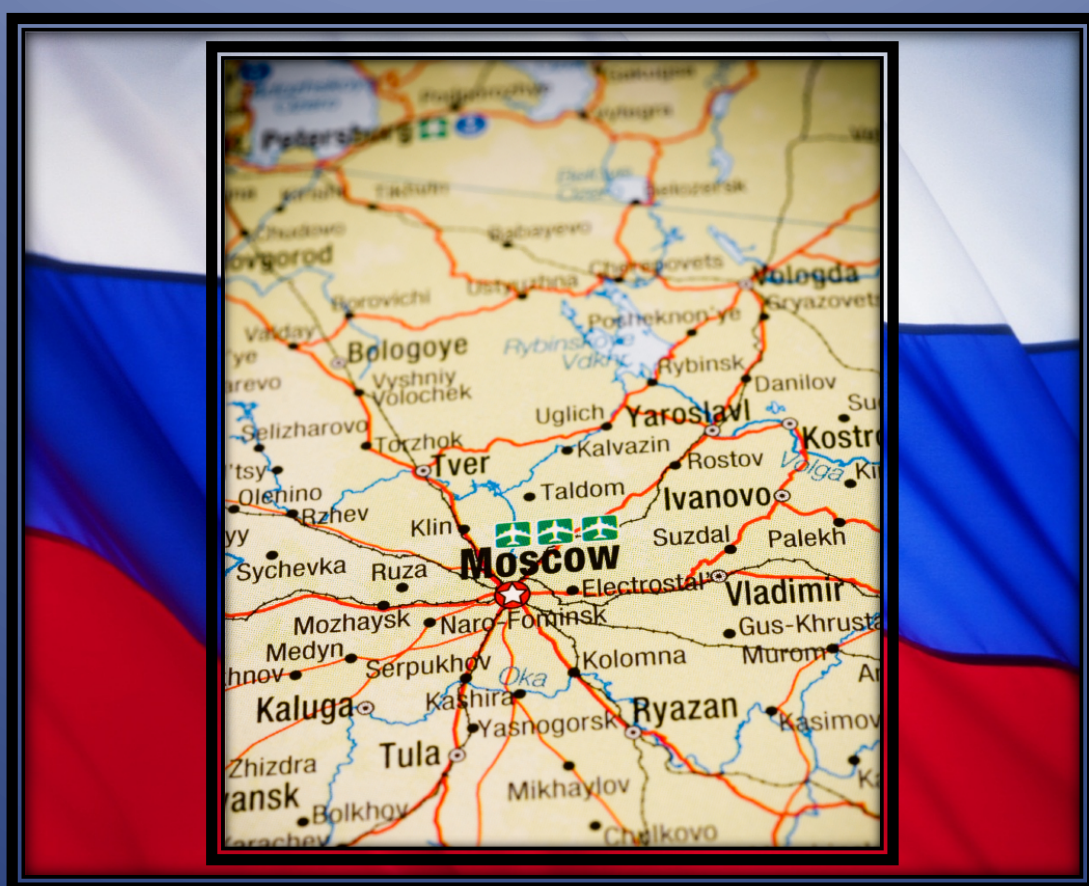




FOREIGN POLICY RESEARCH INSTITUTE



Russia's Looming Crisis

By David Satter

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Introduction

Until late last year, there appeared little doubt but that the victory of Vladimir Putin in the upcoming March 2012 presidential elections was a foregone conclusion and that Putin was likely to rule in Russia for another 12 years.

All of this changed with the fraudulent December 4 parliamentary elections. Putin's announcement that he would be running again for president evoked some cynical reactions on the part of a population which now saw that the four -year presidency of Putin's long time protégé, Dmitri Medvedev, had been nothing but a masquerade. But it was only the sheer scale of the vote rigging in the elections for deputies to the State Duma that brought home the degree to which Russians were saddled with a leadership that had no intention of giving up power and that they were powerless to change.

The conditions in Russia had been giving rise to discontent. In 2011, 20 years after the fall of the Soviet Union, polls showed that a record number of young Russians wanted to leave the country. A poll by the Russian Public Opinion Research Center put the number at 22 per cent of the population. This compares to 16 per cent in the early 1990s when, after the fall of the Soviet Union, the population was plunged into grinding poverty. Among Russians between 18 and 24, the number who wanted to leave was almost 40 per cent. (In 2011, the state audit chamber said that 1.25 million Russians had left the country in the previous three years, more than after the 1917 revolution.)

Some of the reasons were given by a 25-year-old woman in an article on the website gazeta.ru. She cited fear of the police, an absence of professionalism "beginning with medicine and ending with the laundry," corruption and the lack of respect for the rights and freedoms of others, "intolerance often bordering on fascism."¹

Dmitri Oreshkin, a Russian political scientist, said the reason for the desire to leave was atmospheric. It "is the same one that [Russian poet Alexander] Blok once gave for Pushkin's death: not enough air. It's harder and harder for a free, self-sufficient person to breathe in Putin's Russia. There's no place provided for him here."² Andrei Geim, a Russian émigré living in Manchester who won the Nobel prize for physics last year, answered when asked what it would take for him to return to Russia: "Reincarnation."³

¹ A Reader, "Devyat prichin, po kotorym ya uezhayu iz Rossii," www.gazeta.ru, August 22, 2011.

² Max Seddon, "Young Russians move abroad for 'breath of fresh air,'" Russian: Beyond the Headlines, April 8, 2011.

³ Mark Franchetti, "Young choose to abandon corrupt Russia," Sunday Times, August 14, 2011

In the weeks after the results of the election for the State Duma were announced, however, Russians began to protest against a situation that they had long seemed to accept. On December 10, 60,000 persons rallied in Moscow's Bolotnaya Square against vote fraud and to demand new, honest elections. On December 24, a rally drew 100,000 persons and the rally on February 4, drew more than 100,000. Previously, opposition rallies drew only a few hundred persons. These, however, were the largest demonstrations since the ones in 1991 that led to the fall of the Soviet Union.

Russia now faces a momentous political crisis. The abuses of the Putin regime are so fundamental that, without profound change, the protest movement is unlikely to be stopped. Putin, however, is unlikely to agree to reforms that would threaten his hold on power. The stage is therefore set for a protracted conflict between Putin and the opposition that it likely to touch on each of the corrupt aspects of the present regime's policies – the authoritarian political system, the corrupt and criminalized economy, the war in the North Caucasus and threat of terrorism, and finally the aggressive foreign policy that has put Russia at odds with the West and made it an object of resentment and fear on the part of the former Soviet republics and former Warsaw Pact members that are its closest neighbors.

Yevgeny Gontmakher, a sociologist with the Institute of Contemporary Development, said in an article in *Nezavisimaya Gazeta* that the situation in the country was similar to what it was on the eve of the 1917 revolution. "The political machine built by Putin was effective in some places until 2007," he wrote, "but the regime has started to malfunction, like a car whose guarantee has long since expired and all of whose systems are starting to fail." If the world's largest country in terms of area is heading for a system crisis, the result could be a new round of tragedies for the Russian people and a serious danger for the whole world.

1. The Political Situation

As the political resistance to Putin builds, the system that Putin created will be put to the test. Those running against Putin on March 4 are persons who have been allowed to oppose him: the communist party leader, Gennady Zyuganov, the leader of the misnamed Liberal Democratic Party; Vladimir Zhirinovsky, who is supported by the criminal world; Sergei Mironov, the leader of the Just Russia party, which has a mild left-wing orientation but is Kremlin-controlled; and, now, the “center-right” billionaire, Mikhail Prokhorov. Another contender, Dmitri Mezentsev, the governor of the Irkutsk region and a Putin crony, was chosen to run just in case the others stood down, annulling the election.

Until recently, the candidates other than Putin were regarded as window dressing, designed to lend democratic coloring to a preordained outcome. With the emergence of massive public discontent with Putin’s leadership, however, the situation has changed. Polling data a month ahead of the election places Putin’s support in the presidential election at 36 per cent. To win in the first round, Putin needs to get 50 per cent or more, a goal which, if the election is fair, now seems unattainable.

The poll numbers of the other candidates are between 2 and 7 per cent but within the margin of error of each other. Any one of them could face Putin in a second round of voting. Insofar as those who vote for the tolerated opposition parties often do so as a form of protest, such a candidate could get many of the votes that went to the other parties in the first round.

At the same time, the candidate could draw votes from the genuine opposition. The leaders of the genuine opposition boycotted the 2012 election. The one exception, the liberal economist, Grigory Yavlinsky, managed to collect the required two million signatures to put his name on the ballot but was disqualified on technicalities.

If the election goes to a second round, the supporters of the genuine opposition leaders whose numbers are growing could throw their support to whoever runs against Putin, simply to defeat him.

Putin, therefore, faces a difficult choice. He can risk defeat or resort to massive falsification in order to gain a first round victory. But if there is vote fraud under these circumstances, the response will be massive protests and the possible destabilization of society. The best alternative for Putin would be to avoid electoral fraud in the hope of prevailing without it, if necessary, in the second round of the election. Even this, however, will not settle the issue of his presidency because the Russian political system is intended not to express the will of

the people but to preserve the grip on power of a small ruling group. Under any circumstances, it cannot go on forever.

The Control of the Election Process

The election process was corrupt under Yeltsin but not totally controlled. It has come very close to being so under Putin. By 2003, the government had established an information monopoly, shutting down or taking control of all the national independent television channels. Mikhail Khodorkovsky, the head of the Yukos Oil Company, who was the biggest donor to the Union of Right Forces and Yabloko parties in the 2003 Duma elections, was arrested in the middle of the 2003 election campaign on charges of fraud and tax avoidance in connection with practices that were typical of all Russian oligarchs in the 1990s. The Putin regime made it known after his arrest that all financing of the opposition parties had to go through the presidential administration. It would be up to the Kremlin to decide whether a party should be funded or not.

In 2007, SPS, which had been funded with Kremlin approval, began to demonstrate an unacceptable degree of independence. It defended Khodorkovsky and stated that the country was moving toward dictatorship. The Kremlin responded by cutting off funds to the party that had been donated by sympathetic businessmen. Starved of funds, neither SPS nor Yabloko gathered enough votes to enter the Russian parliament.

Under Putin, the laws governing elections were also changed. It was not possible to form electoral coalitions or blocs between parties. The direct election of governors was abolished. Governors became presidential appointees. Individual, single member elections for the Duma were abolished. To seek a Duma seat, it is necessary to have a place on the nationwide slate of a registered party and party registration is controlled by the government.

The law on political parties that was published under Putin makes it possible to refuse to register any political party if there is one mistake on an official list of a minimum of 45,000 members. In 2007, People for Democracy and Justice, a center right party led by former Prime Minister Mikhail Kasyanov was denied registration because of 37 mistakes in a list of more than 56,000 party members (some of these were obvious typographical mistakes such as 1053 for a birth date instead of 1953.) Responding to a complaint by the similarly disbanded Republican Party of Russia, the European Court of Human Rights found the

Russian government's position on party registration to be "unjustified" and "disproportionate."⁴

In the case of the December 4, 2011 parliamentary elections, nine parties were disqualified by the justice ministry and only seven were on the ballot. Among the nine was the Popular Freedom Party, the party of Boris Nemtsov, a former first deputy prime minister, and Kasyanov. The authorities found 79 irregularities in a list of 46,148 signatures on the membership list. According to Vladimir Kara-Murza, a member of the Federal Political Council of Solidarity, for several weeks before this decision, local activists received threatening phone calls from local police officials who tried to force them to deny that they were members of the party or to resign from it.

Under these circumstances, the Kremlin allows money from the government and business to flow only to those parties that it can control while denying registration to the rest. It is the parties that gain at least 7 per cent of the vote and are represented in the Duma that can run candidates for president without going through the process of collecting signatures which, in any case, gives no guarantee of registration because they must be accepted by the Putin controlled Central Election Commission.

The Economic Key to Putin's Political Success

The key to Putin's political success and popularity was the reversal in the country's economic fortunes. After nearly a decade of grinding economic hardship under Yeltsin, the economy at last began to grow. This was largely the result of the boom in commodity prices of which Russia was the world's leading beneficiary but Putin received the credit. (It was also possible because of the market mechanisms that were created at terrible cost under Yeltsin but this was rarely mentioned.) There were misgivings about the way in which Putin came to power in the wake of the bombings of apartment buildings in Russian cities in 1999 which were blamed on Chechen rebels but in which Russian security agents were implicated, and there was uneasiness about the murders of oppositionists, particularly journalists. But the country as a whole seemed to be moving in the right direction and the growing economy improved the lives of nearly everyone.

According to Lev Gudkov from the Levada Center, "a poor society that was tired of upheavals was ready to turn a blind eye to administrative caprice and the war in Chechnya, corruption and growing social inequality, not to mention sham democracy and electoral

⁴Vladimir Kara-Murza, "Stealing the Vote: the Kremlin Fixes Another Election," World Affairs blog, September/October, 2011.

sleight of hand. The overwhelming mass of people, including the poorest, believed that the increase in wealth would continue for a long time to come.

“With the world economic crisis, however, this confidence was dented. Doubts about the future increased because half of the country’s population did not believe in the ability of the current authorities to find a way of the situation that had developed.”⁵

A Political Charade

One factor leading to the present political crisis was the realization that the Medvedev presidency had been a charade and that Putin intended to rule permanently.

