socio-economic

challenges, but also revealed to the population that the ruling Communist Party had lost its aura of invincibility. The leadership's psychological, and subsequently physical, disintegration was remarkably rapid: in 1985 the Communist Party seemed as unchallengeable as ever; by 1991, it had become defunct.

Parallels with the Soviet period are seductive, but flawed. For one thing, the economic fundamentals are better today. Another vital distinction is that the Putin regime is, for all its apparent smugness, less complacent. It understands the link between popular legitimacy and good economic performance. Putin has also sought to minimise the risks of regime instability by making loyalty to him the prime criterion for political advancement and financial gain. He has emasculated potential sources of opposition; replaced the former system of gubernatorial elections with personal appointments

⁶ Medvedev has been with Putin since the early 1990s, when Putin was deputy mayor of St Petersburg with responsibility for the city's external relations. In late 1999 Putin brought Medvedev to Moscow, since when he has served his patron in various capacities.

of regional governors; raised the electoral threshold for party representation in the Duma (parliament) to exclude opposition and independent candidates; and, most importantly, ensured that his successor as president is someone who not only lacks any political constituency, but is personally beholden to him.⁶

Efforts to identify incipient tensions between Putin and Medvedev are tenuous. While Medvedev is said to possess liberal instincts, his reliance on Putin's continuing favour means that he lacks any scope for independent action. As the political sociologist Olga Kryshatanovskaya has pointed out, all the most

⁷ Cited in Lynn Berry, 'Economic crisis pressures Russia's ruling tandem', *Associated Press*, January 15th 2009.

powerful and influential figures in Russia are Putin men.⁷ There is also little evidence to indicate that Medvedev is unhappy with Putin's policies. Alleged differences over the anti-crisis

programme and anti-treason law are largely formalistic, not substantive. They reflect Putin's attempt to invest President Medvedev and his office with an illusory independence. Such formalism suits Putin's penchant for legalist trappings – such as a 'genuine' presidential succession – but it is also intended to defuse popular discontent. By conveying the impression of diversity, the government portrays itself as responsive and 'democratic'.

Of course, one cannot entirely exclude a challenge to Putin from within the elite. If he is unable to defend its special interests, he could become dispensable. But in practice several factors militate against this outcome. First, the fortunes of senior political figures are intimately tied to Putin's personal success. Second, Putin has maintained a 'balance of weakness' within the elite, ensuring that no single faction, let alone individual, is able to dominate. This strategy was

evident in the selection of the politically weak Medvedev as his presidential successor, in preference to more plausible candidates, such as Deputy Prime Minister Sergei Ivanov. It is also reflected in his implicit encouragement of competing strands within the regime – notably, the so-called *siloviki* (people from the security and intelligence apparatus) versus the economic liberals.⁸

⁸ Moreover, there are competing factions within the *siloviki*, notably between Sergei Ivanov and Deputy Prime Minister Igor Sechin (previously deputy head of the presidential administration under Putin).

But the most important element binding the elite is a common interest in the survival of Putinism as an exclusive and non-accountable system that enriches them all. The term 'Kremlin Inc' describes a tiny group for whom a 'class loyalty' based on self-interest is far more important than often artificial policy differences. Individuals may fight against each other, but the survival of the group is paramount. Putin represents much the best bet for preserving this closed system against the emergence of a Russia in which the elite would be called to account. While he may have lost some of his mystique, there is no-one else who has the *cojones*, let alone the political craft or institutional trumps, to replace him. Any attempt to do so would seriously jeopardise the dividends that have accrued to this privileged circle over the past decade. And this means that in times of crisis, such as today, the natural instinct is to pull together.

Mixed messages

Yet if the financial crisis is unlikely to bring Putin down, it will continue to generate considerable anxiety within the regime. In these circumstances, Russian domestic policy is likely to follow a dual track. One track will be to keep macro-economic and trade policy on a sound basis, recognising that the country's future is bound with globalisation and domestic modernisation. Putin will hold on to relatively 'liberal' figures, such as First Deputy Prime Minister Igor Shuvalov and Deputy Prime Minister (and Finance Minister) Alexei Kudrin. Medvedev, in many respects an impotent president, is also likely to remain as a liberal icon and counterweight to more authoritarian, nationalistic and autarkic voices.

The second track, by contrast, will reflect conservative assumptions and prejudices – statism, anti-Americanism, xenophobia and paranoia. It will entail, for example, tightening import controls, restrictive conditions for foreign investors, a defiant attitude to international rules-based institutions, such as the World Trade Organisation, promoting the myth of the Russian economic model, and resource nationalism.

