

Putin's Second Republic: Russian Scenarios*

SERGEI MEDVEDEV

A few months before the presidential elections in Russia, due to be held on 14 March 2004, there is one thing about which most pollsters, analysts, and professional Russia-watchers agree: President Putin is almost certain to be re-elected for a second term. Indeed, many believe that Putin's second term has already started, dating the commencement of Putin's »Second Republic« to the cold days in late October 2003 when Mikhail Khodorkovsky, Russia's richest man and owner of the biggest oil company, YUKOS, was arrested by the Federal Security Service (FSB) at Novosibirsk airport. A few days later, amid a political crisis caused by the tycoon's arrest, Chief of the Presidential Administration Alexander Voloshin, seen by many as Khodorkovsky's main protector, stepped down in protest. This signaled the decline of the powerful »Family clan« (a group of business moguls and top administrators associated with the family and advisors of the former President Boris Yeltsin) that had dominated Russian politics between 1995 and 2003.

To all intents and purposes, by late 2003 the era of oligarchic capitalism in Russia had come to an end. This raises the question: What next? Whither Russia after the Duma elections in December 2003 and the upcoming presidential elections? Ridding himself of commitments to Yeltsin's »Family clan«, and having a compliant parliament at his disposal, how is Putin going to use the new mandate that the electorate will likely award him in March 2004? Russia is facing an enormous reform agenda – but are the President, and the new elites surrounding him, up to the task? The results of Putin's first term in office provide mixed signals.

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After Yeltsin's decade of crisis and upheaval (although it nevertheless provided the initial impetus for reform), Putin came in as a president of demobilization. He largely succeeded in consolidating Russian society, rebuilding the state, and reconciling the country with its Soviet past. His businesslike approach contrasted with Yeltsin's political escapades; his sober, rational attitude, together with his past experience as a KGB agent in the German Democratic Republic, prompted some to describe him as a »Russian German«.

An adept of the KGB school of management, and an obvious »control freak«, the hard core of the Putin paradigm was »rebuilding the vertical power structure«, in other words, centralization. This included streamlining the state apparatus, »embedding« the media, reining in the regional barons, and installing a system of »managed democracy« (itself an oxymoron). The latter included preservation of the formal shell of democratic institutions (elections, parties, and so on), in which democratic procedures were effectively replaced by »political technologies« manipulated by the masterminds in the Kremlin.

In the meantime, Putin moved gradually to adjust the delicate balance at the heart of Russia's political economy – the relationship between big business and political power. As Russia's oligarchic system was created in the run-up to the 1996 presidential election, the leading businessmen bought major assets of Russian industry for a song, and in exchange supported Boris Yeltsin's bid for re-election in 1996. In that system, business played a leading role in relations with the state, and in key political decisions, including the changeover from Yeltsin to Putin. Coming to power in 2000, Putin did not risk abolishing the system altogether, but sought to modify it, bringing big business under tighter state control. To this end, he organized the »show trials« of the most politically ambitious oligarchs, Boris Berezovsky and Vladimir Gusinsky. With the other tycoons, Putin concluded an informal pact, in accordance with which they would refrain from meddling in politics and the state would refrain from reviewing the legally questionable privatization of key industries by the oligarchs in the mid-1990s.

The centralization and stabilization achieved in this way permitted Putin to embark on an ambitious modernization program in the first two years of his presidency. The President's stated goal was to double Russia's per capita GDP (Gross Domestic Product) by 2010 by liberalizing markets, while fighting poverty and reforming the military. Early on, Putin managed to get some liberal reform bills rubber-stamped by the pocket legis-

lature – tax laws, Land Code, Criminal Code. Most famously, he re-aligned Russian foreign policy by rejecting the cherished »multipolarity«, the official policy discourse of the late 1990s, and siding with the United States in the war on terrorism following the 9/11 terrorist attacks. By embracing globalization and Westernization, Putin re-asserted Russia's place in the world, and his sky-high approval ratings in Russia were matched with praise from many Western leaders, from Bush to Berlusconi.