Although he was president of a country in which the president had immense formal powers, Medvedev did not succeed in creating his own team. The personnel changes that took place after his election in 2008 involved the promotion of Putin’s cronies or technocrats but not close associates of Medvedev. According to Olga Kryshstanovskaya, a sociologist who studies the Russian political elite, in 2011, three years after Medvedev’s election as president, Putin loyalists surrounded Medvedev, occupying 95 per cent of the positions of power.

Putin and Medvedev imitated political competition. Putin advocated “stable, calm development.” Medvedev, in apparent response, said, “it is wrong for us to orient ourselves only to calm and measured growth. This apparent stability can conceal a banal stagnation.”

In an interview with *Der Spiegel*, Medvedev referred to Russia’s natural resource wealth as a “narcotic,” denounced corruption and criticized Russia’s “legal nihilism.” But he took no steps to deal these problems during his term in office. Instead, he presided over the extension of the president’s term in office from four years to six and the second trial of Mikhail Khodorkovsky, the former head of the Yukos Oil Company, who was convicted to a second labor camp term on obviously concocted evidence, confirming Putin’s earlier supposition about his undeniable guilt.

In 2011, Putin began giving unmistakable signs that he intended to return to office as president and did so in a manner that suggested that the decision was exclusively his to make. He was shown riding a Harley Davidson motorcycle and, at a piano, singing the 1950s hit, “Blueberry Hill,” for a live audience. Vladimir Surkov, the first deputy chairman of the presidential administration, said in an interview with the *Dialogi* program

⁵Lev Gudkov, “Who is to Blame for Things Going Badly for Us?” *Novaya Gazeta*, September 21, 2011

on Chechen television in July, 2011 that he believed that Putin was sent by God “in a hard hour for our one big nation.” The Russian media reported that a small female sect believes that Putin is the reincarnation of Paul the Apostle.

Medvedev’s announcement that he would not run for a second term as president, when it finally came before a crowd of 10,000 at the congress of the Putin controlled United Russia party, September 24, was a model of subservience. He said, “I believe it would be right if the congress supported party leader Vladimir Putin’s candidacy for president” in presidential elections slated for next March.

The element of stage management was also evident in the reaction of the Russian Orthodox Church. Archpriest Vsevolod Chaplin, head of the church’s public relations department, said that the decision by Medvedev to bow out represented a “peaceful, dignified, honest, friendly” transfer of power. He said it was an example of “kindness and integrity in politics” and should be a “source of envy for the people of the majority of countries in the world, including those that try to lecture to us.”⁶

An Election Fraud

The most potent contributor to the political crisis, however, is the clear evidence that the results of the December 4 elections were falsified.

The fraud in the December 4 elections came at a time when the psychological effect of the improvement in living standards was wearing off and a large part of the population was becoming aware, in the aftermath of Putin’s announcement that he was running again for president, that they had been effectively disenfranchised. This group was the urban middle class, an estimated 40 per cent of the population in Moscow and 20 to 30 per cent in the other major cities.

The system for producing fraudulent election results was already familiar to Russians from the experience of previous elections. Local officials are responsible for a favorable result. In some regions, where there is a “special electoral culture” (about 20 of the 83 subjects of the Federation) the vote for the ruling party is up to 99 per cent. These are the North Caucasus and South Urals, Tuva and Kalmykia.

⁶ Interfax, “V Tserkvi blagoslovit reshenie o ‘mirnoi i druzheskoi’ peredache vlasti ot Medvedev k Putinu,” September 26, 2011.

In other regions, local leaders meet more resistance to straight falsification and rely on other methods. Workers are forced to vote at their place of employment under the watchful eyes of their bosses who are normally members of United Russia. There is also extensive bribery of voters and multiple voting as well as the falsification of protocols and ballot stuffing.

The greatest amount of fraud takes place in the villages and rural areas. The residents are more dependent on the goodwill of the authorities and easier to manipulate. In the countryside, if someone asks to see the ballots, he can find the next day that he is without electricity or that someone has burned down his house.

The nature of the falsification was described in a report on the March, 2011 parliamentary elections in the Tambov oblast in Western Siberia by Nikolai Vorobyev, a professor at the Tambov State University based on hundreds of interviews, documents and statements by voters and observers. It offers the most detailed description currently available of how election results are falsified in Russia on the basis of a single oblast. The machinations allowed United Russia to receive 65 per cent of the votes in the Tambov oblast despite having an actual rating in the region of no higher than 35 per cent.⁷

In its “chronicle of violations on voting day, March 13, 2011,” the report listed hundreds of violations that appear to have been typical of the falsification that took place throughout the oblast.

In Zherdevsky voting district no. 2, in precincts 100 and 116, observers were barred from the voting places and prevented from watching the course of the voting and were not given copies of the protocol. In precinct 115, there were cases of vote stuffing by the chairman of the electoral commission and the results of the voting were falsified.

In Znamensky voting district no. 3, in precinct 139, 25 to 30 young people surrounded the ballot boxes, stuffed the ballot boxes and then fled.

In Kirsanovsky voting district no. 5, in precinct 244, at 7 pm, it was discovered that there was a large difference between the officially declared voters and information received from observers.

“The heads of administrations, their deputies and the leaders of the village councils ... agitated for the candidates of United Russia directly during working hours transforming themselves in this way from leaders into agitators.

⁷“Tambovskiye Medvedi na ‘karuseli,” Novaya Gazeta, No. 62, June, 2011.

The candidates of United Russia dominated in the media in Tambov oblast and at the same time, well produced but anonymous leaflets and newspapers were distributed discrediting the communist party and the LDPR and their candidates. These newspapers were put in mailboxes or pasted onto the walls of stops for public transport. Many posters put up by the communists were destroyed.

This pattern of falsification was repeated in the election which took place on December 4. In the North Caucasus republics of Dagestan, Ingushetiya and Chechnya, United Russia received over 90 per cent of the vote and 99.48 per cent in Chechnya. According to the radio station, Ekho Moskvyy, 10 per cent of the election observers from the Golos, the country's only independent election monitor, were barred from entering polling stations for supposedly lacking the necessary documents to enter or "illegally posing as journalists."

The web sites of Ekho Moskvyy, the newspaper, Kommersant, and Golos were attacked by hackers on election day. Local officials also inhibited the ability of journalists to report from polling stations.

An analysis of the vote showed distinct peaks appearing at multiples of 5 per cent. The turnout had a nearly linear relation with the portion of the vote that went to United Russia indicating ballot stuffing in favor of the party. At the same time, the results for United Russia spiked at the round values of 50 per cent, 60 per cent, 70 per cent, etc. This indicated the efforts of local officials to reach pre-established targets. There were similar spikes in the 2007 Duma elections.

The Opposition's Social Contract

As the March 4 presidential election nears, there are signs that the opposition mood in Russia is strengthening. The Putin regime has offered a number of concessions, including the direct election of governors, easing the requirements for the registration of political parties and presidential candidates and the creation of an independent national television station that would allow access to the opposition. The impending presidential election, however, will not be affected.

In an effort to take advantage of the new popular mood to prevent Putin from winning the election, the protest leaders have announced that they are prepared to give their backing to any of the alternative candidates as long as the candidate publicly agrees to a "social contract" with the nation. The conditions include the freeing of political prisoners, liberalization of election laws and rules on party registration dissolving the current Duma

and holding new, competitive parliamentary elections and limiting the president term to a maximum of two four-year terms. The final and most important condition would be for the would-be president to serve only for 12 -18 months, just long enough to implement the reforms before resigning and calling for new elections.

Three of Putin's registered competitors have signaled their readiness to accept the conditions. Zhirinovsky has not. Zyuganov has said that he would accept the conditions but followed this up by laying a wreath at Stalin's tomb. He also balked at the idea of serving for only 18 months. Prokhorov is only ready to limit his presidency to four years. The final candidate is Sergei Mironov, who has agreed to serve as an interim leader and even to appoint protest leaders to important positions but he has said that his government would include the extreme nationalist, Dmitri Rogozin as foreign minister and lieutenant general Vladimir Shamanov, who was accused of war crimes in Chechnya as the minister of defense.

There is an atmosphere of *fin de regime* in Moscow with many persons, including the well-known Russian novelist, Vladimir Voinovich, predicting that Putin will be gone in less than two years. It is not a foregone conclusion however, that Putin will lose power.

In the first place, there are many people in Russia who still support him because they credit him with the improvement in their standard of living and fear the consequences of instability. If Putin does not win in the first round, he has the option of using vote fraud to assure that his opponent in the second round is Zhirinovsky, who is believed to be completely controlled by Putin and is already making bloodcurdling threats in the Duma against the members of United Russia. If he were to run in the second round against Putin, many, even in the opposition, would vote for Putin.

Whatever happens, the years of quiet acceptance by the Russian population of Putin's corrupt rule are over. In the wake of the fraudulent December 4 elections, he is in direct confrontation with the pro-democracy movement in Russia that is growing stronger by the day.

2. The Economy

On the basis of formal economic indices, an observer would almost certainly view the Russian economy optimistically. After a period of sustained growth in the 2000s, Russia was hard hit by the world economic crisis. But the economy recovered intensively in the last half of 2009 and GDP growth was 4 per cent in 2010 and is expected to be 4.1 per cent in 2011. Russia's exchange reserves of about \$540 billion are equivalent to 11.2 per cent of GDP, enough to back every dollar of external debt with a dollar of cash. By comparison, the U.S. has \$14.7 trillion of debt and holds about \$90 billion in cash reserves, in other words, each \$1 of debt is backed by \$0.06.

Despite this favorable situation, however, the world and Russia's own citizens have little confidence in the Russian economy. In August, Standard and Poor declined to increase Russia's credit rating from BBB, the third lowest investment rating. The flow of direct foreign investment in 2010 was \$97.3 per capita, 13.2 per cent lower than in 2009 and 48.9 per cent lower than that in 2008. At the same time, capital is fleeing the country. As a result of lagging foreign investment and massive capital flight, Russia's capital account became negative in the beginning of September 2010. In net terms, Russia is losing \$7 to \$8 billion of capital every month, equivalent to 5 per cent of monthly GDP.

The reason for Russia's paradoxical situation is that economic activity takes place under the shadow of the state's lawlessness. Money can be made in Russia but no one is sure of its security. State officials not only control the "commanding heights" of the economy. They also control the organs of law enforcement and are free to seize anything. Oleg Deripaska, a metals magnate and at one time Russia's richest man, expressing the expected attitude, said that he would willingly surrender his wealth if authorities demanded it. "If the state says we need to give it up, we'll give it up," he said.

In many ways, what exists in Russia today is typical of a country which relies on raw material exports. Oil money promotes centralization and encourages the creation of a stable group of state officials who live off the oil profits parasitically. The rulers grow fat on energy rents and have little incentive to develop the country's human potential. The oil money conduces to tyranny because only repression allows the rulers to protect their corrupt gains.

The situation in Russia, however, is also the product of Russian traditions and the specific course taken by Russia since the fall of the USSR. Under the communist system, the notion that the economy should be at the disposal of the state was taken for granted by the population. In post-Soviet Russia, there was a determination to do away with state

ownership but the bureaucracy was nonetheless able to establish predatory control over the economy because the transition to capitalism took place without the rule of law.

The New Locus of Corruption

The “young reformers” who were put in charge of the Russian economy after the fall of the Soviet Union and were charged with introducing capitalism were concerned only with the transformation of economic structures. “All capital was laundered and put into circulation,” said Aliza Dolgova, an expert on organized crime. “No measures of any kind were enacted to prevent the legalization of criminal income. No one asked at [privatization] auctions: Where did you get the money?”

In the field that was created for criminality it was the most ruthless who prevailed and there began to be little difference between businessmen and gangsters.

When Putin came to power, government institutions began to be restored, including the security services and the police. There was a new tax code and a new criminal code. A new law on administrative reform came into force. The state apparatus began to function. Putin, however, was not committed to the rule of law. A criminal class had been created and the revived government institutions, instead of stamping out corruption, began to take it over. In major cities, the mafia was pushed aside by security firms connected with the police and the FSB. The locus of corruption shifted to the government bureaucracy.

In Russia today, the corruption market is valued by the Indem think tank at more than \$300 billion annually or a quarter of the GDP. Russia ranks 154th out of 178 countries in corruption according to Transparency International, the anti-corruption organization. This puts it on a level with Cambodia and the Central African Republic.

Some of Russia’s wealthiest men are the members of Putin’s personal circle, including Gennady Timchenko, believed to have a personal wealth of \$5.5 billion, Yuri Kovalchuk, worth \$1.5 billion and the Rotenberg brothers, Arkady and Boris, whose combined wealth is estimated at \$1.4 billion. In the early 1990s, Arkady Rotenberg was Putin’s judo partner and together with Timchenko he founded the St. Petersburg judo club, “Yavar-Neva” of which Putin is the nominal president. Another leading Putin era oligarch is Sergei Chemezov, the head of Rosoboronexport, the Russian arms exporting organization which has a turnover of \$5 billion a year. He worked with Putin in the KGB in the 1980s in Dresden.

