

## THE NEW PRESIDENTIAL ELECTIONS IN RUSSIA AND THE CHALLENGES OF MODERNIZATION

On Friday and Saturday, October 21<sup>st</sup> and 22<sup>nd</sup>, 2011 the international round table “**The New Presidential Elections in Russia and the Challenges of Modernization**” was held in Forlì, in Garzanti Hall, its traditional venue at the Hotel della Città. Every year since 2005, within the framework of the *Italian-Russian Forlì Days initiative*, the *Istituto per l’Europa Centro-Orientale e Balcanica* has organized an international meeting as a regular appointment for prominent scholars and experts to gather in Forlì and discuss topics of relevance for the relationship between the European Union and Russia. This year’s meeting was devoted to the analysis of the possible outcomes of the 2012 presidential elections in Russia, with particular focus on various aspects of the modernization process as this is a key component of the political agenda of both presidential candidates.

The conference opened with a Welcome Address by both the City and university authorities. **Gian Luca Bagnara** (Councillor for Agro-food Policy of the Province of Forlì-Cesena) gave a warm welcome to conference participants on the part of the Province and the Town, stressing the importance of events of this kind as culture is the background for any kind of business. International relations and the process of modernization in Russia with a market approach is very important from our point of view, he stated.

**Patrick Leech** (Forlì City Councillor for Culture and International Relations) gave a warm welcome to the audience and thanked the organizers for organizing this very important event in a small city like Forlì, which has a very strong international dimension. According to the Councillor, Forlì excels and prides itself on being an international city. **Félix San Vicente Santiago**, President of the Forlì Campus of the University of Bologna expressed a warm welcome on behalf of both the University of Bologna and the Forlì Campus. He recalled the strong international focus of the campus since its inception and the fact that this conference has become a real tradition. Moreover, the three faculties of the Forlì Campus (Political Science, Economics, and Foreign Languages) have institutional relations and cooperation with Russian universities and CLIRO (Linguistic Center of Romagna) has promoted the spread of the Russian language by organizing language courses. The centre could also activate the Russian Language International certification TORFL. So academic activities of the Campus have become very relevant in establishing permanent contacts between our territory and the Russian world, the President said. Finally **Paolo Zurla**, Dean of the School of Political Science “R. Ruffilli” in Forlì, stressed that this meeting is not an isolated occasion for dialogue but the latest in a tradition of annual meetings. He expressed a personal thanks to the organizers as well as to those who accepted the invitation to come to Forlì and renew a tradition of dialogue in a very special year like 2011, which is the 150<sup>th</sup> anniversary of Italian unity as well as the Year Russia-Italy.

## SESSION I

Opening the conference, Mr **Ilya Roytman** (President of the Interregional Non-Governmental Organization for the Promotion of Cultural Cooperation with EU Countries) introduced the topic of the first session, which was devoted to the new stage of relations between Russia and the EU, and gave the floor to Elena Shestopal, the Chairman of the Faculty of Political Science of Moscow State University.

**Elena Shestopal** started her speech highlighting that one of the objectives of such meetings is for Europeans and Russians to loosen up their stereotypes of each other. One of these stereotypes relates to the understanding of the top personalities. Putin's agenda for 2012 is not the revival of conservatism as the return to tradition under Brezhnev. Looking at what is realistically contained in the Russian presidential candidates' agenda, it has to be considered that they cannot just declare their strategies as these have to be supported by society as a whole.

Few experts doubt that the internal tandem between Putin and Medvedev is united. Nobody doubts that they are on the same team, but both of them remain autonomous personalities, each with his own convictions, strategy and agenda. The old strategies and agendas should be reconsidered and corrected by them when they take their new roles in 2012.