The End of the Stabilization Paradigm

However, this change turned out to be rather a blueprint than an ongoing, systemic process. Putin's modernization/globalization rhetoric did not translate into a real opening up of Russia. Administrative reform has stalled, the bureaucracy has grown considerably, and the judicial system is increasingly dependent on the authorities. The distribution channels of property and power remain monopolized by a few successful elite groups. They seek to limit competition both vertically (from small and medium-sized businesses) and horizontally (from their counterparts in the West – hence the difficulties with Russia's entry into the World Trade Organization, WTO, which is opposed by a number of domestic lobbies). Despite some promising investments in the Russian oil industry in 2003 (most notably, British Petroleum's six billion US-Dollar joint venture with the Tuymen Oil Company, TNK), the YUKOS affair sent a negative signal to potential foreign investors, and accelerated capital flight from Russia.

The most notable victim of Putin's stabilization has been Russian democracy. Flawed as it was during Yeltsin's reign, electoral outcomes were at least unpredictable (for example, the 1996 presidential election) and there was some degree of public pluralism. This has been diluted by the mechanisms of »managed democracy« which have undermined freedom of the press (especially TV) and made elections all but an empty formality. Lulled by the stabilization myth, the public, including the middle class, have become apathetic and politically disengaged.

In this sense, Putin's promise of reform has remained unfulfilled. Centralization has occurred without modernization. Stability has ruined democracy and civility. Despite the war of the elites in late 2003, the political class has not been renovated. The YUKOS affair merely signifies that power has been transferred from the oligarchs to the state bureaucracy – but the corrupt, clannish, and undemocratic fundamentals of the regime

remain unchanged. The regime is based on the nexus between political power and property. It feeds off »natural rent« (above all, high oil prices) and so-called »institutional rent« (usurpation of the new political and economic institutions – for example, the legislature, the judicial system, or bankruptcy laws – by those in power, putting these institutions and practices to their own private use). The regime is oriented towards the redistribution of resources and the maximization of state power, not towards modernization. Its instincts are self-preservation and rent-seeking, not change.

In the meantime, the need for change is felt across the political and social spectrum. Many opinion polls register growing dissatisfaction within society and negative social dynamics, characterized by the tensions prompted by the proposed communal and housing reform. In addition to the latter, the Russian authorities are faced by the need to make the following structural changes:

- ▶ reform of the »natural monopolies« (gas, electricity, railways, and so on);
- ▶ pension reform (which could be as divisive for society as housing reform);
- ▶ military reform;
- ▶ administrative reform.

This list could be extended.

In the current situation, what can provoke and, most importantly, who can promote change in Russia? Certainly, change is *not* going to happen through elections. After years of the »domestication«, incorporation and corruption of the communists, nationalists, and liberals, there is no organized systemic opposition in Russia. Elections are a matter of the consolidation and/or redistribution of power and resources among the old elites, not about competing visions of Russia's future. Therefore, one has to look beyond the current paradigm for other sources of change. The following analysis looks for various drivers of change, the social and political forces involved, and the alternative scenarios of change in a medium-term perspective. Wither Russia during Putin's second term?

The Drivers of Change

On the home front, change might be prompted by a number of catastrophic developments, first of all connected with the war in Chechnya

and large-scale terrorism. Theoretically, Russia could be facing something of Palestinian proportions, and the political implications of such a scenario, especially the sustainability of what remains of democratic procedures, have yet to be explored. Likewise, technological catastrophes in civilian infrastructure or in military hardware (one is reminded of accidents such as Chernobyl or the sinking of the Kursk) might starkly expose the inability of the authorities to handle crises which might have a »revolutionary« effect.

Politically, the wars of the elites might spiral out of control, causing the collapse of the current system of checks and balances, and even of the regime itself. Vladimir Putin might also change the rules of the game by going beyond the current constitution (for example, creating a new state by effecting a Union with Belarus or by initiating a referendum allowing him to stay in office for a third term). However, if the President continues to play by the current constitution, he may feel that his hands are free and aspire to go down in history as a radical modernizer by undertaking a new round of liberal reforms. Likewise, looking at the 2007/2008 election cycle, one can expect a change of political generations, and the arrival of new leaders with radically new agendas.