The precise mechanism that made it possible for Putin's personal friends to become enormously wealthy during his period in office is not clear but all available information indicates Putin and his closest associates are the apex of the pyramid of corruption in Russia. Boris Nemtsov, the former first deputy prime minister, and Vladimir Milov, the former deputy minister of energy, raise important questions in their widely distributed pamphlet, "Putin, the Results, 10 Years," that adumbrates a pattern of massive high level corruption.⁸ Among the questions posed by Milov and Nemtsov are these:

- Why were the largest non-government pension fund, Gazfund, the second most important bank in the country, Gazprombank, and the media holding, Gazprom-media, removed from the state run Gazprom gas company and put under the control of the Rossiya Bank, whose principal owner is Kovalchuk? Why did six per cent of the shares of Gazprom worth \$20 billion disappear?
- Why did Gazprom share hundreds of millions of dollars per year for the transit and re-export of Central Asian gas with the companies, EuralTransGas and Rosukrenergo? Who is behind these intermediary structures?
- Why does the state export a significant part of its oil through the company, Gunvor, whose owner is Timchenko? In 2000, Gunvor was a small oil trader but in the years of Putin's presidency, Gunvor concentrated in its hands control over the export of Russian oil? Who is the real owner of the Surgutneftegaz oil company, the principal supplier of oil for Gunvor?

Putin himself is far from uninvolved. According to Nemtsov and Milov, "there is reason to assume that all of these Timchenkos, Kovalchuks, Rotenbergs – are nothing more than nominal owners of big property and that the real beneficiary is Putin himself."

Stanislav Belkovsky, a Russian political analyst who once worked as a speechwriter for the exiled oligarch, Boris Berezovsky, in an interview in 2007 with the German newspaper, *Die Welt* claimed that Putin's secret assets were worth \$40 billion, which would make him the richest man in Europe. Belkovsky, citing as his sources senior figures in the president's own administration, said that Putin has vast holdings in three Russian oil companies concealed behind a "non-transparent network of offshore companies" with the final points in Zug, Switzerland and Lichtenstein. Putin, he said, "in effect," controls 37 per cent of Surgutneftegaz, Russia's third largest oil producer, 4.5 per cent of Gazprom, and at least 75 per cent of Gunvor.

When asked whether it was possible to prove his claims, Belkovsky said, "It would be difficult. But maybe a little bit easier after Putin quits." He added that Putin's wealth is not

⁸ B. Nemtsov and V. Milov, "Putin. Itogi: Nezavisimaya Expertnii Doklad," Novaya Gazeta, Moscow: 2008.

a secret among the elites. “And you should note that Vladimir Vladimirovich [Putin] has never sued me.”

When Putin became president in 2000, he filled the government bureaucracy with veterans of the security services. By 2003, the top ministers, half of the Russian security council, and 70 per cent of all senior regional officials in Russia were former members of the security services. Of these, particularly favored were those who served with Putin in the KGB in East Germany.

Government officials, in turn, were put on the boards of Russia’s largest state run companies. Dmitri Medvedev, who was first deputy premier (before he became president), was made the chairman of Gazprom, Igor Sechin, the deputy head of the Kremlin administration, became the chairman of the Rosneft oil company, Igor Shuvalov, an assistant to the president, was put on the board of Russian Railways. In 2007, the capitalization of Gazprom was \$236 billion, Rosneft \$94 billion and Russian Railroads \$50 billion. Other state companies were similarly wealthy and it was estimated that the persons around Putin controlled companies in that accounted for 80 per cent of the capitalization of the Russian stock market.

The Elimination of Independent Sources of Power

In the opinion of experts, Putin and his closest cronies control assets worth from 10 per cent to 15 per cent of the gross national product of Russia. According to the journal New Times, “In the expanses of the country there has been created a vertically integrated holding which has its own credit organizations guaranteeing turnover capital, its own cash factories pumping oil and gas from the earth, its pipeline systems, its own transport of all types, its own security structures, communications... all of this hanging on one person... Vladimir Putin.”⁹

The monopoly of power and property by the Putin oligarchy was made easier by the almost complete elimination of independent centers of power in Russia between 2000 and 2008.

The process began with the subordination of the Russian parliament. The election of Putin as president was made possible by the Second Chechen War, which was launched in September, 1999 after the mysterious Russian apartment building bombings. Under the influence of the bombings and the new war, pro-Putin parties gained a decisive victory in the December, 1999 parliamentary elections. For years under Yeltsin, the State Duma was

⁹ “Korporatsiya Rossiya,” Novoye Vremya, No. 36, October 31, 2011.

dominated by opposition political parties. After 1999, it no longer offered even verbal opposition to the regime.

Putin also brought national television, the main source of news for 90 per cent of the population in Russia, under the regime's complete control. This was accomplished by arresting Vladimir Gusinsky the owner of NTV television, on embezzlement charges and freeing him to leave the country only after he agreed to sign over the station to Gazprom. Similarly, Boris Berezovsky, who owned 49 per cent of ORT, the main national television network, was investigated on corruption charges and forced to sell his shares and leave the country. Many journalists who had worked for NTV moved over to TV-6. However, the pension fund of the Lukoil oil company, which owned 15 per cent of TV-6, filed a bankruptcy suit demanding that the station be liquidated and TV-6 was pulled off the air.

Putin also imposed his control over the Yeltsin era oligarchs. In July, 2000 at a meeting in the Kremlin, he told a group of 30 oligarchs that they would ignore the methods by which they amassed their wealth as long as they did not challenge the regime. After Gusinsky and Berezovsky left the country, most of the oligarchs followed Putin's advice and withdrew from politics. The exception was Mikhail Khodorkovsky who continued to finance opposition political parties. He was arrested in 2003 and sentenced to eight years in a labor camp. Near the end of his first sentence, he was charged with stealing oil from Yukos subsidiaries and sentenced a second time for 6.5 more years.

Putin took steps to destroy Russian federalism. He first removed Russia's governors from the Federation Council, the upper house of parliament, where they enjoyed immunity from prosecution. This made it much easier for the center to impose its will on the governors. He then, in 2004, eliminated the election of governors altogether in what was described as an anti-terrorist measure in the wake of the Beslan school massacre. In fact, the measure had been prepared months in advance.

The elimination of independent sources of power had the effect of reinforcing the subordination of the judiciary. In every region, the affairs of the court are organized by a court chairman who is appointed by the President. It is the chairman who assigns cases to particular judges and can collect material to be used in firing a judge. He or she is the transmission belt for orders from the political authorities and in the absence of a genuinely free press and independent parliament, there was nothing to counter balance the political pressure on judges that can be applied by the court chairman acting on behalf of a monolithic state bureaucracy.

The appointments of high ranking government officials to the boards of state run companies made it possible for them to control the companies' cash flows. At the same

time, other officials took control of private companies, replacing the organized criminal gangs that had prospered under Yeltsin.

Sergei Kanye, a crime reporter for Novaya Gazeta, wrote in 2007, “Everything has long since been divided up... The scheme is simple. The wife (son, daughter, brother, uncle) of a high ranking Chekist is put on the board of directors of a bank or a large scale concern. This is advantageous to the businessmen and bankers. First of all, no one attacks; secondly, it is always possible to get needed information about a competitor through the husband (father, brother, nephew). Well, tell me, who will risk striking Vneshekonombank, where the wife of the director of the FSB, Yelena Nikolaevna Patrusheva, works? Nobody.”

The corruption, however, is not limited to the highest ranking officials. The predatory relation of high ranking officials to the country’s largest corporations is replicated between officials and businesses at all levels of the economy. In 1994, the Analytical Center of the administration of the president said that 70 to 90 per cent of Russia’s enterprises and commercial banks in major cities were forced to pay criminal gangs from 10 to 20 per cent of their turnover. Today, the situation is the same. Only the identity of those collecting the tribute is different.

In his article, Kanye described a businessman in the Moscow region. He is “guarded by a bandit private security firm” but he, nonetheless, makes payoffs to virtually all local officials. “He gave the local police chief an expensive foreign car as a sign of ‘special friendship’,” Kanye wrote, “and pays his ‘curator’ from the FSB with daily dinners in a restaurant... he has ‘good relations’ with the mayor... with the tax inspectorate, the migration services and the [public health authorities]. Once a month, the fire and trade inspectorates visit his stores. Even the district police officer comes by for a present on his birthday. Lately, another pair of spongers has appeared – the head of the local branch of United Russia and a representative from Just Russia [the other main pro-Kremlin political party]. They also ask for money for their party activities.”

According to Kanye, warehouses and large shopping centers in a given district are controlled by the police leadership. Shops, medium sized firms, cafes and small restaurants are controlled by the criminal investigation unit. Payoffs from sellers of pirated CDs and DVDs, and bootleg vodka go to members of the anti-economic crimes department. Outdoor market booths and other forms of street trade are controlled by local police patrols. The payoffs vary. According to Kanye, policemen generally get a daily payment of 500 rubles (around \$20) from each booth but ask only about 150 rubles (\$4 to \$6) from those selling from stools. Besides taking payoffs, the police also help themselves to produce (watermelons, a kilo of apples, etc.). In addition, local police patrols get a “substantial income” from illegal migrants and people caught intoxicated in public. They also guard

spots where prostitutes gather (1,500 rubles, or around \$60, per night) and extort money from the prostitutes' clients (500 rubles, or around \$20 from each customer.)

The Centralization of Corruption

Under Putin, corruption became centralized. There was an effort to cut back on horizontal relations between low level officials and criminal organizations. In 2004, the MVD began a campaign against police participation in the protection racket. Several high ranking officers of the Moscow Criminal Investigative department were arrested for extorting protection money from businesses. This did not mean that such activities were not allowed. It was merely a signal that an official could not extort money from businesses without higher sanction. As a result of the centralization of corruption under Putin, the number of bribes was reduced but their value became greater.

Corruption became a system, part of the fabric of government and today reflects the success of Russian organized crime in teaching the whole country to live by bandit "understandings" (*ponyatiye*) instead of according to law.

This situation has three consequences. First, agreements are not sacrosanct. The only real defense against lawlessness is political protection. But the support of the authorities is not reliable. One cannot be sure of it.

Perhaps the best example of the extent to which economic success depends on the will of the authorities was the way in which control of the world's largest integrated oil and gas project on Russia's Sakhalin Island was wrested by the authorities from Royal Dutch Shell in 2006. Shell was forced to cut its stake in the \$22 billion project from 55 per cent to 27.5 per cent. Gazprom then bought the half of Shell's former stake and half of the stakes owned by its Japanese partners, Mitsui (25 per cent) and Mitsubishi (20 per cent) for only \$7.5 billion, the equivalent, in the words of a Shell spokesman, of "paying to enter on the ground floor, as if they were a shareholder at the beginning."

The agreement concerning the project was negotiated in the mid-1990s when the price of oil was about \$22 a barrel. At the time, the Russian government agreed to terms that were far less than they would be able to negotiate once the price of oil had risen. They chose to solve the problem by using illegal methods to force Shell to renegotiate the agreements.

Russia had long been indifferent to the environmental damage inflicted by its own timber and oil companies but, on September 18, a Russian high court ordered the temporary suspension of operations at the Sakhalin-2 oil and gas development project due to

environmental considerations. Shell was then threatened with a \$50 billion lawsuit. This raised the possibility that the company would lose everything. Against this background, Shell's top executives negotiated a new agreement in which they surrendered half of their stake in the project and untold billions in future earnings.

The assumption that ties to the authorities trump all other considerations dominates in Russia although those who rely on their connections can easily miscalculate. British Petroleum negotiated a giant deal to exploit the oil resources of the Arctic with Rosneft despite the fact that, according to a shareholders' agreement, BP was obliged to work only with the TNK oil company on Russian projects. Under the terms of the proposed deal, Rosneft would have received 5 per cent of BP shares and BP would have gained 9.4 per cent of Rosneft's shares. The deal appeared on the verge of completion but TNK went to court and argued successfully that BP's deal with Rosneft broke TNK-BP's shareholder agreement. "The assumption behind the BP deal [with Rosneft] was that they could violate the TNK-BP shareholder agreement and then have dinner with Putin and he would club the oligarchs over the head," said Karen Kostanian, an energy analyst at the Bank of America-Merril Lynch in Moscow. But TNK apparently enjoyed the support of Medvedev whose people encouraged the company to sue. Their victory in court did not represent the triumph of the rule of law. It was more likely that Putin did not choose to exert himself on behalf of BP. It took Rosneft only three and a half months to conclude a deal with ExxonMobil after the collapse of its tie up with BP.

The Insecurity of Property

The second consequence of the institutionalization of corruption under Putin is that no one is secure in their property. The most dramatic example was the Yukos case. Mikhail Khodorkovsky was Russia's richest man. He was charged with tax avoidance and fraud but his real crime was that he had broken with the corrupt Putin era system. He had turned Yukos into Russia's most enlightened company with Western standards of accounting and corporate governance and had financed the political opposition.

After Khodorkovsky's conviction, Yukos was forced to sell Yuganskneftegaz, the company's principal production unit. This sale was illegal because in tax settlement cases, non-core assets must be disposed of first. Yuganskneftegaz was the core of Yukos. The company was sold to the Baikal Finance Group, a previously unknown company, at about half its likely value. The state oil company, Rosneft then purchased Baikal Finance. The reason for this maneuver was that Yukos had filed for bankruptcy in Texas and won an American injunction barring Gazprom and its Western financiers from participating in the auction. It

was apparently out of a desire to avoid legal complications that the Baikal Finance Group was created to bid for Yuganskneftegaz.