One of the key ideas of Medvedev's agenda is the idea of **modernization**. On the contrary, Putin and the leading party are focused on another idea: the conservative agenda. In the ruling party's ideology the idea of modernization contradicts conservatism, but there are also many examples of modernization in various countries carried out by conservative politicians. The difference between the strategies is rather substantial: the conservative agenda is focused on stability and maintaining the status quo, not on modernization. It is not denied as one of the objectives, but it is not a priority for conservatives. Any ruling party tries to express its views in such a way so as to be able to effectively implement its policies, so it has to listen to society when formulating its agenda.

The priorities of modernizers led by Medvedev are an innovating economy, political democracy (competing parties), and a smart population that will take responsibility for its own destiny. The conservative agenda lies in the conviction that the state needs to return to the pre-existing fundamental culture, revived to a new level. It is not necessary to consider the Brezhnev era as a negative one, as it brought a very positive aspect, e.g. stability. Anyway, a return to the idea of stability does not mean a return to stagnation. So conservatives want to maintain democracy and the current political system, together with economic development.

According to Ms Shestopal, we should try to understand which of these agendas will be supported by the population. Medvedev understands that his agenda has less support than Putin's. But greater support for Putin should be better seen as support for his personality rather than his agenda. Psychological interpretation is a better tool for understanding how society will respond to political agendas. The

evaluation of power in different periods is not related to nostalgia for the past, but to different agendas. We are talking about the support for different agendas. So support for Putin's agenda is not unconditional. People want to see authority as being democratic. Some parts of the society feel nostalgia for the strong hand, but it is a small percentage (14%). It is the moral defects of power in terms of integrity, justice, and human decency that come to the surface rather than the political ones.

Both agendas have supporters. Those who interpret the return of Putin to the presidency as a conservative revival do not take into consideration the models of society that progressed a long way from the Soviet stereotypes; they support Putin because they expect from him basic order and the bridling of the bureaucracy. Both agendas have their advantages and disadvantages, and as their supporters are almost equal, both agendas can be supported by society. Putin is not against modernization, so agendas differ not only for society but for their supporters as well. Both agendas have much in common as they are striving in the first place for technological modernization. Neither of them deny the involvement of society. One of the conditions for supporting the strategy is the inclusion of a serious humanitarian component. Political and psychological studies show peoples' preoccupation, and their feeling of alienation from the authorities. However, the humanitarian content of the agenda is poorly presented in the modernization agenda.

With its accent on stability, the conservative agenda is supported by all components of society, but the Russian conservatives do not pay much attention to moral contents. Modernization is widely discussed within the ruling party but it is not related to stability. Both political leaders tried to compare their agendas: the differences between them still exist but they are stylistic differences and when it comes to content these differences are not many.

The floor then went to Ms Oxana Gaman-Goluvina, who is the Chairman of the Chair of Comparative Political Studies from Moscow State University of International Relations, consultant at the Ministry of Foreign Affairs and President of the Russian Association of Political Studies.

**Oxana Gaman-Goluvina** appreciated the meeting and thanked the hosts who provide this opportunity each year to monitor and analyze the processes of what's happening in Russia, the EU and the international arena.

She stated that her speech is an attempt to perceive the relationship between the modern Russian political process and tradition in Russian policy. She explained that traditionally Russian political development has been based on the concentration of political resources in a single source at the top of the State. There has never been any tradition of political competitiveness. According to her, Medvedev was not a puppet president so we can speak about alternative ways of evolution of both politicians. This scenario became a result of an analysis of the competitive situation in politics over the past 4 years. Recalling what Shestopal said about the difference of attitude of the people towards the 2 leaders, Ms Gaman-Goluvina highlighted that there are different centers collecting data, but figures show similar results: more people support Putin

than Medvedev. As there are different indicators and approaches to evaluating democracy, besides stability the results achieved in social economic development is another important factor to be considered and the term stagnation cannot be applied to the near future of Russia.