In the meantime, social and demographic deterioration, as well as increasing social dissatisfaction, cannot directly lead to change, let alone to »revolutionary« outcomes. The enormous mass of those on the social periphery in Russia remain passive, semi-adapted and for the most part surviving under market conditions, part of an »expolary economy«, and manipulated by political technologies. Their situation is socially regrettable, but (so far) politically inconsequential. Only in the most catastrophic case might the masses become an active political force; otherwise, they will remain a background presence influencing political choices implicitly.

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Externally, the main variable is the oil price. Putin's stabilization project has been financed by the high raw materials prices of the past four years; however, most analysts agree that these price levels cannot be sustained for long. Given the well-documented dependency of Russia's

political and social stability (direct proportion) and rate of reform (inverse proportion) on world oil prices, this is a key factor. Global political externalities are another factor, in particular the character of the global regime to which Russia is exposed and which it aspires to join. Is this a world of liberalism and internationalism, or a »securitized« world characterized by the war on terrorism, power projection, and neo-imperialism? The USA as a dominant actor in world affairs in particular and the nature of US-Russian relations (reform-based or security-based?) will have a major influence on the development of Russia's domestic regime.

Regional influences, including the Commonwealth of Independent States (CIS), EU and NATO enlargement, and the rising power of China, are likely to be less decisive in the medium term. The most important variable here is the threat of Islamic radicalism on Russia's southern flanks (the Caucasus and Central Asia); and that, once again, is linked to the global war on terrorism.

Summing up, the range of possible Russian futures is defined by the tension between:

- ▶ the self-preservation and rent-seeking policies of the current regime, which is incapable of embracing change and offering a positive vision of the future of Russia; and
- ▶ the need for structural reform and various drivers of change, coming from both inside Russia and the outside world.

Actors and Extras

Russian society can be divided roughly into three strata, each defined by its relation to the transition process:

- ▶ The *elite*, which has privatized transition: Russia's transition has primarily been about the privatization of the Soviet administrative-and-command system and the resources it distributed. »Democracy« and the »market« were mere byproducts of this successful privatization project.
- ▶ The *middle stratum or class* is the one which has adapted best to, and partially gained from, transition. Contrary to the widespread belief in the reformist mood of this group, the Russian middle class is rather inert, conservative, and concerned with preserving its current status. It has consolidated its position under Putin's stabilization and rather than democracy wants guarantees of its well-being and protection against challenges from the lower classes.

- ▶ The *social periphery*, which remains outside the new system, is either semi-adapted or entirely maladapted to transition. It, too, has – marginally – profited from Putin’s stability (at least basic salaries in the budget sector and pensions are now paid), but remains conservative, paternalistically inclined, and lacking the energy to modernize.

Of the three segments, only the elite has full political agency and the ability (but not necessarily the inclination) to shape Russia’s future. The elite itself is subdivided into several »clans«. As of late 2003, the main dividing line lay between two major groups:

- ▶ The old »Family« clan associated with the former President Boris Yeltsin: Until recently, it had considerable administrative leverage with Mikhail Kasyanov as Prime Minister and Alexander Voloshin as Head of the Presidential Administration. It is also connected with the key oligarchs that amassed their wealth in the mid-1990s by virtue of being close to Yeltsin’s clan: Boris Berezovsky, Roman Abramovich, Mikhail Khodorkovsky, Vladimir Potanin, Mikhail Fridman and others, as well as powerful administrators that made their careers in the 1990s’ privatization, like Anatoly Chubais and Alfred Kokh. However, after the prosecutors’ attack on YUKOS, and the resignation of Alexander Voloshin, this group suffered a major blow, and it is still unclear whether it will be able to recover: Berezovsky has been exiled to London, Khodorkovsky is in prison, and Abramovich is selling his assets in Russia and investing in sports industries in the West (for example, Chelsea FC, in south London). This group has more economic than administrative leverage, and is seeking to secure its businesses against administrative redistribution, revision of the 1990s privatization deals, and re-nationalization, favoring a more open and Western-oriented capitalism in Russia.
- ▶ The law enforcement agencies and uniformed services, also called the »siloviki« (from the Russian word »sila«, meaning »force«): These include the Federal Security Service (FSB, a successor to the Soviet KGB) headed by Nikolai Patrushev; the Interior Ministry, headed by Boris Gryzlov; the Ministry of Defense, headed by Sergei Ivanov; and the Prosecutor General Vladimir Ustinov. All close Putin allies, they form a homogenous group, supported by two key figures in the Presidential Administration, Victor Ivanov and Igor Sechin, some of lesser-known businessmen (Sergei Pugachev, Vladimir Bogdanchikov), and political parties (Gennady Paikov’s People’s Party). The main resources of this group are state security, law enforcement (along with compliant