Given the rise in oil prices, Yukos could not have gone bankrupt for purely economic reasons. Even after losing Yuganskneftegaz, it made good on a tax bill of \$23 billion by the end of 2005. The company's remaining units included oil fields capable of pumping 500,000 barrels a day of crude and Russia's biggest refinery. According to one restructuring plan, Yukos promised to liquidate \$18.2 billion in outstanding debts within 18 months. But the creditors rejected all offers and chose to dismantle the company, demonstrating that special interests were determined to destroy Yukos and distribute its assets. In the end, the principal beneficiaries were state energy concerns run by Putin's closest cronies.

The Yukos case gave huge impetus to the takeover of companies all over the country. The process became known as "raiding." This, however, was nothing like corporate raiding in the West where one company takes over another through a buyout in which both sides benefit. In Russia, raiders used their ties to corrupt government or law enforcement officials to seize the property of their rivals illegally.

In many regions of Russia, there are well organized syndicates that specialize in the seizure of large and medium sized enterprises (often, successful enterprises in the sphere of high technology.) Through their control over judges, prosecutors and officials at all levels, they are able to order searches, gather background information and falsify whatever documents are needed to seize enterprises.

A typical scheme is to plant a "Trojan horse" in a target company in the form of a minority shareholder. The infiltrator makes accusations of corruption that lead to a criminal investigation. The police and prosecutor's office actively pursue these cases in return for bribes. If the possibility of being charged with a crime is not enough to coerce a business owner into surrendering his company on the raiders' terms, he can be arrested or a court decision can be handed down that forces him to give up his enterprise.

The following are several case histories of raiding contained in a detailed analysis of the practice in the newspaper, *Novaya Gazeta*, February 10, 2010. They illustrate the insecurity of property in Russia in the face of seemingly universal bureaucratic corruption.¹⁰

Yuri Fink was a jazz musician who invented a device for monitoring the security of railway rolling stock in real time. He registered a patent, found a partner, Alexander Kaplinsky, and

¹⁰ Roman Anin, "Plan Perekhvat," *Novaya Gazeta*, No. 14, February 10, 2010.

became the head of a company which was named, “General Telecom.” At the same time, he quietly formed a second firm with an almost identical name which installed sputnik communications for the ministry of defense and large state companies.

His problems began when Russian Railways proposed a deal for the use of the monitoring device he invented that was worth 4 billion rubles. Fink drew up a contract between Russian Railways and the firm that was controlled only by him.

In August, 2008, a criminal case was started against Fink for alleged massive fraud in the operation of General Telecom. There was no documentary evidence of fraud. The case was based on the testimony of Kaplinsky and the employees of Fondservicebank and those of its affiliated firm, Informatsionniye Systemi, which became the owners of 50 per cent of General Telecom in 2004. For unknown reasons, General-major Yuri Alexeev, the deputy chief of the investigative commission of the MVD, became involved in the case.

Fink was arrested. This provided the opportunity for Informatsionniye Systemi to seize control of his companies, his invention and the four billion ruble contract. In custody, Fink wrote numerous complaints. At various stages, the evidence against him was pronounced invalid but in each instance, the accusation was restored and the materials returned again to the same prosecutor on orders of the investigative committee.

Roman Anin, a reporter for Novaya Gazeta who investigated the case, obtained a transcript of a conversation between Kaplinsky and a woman. The woman said to Kaplinsky, “You have been explaining for a year already that as soon as Fink is locked up, you will have your own apartment...well?” Kaplinsky then explains, “Volovnik [Alexander Volovnik, the president of Fondservicebank] already *zaryadil* (in effect, handed over) to Alexeev one and a half lemons (million dollars). Do you understand what kind of money... Now, the situation *kryshuet* (is being taken care of by) the investigative committee.”

Evegeny Ukhabin was the general director of Group Kvadro Telecom, a successful technology company. In 2000, he hired Viktor Shiryayev who had many friends in criminal circles and in law enforcement, to guarantee the company’s security. Shiryayev immediately, according to a statement by Ukhabin, suggested signing over 15 per cent of the shares to an MVD general named “Vlad.” Under the agreement, Shiryayev would have power of attorney for the general.

Shiryayev convinced Ukhabin that persons were trying to raid the company and the only thing that was protecting them was the protection of Vlad. Ukhabin began signing over additional shares and Shiryayev soon controlled 40 per cent of the shares of Kvadro Telekom.

In time, Ukhabin learned that “Vlad” was General Major Vladislav Volinsky, the head of the organizational-inspection department of the MVD. He and Shiryaev began to quarrel. He demanded that Shiryaev return the shares and leave the company. An intermediary, A. Kucherenko from the law firm, Primachev and partners, suggested a supposedly legal scheme for the return of the shares and the resolution of the problem. As soon as Ukhabin agreed, however, he was charged with swindling. The basis for the opening of a criminal case in relation to Ukhabin was the declaration of the deputy head of the FSB for Moscow and the Moscow oblast, Pavel Toporov.

Immediately after Ukhabin was detained, control over the company passed to Shiryaev, Group Kvadro Telecom opened two accounts in the Fondservicebank, which also figured in the Fink case. The damage that was supposedly done to Shiryaev by Ukhabin was evaluated by Independent Professional Analysis, the consulting company associated with Fondservicebank. The sum of supposed damages was so high that Ukhabin could only pay them by turning over the remainder of his shares. In light of the criminal charges against him, he had little choice.

In 1999, Dmitri Mikhailovsky bought out the other shareholders in the Concord Scientific Technical Center and became the firm’s general director. Beginning in March, 2006, however, the former shareholders began to be called by persons who offered them large sums to sell the shares in the company that they no longer owned. Shortly afterward, a forged statement from Concord’s bookkeeper was received in the local tax office reporting the loss of her certificate of registration and requesting a new one. On May 18, 2006, a new registration for the company was issued to Maxim Medvedev from Arkada, the company that had been buying up the “shares” in Concord.

Medvedev next, on the basis of the registration, presented documents attesting to the intention to dissolve Concord and the shares belonging to Mikhailovsky were removed from the unified state register. Mikhailovsky presented to the tax officials all of the relevant documents testifying to his ownership of the firm and the tax officials promised that they would recall the documents given to Medvedev. Instead, they confirmed Medvedev’s ownership of the company. Armed with the relevant documents, the new “owners” tried to take over the building on May 17 and May 27, 2006 with the help of armed men claiming to be OMON riot police. Mikhailovsky had no choice but to acquiesce in the sale of the firm and its 9,000 square meter building in the historic center of Moscow.

The final consequence of the system of state corruption under Putin is that it cannot be challenged except at the risk of one’s life.

Yuri Shchekochikhin, a State Duma deputy and investigative journalist, died June 2, 2003 after his skin erupted in a series of blisters and began to peel off. He had been investigating the Tri Kita ("Three Whales") furniture chain, which allegedly imported furniture without paying millions of dollars in customs duties. A director of the chain was Yevgeny Zaostrovtssev, a former general in the Russian foreign intelligence service. His son, Yuri, was a first deputy director of the FSB in charge of economic crimes. An autopsy concluded that Shchekochikhin died of an extremely rare allergic reaction to medication but no traces of medication were found in his system. His colleagues at Novaya Gazeta are convinced that he was poisoned.

Others who dared to expose high level crimes met a similar fate. Anna Politkovskaya, Russia's best known investigative journalist, was murdered in October, 2004. In all, since 2000, there have been at least 17 journalists murdered in Russia in connection with their work.

The most striking recent example of the system's revenge against anyone seeking to challenge it, however, was the fate of Sergei Magnitsky, a Russian lawyer for the London based hedge fund, Hermitage Capital Management, who died in the Matrosskaya Tishina prison on November 16, 2009 after being denied urgent medical care for pancreatitis.

In 2007, three firms, Makhaon Ltd., Parfenion Ltd., and Reland Ltd, that specialized in trading shares of Gazprom, and were part of Hermitage Capital were seized with the help of the MVD. The nominal directors became three former criminals. The stolen companies concluded fictitious contracts for the delivery of shares. In Arbitration Court, the contracts were pronounced unrealizable. Revised tax declarations were then filed along with requests to return supposedly already paid taxes according to the unrealized contracts. The tax authorities returned billions of rubles from the state treasury to the accounts of the stolen companies. The money then disappeared.

In 2007, Magnitsky, a lawyer employed by Hermitage, began to investigate the theft of the Hermitage companies and uncovered the details of a \$230 million tax fraud as well as a web of corruption involving high ranking police, judges, lawyers and representatives of Russian organized crime. He began to receive death threats but refused to leave Russia and in November, 2008 was arrested on charges of tax avoidance by the police officers involved in the alleged fraud.

During a year of pretrial detention, Magnitsky was denied permission to see his family for 11 months and denied necessary medical attention as his condition began sharply to deteriorate. On July 1, 2009, he was diagnosed with pancreatitis and ordered to have an ultrasound examination and operation within a month. A week before the planned

examination and surgery, however, he was transferred to the Butyrka prison where there was no ultrasound machine and so the operation could not take place.

On November 13, Magnitsky began to complain about severe stomach pains and vomiting. On the 16th, he was transferred from the Butyrka back to Matrosskaya Tishina but was not treated. When he told the staff that someone was trying to murder him, this was treated as a “psychotic episode.” In extreme agony, Magnitsky was finally left alone in an isolation ward for an hour and 18 minutes where he died.

Corruption as a System of Government

Putin had a chance to fight Russian society’s lawlessness during the first years of his administration. Instead, he simply organized corruption on his own behalf and that of his political clan. Eliminating corruption would have required transparency, accountability and the rule of law. It would not have been possible to seize enterprises like Yuganskneftegaz with the help of fictitious firms like Baikal Finanzgroup and it would have been impossible for Putin to rule forever.

The result of the failure to eliminate corruption and its development into an entire system of government is that the Russian economy, despite all outward signs of progress, is plagued by fundamental instability. At an investment meeting in March, 2011, Medvedev conceded that the “investment boom” that he was seeking did not happen and he cited corruption as the cause. “The grip of corruption is not loosening,” he said. “It’s a chokehold on the economy. The result is obvious. The money is fleeing our country.”

There is also uncertainty among Russia’s rulers about the security of their own thefts that leads to a state of constant tension. They know that just as they stole someone’s property, tomorrow someone can steal theirs.

Under these circumstances, there is an inability to restructure and a lack of any incentive to innovate which increases Russia’s dependence on oil and gas prices, which, in light of the deterioration of the non-energy sector, becomes truly dangerous. Crude oil and gas now account for 75 per cent of the value of Russia’s exports. Because of increased defense and social expenditures, Russia’s budget and balance of payments will only stay balanced if the price of oil continues to rise. The finance minister, Alexei Kudrin, said that the Russian budget will not balance in 2012 even at \$115 a barrel while the non-oil budget deficit was expected to be 12.7 per cent of the GDP according to the International Monetary Fund. Under these circumstances, a sharp fall in the price of oil or new extraction technology that could lead to a crash in the Russian gas market would be a disaster for Russia.

Two thirds of Russian industry is uncompetitive. These uncompetitive industries produce low-quality goods for the internal market and are supported by barriers to imports. They waste resources that could be freed for more productive use but are highly embedded in the social and economic system and have ties to officials. According to normal economic logic, many of these enterprises need to be eliminated which would lead to a sharp rise in unemployment and crisis conditions, particularly in 400 cities where the affected enterprise is the only employer. Such a change, however, is probably vital to Russia's economic future but it could be accomplished if there was an end to corruption and serious changes in Russia's political and economic practices. Under existing conditions, such painful but necessary change is out of the question. It is avoided, for the time being, with the help of the flow of money from raw materials which makes the possibility of a crash in oil and gas prices all the more menacing.

On the issue of corruption there is little hope that Russia under the present leadership is capable of a turn for the better. On June 20, 2011, according to the newspaper, Novaya Gazeta, a declaration was provided to investigators demonstrating the mechanism for the creation of the shadow budget of Russia, a source of the massive corruption of Russian officials. But, according to the newspaper, it is not likely to be investigated. At best, the newspaper said, it will be investigated for years and used as a sword of Damocles to threaten rivals in various murky internal battles. The reason is that the "system of gigantic corrupt schemes (conversion to cash, tax fraud, money laundering and the export of money, including that obtained through swindles with state purchases) was created not only at the top... but at the peak of the [power] vertical."

3. The North Caucasus

On January 24, 2011, a suicide bomber blew himself up in the arrivals hall of Moscow's Domodedovo Airport, leaving 36 dead and 160 wounded. The attack came nine months after attacks by suicide bombers on the Moscow metro and contributed to the deep sense of insecurity that Russians today feel in the face of terrorism. In the decade since 1999, when Putin first promised to "wipe out the terrorists in their outhouses," the number of terrorist attacks increased six times, from 135 to 786. Moscow is the only European capital to have been hit by terrorists repeatedly.

The source of the terrorist threat is the North Caucasus. In 1991, Chechnya, a mountainous republic with a population of just less than a million, declared its independence. In December 1994, Russia invaded Chechnya, expecting to crush Chechen resistance in a matter of hours. The ensuing war, however, went on for 18 months and ended with a Russian defeat. In June 1996, Russia and Chechnya signed the Khasavurt Agreement which provided for the withdrawal of Russian troops and negotiations to determine Chechnya's final status within five years.