After the parliamentary elections the dominant position of *United Russia* became apparent. The proposal of the party to make Putin president didn't damage the position of the president. We should not discuss the changes at the top, but the content of the future presidential agenda. The key dichotomy is not the opposition "modernization vs conservative" approach, but different approaches towards modernization. In this regard, to analyze the approach to modernization we have to look not at the position of Medvedev or Putin but at that of Hegel (neither a politician, nor a Russian citizen), who wrote that development is an odd task directed at oneself. We can add that since development – and its simpler version modernization – is linked to hard work, it puts a limitation on all the subjects of development on both the social and individual level.

Two dimensions are important when addressing the subjects of modernization: according to Schumpeter, there is the state and business. Balerstein shows that an increase in wellbeing is not possible without the involvement of the state. As Russian business is highly oriented towards innovation, the key is large companies' attitudes towards modernization since innovation implies huge investments. On the stage of industrial modernization the key actor is the state: during the post industrial era the state loses the monopoly and the subjects of modernization become a coalition of different actors. In Europe there is the strengthening of the executive power when they take decisions and there are theses on the maintenance of the role of the state in overcoming the crises. So we cannot go ahead without our governmental structures. In Russia the role of the state – which is required – is to fund modernization.

The mission of the intellectual part of society is to form society's agenda. As the agenda on the global level is shaped by business elites, this diminishes the importance of intellectuals within society. The position of the new generation of intellectuals is that no modernization is possible without education. The call for modernization coming from Russian society is the core of both Putin and Medvedev's agenda, along with some differences in understanding how to realize it.

Afterwards the floor went to Prof. **Paolo Calzini**, from Johns Hopkins University. His speech was focused on a different topic which only indirectly related to modernization, i.e. the widespread phenomenon of regionalization.

According to Calzini, Russia and the EU fit into this scheme with a role as alternative regional poles competing and cooperating in the "common neighborhood" (i.e. the six countries included in that portion of the post-Soviet space called "New Eastern Europe"). The current situation is formally defined as being *de facto* and not permanent, as there is confrontation in the same area of the two aspiring regional powers. In this so-called grey area there are some post-Soviet countries, tending in general to balance between the

external influences. The overall picture of Eastern Europe is characterized by competing interactions of both external and internal influences. There are evident sources of tension in the region and in interstate relations. So there is a persistent risk in the region of involving both Russia and the EU in these tensions (if not into conflict).

Russia remains the prominent regional power, engaged in a post-imperial policy that renounces any ambition of re-annexing territory belonging to the former USSR. This policy tends to be pro-active, flexible, and pragmatic, privileging the economic, cultural and civilizational element and up to a point the political-ideological one. The declared aim of this policy is the consolidation of Russian hegemony in the region; an aim based on the belief that a necessary precondition to being a regional player, is to be a global power. However, Russia's current regional policy is vague enough to allow for different forms of hegemony in relation to different countries. The emphasis refers more to foreign policy than to the domestic evolution of these countries. The focus is on the external alignments of these states with external actors, which are not strictly connected to domestic policy. An important psychological element in the Russian attitude is that the fear of contagion of Western-style democracy has declined.

Acting as a regional power is an engaging task for Russia. Too often ambitions have overstepped capacities, trying to combine contradictory aims. The actual challenge remains tough. The skills required for a successful policy, granted that Russia remains the natural center of influence among the post-Soviet states, involves a complex learning process for Russia since it impinges upon legacies, mentalities and attitudes traditionally not attuned to the complexities of a policy that combines elements of restraint, firmness incentives and coercion. How to maintain cooperation with the EU – which in the perspective of modernization remains a source of technology and investment and promotes a sufficiently balanced policy – will constitute a serious test for the efficacy of Moscow's foreign policy. The promotion of a policy of modernization remains a condition *sine qua non* for consolidating Russia's role as a great power because the focus of the country's program is Russia itself.