courts and prosecutors), and key positions occupied by former KGB people in the federal and regional administrations. However, they lack economic leverage, and in their search for access to wealth favor a more closed, protectionist, and closely administrated Russia. Their economic thinking includes schemes of redistribution of natural rents, revision of some of the larger privatization deals, and partial renationalization of key industries.

The President as the supreme arbiter legitimizes the entire system of inter-clannish checks and balances, and acts as a symbolic mediator between the state and the people. In a traditional Russian paternalist manner, he provides comfort for the masses and at the same time isolates them from politics.

It is important to note that an »oligarchy« of the kind seen in Russia in the mid-1990s no longer exists. As a result of Putin's centralization, and especially after the attack on YUKOS, supported by the majority of the population, the oligarchs ceased to be an independent political force and were placed under the state bureaucracy.

By the same token, the »regional barons« are not likely to become an independent political force able to influence the Big Game in Moscow. In contrast to the early 1990s, their incorporation in Putin's vertical system entailed agreements with the center, allowing them to extend their power over the regions (sometimes permitting an unconstitutional third term in office, as in the case of President of Tatarstan Mintimir Shaimiev) in exchange for political loyalty to Moscow. Indeed, most governors are now integrated into one of the vertical elite clans.

Above the competing elites, the President as the supreme arbiter legitimizes the entire system of inter-clannish checks and balances, and acts as a symbolic mediator between the state and the people. In a traditional Russian paternalist manner, he provides comfort for the masses and at the same time isolates them from politics. Indeed, neither the middle class nor the social periphery have an independent role in shaping Russia's future. Still, they have to be taken into account in devising future scenarios as objects of change and points of reference in political discourse. It is only under corporatism (see below) in various guises that the middle class and some parts of the social periphery can acquire political agency; even then, the script will be written by those in power.

The Different Scenarios

Russia's evolution can be measured by two criteria: the economic dimension (counter-reform/reform), and the political dimension (authoritarian/democratic).

In each of the scenarios, the above-mentioned social groups will be involved, either as subjects of change or points of reference:

- ▶ *The elite*, roughly subdivided into:
 - A. the state bureaucracy + siloviki;
 - B. the »Family« + the oligarchs.
- ▶ *The middle class*
- ▶ *The social periphery*, subdivided into:
 - C. semi-adapted (living in survival mode);
 - D. non-adapted (totally marginalized).

Within the current economic and political paradigm (a specific national form of capitalism, with a corrupt state at the center and an illiberal electoral democracy as political regime), three alternative scenarios are envisaged:

- ▶ Bureaucratic Capitalism;
- ▶ Authoritarian Modernization;
- ▶ Left Populism.