In May 1997, Yeltsin signed an agreement with the elected president of Chechnya, Aslan Maskhadov, which referred to the Chechen Republic Ichkeria as a "state" with which Moscow pledged to have relations "in accordance with the universally accepted principles and norms of international law." The Khasavurt Agreement, however, provided for Russian aid for Chechnya and this aid was not forthcoming. All factories and processing plants in Chechnya had been bombed, 15 per cent of the republic's cultivatable soil was covered with mines and between 60 and 70 per cent of the housing had been damaged or destroyed. Without aid, Chechnya's economy was all but inoperable. At the same time, Russia refused to support the secular, separatist government against radical Islamists which had the effect of undermining it, with disastrous consequences.

Chechnya was an early target of radical Islamists but, at first (between 1991 and 1994), they made little headway. In the interwar period, however, the Islamists became more prominent. At a time when the Chechen government had no money, the Chechen Wahhabis seemed to have an unending supply. Dozens of luxury houses and foreign cars appeared in the impoverished republic. They belonged to those whose first goal seemed to be to destroy the Chechen Constitution. As they put it, "Our constitution – this is the Koran." The Wahhabis' arrogance and rejection of nationalism, however, alienated the majority of the population.

Their ascendancy of the Islamists began with the second Chechen war, which followed a new Russian invasion of Chechnya in 1999. The Chechen resistance soon was split. In some villages, there were two resistance groups, one separatist and one Islamist.

In the spring of 2000, however, the Russians began large scale abductions of persons who were tortured in the filtration camps or “disappeared.” These tactics strengthened the Islamists and new recruits increasingly joined the radicals. Soon, Chechnya witnessed the first suicide attacks on Russian checkpoints,

At the same time, both the Russians and the Chechens began to view the conflict in terms of the entire region. After the Chechen forces were driven out of Grozny and into the mountains in the second war, Maskhadov who was now the leader of the resistance, developed a plan to broaden military resistance beyond Chechnya. This resistance was to be based on the jaamats, traditional tribal-based communal organizations. Despite their differences, Maskhadov’s agent in spreading the conflict beyond Chechnya’s borders was his rival, Shamil Basaev, who had taken over as leader of the Islamists.

Chechnya

In fact, Russia never reconciled itself to Chechen independence. On June 11, 2000, the Russian authorities appointed Akhmat Kadyrov, the mufti of the Chechen Republic, head of the Chechen government. During the first Chechen war, he had called for jihad against Russia. But in 1999, he switched sides, helping to assure that Russian forces could enter Eastern Chechnya without resistance.

In 2001 and 2002, the Russian forces relied on security sweeps, kidnappings, summary executions and indiscriminate bombardments to subdue the country. In all, it is believed that 3,000 persons disappeared in Chechnya. This, however, did not crush Chechen resistance.

In 2003, the Russians adopted a new strategy: “Chechenization.” The plan was to use Kadyrov and pro-Moscow Chechens to stamp out resistance and provide them with what Russia had refused to provide after the first war -- unlimited funds for reconstruction. Kadyrov was assassinated on May 9, 2004 but his role as the key Russian operative in Chechnya was soon played by his son, Ramzan. The pro-Kremlin Chechen government created police and security staffed exclusively by ethnic Chechens. They were as cruel as their Russian predecessors but more discriminating. This helped them to split the ranks of the resistance. Rebels were offered amnesty and the possibility to return home.

Kidnappings fell and abducted persons no longer inevitably disappeared. They began increasingly to be released after interrogation (and torture.)

Meanwhile, the new Chechen government began to be flooded with money. According to documents published by Wikileaks, a third of all of the money sent to the republic for reconstruction went to Ramzan Kadyrov but this still left enough to rebuild Chechnya's cities, particularly Grozny, which had been carpet bombed and where 70 per cent of the housing stock was destroyed.

Kadyrov was given a free hand to run Chechnya. He was allowed to appoint the heads of the MVD, FSB, tax police and customs. He also controls the judiciary. No other regional leader in Russia has this level of control. Russians, in effect, gave to Chechnya the independence that they fought two wars to crush and which they almost certainly could have negotiated with either Maskhadov or Djofar Dudayev, his predecessor as Chechen president. The only difference is that Kadyrov is outwardly loyal to Putin and to Russia while, in fact, running Chechnya without interference.

At the present time, Chechnya is peaceful. Grozny has been the scene of a building boom. Kadyrov has overseen the construction or reconstruction of thousands of housing units as well as a multi-million dollar stadium, a huge mosque named after his father and a business center with a forty story apartment complex. He has a fleet of luxury cars, a private zoo and racehorses. Asked recently where such wealth came from, he told reporters, "from Allah."

The population is tired of war. Out of a population of nearly a million, at least 50,000 Chechen civilians were killed. At the same time, many persons appreciate the reconstruction of the republic and do not want to see it again destroyed. Perhaps most important, however, Chechens live in fear. The level of official violence has decreased but anyone suspected of opposition can be tortured and killed.

Perhaps the best example of the terror in Chechnya is the fate of Natalya Estemirova, who worked for the Chechen branch of the Memorial human rights society. A single mother, she was abducted on the street in Grozny and murdered on July 15, 2009. Estimirova was almost the only source of information on torture, abductions and murders carried out by the security services under Kadyrov. After her death, the Chechen Memorial was closed. In one of her last meetings with Kadyrov, he virtually foretold Estimirova's death. She had criticized the policy of compelling young girls in Chechnya to wear head scarves. In response, Kadyrov said, "I'm up to my elbows in blood. But I'm not ashamed of this. I murdered and will murder bad people. We're fighting with enemies of the republic."

Besides the killings of human rights activists, Kadyrov is a suspect in the killing of Chechen refugees and political opponents. In March, 2009, Sulim Yamadaev, a former Chechen commander and Kadyrov foe, was assassinated in Dubai. On January 14, 2009, Umar S. Israilov, a former Kadyrov bodyguard, was shot as he left a grocery store in Vienna. He had filed a complaint with the European Court of Human Rights describing the use of abductions and torture by Kadyrov. His killing followed the murder in September 2008 in central Moscow of Ruslan Yamadaev, a former State Duma deputy and the brother of Sulim, and the killing of Movladi Baisarov, another Kadyrov opponent, by Chechen police in Moscow in November 2006.

Ingushetiya

The decline in violence in Chechnya was met, beginning in 2002 with the rise of violence in formerly peaceful Ingushetiya, a tiny neighboring republic with a population of a little over 400,000.

Emir Magas aka Akhmed Taziev-Yevloev was one of the few Ingush to fight in Chechnya during the first war. He fought under Basaev in 1995-96. With the beginning of the second war, he rejoined Basaev's forces but Basaev sent him back to Ingushetiya where he recruited Ingush to assist the Chechen rebels in the territories adjoining Chechnya. These became the basis of the first united Shariat Jamaat of Ingushetiya.

In response to increasing rebel activity in Ingushetiya, Murat Zyazikov, a Putin crony who was elected president in a blatantly rigged election, approved the abduction and summary execution of hundreds of persons. This led to a massive influx of young men into the insurgents' ranks. In June 2004, Magas and his followers carried out a massive attack against the interior ministry in Nazran, the capital of Ingushetiya, which took the Russians completely by surprise. In the course of a single night, nearly 80 police and security personnel were killed.

In June 2006, there were more than twenty terrorist operations in the republic. There was considerable doubt, however, as to the identity of the perpetrators in the case of some of the killings. Among those assassinated by terrorists were the deputy minister of internal affairs, Dzhabrail Kostoev, and the commander of the republican riot police, Musa Nal'giev. Nal'giev was murdered along with his young children, which, as the newspaper, Kommersant pointed out was intended to convey the message that, "He who cooperates with the federal center will be pitilessly destroyed together with his family, including his children."

The victims also, however, included two Russian families, who were killed in the summer of 2007, a Korean father and son, who were shot dead on September 6, 2007, a Russian woman doctor, who was killed the following day and a father, and two sons identified as gypsies who were killed on September 11. The deputy head of the Sunzhensky district in the republic, Galina Gubina who had been in charge of a program to return ethnic Russians to Ingushetiya was shot dead in June, 2006. However, the Ingush jamaat expressly denied that it was responsible for the killing of civilians.

The killings of civilians were widely reported to be the work of unidentified gunmen traveling in unmarked cars. Two men arrested on suspicion of killing the first Russian family were a Russian and an Ossetian. Isa Merzhoyev, the Ingush interior ministry official who made that information public was himself shot dead on August 11.

On August 31, 2008, Magomed Yevloev, the owner of the website, Ingushetiya.ru and a political opponent of Zyazikov, was picked up at the airport in Nazran by the police and shot in the head and dumped on the road.

Yunus-Bek Yevrukov, who took over from Zyazikov as president of the republic, tried to prevail on the security services to reduce the number of house searches and arrests. He was the object of an assassination attempt in June 2009 but survived. Nonetheless, violence in the republic has declined in the three years since he was appointed. In 2010, the Ingush rebels suffered two key losses. Said Buryatsky aka Alexander Tikhomirov, one of the militants' chief ideologues, was killed March 2 and Magas was arrested in June. Nonetheless, the situation is still very dangerous. The insurgents are no longer striking daily but Ingushetiya had the second highest number of victims of violence in the North Caucasus in 2010; 134 persons were killed and 192 wounded.

Dagestan

In 2000, Basaev instructed key Dagestani aides, who were involved with him in the 1999 invasion of Dagestan by Chechen and Dagestani Islamic rebels, an event that helped to precipitate the second Chechen war, to return home and establish a network of clandestine semi-autonomous military jamaats. They soon began a campaign of assassination against police and government officials. On May 9, 2002, 40 military personnel were killed in a terrorist bombing of the Victory Day parade in Kaspiisk, near the capital of Makhachkala.

According to Aburashid Saidov, a Dagestani journalist, the authorities responded to the growing insurgency with mass arrests of anyone who observed even the most basic Islamic norms, for example, growing a beard, attending Friday prayers and abstaining from alcohol.

For a suspect to be released, the police demanded money and, in the absence of a ransom, it was easy to fabricate a criminal case. The methods employed by the sixth department of the interior ministry in Dagestan, which was responsible for combating terrorism, according to Saidov, shocked even men from other security services. "One such torture is completely grinding down the teeth of a strapped down victim using a file. Another is inserting a tube into the anus, threading through a piece of barbed wire, removing the tube and then pulling out the wire until the victim confesses."¹¹

It has lately become common among law enforcers to burn people alive in their cars. "They are then accused of blowing themselves up by accident," said Svetlana Isayeva, who runs the group Mothers of Dagestan and whose 25 year old son disappeared from the street outside her home.

In 2005, Dagestan surpassed Chechnya in the number of terrorist acts. Police spokesmen estimated that in 2006, there were 2,500 rebels active in the republic with only perhaps several hundred active in Chechnya. Many leaders of the jamaat were killed in 2009 and 2010 but the Dagestani militant underground survived and in early 2010, the first suicide attacks occurred in Dagestan proper. On January 6, a truck bomb was detonated at a federal barracks in Makhachkala, killing and wounding scores of people. The January attack was followed by the suicide attacks on the Moscow metro, March 29 which were carried out by two women from Dagestan and, on March 31, two further suicide attacks took place in Kizlyar in Dagestan, killing scores of police officers.

The situation in Dagestan is complicated by the fact that not all murders and terrorist acts directed against the security services are cases of Islamic radicalism. They are often the results of conflicts over business. According to Mukha Aliev, the former president of Dagestan (2006 to 2010), the shadow economy accounts for more than 50 per cent of the business activity in the republic. The police often act as arbiters between corrupt interests and government agencies making them targets in gangland conflicts.

In February, 2010, Magomedislam Magomedov became the president of Dagestan, succeeding Aliyev. Magomedov said that he was adopting a new approach based on reconciliation. He called for dialogue with all forces in society and promised to correct the mistakes that drove many young people into the hands of the militants. But this did not lead to any immediate shift in the security situation. In 2010, Dagestan became the most violence-ridden place in the North Caucasus, overtaking Chechnya and Ingushetiya. According to the web site, Caucasian Knot, out of 1,710 casualties in the North Caucasus in

¹¹ Aburashid Said, "Dagestan Diary," in Glenn E. Howard (ed.), *Volatile Borderlands: Russia and the North Caucasus*, Jamestown Foundation, 2011.

2010, 685 occurred in Dagestan. These included 124 fatal casualties among security personnel and 176 alleged militants.

Kabardino-Balkaria

Basaev also organized the “Yarmuk” jamaat in the formerly peaceful republic of Kabardino-Balkaria. Although there were radical Islamic groupings in Kabardino-Balkaria in the 1990s, the republic was not a center of Islamic militancy. It was characterized instead by its growing economic problems. Under Valery Kokov, the president of the republic, the debt to the central government reached 2.9 billion rubles, more than twice the republic’s annual budget. Doctors, teachers and officials were not paid, and heat, electricity and water were disconnected on a regular basis. Unemployment reached 25 per cent. Meanwhile, the suburbs of the capital, Nalchik, filled with the mansions of government officials.