The EU's role is of crucial importance for the evolution of the New Eastern Europe. Its ability to play the role of a regional power, projecting influence (security, economic, energy, political) motivates the EU to act in the region following a course of enlargement. Even though the countries of the New Eastern Europe cannot use the slogan of a "return to Europe", there is an element of proximity which is important. However, it is apparent that the EU has reduced its engagement as far as enlargement is concerned. Some elements remain but they do not compensate for the indefinite postponement of membership. This enlargement fatigue has had the obvious result of weakening the positions of people leaning towards the West in those countries.

All this said, the EU still remains an actor with the potentiality to strongly influence its neighbors. Ample sectors of society are still attracted by the European political/economic model. If there is no imperial

legacy, there is still a psychological element that can hurt the attitude of a country in the region, i.e. the EU's pretence of judging who is European and who is not.

The crucial question mark is whether the model of liberal democratic capitalism will prevail, or in the transitional phase it will be superseded by the bureaucratic state authoritarian model of capitalism (or one of its mixed forms) like the adaptation which has already been experimented on in the post-Soviet space.

The configuration of the EU based on the common neighborhood is unavoidable and problematic. In the short-medium term no alternative configuration can be envisaged as there is no realistic alternative. The viability of the system must be supported by a common effort of all actors involved, both internal and external to the region, to guarantee the conditions for a gradual emancipation and progress of the Eastern European states still engaged in a complex process of state- and nation-building. According to Calzini, Russia and the EU should soften their regional ambitions and promote a game of influence at the regional level based on a set of fair and clearly defined rules. A significant degree of competition will remain, as Russia will continue to try to get a role of regional supremacy and the EU cannot renounce acting as a normative power. Any grand design for a common security architecture will remain at the level of theoretical dialogue. The main commitment of both Russia and the EU must be to concentrate on preventing crises from erupting.

Concluding his speech, Calzini stressed that only in a long term perspective can we envisage that the so-called grey area will cease to be a source of instability and tension. Only by becoming a space where the New Eastern European countries are fully emancipated from external influence will there be a crucial step towards overcoming the divisions of Europe. Russia, as well as the EU, will be in a better position to promote a constructive policy of cooperation in the region for the general benefit of the whole Europe.

The following speech was by **Nicolai N. Petro**, from the University of Rhode Island, who tried to explain the rise of traditional religious institutions in Russia parallel to the government's attempts to embrace modernization. According to Western theories, modernization should be accompanied by a decrease in religious sentiment. Since the opposite has happened in Russia, we need to understand why. Petro asked how the social visions of the Russian Orthodox Church and the Russian government compare and how this unique relationship will evolve and affect Russian development.

The social agenda of the government's modernization program is to boost economic growth, make it self-sustaining through investment in infrastructure, innovation and institutions. The society is culturally and psychologically prepared to modernize. If Putin seems to feel that social and economic modernization proceed on separate tracks as economic modernization is a prerequisite for social-political modernization, Medvedev seems to see socio-political and economic modernization as proceeding simultaneously. This is a choice. First because the support of the Russian Orthodox Church, which is only interested in gradual revolutionary reform, is needed; secondly because no new socio-political model for Russia is needed.

The agenda of the Russian Orthodox Church is based on the search for partnership with the state, as in its vision the Church and the state work together for social harmony, charity and public morality. There is even a foreign policy aspect in the construction of a multi-polar and multicultural world. But these are short term goals as the Church's ultimate aim is to achieve the second Christianization of Rus. Here important divergences emerge:

- 1) the Russian Orthodox Church's support for Russian government policies is conditional: it is based on whether the government allows individuals to live a religious life as the Church understands it;
- 2) the Russian Orthodox Church rejects secularization and seeks to reverse its impact on society;
- 3) the Russian Orthodox Church does not consider itself as one constituency among many in society, but as the soul of society.