In addition to the main scenarios, in the unlikely event of a paradigm change the following »worst-case« and »best-case« scenarios are envisaged:

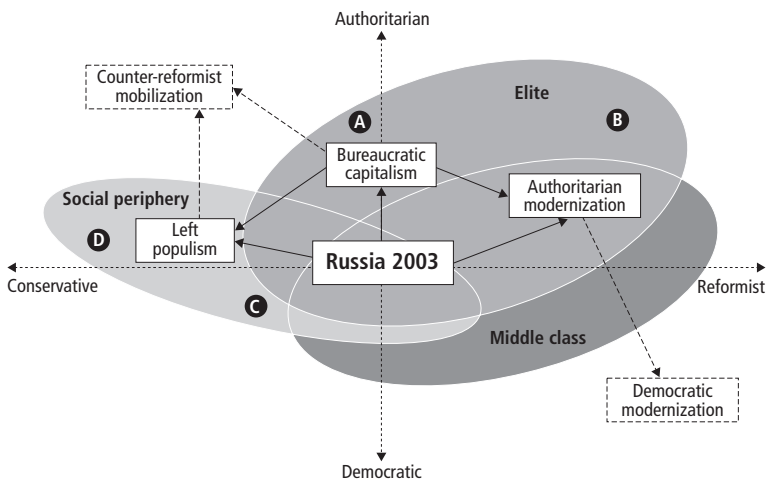
- ▶ Counter-Reformist Mobilization;
- ▶ Democratic Modernization.

The latter are highly improbable and are cited here as the opposite extremes of the forecast spectrum (*see Figure 1*).

Bureaucratic Capitalism

This scenario is essentially the evolution of the present condition: clanish politics, »crony capitalism«, and the preservation of the current elite as a closed corporation. This will conclude the privatization of state functions (first of all, the monopoly on violence) and of democratic procedures by the elites. The key actors will remain the same: the state bureaucracy and siloviki, who have consolidated their grip on authority following the YUKOS affair. They will control several vertically integrated business groups (possibly through partial nationalization of extractive industries),

Figure 1:



while the President will act as a supreme legitimizing figure. This scenario is indifferent as regards reform and counter-reform, since the actors will not pursue any political strategy except rent-seeking and »patching up« various crises. The closest historical analogy might be Indonesia under Suharto, with its mix of crony capitalism and five-year plans, complete with authoritarian rule. Today's Russia and Suharto's Indonesia share the same characteristics: rentier states in which high levels of natural rent support authoritarian regimes, corrupt elites, »enclave modernization«, and a policy of avoiding structural reform.

The key drivers of this scenario are preservation of high oil prices, absence of major technological and/or social catastrophes, and a favorable international environment, which should also be helpful in avoiding financial shocks like the August 1998 default. Absent major crises, the President should be able to preserve his leverage within the elites and his legitimacy within the population. Indeed, Russia may relapse into its traditional paternalism, producing an »electoral monarchy« in which President Putin may be tempted to amend the Constitution and get re-elected for the third time.

In the medium term (during Putin's second term of office), the probability of this scenario is high, perhaps the highest of all (for a comparison of the five scenarios see Table 1). However, in the longer run this is not sustainable. Putin may slightly renovate the political façade, changing a few personalities at the top (for example, the Prime Minister), but the nature of the regime will remain the same, along with the structural problems facing Russia. This scenario will definitely not last beyond the 2007/2008 elections. Before that date, it will most likely end with the first major fall of the oil price to levels below 15–18 US-Dollars per barrel, or indeed any other catastrophe that may befall Russia.

Authoritarian Modernization

In this scenario, Putin revolutionizes the political regime and, using his reconfirmed popular mandate, re-orientes his authoritarian rule towards developmental goals. The President's high rating is not an end in itself, but can be exchanged for much-needed, and often unpopular, reforms. He may opt out of the contract with the corrupt elite, relying on the reform-minded part of the establishment, and will pursue the »second wave« of liberal reforms. This will entail breaking up the natural monopolies, liberalizing the land and communal services markets, downsizing the state bureaucracy, facilitating small- and medium-sized businesses, and so on.

The choice today is between stagnant evolution, which means preservation of corrupt bureaucratic capitalism – with administrators at the top, loyal oligarchs, and praetorian siloviki – and an attempt at modernization, going beyond the current system of clans and rents.

