

TOUR LEADER'S REPORT OF THE AIIAV STUDY TOUR TO THE RUSSIAN FEDERATION 7-19 JULY 2008

Introduction

I had the privilege to lead the 2008 AIIAV study tour to the Russian Federation from 7-19 2008. There were 21 participants on the tour which included programs in Moscow, the Golden Ring cities of Vladimir, Suzdal, Kostroma, Yaroslavl and Sergiev Posad and in St Petersburg. This included members from the NSW, Queensland, ACT and Western Australian Branches of the Institute as well as a sizeable contingent from AIIAV.

The design of the program – four days in each of Moscow, the Golden Ring and St Petersburg - was intended to provide participants with an introduction to the main trends in contemporary Russian life, to expose them to important facets of Russia's cultural history and to enable them to observe both rural and urban life.

The briefing program involved Russian academics, representatives of think tanks, the Russian Parliament, the Australian Embassy in Moscow and the Australian Honorary Consul and the Dutch Consul-General in St Petersburg. The Australian Ambassador in Moscow, Ms Margaret Twomey, (who had arrived less than two weeks before us) hosted a reception in our honour which provided an opportunity to meet representatives of civil society, cultural institutions, the Russian Foreign Ministry, Government and the media. Records of the principal meetings with Mr Pavel Felgenhauer (Security analyst), Dr Vyacheslav Amirov (Research Institute of World Economy - IMEMO), Mr Dmitri Trenin (Senior Associate of the Carnegie Endowment for International Peace), Mr Yevgeny Volk (Director of the Moscow Office of the Heritage Foundation) and the Russian Regional Environmental Centre are included in the notes of meetings which follow this report. IMEMO is the AIIA counterpart in Russia and Dr Amirov was a participant in the AIIA national conference in Melbourne in August 2008.

We had a very rewarding session with students from the Australian Club at Moscow State University (who had made time during their university vacation to join us) and were given a tour of parts of the University which is still Moscow's most prestigious.

Members of the group had varying levels of prior knowledge and experience of Russia and arrived in Moscow with differing expectations. Some had memories of visits to the Soviet Union, others had visited post-Soviet Russia but most had never visited previously.

Russia is an enormous and varied country and we were conscious that our itinerary enabled us to see only a small part of it, that a visit in summer denied us first hand insights into the reality of life for many Russians which is spent (in much of the country and for long periods of time) in conditions of extreme climatic hardship and that there were many facets of life to which we had no exposure.

Nonetheless we felt that the opportunities we had to discuss openly developments in the country with a wide range of interlocutors, together with our own observations both in large cities and in the countryside, provided a reasonable snapshot of life in

contemporary Russia. As a former ambassador to the Russian Federation, the visit was my first since leaving Moscow in April 2005 and it gave me a chance to chart the changes that have taken place since then.

Observations

This report is based largely on observations made to us during the visit. It does not set out to reflect the views of all members of the group but I think it will strike resonances with most.

Overall I think it is true to say that the reality of contemporary Russia exceeded peoples' expectations.

There is clearly room for debate over the extent of Russia's commitment to democracy and the nature of the political system which has evolved since the dissolution of the Soviet Union.

Yet, when looking at what has been achieved compared to what might have been, it is obvious that the average citizen enjoys freedoms unthinkable twenty years ago.

Russians are free to read and think what they like, there is far less political control than was the case previously; they travel abroad and have contact with foreigners. They use the internet, watch foreign films, read the foreign press and criticise the authorities (though perhaps more circumspectly than we do).

This is not to deny that there are aspects of Russian society which fall far short of our practice and expectations eg in the human rights field, in the disparities of income distribution, in the degree of corruption and lawlessness and in the centralisation of political power.

The Russian Orthodox church has been brought back to centre stage in Russia life and we visited a large number of churches which were being restored and brought back to life. While we were in St Petersburg a ceremony was held in the Church of St Peter and Paul (where many of the Romanov dynasty are buried) to mark the 90th anniversary of the assassination of Tsar Nicholas' family and the tenth anniversary of their interment. It was attended by a wide range of politicians, religious figures and members of the Romanov family. The same degree of tolerance is not, however, extended to other Christian denominations.