As for outlining scenarios for the future, Petro said that now the Russian Orthodox Church and the government are in a marriage of convenience. The Church is given free reign to try to change social morals through public institutions (media, film, military, education) and the government gets the support of "the largest and most authoritative social institution in contemporary Russia", he said. This limited partnership is likely to continue because the Church feels it can support economic modernization even though it fights secularization. The Church is looking for (and according to Petro, the government would embrace) **modernization without secularization**. Western social science says this cannot happen since secularization is a central characteristic of modern societies. On the other hand, émigré Russian philosophers of the early 1920s say it could happen, adding that to be globally competitive Russia must turn to its orthodox heritage. They make references to creativity, freedom, and new social and political ideals as tools for social and psychological modernization, but rooted in Russian historical tradition.

By contrast, the Western model of modernization is predicated on "people changing": this is meant to eradicate all social traditions and replace them with a rational, secular model of development. Russia attempted this path in the early 1990s but by the late 1990s it rejected it, opening up a vast social role for the Russian Orthodox Church. This is a distinct feature of Russian modernization. Whether it will lead to failure or will require social scientists to broaden the definition of what it means to be modern, only time will tell, Petro concluded.

The debate started with a small remark by **Mr Roytman**, meant to be helpful to Mr Petro in his research. Mr Roytman stressed how in the Russian media there is a serious anti-Church campaign. The fact that many programs criticize the Russian Orthodox Church and the leaders are actively polemic, means that these new tendencies should be taken into consideration. Then the floor was given to the official opponents, Olga Kalinkina and Denis Alekseev.

Commenting on Mr Calzini's speech, **Ms Kalinkina** (The Interregional Non-Governmental Organization for Promotion of Cultural Cooperation with EU Countries) shared his starting point that both Russia and the EU

are the biggest powers in the New Eastern Europe. There is no euphoria about pan-European security anymore and NATO and the EU are very close to the borders of Russia. Coming to security and cooperation in Europe, the main community involved in the joint NATO-Russia Council demonstrated its weakness during the Georgian conflict in 2008. According to her, dialogue is improving in this format but we would like to get something more. As to Eastern Europe, Russia is trying to understand this region from the position of the New Eastern Europe. Russian interests in the region have different dimensions: 1) inadmissibility of any measure of confrontation; 2) maintenance of political and economical stability, which is not meant as maintenance of the *status quo* for it does not satisfy either Russia or the European partners; 3) increase in multi-polar and transparent communication; 4) economical development of the region; 5) Russia's experience of customs unions and bilateral relations play the key role.

Ms Kalinkina agrees with Mr Calzini when he tells that only constructive cooperation could contribute to both better relations between the regional powers and better conditions in the countries themselves.

Mr **Denis Alekseev** (International Foundation for the Unity of Orthodox Christian Nations) discussed with Mr Petro. His first remark was that Mr Petro was overestimating the educational level of the Russian Orthodox Church. The actual level of the top church officials is lower than expected. Protests and opposition within the church subdued a kind of misunderstanding of the top management leading to the marginalization of relations. So this is an active process that is reflected in public opinion, the public mood and is expected in the political sphere.

There is a little shift in the understanding. Modernization is for the people and the people are waiting for a just model of modernization. But we don't have the cultural metrics for modernization. In Mr Alekseev's view, a synonym of modernization is revolution, as everything new comes from revolution. When the people do not understand the meaning of modernization, the power goes back to the archaic. The Russian Orthodox Church approves of modernization but the role of the Church in this process must be that of cooperation with the power in unifying the country towards modernization. Modernization is impossible without break-up revolution and education as well as revolution has two parents: the people and the power. When there is a gap between them, there is space for revolution. The responses being generated by the power disregard the opinions of the people.

The session ended with a very lively debate among all participants.

## SESSION II

The afternoon session was opened by **Marcello Garzaniti** (President of AIS, University of Florence) who couldn't attend the morning session. Mr Garzaniti spoke about the university reform, especially as far as the humanities are concerned. In the relationship between the EU and Russia, humanitarian studies play a secondary role compared to scientific research in the field of technology. Within the EU Italy is a privileged

Russian partner as far as culture is concerned. Under a memorandum signed in 2010, different programs were prepared for the Year of Italian and Russian Culture. As a consequence, during 2011 artistic activities, exhibitions, conferences, festivals, and conferences on literature and history have been taking place in both countries. There are exchanges of teaching staff and grants for students are increasing. All these initiatives continue the heritage of the past and prove the long history of the relations between Italy and Russia.