In 2003, members of the Yarmuk jamaat carried out the first attacks against the police. The police responded with a massive counterstrike against those they believed to have some connection to the jamaat. Believers were dragged out of mosques and were beaten by the hundreds. In some cases, they had [Orthodox] crosses shaved on their skulls and had their beards set on fire. The persecution had the effect of further increasing the appeal of the jamaat and filling its ranks

On October 13-14, 2005, only months after the authorities announced that it had been destroyed, the jamaat launched a massive attack on the police in Nalchik in which 35 law enforcement officers and 15 civilians were killed; 220 persons, including 131 representatives of law enforcement were wounded. The appearance of some 150 rebels in the city stunned the authorities. Basaev reportedly watched the fighting from a nearby hilltop and chose not to commit 150-300 of his own fighters to the battle. If he had, the damage would have been considerably worse.

After the 2005 Nalchik raid, 3,500 troops hunted down the insurgents. But this did not put an end to the revolt. After the Nalchik attack, the Yarmuk jamaat was able to organize affiliated structures in virtually all of the major towns of the republic. These had the ability to act autonomously. Kokov was succeeded by Arsen Kanokov, who promised reforms but militant activity steadily increased, growing four to five times, faster than anywhere else in the North Caucasus. In 2010, there were 108 attacks on law enforcement personnel in which 42 persons were killed. In addition, 31 civilians were killed and 53 injured in a republic with a population of 900,000.

The Rise of the Caucasus Emirate

After the death of Maskhadov in the spring of 2005, a new military structure was organized by his successor, Abdul Khalim Sadullayev which was named the Caucasus Front, in recognition of the increasing role of the Dagestanis. Sadullayev was killed in June and Basaev shortly afterward and in the wake of these deaths, the military infrastructure was reorganized under Doku Umarov, a veteran Chechen field commander. Military jamaats outside Chechnya (in Ingushetiya, Kabardino-Balkaria and Dagestan) took an oath of allegiance to Umarov. In late 2007, Umarov formally abjured the cause of Chechen independence and proclaimed himself head of a virtual Caucasus Emirate.

The shift in ideology from nationalist to Islamist led to a greater emphasis on terrorism. Umarov took credit for the bombing of the Nevsky Express Moscow to St. Petersburg train in November, 2009 in which 27 persons were killed. He also took credit for the suicide attacks in March, 2010 on the Moscow metro in which 40 persons were killed and 95 injured (the two women bombers were recruited by the Dagestani militant, Magomed Vagapov (aka Seyfullakh Gubdensky), and the suicide bombing in January 2011 of the Domodedovo Airport.

At the same time, even as Russia fights to retain control militarily, the North Caucasus is separating from it politically on an almost daily basis. The wars have turned Chechnya and Ingushetiya into mono-ethnic societies. Dagestan is now undergoing the same process and Kabardino Balkaria will soon share the same fate.

The Russian authorities have felt compelled to stop drafting Chechen youths into the Russian army because of the hostility toward them and tensions are being aggravated by the Russian Orthodox Church which recently canonized Yevgeny Rodionov, a Russian soldier who died in Chechnya, declaring that he was killed for his Christian faith. This was done despite an absence of witnesses and the widespread belief that the story was fabricated.

Although the Russian authorities express determination to hold on to the North Caucasus, there are signs that many Russians would be happy to see the region separate. In one protest in 2011, hundreds of people, mostly young men, marched across the Moscow River from Putin's office, shouting, "Stop feeding the Caucasus!" They were reacting not only to the continued violence in the region and the terrorist attacks in Moscow but to the regional leaders' ostentatious spending.

An opinion poll conducted by the Levada Center, a Moscow polling agency, in May, 2011 found that 51 per cent of the population would not care if the country did not include Chechnya, higher than at any time during Putin's leadership.

In August, in a meeting with youth activists from the region, Konstantin Krylov, an organizer of the anti-Caucasus protests, was quoted by The New York Times as saying, "Our infrastructure is degrading, the population is getting poorer, and along with many other bad things, we see huge amounts of tribute being paid to the Caucasus. For this amount of money, we could buy ourselves an atoll somewhere in the Pacific Ocean. The climate is better there and it would be easier to turn it into a vacation area. I would seriously consider trading Chechnya for Vanuatu."¹²

¹²Michael Schwartz, "Russian Anger Grows Over Chechnya Subsidies," The New York Times, October 9, 2011.

4. Foreign Policy

Three years after it was initiated, the “reset” in U.S.-Russian relations, is heading toward its logical conclusion. Russia joined China in vetoing a United Nations resolution calling on the Syrian president Bashar al-Assad to step aside. Russia said it cast the veto because the resolution was biased, illegal and could promote “regime change,” something that Putin fears in the case of Russia.

At the same time, anti-American propaganda in Russia has become more intense. Russia’s main official television station aired a documentary film, “A Bridge Over the Abyss,” about Russia after the fall of the Soviet Union depicting Putin as the person who saved the country from ruin, and the West and the U.S. as obstacles to Russia’s revival. In an interview in the film, Putin said, “It seems to me our [foreign] partners don’t want allies. They want vassals. They want to direct things. But Russia doesn’t work that way.”¹³

A separate documentary, “Foreigners Will Help Them” aired last week on another channel, featuring audio and visual tapes of Russia’s opposition leaders and accusing them of accepting orders from U.S. officials.

The reset in U.S.- Russian relations was always unrealistic. Obama and Medvedev signed a new strategic arms reduction treaty. They reached an agreement on cooperation over Afghanistan. There was a narrowing of differences over Iran. Also, a bilateral commission was created, a spy scandal involving Russian sleeper agents was downplayed and Obama began referring to Medvedev as his “partner” and “friend.”

On closer examination, however, each of the “achievements” of the reset policy was either chimerical or could have been achieved without a policy that, by implicitly accepting U.S. responsibility for the deterioration of relations, conceded legitimacy to the distorted worldview of the Russian regime.

The arms reduction treaty was unnecessary and did not lead to Russian cooperation over missile defense. The agreement over Afghanistan was helpful but in Russia’s own interest. The cooperation over Iran was not significant and a friendlier tone has done nothing to mitigate Russia’s policy of pressure on surrounding states. Finally, despite self-censorship over human rights, in any serious matter, the U.S. cannot count on Russian support.

¹³ Alan Cullison, “Kremlin Resorts to Anti-Americanism,” The Wall Street Journal, February 6, 2012.

A New START?

The new START treaty, which was signed in April, 2010 in Prague, was greeted with inflated rhetoric. Obama called the treaty “a milestone.” Medvedev said it was a “win-win” situation. News reports hailed a “new chapter” in U.S. – Russian relations. It was hoped that the treaty would help turn Russia into a strategic partner of the U.S. and lead Russia to be more cooperative on U.S. missile defense. But the hopes for the treaty were destined to be disappointed.

The treaty limits each country to 700 deployed launchers. But as a result of the aging of its Cold War nuclear arsenal, Russia was below this ceiling even without a treaty. The treaty actually leaves open the possibility that the number of launchers can increase. (In fact, the process of retiring Russian missiles must continue. Otherwise, they will pose the greatest threat to Russia itself.)

The treaty also did nothing to improve the prospects for cooperation over missile defense. The April 2009 U.S.-Russian joint statement said that the treaty would deal only with strategic offensive arms. But in the following year, the Russians began to insist that the treaty include a linkage between offensive and defensive weapons. In the end, the U.S. agreed to nonbinding language in the treaty’s preamble stating that there is a relationship between offensive and defensive weapons. The Russian State Duma ratified the treaty but it then adopted a resolution that the treaty can only be fulfilled if emerging missile defenses do not erode the Russian nuclear deterrent. The Duma resolution is also nonbinding but it is an indication that the treaty may be held hostage to efforts to curb U.S. missile defense with the language of the preamble used as a spurious justification.

At the same time, the treaty distracted attention from an issue that, from the point of view of U.S. security interests, is actually more pressing than the reduction of strategic arms. This is the reduction of Russian tactical nuclear weapons.

The total numbers of these weapons on both sides are unknown. In 1991-92, Presidents George H.W. Bush, Mikhail Gorbachev, and Boris Yeltsin stated their intention to store or eliminate warheads for tactical nuclear weapons. But the regime for this is not legally binding and has no transparency or verification measures.

Russia has occasionally raised the issue of U.S. tactical weapons in Europe but largely for propaganda purpose. U.S. tactical nuclear weapons in Europe have been cut by 90 per cent since 1991. This, however, has not been reciprocated by the Russians and there are strong

indications that Russia continues to see its tactical weapons as a means of intimidation in Europe.

The Obama administration has described the new START treaty as an important step to “getting to zero,” a world without nuclear weapons. The more realistic view taken by the Russians was spelled out by Alexei Arbatov, of the Institute of the World Economy and International Relations in Moscow in an interview, January 25, 2011, with Izvestiya. He said the new treaty “restricts American strategic forces... it will bring them down to a level where Russia with its economic capacities will be able to maintain parity with the United States.” He pointed out that the treaty recognizes Russia “as America’s equal in the matter of strategic arms limitations... No other nuclear power enjoys this status. For Russia, it means prestige in the eyes of the international community and a certain leverage with the United States... and with other countries.... With the new treaty... we will be in a position to exert influence with their ABM (anti-ballistic missile) system development program...”

The Missile Defense Issue

As Russia was negotiating the new START treaty with the U.S., it was working actively to frustrate U.S. plans to put anti-missile installations in Poland and the Czech Republic which were treated as a threat to Russia’s nuclear deterrent and became the focus of furious anti-Western propaganda in the Russian media. In fact, as Russia’s own experts acknowledged, the missiles were never a threat to Russia’s ICBM force which is designed to strike over the North Pole. The missiles intended for deployment in Poland were too slow to catch them and, in fact, designed for a completely different purpose. The most likely explanation is that Russia was not worried about a threat to its strategic missiles but rather to its tactical missiles. The defensive missiles to be deployed by NATO, if further developed into a ramified network, could conceivably negate Russia’s tactical nuclear weapons which are useful not for retaliation against a Western attack but rather, for political reasons, to keep American allies under threat. Their utility in this regard was demonstrated by Russia’s threats of missile strikes against Poland, the Czech Republic, Ukraine and recently Western Europe for either hosting missile defense systems or joining NATO.

Nonetheless, in a move intended at least in part to improve U.S. - Russian relations, Obama in 2009 cancelled the projected system, announcing that the U.S. would rely on shorter range mobile missiles rather than on fixed site interceptors. The Russians, at first, reacted positively but then made it clear that they were opposed to any system of European missile defense on the grounds that it would undercut their nuclear deterrent. They insisted that NATO promise that any system would not be used against their missiles. According to a report in the newspaper, Kommersant, Russia wanted a treaty on the matter to include

information on the total number and the kinds of missile interceptors that would be deployed in the shield as well as their speed and deployment locations. The U.S. made it clear, however, that it would not make any agreement that could impose restrictions on the anti-missile system.

In response to the deadlock over European missile defense, Russia suggested a joint missile shield. At the NATO summit in Lisbon in November 2010, NATO approved U.S. plans for a U.S.-led missile defense in Europe and invited Russia to join. NATO Secretary General Anders Fogh Rasmussen called the agreements reached with Moscow at the Lisbon summit a “breakthrough.” Russia, however, proposed a “sectoral” defense with both NATO and Russia at the controls, decisions made jointly, and Russia offered a specific area of responsibility. How this would work was hard to envisage. What NATO had in mind was cooperation between two independent missile defense systems.

In May, Medvedev warned about the possibility of a new cold war if talks on missile defense were to fail. In November, Medvedev threatened to deploy missiles in the Kaliningrad region which borders Poland and Lithuania as well as to other areas of Russia in order to aim them at U.S. missile defense sites if there were no agreement that allayed Russian concerns. Rasmussen responded by implicitly questioning the Russian leader’s sincerity. “You can’t in any rational way think that NATO constitutes any threat against Russia – it’s crazy,” he said. “And it’s a complete waste of money to deploy offensive weapons and capabilities directed against NATO territory.”¹⁴

Russian Cooperation on Afghanistan

While the U. S. and Russia were agreeing on strategic arms limitation and struggling over missile defense, there was progress over Afghanistan.

In the wake of the attack on September 11, 2001, Russia lent its support to the U.S. as it executed the retaliatory strike that drove the Taliban from power. Russia provided maps to help infiltration teams navigate the rugged terrain and cold weather equipment and other gear. It encouraged the Northern Alliance to assist the American special operation forces and regular soldiers and provided Northern Alliance troops with arms and ammunition. Putin also encouraged the leaders of the Central Asian nations to give the U.S. basing rights on their territory.

¹⁴David Rising, “Missile Plans Proceed, Despite Russia,” Associated Press, February 4, 2012.

After the defeat of the Taliban, however, Russian cooperation waned. The Manas Air Transit Center in Bishkek, the capital of Kyrgyzstan, had been a major transit point for the U.S. military beginning in December, 2001. Russia tried to have it closed. The first attempt was in 2005 after the Kyrgyz leader, Askar Akayev was removed in the March, 2005 Tulip Revolution which the Russians thought was part of the Bush administration's efforts to promote "regime change" throughout the former Soviet Union. That attempt failed but four years later, the Kyrgyz government announced that the U.S. would be expelled from Manas after being offered a \$2 billion Russian loan conditional upon this happening. The U.S. stayed at the base but only after it agreed in June to pay \$60 million in rent for the airfield, a significant increase. When in 2005, the U.S. criticized Uzbekistan for human rights abuses, officials in Russia encouraged the Uzbek president, Islam Karimov, to expel the U.S. from an airbase in Uzbekistan and were successful.