We were fortunate to have a roundtable with members of the Russia/Australia parliamentary Group in the Russian parliament during which we were able to discuss a wide range of issues concerning the Russian and Australian parliamentary systems and practice.

Our interlocutors varied on the extent to which the glass is half full or half empty in considering the state of Russian democracy. The Moscow Director of the Heritage Foundation for example catalogued a series of failings in governance and was highly critical of the degree of central control, the extent of corruption and the lack of transparency. He noted that the 2008 Heritage Foundation Index of Economic Freedom placed Russia in 134th place.

On the other hand others argued that Russia was now more democratic than at any time in its history and that its failings and achievements had to be seen against a background of centuries of centralised control, the more recent history of failed communism and the chaos of the Gorbachev and Yeltsin years. Dmitri Trenin of the Carnegie foundation pointed to the disconnect between the positive perceptions of Gorbachev and Yeltsin in the West with the negative perceptions of them in Russia where they are seen as the architects of Russia's degradation and of economic hardship for many.

In addition to the political and social changes the Russian economy has undergone a radical transformation fuelled in large part by the commodities boom and the dramatic rise in oil and gas prices. The large amount of construction in Moscow and St Petersburg was visible evidence of this.

One potentially major challenge for the future is the declining population which could see Russia becoming a country of 100 million people by 2050 unless there is significant immigration.

As tourists we were treated well, hotels were of a high standard (if expensive), our travel was well arranged and, almost without exception, we benefited from the services of highly competent guides. This level of service represents a quantum leap from the situation existing previously. The one caveat is that Russian visa processes are cumbersome and bureaucratic and travel outside pre-arranged itineraries is difficult. It is in this area that tourists come face to face with the bureaucracy which continues to play such a potent role still in Russia.

Politics

Russian politics are characterised by a high degree of central control exercised by the Presidency and perhaps now by the Prime Minister, a lack of transparency and limited political pluralism. There are competing groups in the Kremlin representing former members of the Security services – the Soloviki (including the FSB, the successor to the KGB of which Putin was both a member and later its head in the Yeltsin years), the technocrats and business interests. There is a high degree of opacity surrounding the workings of the Kremlin so it is difficult to know which group is more influential.

Russia arrived at this stage after the humiliation of the post-Soviet years. During this period the country was traumatised by a flawed process of privatisation which entrenched a small number of wealthy individuals (the oligarchs who benefited spectacularly from the process of privatisation) at the apex of economic and political power. Most Russians experienced a dramatic reduction in their standards of living a fact which was exacerbated by the 1998 banking collapse which saw the destruction of the savings of large numbers of ordinary Russians.

In the 90s there were fears too that the country would disintegrate as the regions of Chechnya, Dagestan and Tatarstan, amongst others, tested the limit of central government tolerance of dissent. In response President Yeltsin granted wide-ranging autonomy, which in some cases amounted to de facto independence, and weakened federal government authority across the country.

Vladimir Putin's presidency marked a break with the near anarchy of President Yeltsin's years. Power was increasingly centralised in the hands of the Kremlin. The political opposition was neutralised, leaving the vestiges of the Communist Party as the only nationally based opposition party, albeit one with a relatively small following of ageing adherents. Putin's personal popularity ensured that there was little backlash to these developments. The emergence of a pro-presidential party "One Russia" during Putin's second term and its increasing power in the parliament further consolidated Kremlin control.

The coincidence of the rise in oil and gas prices with Putin's ascendancy meant that he was able to benefit politically from this process. In these years Russia was able to repay a significant percentage of its overseas borrowings, establish a stabilisation fund to provide a buffer against declining resource income and meet some of the expectations of the Russian electorate

We were in Russia at an interesting time politically following the assumption of office by President Medvedev on 7 May 08 and the installation of Vladimir Putin (precluded constitutionally from a third term in the presidency) as Prime Minister. How the new arrangement will work out in practice was still very much an open question. Medvedev was a friend and colleague of Putin's dating from the early 90s when they worked together in the St Petersburg administration. He is a law graduate from Leningrad State University (where he gained a PhD). He was appointed by Putin to head the State owned Gas company, Gazprom, and later was appointed his Chief of Staff before being appointed Deputy Prime Minister in November 2005. He was hand-picked by Putin as his successor. The fact that Putin chose not to override the constitution to seek a third term is a major contribution to democracy and constitutional practice.