Nowadays economic relations dominate ties between the EU and Russia and between the different countries of the European Community and Russia. There are some problems with funding, as cultural cooperation lacks support from private capital. The different distribution of state funding for universities and academic institutions makes it difficult to continue the cooperation between institutions in the humanities sphere. Relations between universities and academics are mostly built on agreements between several universities. Some agreements exist only on paper, while others promote exchanges of students and teachers. We should work to unite the research of different teachers throughout the world. Unfortunately there is no database in our ministries to evaluate the best projects in the field of cultural cooperation. The reduction of funds creates a lot of problems, but there are also examples of generosity. Unfortunately bureaucracy takes a lot of time as do efforts to renew cooperation agreements. And often the bureaucratic barriers have made it difficult to realize European projects, like Tempus for example.

The reform of the Italian university together with the processes that have taken place in Russia were supposed to open up a new space for the educational systems to get closer. Currently it is difficult to combine different educational systems and find funds for the projects aimed at the creation of common education programs. It would be necessary to find a possibility to make the heritage of European culture accessible through bilateral relations. The creation of common diplomas is the main task of our universities. As far as research is concerned, the main difficulties are the organization of common projects between Italian universities and Russian institutions. The era of conferences, like the former experience of knowledge exchange has finished, and a new phase of humanitarian studies that requires common efforts and group work that would unite scientists from many countries has to be opened. Without this, according to Mr Garzaniti the common activities will only have temporary success.

Concluding his speech, Mr Garzaniti advocated that private and public sponsors support not only artistic events, but also pay attention to fundamental research which is linked not only to national culture but also to dialogue between cultures. The creation of a database on cultural and political relations between the countries could open up a new direction in this sphere, he believes. The results of such sponsorship would be more effective than single initiatives as they could open up a common space that could influence the cultural and social environment.

**Irina Esipova** from the Russian Ministry of Energy briefly debated what Mr Garzaniti said. In her opinion, modernization is not an amorphous notion or an element of political discussion but a very concrete action,

so we should act for concrete results. Given that the objectives of technical modernization are aimed at upgrading the standard of living of the Russian population, the government is taking practical steps to modernize the economy. This means modernizing the sectors which are basic for economy: the energy sector has an anchor position in the Russian system. We need to modernize because the power stations that provide 17% of our electricity are in a problematic state, so we have decided to rebuild these complexes and modernize our energy complex.

However, without human resources this modernization is impossible. The power is in the hands of the sectoral centers of the ministries which represent the concrete business. The education and training of human resources has been transferred so that it is now under the aegis of the sectoral ministries. This should provide the right human resources for each sector. This program has a number of concrete initiatives and foresees the integration of scientific centers of research and large businesses in the process. The demographic decline is a problem we are facing right now in this context. We must motivate students to go and work in these specializations and provide information on all levels about the need for educating many high quality personnel.

Then the speakers addressed several political and economic aspects that characterize the process of modernization in Russia.

**Sergey Sudakov** (MGIMO-University) spoke about the aspects of modernization linked to security. Russia began thinking about modernizing security rather late, just a decade ago. We thought that security was primarily the responsibility of the power ministries, but it is not so. So we must see what security means and how to modernize it.

When we talk about security we introduce the notion of national security. In Russia the main problem is related to expansion in all areas: along with economic growth there is capital flight. We have lost much investment, so we have to stop capital flight and this has to be done in phases. Modernization must work to protect property rights. At the same time, international business which invests in our country must be guaranteed. We are now the best country in terms of guaranteeing investments, and we are much closer to more secure business conditions in Russia: we have bank guarantees, and mechanisms of economic and financial checks and balances that guarantee capital inflow into Russia.