Overall, there will be little consistency in policy-making. Just as Putin has maintained a balance of weakness between different elite groups, so he will continue to oscillate between opposing courses of action. It will be hard to identify a broader trend or strategic purpose – whether towards modernisation or

greater authoritarianism. Policy will be tactically driven for the most part; the regime will be easily spooked by threats, real and imagined, and expediency and opportunism will define its approach.

Putin will become increasingly populist, giving priority to protecting pensions, containing the rise of open (as opposed to 'hidden') unemployment, and initiating public works and other employment-creation programmes. He will support the banks, above all to prevent a repeat of the runs on savings that scarred the 1990s. The state will intervene to save failing enterprises, if necessary by re-nationalising them. There will be restrictions on migrant labour, notably from Central Asia, and tariff and non-tariff barriers will become more prevalent in order to protect the manufacturing sector.

The hunt for scapegoats will be stepped up, as the leadership looks to deflect criticism from itself to other targets. The most obvious of these is the US, but the regime will also identify domestic victims:

⁹ On February 16th 2008, Medvedev dismissed four provincial governors. This followed a TV interview in which he declared that "we aren't going to close our eyes on ... the ineptitude, sloppiness and carelessness of some officials".

poorly performing regional administrations,⁹ selected ministers or deputy ministers, exploitative oligarchs and corrupt officials. Migrants will become the focus of a growing xenophobia. Foreign companies, too, may attract adverse attention, although the regime will manage this carefully.

The channelling of information will remain an integral element of regime strategy. The mainstream media has already set the pattern in the first few months of the crisis: emphasising its global nature; blaming an anachronistic international financial system; highlighting the 'temporary' nature of Russia's difficulties; and stressing the leadership's determination and capacity to address problems effectively. These themes will become more pronounced as the domestic situation deteriorates. Consistent with such information management, the regime will place additional restrictions on independent media outlets; clamp down on direct criticisms of Putin and Medvedev; but also open safety valves by allowing and even encouraging public attacks on the failings of regional and lower-level officials.

Russian foreign policy in a time of troubles

Russia's foreign policy is in many respects an extension of domestic politics. It reflects atavistic instincts, historical and cultural influences and geographical realities, as well as contemporary political and economic conditions. The bold face Moscow has presented to the world in recent years owes much to the consolidation of Putin's political authority, impressive economic growth and a sense of well-being arising from improved living standards. At the same time, continuing weaknesses within the Russian polity, backward socio-economic

development, and deeply-ingrained feelings of insecurity help explain Moscow's allergic responses on many issues (NATO enlargement, missile defence). Even in good times, Russian foreign policy is a curious mixture of braggadocio and lack of confidence, self-delusion and pragmatism.

The global financial crisis has acted as a cold shower by highlighting the fragility of Russia's resurgence. Yet the crisis is only the latest in a series of knocks that have eroded the apparently limitless self-confidence shown by Putin and others in recent years. First, Moscow miscalculated badly in recognising the independence of Abkhazia and South Ossetia in August 2008. Russia was not only condemned in the West, but was also cold-shouldered by 'strategic partners' such as China, Belarus and the Central Asian states. To its consternation, military victory turned into diplomatic defeat and strategic isolation.

Second, Putin mishandled the latest Russia-Ukraine gas dispute in January 2009, leading to the interruption of gas deliveries to Europe. Moscow sought to embarrass Ukrainian president Yushchenko and indeed succeeded in this aim. But the damage to Russia's international standing was far greater, highlighting not just a confrontational mentality, but also weakness. European outrage effectively forced Moscow to come to a deal with Kyiv; the fear of losing its primary energy markets in the longer term outweighed the attractions of heaping further misery on the hapless Yushchenko.

The worldwide recession, and the domestic difficulties it has caused the Putin regime, need to be seen in this wider context. Russian foreign policy was already in difficulty as a result of Putin's earlier misjudgements. What the financial crisis has done, however, is to underline to the leadership the need for constructive engagement with the West. Previously, its mood was one of active defiance, in which awareness of the negative reaction to Russian policies was accompanied by an almost devil-may-care attitude. If others were apprehensive about Russia, then so much the better: that would ensure they took greater account of its interests. Until the global financial crisis hit home, Moscow believed that it held the whip-hand against a divided Europe and a discredited, weakened US.

A more benign approach?