The Economy

The Russian economy has well and truly recovered from the dislocations of the immediate post Soviet period and particularly the banking and financial crisis of 1998. In 2007 Russian GDP reached the level at which it had been immediately prior to the dissolution of the Soviet Union. Thanks in large measure to the rapid expansion of oil and gas prices it has progressed to become the 8th largest economy in the world. It has largely repaid its foreign debt and has accumulated foreign reserves of \$US500 billion and a stabilisation fund of \$US160 billion (as of Feb 2008) to cushion the economy against a reduction in income from oil and gas revenues.

GDP growth rates have averaged 7% pa over the last decade; in 2007 it was 8.1% and is tipped to reach 8.6% in 2008.

The Russian economy is increasingly characterised by a high degree of state control over strategic sectors including notably oil and gas and natural resources. The most recent manifestation of Russian assertiveness in this field was the tussle over the future direction of the TNK/BP consortium in which the Russian partners have tried to force changes to the operation of their joint undertaking with BP.

Russia needs to develop the SME sector which plays a relatively small role and for which there is insufficient and intermittent central government support.

Likewise there is a need for further diversification and foreign (and domestic) investment.

Income disparities are high with the gap between the richest and poorest segments of society continuing to widen.

Russia's agriculture and farming sector remains underdeveloped though there has been some investment in large scale commercial farming in recent years. There are prospects for the sale of Australian expertise in the field as well as the export of livestock to build up Russian herds.

Foreign Policy

Our interlocutors all pointed to a major shift in Russian foreign policy over recent years, characterised by increased assertiveness, a willingness to confront formerly close allies and a more muscular approach to those of Russia's neighbours deemed to be pursuing policies which directly confronted key Russian interests. "Moscow seeks an equal footing with its partners East and West and recognition as a power centre in the region that stretches from the European Union to China's borders and from the North Pole to the Middle East" (Trenin).

Many Russians, particularly amongst the political elite, harboured a sense of humiliation at the reduction in status suffered by the country with the fall of the Soviet Union and a further decline in Russian influence throughout the 90s.

Trenin identified three pillars of Russia's new foreign policy.

- "Russia's business is Russia" (this represents a major break with both czarist and communist policy firmly excluding the reincorporation of any of the former Soviet republics, though in turn expecting its neighbours to be docile and obedient);
- "Russia's business is business" (also a marked break with the past and acknowledging the clout that Russia is able to assert particularly in Europe through its supply of oil and gas); and
- "Russia's business is nobody else's business" (enabling it to ignore criticism of Russian policies by and in other countries; "...the Kremlin has made it clear to the US and Europe that it no longer wishes to be subject to the humiliating procedure of letting itself be 'graded on democracy' by inspectors from the OSCE's Bureau of Democratic Institutions and Human Rights.)

A key element in the new policy is a more assertive opposition to United States policy and to NATO (which is seen in Russia as an anti Russian organisation promoting United States global interests). Throughout the 90s and up to the Iraq war relations at the political level were reasonably close and economic engagement occurred but things cooled thereafter and the Russians came to resent US global dominance and

what it saw as a downgrading by the US of the relationship with Russia. Increasingly Russia's foreign policy is aimed at containing US influence.

Russia has been particularly concerned at the coloured revolutions in Ukraine, Georgia and Kyrgyzstan and has viewed with serious concern Georgian and Ukrainian attempts to join NATO and the EU. Membership of NATO, bearing with it the possibility of NATO weapons and troops being stationed on the borders of the Russian Federation, would represent a fundamental challenge to a key element of Russian security and foreign policy.

Trenin noted the differences of view in Ukraine relating to Russia – 20% of the population including the President, view Russia as a regional bully and imperial overlord who should be resisted. 80% of the population see it as part of the family. though this could well change in a generation. He thought that now 60-70 % are negatively inclined towards NATO. Ukrainian membership of NATO would be totally unacceptable to Russia and he was pessimistic about a possible Russian response including seizing the Crimea and Sebastopol (where the Russian Black Sea fleet is based) should Ukraine proceed with its bid to join NATO or seek to prevent Russian access to Ukrainian ports.