The drivers of this scenario may come both from outside (most significantly, a drop in oil price) and from inside (technological/man-made/social catastrophes, or natural disasters, such as an unusually severe winter in the North). The key factor here is political leadership, that is, Putin making a conscious choice in favor of reform, and using his second term to implement his vision of a modernized global Russia often evoked in 2000–2001. Likewise, an authoritarian modernization agenda may emerge in the 2007/2008 elections, and may be used by a new strong leader and/or by Putin's hand-picked successor.

Most likely, this will not be a »Pinochet scenario«. Russia lacks the instruments of hard authoritarianism, including a politically active military. Furthermore, the international environment is vastly different from Chile in 1972 at the height of the Cold War: Russia today simply cannot afford large-scale internal repression without undermining its external trade, on which, as a rentier state, it is critically dependent. Rather, it may happen that authoritarian modernization in Russia takes on a form of neo-corporatism reminiscent of East Asian models: post-Second World War Japan, South Korea under Park Chung Hee, Mohammed Mahatir's Malaysia.

In this case, a thin layer of the elite will be expanded and remodeled as a vertically organized corporation, which will include medium-sized businesses, organized labor, parts of civil society, and so on – all under the patronage of the president. Business and civil society will turn into »second« and »third« sectors, consolidated by the mobilizing ideology of modernization. An antecedent of such a state-sponsored civil society is the Civic Forum initiated by Putin in 2001, under which representatives of citizens' groups and NGOs (non-governmental organizations) regularly gather in the Kremlin to voice their concerns to the President. Many rights activists have rejected this as nothing but a PR stunt.

A large-scale redistribution of property or a revision of the 1990s privatization deals will not take place. However, the state will pursue a policy of »dirigisme«, aiming to redistribute value added within vertically integrated groups (VIG), with an impact on capital-intensive modernization projects and the social infrastructure. The historical analogy here is South Korea in the 1960s and 1970s, governed by Park Chung Hee. He modernized an agrarian economy, which in the early 1960s had lagged behind North Korea in terms of industrialization, to become a key industrial nation. He did this by means of the »chaebol model«, a vertically integrated state-sponsored corporation (such as Daewoo, Samsung, or Hyundai), that re-allocates value added in a profitable export sector by purchasing other domestic industries and stimulating internal investment and consumption. Unlike the Japanese »keiretsu« (for example, Mitsubishi), »chaebols« do not own banks and are totally dependent on the state for credits.

Domestically, Park Chung Hee pursued a »developmental dictatorship« by manipulating South Korea's political system – ruling by decree for most of the 1970s – and by instituting the Korean Central Intelligence Agency (KCIA) which employed hundreds of thousands of people and penetrated all spheres of public life. There is an obvious similarity with

Putin's reliance on ex-KGB cadres in key administrative posts. Apart from the reform-minded President, authoritarian modernization may be supported by liberal portions of the current elite – for example, by some oligarchs close to Yeltsin's »Family« – but also by a part of the middle class to which neo-corporatism might offer opportunities for more equitable distribution of resources.

Left Populism

Pressured by growing social dissatisfaction and the elite feuds, not to mention falling oil prices or natural disasters, Putin may opt for a different strategy, playing the role of a »Russian Peron«, which indeed many analysts have expected of him since the early days of his presidency. Apart from the obvious paternalism and solidarism, this would entail schemes of classical corporatism. The populist anti-oligarchic policy would include a review of the privatization deals of the mid-1990s, and heavy taxation and/or redistribution of »natural rents«.

An even closer analogy than Peron might be the charismatic populist President of Venezuela, Hugo Chavez. The similarity is heightened by the fact that Venezuela is also a rentier state, where the issue of redistributing oil revenues is a major factor in political mobilization. Russian democracy will probably survive (most likely as a »Potemkin democracy«), and limited individual freedoms will remain. However, the mobilization of the masses will always run the risk that alternative leaders and counter-elites will outdo the President in populism and radicalize the political agenda.

The political resources of this scenario are low; despite the populist appeal to a large social periphery and part of the middle class, there are no major elites with financial clout behind it; the only possible supporters might be some Soviet-era elites that are finding it difficult to adjust to the current situation (for example, the low-tech military industry, the agro-industrial complex) and some nostalgic siloviki. The external implications of this scenario would include higher protectionism and limits on Russia's institutional integration with the West.