But if the financial crisis has come as a rude awakening, then it is unclear how this will impact on Russian foreign policy in the longer term. There have been some positive signs. Moscow has toned down its rhetoric on missile defence and withdrawn, conditionally, the threat to deploy Iskander missiles in the Kaliningrad region.¹⁰ It has reined in its hostility towards NATO, and security co-operation has resumed within the framework

¹⁰ The non-deployment of the Iskander missiles is contingent on Washington suspending earlier (Bush administration) plans for missile defence installations in Poland and the Czech Republic.

of the Russia-NATO Council. Putin's speech at the Davos Forum in February 2009 was, by his standards, conciliatory. Moscow has also given a cautious welcome to Obama and responded positively to the American president's proposal for an 80 per cent reduction in strategic nuclear arsenals. On a more concrete level, Foreign Minister Lavrov has indicated that Russia will allow non-lethal US supplies bound for Afghanistan to transit its territory.

It is reasonable to link these actions to the chastening effect of the global financial crisis. At the very least, Moscow is re-engaging with the West in a way that suggests that it is no longer comfortable with its international isolation following the Georgia crisis. The 'Russia is back' slogan has been jettisoned, and instead there has been a return to the post-September 11th talk of common approaches to universal problems. The prime threat may have changed from international terrorism to global economic meltdown, but the principle of a collective approach to problem-solving has re-emerged.

However, therein lies a potential problem. The post-September 11th security consensus recognised a common threat, but broke down under the pressure of contrasting perceptions and competing policy prescriptions. Putin, for example, believed that Russia had acquired a new significance as America's strategic partner in the so-called 'global war on terror', only to discover that the Bush administration had a very different view of Russia's importance. Far from being an 'equal partner' to the US, it was seen as merely one of many regional allies. The disjunction in perceptions was rammed home in the lead-up to the Iraq war, but was also evident in Washington's unilateral withdrawal from the 1972 ABM (Anti-Ballistic Missile) Treaty; the ambitious American force deployment in Central Asia; the US refusal to enter a in more than the most basic disarmament treaty (Strategic Offensive Reductions Treaty); a second wave of NATO enlargement into the Baltic States; and support for the 'colour' revolutions in Georgia, Ukraine and Kyrgyzstan.

The risks of misinterpretation

Similar road-traps await. The most immediate concern relates to Russia's role in the forthcoming G-20 summit and its follow-up. By most criteria, Russia is a minor economic player which cannot realistically hope for a significant role in shaping the new international financial architecture. (Even within the G-8, Russia is excluded from the regular finance ministers' meetings.) On the other hand, Moscow's great power expectations are such that it will demand a place at the top table. It will do this less because Russia is the world's leading energy exporter (first in gas; second in oil after Saudi Arabia), than out of a strong sense of strategic entitlement. Just as Yeltsin asserted Russia's right to G-8 membership against all economic logic, so Putin will be at least as exigent about a leading role in the

G-20, regardless of Russia's economic woes. Indeed, as the domestic situation worsens, he is likely to become more demanding, seeking external 'success' to deflect attention away from difficulties at home. This begs the question of how Moscow will behave if it becomes dissatisfied with its role and influence in the G-20 process. As in the aftermath of September 11th, high expectations could lead to bitter disappointment and recriminations.

The risks could be aggravated by the actions of other players. There is a natural tendency in the West when looking at Russia to swing from one extreme to the other – from euphoric optimism to deep pessimism, from triumphalism to defeatism. Since the arrest of the oil tycoon Mikhail Khodorkovsky in October 2003, the twin image of Russia as an increasingly authoritarian state and imperialist power has become entrenched in western consciousness. The Georgia war confirmed the image of an ever more assertive great power, whose possibilities – and lack of restraint – seemed almost unlimited.

Today, with the Putin regime so obviously struggling to manage the domestic consequences of global recession, western opinion has swung the other way. Russia now appears weak, which in theory should make it more pliable. But weakness may provoke quite the opposite reaction. At a time of domestic crisis and regime uncertainty, Moscow will not be strategically modest, but on the contrary will talk up Russia's remaining advantages: thousands of nuclear warheads; control of huge energy resources and other strategic commodities; a vast territory adjoining some of the world's most sensitive areas; and membership of the UN Security Council P-5. It will continue to believe that such trumps give Russia a powerful bargaining position in any international negotiations.

Style versus substance

It remains to be seen how far the substance of Russian foreign policy will change. For the most part, Moscow's recent moves are either reiterations of long-standing positions or vague formulations that may – or may not – lead to actual progress. An example of the former is the reaction to Obama's disarmament proposal. Moscow has been pushing for comprehensive strategic disarmament for the last decade; the lack of progress in this area was mainly due to the Bush administration's reluctance to accept large-scale, verifiable cuts in nuclear warheads. As for deliberately vague initiatives, we need look no further than Medvedev's proposal for a 'new security architecture' or Putin's call at Davos for joint approaches to the global financial crisis. The conditional non-deployment of Iskander missiles to Kaliningrad, too, is merely a partial retraction of the threat issued by Medvedev the day after Obama's victory in the US presidential elections.