With the accession of Obama, however, U.S.- Russian relations improved and there began to be significant progress in obtaining Russian assistance with the problem of supplying the coalition forces through Russian and Central Asian territory. Most of the equipment and supplies required by the allied forces in Afghanistan traveled through the Khyber Pass and then to bases in Afghanistan. This route is exceedingly risky and over the years, many trucks were destroyed and Americans as well as Afghans and Pakistanis killed. As late as the spring of 2010, 70 per cent of the ammunition, food, gasoline and other supplies for the coalition forces moved along this route.

After Obama endorsed a surge in U.S. troops that would raise the number to close to 100,000 by the end of 2010, the Northern Distribution Network (NDN) which provided for transit through Russia and the right to overfly Russian territory gained in importance. In the fall of 2010, the U.S. and NATO expanded the NDN as the result of an agreement with Russia, allowing the transit of armored personnel carriers. A second agreement made it possible to ship cargo back from Afghanistan to Europe. At the same time, Kazakhstan gave the U.S. permission for U.S. planes flying over the North Pole to cross its territory into Afghanistan. There is now consideration being given to allowing lethal material to be included in the NDN shipments. As a whole, Russia's cooperation in allowing the U.S. and NATO to use the NDN has made a significant contribution to the West's military campaign in Afghanistan. As of May, 2011, 170,000 U.S. personnel had transited Russian territory on over 1,000 flights. Russia also continues to be the source of the most of the massive supply of gas and jet fuel that are needed by the coalition's ground and air units.

Russian cooperation over Afghanistan under Obama is the most significant positive result of the reset but the question remains whether it could not have been achieved regardless of the overall state of U.S.-Russian relations. Central Asia is tottering on the verge of chaos and the situation is likely to deteriorate further if the U.S. fails in Afghanistan. Local and foreign

jihadists have been active throughout the region for years and should the Taliban gain power in Afghanistan, they are likely to promote insurgencies throughout Central Asia, compromising the security of secular, pro-Russian governments and Russian business enterprises linked to the development of oil and gas. The success of jihadist groups in Central Asia would also contribute to the growth of extremism in the South Caucasus and other Islamic areas of Russia. Members of radical Central Asian jihadist movements, such as Hizb ut-Tahrir and the Islamic Movement of Uzbekistan have sought to proselytize in Southern Russia.

Under these circumstances, Russia could, of course, have declined to help the coalition effort in Afghanistan but only by endangering itself. Treating policy toward Afghanistan as a success of the reset, therefore, is attributing to good will what, in fact, is the result of a sober calculation of shared strategic interest.

Russian Obstructionism on Iran

The limited progress in U.S.- Russian relations over Afghanistan has not been matched by progress over Iran. Instead, Russia shows a complete disregard for the danger that Iran's nuclear program presents to the West. The cynicism of the Russian approach was revealed to Ariel Cohen, the Russian affairs expert at the Heritage Foundation, during a trip to Russia in 2010. As he related it, senior advisers to Putin and Medvedev told him that, "Russia has good relations with Iran... Russia would be the last state Iran would target even if it gets nuclear weapons."¹⁵

In November, 2011, the International Atomic Energy Agency (IAEA) released a report detailing Iran's progress toward the development of a nuclear bomb. It said that Iran is in the advanced stages of designing a nuclear explosive device small enough to fit in a warhead. It is also moving production of 20 per cent enriched uranium, which can be further enriched within months to 90 per cent weapons grade, to a facility near Qom located beneath dozens of meters of mountainside, where it could be used for producing nuclear weapons.

In response, the U.S., Canada and the U.K. imposed sanctions on Iran's petrochemical industry and its oil and gas business. Britain cut all financial ties with Iran. Canada also prohibited almost all financial transactions with the Iranian government. Russia, however, gave Iran its political support. On November 22, 2011, Russia refused to join in new

¹⁵Ariel Cohen, "Russia's Iran Policy: A Curveball for Obama," Heritage Foundation Backgrounder #2359, January 15, 2010.

sanctions against Iran. It criticized them as “unacceptable and against international law.” It said that imposing sanctions “seriously obstructs advancement toward a constructive dialogue with Tehran.”

Iran’s nuclear infrastructure has received Russian support since 1992. Russia provided technical expertise, nuclear fuel, equipment, parts and other components for the Bushehr nuclear reactor and protected it from U.N. sanctions. As recently as 2007, the U.S. intelligence community accused individual Russian entities of providing ballistic missile technology to Iran that helped Iran move toward self-sufficiency in the production of ballistic missiles.

There is a strong economic motive for Russia to cooperate with Iran. In 2008, Russian exports to Iran totaled \$3.3 billion. There is no market for Russian manufactured goods in the West but Russia exports machinery and technologically advanced products to Iran and a small number of other states. In this way, Iran plays an important role in supporting Russian machine-building and associated industries.

At the same time, trade with Iran serves the interests of Russian officials. In 2002, the U.S. offered Russia military and space cooperation and permission to store foreign nuclear waste. The visible economic benefits would have been the same or greater than those Russia got from its trade with Iran. But the offer was rejected because no deal with the U.S. evaluated by Congress and scrutinized by the government accounting office can provide the payoffs for influential individuals that are possible in a totally non-transparent deal with Iran.

Russia justified its refusal to join in sanctions against Iran in the wake of the IAEA report on the grounds that it did not contain fundamentally new information and that the known facts were given “deliberately a politicized sound.” This was a disappointment to U.S. policy makers but it was not surprising.

Russia has worked consistently to frustrate efforts through the United Nations Security Council to impose sanctions on Iran, only agreeing, in a few cases, after the sanctions regime had been seriously watered down.

According to Yevgeny Satanovsky, the president of the Institute of the Near East in Moscow, Russia is opposed to sanctions for reasons of self-interest. “We have a common border in the Caspian Sea,” he said. “If it wanted to in three or four months, Iran could organize a situation in the North Caucasus like Hezbollah in Southern Lebanon. Iranian missiles cover half of our European territory. We cannot afford to behave to Tehran like America, France or the UK behaves.”

Satanovsky said that Russian policy “represents the cynical... interest of a country that should have nothing besides interests because states do not have and cannot have any alliances and any allies, as is demonstrated by the U.S. Nobody... can stop the Iranian nuclear program. It is possible to try but it is impossible to achieve anything.”¹⁶

Russia and its Near Abroad

Cooperation on defense issues was clearly one of the goals of the reset but almost equally important was an acceptance by Russia of the rights of its neighbors, in particular, their right to choose a pro-Western orientation. In this respect too, Western hopes have been disappointed. Russia continues to see the former Soviet republics as its “legitimate sphere of interest” and the desire of Russia to impose its will is rife with the potential for further conflicts with the West.

Although Russia considers the entire post-Soviet space with the possible exception of the Baltic republics as its sphere of interest, the conflicts have been particularly acute in the cases of Ukraine and Georgia, which are potential members of NATO. Russia opposes a pro-Western orientation in either or both of these former Soviet republics because of the loss of influence that it implies and because the spectacle of former Soviet republics making a success of democracy is an implicit challenge to Putin’s authoritarian rule.

Russia has been consistent in its efforts to control Ukraine’s foreign and domestic orientation. Political loyalty on the part of Ukraine has been rewarded with favorable gas prices. At the same time, movement by Ukraine in a pro-Western direction has been met with political interference, sharp increases in gas prices and general economic pressure.

The gas infrastructure of the Soviet Union was located in Ukraine. It remained so even when the center of Soviet gas exploration and exploitation moved to Western Siberia. When the Soviet Union collapsed, Russia and Ukraine were trapped in a marriage of convenience. Ukraine’s gas came from Russia but much of Russia’s export pipeline network was in Ukraine. Russia could threaten to cut off supplies to Ukraine. But with 80 per cent of Russia’s gas exports going through its territory, Ukraine could retaliate by stealing the gas that was intended for Europe.

In the first years after the fall of the Soviet Union, relations between Russia and Ukraine were relatively good with Russia rewarding political cooperation on the part of Ukraine

¹⁶Andrei Yashlavsky, “This is cynical, grave interest,” *Moskovsky Komsomolets*,” November 11, 2011.

with favorable pricing on natural gas. In return for Ukraine's agreement to sell most of the Black Sea fleet to Russia and grant Russia basing rights in Sevastopol, Russia forgave most of Ukraine's gas debts.

Serious conflict only began in 2004 with the presidential candidacy of Viktor Yushchenko, a former prime minister, who called for closer ties with the West. In an attempt to help defeat Yushchenko, Russia lifted protectionist barriers against Ukrainian exports to Russia and gave massive financial assistance to the campaign of the sitting prime minister, Viktor Yanukovych, who was supported by the outgoing president, Leonid Kuchma. Putin visited Ukraine three days before the election to campaign for Yanukovych.

On September 5, Yushchenko was poisoned and became seriously ill. The leading suspect, Volodymyr Stasiuk, fled to Russia. The dioxin used to poison Yushchenko appeared to have come from a Kremlin laboratory. Despite the poisoning and the denial to Yushchenko of television time, Yushchenko defeated Yanukovych in the first round by a narrow margin. In response, the Russian strategy changed. Putin reportedly counseled Yanukovych to rely more on "administrative methods," shorthand for fraud and repression. In the next round of voting, on November 21, there was massive falsification. The independent NGO, Committee of Voters of Ukraine claimed that the fraud involved no less than 85,000 officials. Living persons were stricken from the voting rolls which were then filled with "dead souls." There was multiple voting and the stuffing of ballot boxes. The final results showed Yanukovych winning by three percentage points. Independent exit polls, however, showed that Yushchenko had won with 53 per cent against 44 for Yanukovych.

In response, the opposition massed in the center of Kiev and protested. The U.S. expressed its concern over evidence of vote fraud and many Ukrainians supported Yushchenko. After 17 days, agreement was reached on new elections and Yushchenko won by 52 to 44 per cent, reflecting what the exit polls had indicated after the second round.

In an attempt to influence the outcome of the 2004 presidential election, Gazprom had supplied Ukraine with natural gas at a rate of \$50 per 1,000 cubic meters. But after Yushchenko's victory, Gazprom demanded payments of \$230 per 1,000 cubic meters, which Kiev refused. Gazprom then cut exports to Ukraine on January 1, 2006 which caused a European crisis. Poland, Hungary, Austria, Germany and Italy reported reduced supplies. Ukraine siphoned off some gas for its needs but reduced pressure in the lines also played a role. Not even at the height of the Cold War did the Soviet Union resort to energy blackmail.

The 2006 gas crisis was eventually settled with an agreement according to which natural gas from Turkmenistan, Uzbekistan, and Kazakhstan would be transported through Russia

in a mix that would supply Ukraine at a rate of \$95 per 1,000 cubic meters. Any Russian gas fed into the mix would be sold at the full rate of \$230.

The agreement appeared to benefit corrupt elements in both Russia and Ukraine. The supplier of billions of dollars worth of Russian and Central Asia gas to Ukraine was the Swiss registered company Rosukrenergo. Half its shares are owned by Gazprom. Both the chairman and the deputy chairman of Ukraine's national gas company, Naftohaz Ukrainy, have served on its board. In 2005, Oleksandr Turchynov, the head of the Ukrainian security service, suggested a tie between the company and Semyon Mogilevich, a Ukrainian born businessman with ties to organized crime who was living in Moscow. Mogilevich is on the FBI's wanted list for racketeering. But an investigation into this issue was stalled amid claims of Kremlin pressure.

The end of the gas dispute in 2006 restored an uneasy calm but it was followed by another gas war in 2009. The ostensible cause of the conflict was that Ukraine, which was in economic crisis, had failed to make good on its gas debts. The dispute, however, came in the wake of the Russo-Georgian war and Yushchenko's public support for Georgia. European diplomats in Moscow attributed it to anger over Yushchenko's action and a desire to sabotage him and his plans to bring Ukraine into NATO.

On January 7, Russia cut off its supplies of natural gas to Ukraine for 14 days, causing natural gas shortfalls in over 20 countries. Before it was resolved, the dispute resulted in the collapse of industry in Ukraine and contributed to the shrinking of its economy by over 29 per cent from 2008 to 2009, seriously weakening the political position of Yushchenko.

In the end, Russian pressure in combination with Yushchenko's own mistakes led in 2010 to the victory of Yanukovich in the 2010 elections. Yanukovich immediately reoriented Ukraine's policies in a more pro-Russian direction and abandoned Yushchenko's bid to take Ukraine into NATO.

The Russian Intervention in Georgia

If gas supplies were the weapon of choice in Russia's efforts to exert control over Ukraine, Russia was prepared to employ consistently more brutal means in its attempt to impose its control over Georgia. After the breakup of the Soviet Union, Georgia's efforts to establish its independent statement interfered with Russian plans to extend its dominance leading to provocations, assassination attempts and war.

The breakup of the Soviet Union deprived Russia of deep water harbors on the Black Sea coast. Such ports existed, however, in Georgia. In the summer of 1992, Russian intelligence and defense officials visited Abkhazia, a region where the minority Abkhaz nationality had long sought a separate state. A short time later, the Abkhaz declared independence and when Georgian troops tried to crush the revolt, they were defeated by an “Abkhaz” army that included mercenaries recruited by Russian intelligence.