Both the Authoritarian Modernization and the Left Populism scenarios may emerge either from current circumstances (if Putin »makes a choice« following his re-election), or from the Bureaucratic Capitalism scenario at a later stage (for example, at the 2007/2008 elections, or earlier, when oil prices fall).

Counter-Reformist Mobilization

Populism may be an appealing electoral strategy, but in real life it is not sustainable and can quickly degenerate into a repressive, mobilization-type regime. Originating as mere electoral technologies, slogans emphasizing »Russia's humiliation« and the redistribution of the »oligarchs' loot« can turn into a deadly weapon in the hands of nationalist, communist, or fascist radicals. Marginalized masses, counter-elites and second-rank elites, disillusioned officers' corps, and new charismatic leaders may come together in this worst-case scenario, overthrowing the current regime and sending Russia into counter-reformist authoritarianism and isolationism.

The origins of such a scenario may vary. On the one hand, it may be a degeneration of Bureaucratic Capitalism, with an increasing role for siloviki, a drift of the elite towards the revision of privatization and central planning. This counter-reform from above can also be called the »Lukashenko scenario« (there are also similarities with authoritarian degeneration in post-Soviet Central Asia). On the other hand, this scenario may develop as a radicalization of the Left Populism scenario, spinning out of control.

Fortunately for Russia, and for the outside world, this remains merely an academic possibility at present. It would take a steady degradation of the social and economic situation in Russia, a combination of natural and man-made disasters, and a serious deterioration of the international situation (for example, escalation of the war on terrorism, including the use of Weapons of Mass Destruction). In the current situation, this scenario has no prospect of materializing for the reasons cited above: no major actors, no parties, no financial resources, and no instruments of internal repression, including the army. Even the omnipresent security-service elite (the FSB and prosecutors) has itself been degraded through corruption and inherent Russian entropy. In essence, there is no single political space (in a functional or territorial sense) in which the mobilization scenario could take place – certain elites, regions, and sectors of society will simply not follow, and there is not enough coercive force or mobilization potential to make them all fall in line.

On top of that, the freedom allowed society in the past decade has become a force to be reckoned with. Russia's recent openness is, paradoxically, augmented by the traditional social irresponsibility and a loose ethical environment. Even staunch communists are not ready to limit their

consumption, or make sacrifices for a common goal, so it will be hard to get them to support hypothetical mobilization.

Democratic Modernization

This is an equally unrealistic contingency. Current Russian society is atomized and paternalistic; after a brief period of civic activism in the late 1980s and early 1990s, social demobilization and apathy have set in. Sociologists speak of the »exhaustion of social centers« and the »expansion of the social periphery«. This means that in today's Russia there are few agents of grassroots modernization, and the key reformist actor remains the state.

Still, one cannot completely disregard proto-reformist and proto-civic tendencies among Russia's population. Over the past decade, there has been a steady decline of paternalism and dependence on the state; people increasingly engage in individualistic, rational, economic behavior; the number of spheres of spontaneity, zones of growth, and enclaves of modernization beyond the traditional statist economic model is increasing (for example, in the »new economy«, the service sector, the food industry, and so on).

These new developments could mature and attain a critical mass under several conditions. First, authoritarian modernization (neo-corporatism) could provide business and society with a temporary framework in which they could develop into political actors. By the 2007/2008 elections, the new agents of modernization could become political forces in their own right. Second, President Putin, for reasons cited above (seeking a break with corrupt coterie, going down in history as a reformist) can appeal directly to agents of grassroots modernization, over the heads of the elite. Third, one cannot rule out the emergence of new democratic leaders and parties in the next electoral cycle, attempting a liberal breakthrough. The role model here is post-communist East Central Europe (Czech Republic, Poland), completing a successful transition and entering the EU.