If anything, the substantive changes that have occurred suggest a tougher approach. Thus, Moscow

has induced Kyrgyzstan president Kurmanbek Bakiev to terminate the lease of the American base at Manas. It has also announced its intention to develop a military base in Abkhazia – a slap in the face not only for Georgian president Mikheil Saakashvili, but also for the Americans and Europeans who demand that Moscow respect Georgian sovereignty. And although Putin mismanaged the politics of the January 2009 gas crisis, he has nevertheless succeeded in pushing the Ukrainians to agree to West European prices from 2010.

Moscow's responsiveness to recent changes in American foreign policy should be seen in realist terms, as an attempt to restore a degree of bipolarity with Washington. In priority areas for the Obama administration such as strategic arms control, Iran and Afghanistan, Russia can legitimately aspire to be a frontline player – the dominant 'other' – regardless of how bad things are at home. Moscow's traditional Americentrism will thus become more pronounced, at the expense of political ties with the EU and its member-states (with the possible exceptions of Germany and France). For all the talk about economic crisis and global recession, the irony is that Russia's foreign policy is likely to become increasingly geopolitical in character. With its economic trumps in doubt, there is every chance that policy-makers brought up in a realist strategic culture will go back to what they know best.

Responding to Russia

It is a truism that the West should eschew the triumphalism that has marked its attitude towards Russia at key moments in history. Russia may be one of the biggest losers from the global financial crisis, but the current wave of *schadenfreude* at its apparent comeuppance serves no useful purpose. On the other hand, it would be equally wrong to pay Moscow the exaggerated respect that has characterised the Russia policy of some European countries in recent times.

We can begin by abandoning the fiction that, had we been 'nicer' in the post-Cold War period, we could have created a very different country. Such a view exaggerates the impact of the West on Russian perceptions and policy, and underestimates the primary importance of long-term historical, geographical and cultural factors. Western policies and attitudes can influence Russian decision-making, but only at the margins. Irrespective of how the West behaves, Russia will see itself as an indispensable global power; regard the former Soviet space as its natural sphere of influence; view international affairs through a geopolitical lens; remain suspicious of NATO; and conceive of the world as a competitive and often hostile environment.

It is natural that the US and EU member-states should factor in a 'Russia dimension' in developing policy in, say, Eastern Europe, the Middle East or Central Asia. But this cannot be the primary consideration. Attempts to appease the Putin regime are ultimately self-defeating. Whether over NATO enlargement, missile defence, the common neighbourhood or energy security, western policy should be constructed not on the basis of 'how would the Russians react', but on whether it addresses the challenges facing us. Does further NATO enlargement improve our security or over-stretch the alliance? Do the benefits of missile defence in responding to the threat from Tehran outweigh its costs? To what extent does greater EU involvement in the Caucasus and Central Asia contribute to European energy security? In all this, we should recall the wise advice that Russia is never as strong or as weak as it appears.

Over time, Russian foreign policy is likely to become more inconsistent and unpredictable. The first few months of the global crisis have already thrown up a number of mixed signals, and this will remain the pattern. In such a volatile context, the West needs to respond to Russian policies on a case-by-case basis, rather than resort to unhelpful preconceptions – such as Russia as 'strategic partner', Russia as neo-imperialist power, Russia as Soviet Union Mark II, or Russia as part of an 'authoritarian axis' with China. Moscow's interest in arms control talks, Medvedev's proposal for a new international security structure, and Russian engagement in the G-20 process should all be welcomed, but also critically scrutinised. The same is true in relation to potential collaboration on missile defence, Iran and Afghanistan. For the real test of Russian co-operation will not be in broad statements of intent, but in the Putin regime's willingness and capacity to deliver concrete outcomes.

In the meantime, it is important not to be discouraged by disagreements and fluctuations in our relations with Moscow. Russia's domestic crisis has been a tremendous shock to its leadership. Inevitably, there will be misconceptions and errors of judgement. The West needs to retain a sense of perspective through all this, neither harbouring excessive hopes nor lapsing into premature disappointment or aversion. In the 1990s, then US Deputy Secretary of State Strobe Talbott called for 'strategic patience' in dealing with Russia. Over the next few years, such patience will be more crucial than ever.

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