This army soon controlled almost all of Western Georgia and Georgia was forced to lease its Black Sea ports to Russia. In the meantime, in Abkhazia, the Abkhaz carried out an ethnic purge that left them as the largest group in the republic.

At the same time, Russia intervened in the conflict between Ossetians and Georgians in the Georgian province of South Ossetia where fierce ethnic fighting had been going on since 1990. In 1992, Georgia accepted a ceasefire to avoid a large scale confrontation with Russia and began a period of uneasy coexistence with a South Ossetian separatist government in the regional capital, Tskhinvali.

In the mid-1990s, the West began to focus attention on the strategic importance of the Caucasus and the energy resources of the Caspian Sea and Central Asia. Eduard Shevardnadze, the Georgian president, surrounded himself with pro-Western advisers and in March, 1998, agreed to the Baku-Tbilisi-Ceylan Pipeline (BTC) as the main east-west transit route for Caspian Sea oil. On February 9, shortly before the agreement was announced, there was an unsuccessful assassination attempt against Shevardnadze. It was later attributed by him to “forces in Moscow who would do anything to prevent the oil pipelines and the Eurasian transit corridor from being built through Georgian territory.”¹⁷

With the beginning of the second Chechen war, Russia demanded that Georgia open its airspace to Russian planes and allow Russian border guards to control the Georgian side of the Chechen-Georgian border. When Georgia refused, the Russians accused Georgia of aiding the Chechens and on August 6, 2002, the Russian Air Force bombed Georgian territory in the Pankisi Gorge. One civilian was killed and several others wounded. Russia denied its planes had been active in the area but an Organization of Security and Cooperation in Europe (OSCE) mission confirmed that Russian aircraft had bombed Georgian territory.

The Rose Revolution in Georgia which led to the replacement of Shevardnadze by Mikheil Saakashvili was accompanied by a sharp turn for the worse in the already tense relations

¹⁷“Tbilisi Links ‘Zviadist’ Violence to Russian Attempts to Thwart Projects,” Jamestown Foundation Monitor, Volume 4, Issue 37, February 24, 1998.

between Russia and Georgia. In February, 2004, Putin and Saakashvili met in Moscow and Russia requested that Georgia retain Valery Khaburdzania as minister of state security. Saakashvili made him deputy prosecutor general instead but the refusal ruined any hope for a good personal relationship between the Georgian and Russian leaders.

In May, 2004, Russia began providing the South Ossetian separatists with heavy weapons including tanks and multiple rocket launcher systems. In May, 2005, Russia and Georgia agreed on the removal of Russian bases from Georgia before the end of 2008. But Russia made plans to create new bases in Abkhazia and South Ossetia. In addition to two existing military bases in South Ossetia, Moscow in May 2006 began construction of a new military base in Elbachita, two kilometers northeast of the town of Java. The base was designed to hold 2,500 military personnel.

Russia increased its economic support to both of the separatist regions, with Russian subsidies reaching 200 per cent of the South Ossetian GDP in 2008. The main bulk of the subsidies in both regions went toward building up their respective militaries, constituting up to 50 per cent of Abkhazia's GDP and up to 150 per cent of South Ossetia's. In the meantime, Russia carried out the mass distribution of Russian passports to the inhabitants of the two breakaway regions.

On January 22, 2006, a series of explosions in the republic of North Ossetia damaged two gas pipelines and a power transmission line that connected Russia with Georgia. This cut off the flow of Russian power and gas to Georgia during one of the coldest winters of the decade. On January 26, another explosion destroyed high voltage transmission lines that provided electricity to eastern Georgia.

On March 11, 2007, Russian military helicopters shelled Georgian administrative buildings in the Kodori Gorge in Upper Abkhazia, the only part of Abkhazia under Georgian control. All during the next day, Georgian villages in the Kodori Gorge were shelled from Abkhazia as well as from Russian helicopter gunships. On March 13, the Georgian Parliament unanimously voted for Georgia's accession to NATO.

On July 13, Putin signed a decree terminating Russia's participation in the Treaty on Conventional Forces in Europe (CFE). This removed all limits on the deployment of Russian troops and equipment in the North Caucasus. At the same time, at the NATO Bucharest Summit on April 3-5, NATO voted not to offer Georgia a membership action plan while promising that Georgia would eventually become a NATO member, a decision which put Georgia in a very dangerous position, clearly identified with NATO but without the alliance's protection.

In the wake of the Bucharest summit, events resembled a countdown to war. On April 20, 2008, a Russian MIG-29 jet shot down an unarmed Georgian drone. Russia increased its troops in Abkhazia and called to active duty former military helicopter pilots with experience of flying in mountainous areas. On May 26, a corps of Railroad Troops was deployed in Abkhazia to repair the rail line connecting Sukhumi and Ochamchire in the immediate proximity of the Abkhaz-Georgian border. Russian forces began large scale military maneuvers in the North Caucasus and, on July 18, took up positions on the Roki and Mamisson passes. Russian newspapers began to predict that Russian soldiers would soon enter Georgia to protect Russian citizens..

On July 29, South Ossetian forces shelled villages with ethnically mixed populations that were under Georgian control. On August 2, the North Caucasus military exercise ended but troops did not leave their positions. Instead, regular units began infiltrating the territory of South Ossetia. South Ossetia began moving civilians from Tskhinvali and surrounding villages. By midnight of August 7, 20,000 civilians had been evacuated to Russia, 90 per cent of the population of the future area of battle and about 40 per cent of the total population of South Ossetia.

On August 4, South Ossetia's Radio declared confidently that "war could begin tomorrow." Beginning on August 6, all offices and shops in Tskhinvali were closed. Mercenaries and Russian journalists arrived. Saakashvili requested an urgent telephone conversation with Medvedev to discuss the dangerous situation. The foreign ministry responded that the time had not come for the presidents to speak. During the afternoon of August 7, Georgia announced a cease fire to allow time to establish contact with the government of South Ossetia. While the Georgians held fire, shelling continued against villages under Georgia's control. At 11 pm Saakashvili received intelligence that troops were moving through the Roki tunnel. At 11:35 pm, he ordered Georgian troops to advance toward Tskhinvali.

During the night of August 8, Georgian ground forces launched a heavy artillery attack against Tskhinvali. At approximately 10 am, the Russians began a full scale invasion of Georgian territory. Throughout the afternoon of August 8, Russian planes attacked targets in Georgia proper up to the area immediately around Tbilisi. In the evening, Russia expanded the scope of its bombing to Western Georgia. Meanwhile Russian ground and air forces launched a counterattack forcing Georgian troops out of Tskhinvali. By early morning of August 11, the Georgian retreat was complete.

In the afternoon of August 9, Russia opened a second front in Abkhazia. Assisted by Russian fighter jets, Abkhaz militia bombed the Kodori Gorge, home to the Tbilisi backed Abkhazian government in exile. On August 10, Georgia asked for a cease fire but Russia intensified its

assault, capturing the cities of Gori, Senaki, and Zugdidi. Russia also blockaded the Georgian coast and bombed the highway connecting eastern and western Georgia.

In the wake of the August, 2008 war, Russia and Georgia exchanged accusations over who started it. Russia insisted it had intervened to prevent a Georgian invasion and the Georgians said that they acted to head off a Russia invasion that was taking place through the Roki Pass.

In fact, the question of whether Russian forces had already entered South Ossetia through the Roki pass when the Georgian forces entered South Ossetia, sovereign Georgian territory, has not been resolved to this day. Georgia attacked Tskhinvali on the night of August 7-8 and employed indiscriminate force, concentrating heavy weapons fire on civilian areas. But it is also clear that it was responding to a well-prepared Russian provocation.

The European Union report prepared by a commission headed by the Swiss diplomat Heidi Tagliavani faulted Georgia for its attack on Tskhinvali and for its use of indiscriminate force.¹⁸

The report, however, dismissed all of Russia's justifications for its actions in going to war. Russia variously claimed it was protecting its citizens; engaging in a humanitarian intervention, in responding to a Georgian "genocide" of Ossetians. The EU report found that Russia's distribution of passports to Abkhazians and Ossetians in the years prior to the war was illegal and constituted an open challenge to Georgian sovereignty as well as interference in the internal affairs of Georgia. The idea that Russia was rescuing its citizens was false because they were not Russian citizens. The mission concluded that the Russian military action went beyond the reasonable limits of defense, including the opening of a second front from Abkhazia and that the Russian led Ossetian irregular forces took part in the mass ethnic cleansing of Georgian civilians, mass destruction of civilian property, marauding and rape.

After the 2008, Russia-Georgia war, the Russian government has intensified its military buildup in these territories and has, according to the government of Georgia, resumed sponsoring subversive activities in the rest of Georgia, including acts of terrorism and sabotage in Tblisi. At the same time, it has prepared a case for future aggression against Georgia. During his visit to Tskhinvali in September, 2009, Russian foreign minister Sergei Lavrov accused Georgia of preparing terrorist acts and provocations against South Ossetia

¹⁸Svante E. Cornell, "EU Inquiry Rejects Russia's Justifications for Georgia War," Central Asia – Caucasus Institute Analyst, September 30, 2009.

and Abkhazia. After the March, 2010 suicide bombings on the Moscow metro, Nikolai Patrushev, the secretary of the Russian national security council, said that the acts could have been organized from abroad, “for example, there is Georgia and the leader of the state, Saakashvili whose behavior is unpredictable.”

Although Russia continues to insist publicly that it invaded South Ossetia and then Georgia in response to an act of aggression by Georgia, Russia’s true motivations may have been revealed by Medvedev in a speech to officers of the Russian Southern Military District, November 21, 2011.

“If we had faltered in 2008,” he said, “geopolitical arrangements would be different now and a number of countries in respect of which attempts were made to artificially drag them into the North Atlantic Alliance would probably be [in NATO] now.” He then added to reporters in Rostov on Don, “We have simply calmed some of our neighbors down by showing them that they should behave correctly in respect of Russia in respect of neighboring small states. And for some of our partners, including for the North Atlantic Alliance, it was a signal that before taking a decision about expansion of the alliance, one should at first think about the geopolitical stability. I deem these [issues] to be the major lessons of those developments in 2008.”¹⁹

¹⁹ Quoted in Brian Whitmore, “Medvedev Gets Caught Telling the truth,” The Power Vertical, www.rferl.org, November 25, 2011.

Conclusion

Vladimir Putin has ruled Russia for more than 12 years. During that period, the country has recovered economically and a new way of life has been established in what was once the homeland of socialism. Putin's kleptocratic, authoritarian rule, however, did not produce a political model capable of guaranteeing the country's future. It is faces a supreme test. The results of that test will have implications for the whole world.

The best possible outcome would be for the democratic forces in the country to succeed in bringing about new elections and a fair choice of president – perhaps, after an interim period. The system that Yeltsin began and Putin perfected was intended to guarantee the power and prerogatives of a single person and it led only to authoritarianism, war and corruption. Russia needs fair party elections, a functioning judicial and law enforcement system and a genuine separation of powers.

To lay the basis for such a system, however, Russia needs a recognition at a spiritual level that the power of the state needs to be limited in the name of the rights and dignity of the individual. The path that led to the Putin kleptocracy led through the pillaging of the country during privatization, the attack on the parliament by so-called “democrats” in October, 1993, the new Yeltsin Constitution that created a super presidency and the bombing of the Russian apartment buildings in 1999 that was used to justify a second Chechen war and brought Putin to power.

In each case, there was an underlying conviction in Russia that law and the rights of the individual did not matter in the face of a great political goal. Unfortunately, the goal was soon tarnished and the rights proved irreplaceable.

The crowds that are now protesting against the falsification of the elections are composed of many young people with democratic views who seek the opportunity to realize themselves in a free Russia. But there are others in the opposition to Putin who advocate programs of extreme nationalism or even a return to some form of communism. It is the challenge of the democratic movement under these circumstances not only to oppose Putin's abuses and corruption but to address the source of corruption in Russia's greatest moral failure, its traditional unwillingness to recognize that the state lives to guarantee the welfare of the individual and that the individual cannot be treated as the means to an end by the state.

It is only recognition of this truth that the success of the protest movement that has finally sprung to life in Russia after years of somnolence is going to depend.

About the Author

David Satter, an FPRI Senior Fellow, is a former Moscow correspondent and a longtime observer of Russia and the former Soviet Union. He is a senior fellow at the Hudson Institute and a visiting scholar at the Johns Hopkins University School of Advanced International Studies (SAIS).

Satter graduated from the University of Chicago and Oxford University, where he was a Rhodes Scholar and earned a B.Litt degree in political philosophy. He worked for four years as a police reporter for the Chicago Tribune and in 1976 was named Moscow correspondent of the London Financial Times. He worked in Moscow for six years, from 1976-82, during which time he sought out Soviet citizens with the intention of preserving their accounts of the Soviet totalitarian system for posterity.

After completing his term in Moscow, Satter became a special correspondent on Soviet affairs for the Wall Street Journal, contributing to the paper's editorial page. In 1990, he was named a Thornton Hooper fellow at FPRI in Philadelphia and then a senior fellow at the Institute. From 2003-08, he was a research fellow at the Hoover Institution. In 2008, he was also a visiting professor at the University of Illinois at Urbana-Champaign. He teaches a course on contemporary Russian history at the Johns Hopkins University School of Advanced Academic Programs.

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