Putin's Choice

Barring the extreme cases of Counter-Reformist Mobilization and Democratic Modernization, and the Left Populist scenario, currently not supported by any major political and economic actor, Russia is facing a single

Table 1:
Comparing the Scenarios

<i>Scenario (Template)</i>	<i>Probability</i>	<i>Type of Change</i>	<i>Actors</i>	<i>Political Regime</i>	<i>External Implications</i>
<i>Bureaucratic Capitalism</i> (Indonesia under Suharto)	High	Evolution, Institutional Stagnation	Bureaucracy, siloviki, key oligarchs (VIGS), President as arbiter	»Electoral Monarchy« (authoritarian)	Limited Integration, Protectionism
<i>Authoritarian Modernization</i> (South Korea, 1960s–1970s)	Medium	Round Two of Reforms	President, reformist elites, part of the middle class	»Managed Democracy«, Neo-Corporatism	Institutional Integration
<i>Left Populism</i> (Venezuela)	Low	Populist Reversal of Reform	Old Soviet elites, siloviki, President as a Russian Peron or Chavez	Populism	Isolationism
<i>Counter-Reformist Mobilization</i> (Lukashenko)	Very Unlikely	Counter- Reform	None so far. Potentially: counter-elites (second rank), marginalized masses, new radical leaders	Internal Repression	Revisionist Russia
<i>Democratic Modernization</i> (Central Europe after Communism)	Very Unlikely	Liberal Reform	None so far. Potentially: liberal elites, enclaves of growth (high-tech?), middle class, second and third sector	Liberal Democracy	Globalization and Integration of Russia at the Societal Level

choice: between Bureaucratic Capitalism and Authoritarian Modernization. As in the past ten years, since the bombing of the parliament in October 1993, and the establishment of a super-presidential republic in the December 1993 constitution, the realistic options are situated in the northeast corner of the scenario diagram – defined by authoritarianism and the market (see Figure 1). Indeed, all Russian governments since 1993 have pursued essentially the same right-centrist policy within the framework of a quasi-authoritarian regime.

The choice today is between stagnant evolution (also known as degradation), which means preservation of corrupt bureaucratic capitalism – with administrators at the top, loyal oligarchs, and praetorian siloviki – and an attempt at modernization, going beyond the current system of clans and rents. This choice will be driven by the objective factors mentioned above (most significantly, by the oil price, with lower prices inducing modernization), but also by the political leadership. This is a choice between the Putin of term one, promising reform but preserving »l'ancien régime«, and a possible Putin of term two, who will match his modernization rhetoric by changing the regime and pursuing structural reforms.

Conclusions

- ▶ Russia will most likely remain »on course«, that is, it will stay in the same old paradigm of partial economic reform and partial (and rapidly shrinking) democracy. This means a permanently incomplete transition. Indeed, the very incompleteness of transition is a valuable resource in itself, as a big margin between imported practices and their internal uses creates conditions for extracting »institutional rent« (see above).
- ▶ The catastrophic scenarios (totalitarianism, fascism, mobilization economy) can be ruled out, for the time being. Non-systemic forces are inconsequential, radical voices are marginalized, the media is »embedded«, the social periphery manipulated and elections »managed«. This also means that Russia will remain a predictable actor in world affairs, playing by the rules of globalization. In common with some East Asian countries, Russia will continue to be globalized and integrated despite the illiberal nature of its political regime and corrupt economy.

- ▶ The paradox of Russia is that although the large and corrupt state, suppressing the economy, polity, and civil society, poses the greatest problem of transition, that very same state is also the main guarantor of reform. As under Peter the Great, some 300 years ago, Russia today is pursuing statist, authoritarian modernization. Non-state agents of modernization are still too weak and apolitical to form a consolidated pro-reform force.
- ▶ Russia's illiberal globalization/modernization is matched by recent international trends. Following the terrorist attacks of 11 September, Russia's integration with the West is increasingly premised on the values of security (the war on terrorism), as distinct from the liberal internationalist 1990s when the common denominators were democracy and reform. However, securitization cannot provide a long-term basis for Russia's modernization and structural reform. Russia needs other partnership interfaces, above all, norms and institutions, such as the EU, to furnish liberal entry into the globalized world.

More on Russia

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