Russia retains close ties with the EU, its largest trading partner, and key countries in the EU though these have no doubt been strained by its recent actions in Georgia. The exception is the UK where the Litvinenko affair, Russian concern over British acceptance of key Russian dissidents, including the exiled oligarch Boris Berezovsky, and its harassment of British diplomats in Russia has negatively affected the relationship. The Dutch Consul-General in St Petersburg noted that many of the good stories in Russian/EU relations happen bilaterally and the difficult issues tend to be handled multilaterally. He noted that there are still differences of approach within the EU between former members of the Warsaw Pact which carry resentment against Russia for the Soviet past and the other members.

Russia retains good, if not close relations with its Eastern neighbours – China, Japan and the ROK – all important trading partners.

Multilaterally, Russia values highly its role as a member of the UN Security Council and the veto this brings, welcomes its membership of the G8, is seeking to finalise its membership of the WTO, has floated the possibility of joining the OECD, and of relevance to Australia is a member, though not the most active, of APEC.

Russia's relations with Australia are cordial and there is useful cooperation in a range of fields. The economic and trade relationship is modest reflecting a reluctance on the part of the Australian business community to approach the Russian market. Details of the trade relationship are included in the full report of the tour.

Georgia and Ossetia

When we were in Russia there was some skirmishing taking place in South Ossetia and some instances of Russian Airforce planes overflying Georgia. While this was of concern to our interlocutors, none foresaw the conflict developing as quickly or as seriously as it did. Trenin eg, noted that many Georgians wanted the country to join

NATO and wanted the world to see Russia as the aggressor over Ossetia and Abkhazia. Russia, on the other hand, was ready to help Georgia stitch the country together but not if Georgia persisted with its attempts to join NATO. He speculated that Russia might try to provoke an overreaction on the part of the Georgians but did not anticipate the extent or pace of the deterioration which occurred.

The decision of many Western countries to recognise the independence of Kosovo following its declaration of independence in February 2008 (over strenuous Russian objections) appears to have strengthened Russian determination to defend the right of the Ossetians and Abkhazians to effective autonomy and, ultimately, separation from Georgia. The decision to give independence to Kosovo reversed a long-standing practice to maintain national borders in post-war Europe unless there was consensus that this should be done (absent in this case because of Serbian opposition). While the Russians with their perennial concern about national disintegration opposed the decision in principle they are now able to use it to suit their own purposes in Ossetia, Abkhazia and elsewhere.

“The Russian Soul”

The Dutch Consul-General (Hoeks) (who was about to leave St Petersburg at the conclusion of his posting) raised for discussion the topic of Russia’s uniqueness in which he said he believed (but conceded that it was not a view held by all). He asked whether there was “a Russian soul” and whether Russia’s history and religious and cultural underpinnings led Russians to respond differently to the way in which most Westerners did. Acceptance of this proposition leads to a debate over whether Russia should seek its destiny within its own culture or import ideas from outside. This is not a new debate – in a sense it has been a perennial topic at least since Peter the Great set out to modernise Russia and install his capital on the Western extremities of the country in what became St Petersburg.

Hoeks argued that Russians in general cope with reality rather than seek to determine it. And that in general Russians think long term.

He pointed to key elements in Russian history which helped to shape Russia’s historical experience and compared that with the history of Western Europe. The Judeo/Christian heritage of the West was different to the development of Orthodoxy following the sack of Constantinople and the establishment of Moscow as the third Rome. Russia did not connect with the West through the upheavals of the Renaissance and the Enlightenment.

In 1812, 90% of the population of Russia were slaves. Russia has had a long history of repressive and autocratic regimes. The idea of the sovereignty of the people never took root in Russia and it has still not done so. Russians crave strong leadership. The fact that the middle class in Russia is small and largely confined to the major cities has been a significant impediment to the development of democracy. The middle class is in general risk averse and not a motor for progress. Putin has argued that Russia is not a democracy in the western sense – rather it is a “sovereign democracy”; this is a form of government with limited priorities, one of which is political democracy. This is acceptable to most Russians who put great store on stability.

Volk had earlier identified to us three key currents in Russian society – paternalism, egalitarianism (which works against private initiative) and a collectivist mentality which has deep roots including through the historically pervasive influence of the Russian Orthodox Church.

The question of Russian uniqueness is one which has interested commentators on Russia for a very long time. It was an issue left for our group members to ponder.

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