Mr Sudakov also stressed the importance of human resources in modernizing security, but according to him the same ideal of security should be institutionalized starting at the secondary education level. In this way Russian citizens will learn what security means. Regarding legal barriers, he pointed out that they don't work if citizens are not informed about what they can get from the state and the authorities. We are just approaching the resolution of this problem but in order to modernize these spheres, interaction with state bodies is needed.

One of the main elements of the system of national security is to convince the citizens that they need national security. On the other hand, if you do not convince people of the need for innovation, people will be afraid; there will be no profound change, but stagnation. Renewed personnel and human resources will tend not to be re-elected. New people will have to take definite steps to change Russia's image in the world.

Russian national security strategy will be built on a new system of legal support for citizens, Mr Sudakov stated. Despite dozens of normative acts, Russian citizens cannot protect themselves properly. The problem is thus how to create codes for protecting one's own rights. Here the media have the most important role.

The mechanism of personal responsibility is the basis for modern national security. When there is personal responsibility, the model of security works. And authorities can be personally responsible: every aspect will be covered by professionals and someone does not carry through the program he takes on, he will be set out.

The system of national security is also implemented by Russian business, which has created a huge number of business associations promoting Russia's interests in the world (energy, mechanical industries, etc.). All of them work according to the same principles: transparency and promotion of Russia's interests in the West, the EU and with all Russian partners. Changes in 2012 will not only affect state bodies, but also big business.

Mr Sudakov concluded his speech by stressing that Russia does not have a universal system that could fit any country. Its own system of national security is based on its particular circumstances. The only goal that Russia has not yet achieved is the creation of a professional bureaucratic state apparatus, and this will be aim number one for Putin, Sudakov said.

Then **Gian Paolo Caselli** (University of Modena) took the floor to focus on the economic challenges posed by modernization. When the economic and financial crisis started unfolding in 2007, the Russian ruling class was confident that the country could avoid turmoil and presented the country as a new world power. However, a plan by the minister of economic development stated that structural changes were needed, given that economic growth based only on the energy sector would have left Russia in a very unstable position. The country had to focus on innovation-based growth in order to be a real economic power. In the autumn of 2008, the structural weaknesses of the Russian economy became apparent as it was dependent on the world economy through financial and real linkages. Due to the economic crisis, the growth rate of the world economy is slowing down and this is not a good environment for the process of modernization of the Russian economy.

As regards the macroeconomic landscape in Russia, Prof. Caselli thought that it could be defined as satisfactory. However, he also clarified that the bankruptcy of the Bank of Moscow last summer illustrated

the weaknesses of the Russian banking system. According to a scenario outlined by the IMF, a continuation of weak policies would amplify Russia's vulnerability to external shocks. In this scenario, it would be very difficult for the Russian ruling class to implement the process of modernization.

Mr Caselli invited the audience to consider the structural problems of the Russian economy: between 2001 and 2007, no major changes occurred as oil, gas, and raw materials remained strong points, while the manufacturing sectors remained weak. Thus the modernization process must overhaul the supply function of the Russian economy.

To transform Russia into a modern and innovative economic system, the share of investments in national income should increase to 30% of national income, similar to levels in China and India. Moreover, extensive financing and reform of the institutional set up are needed to improve science and research in order to provide innovative products. Despite the latest efforts, Russian expenditure on research remains lower than in other countries.

Mr Caselli concluded that in his opinion modernization in Russia is possible but very difficult because of the changing conditions of the world economy, the peculiar institutional set up of the Russian development state and the structural problems of the Russian economic system.

**Tomislava Penkova** (ISPI) dealt with the links that exist between the process of modernization and Russian foreign policy. Modernization is not a new theme in Russia's domestic and foreign policy, which has always been linked to Russia's material capacities and its self-perception of being a great power. Here again, these two factors are interrelated. Adequate infrastructures and resources are needed to ensure the nation's competitiveness. Modernization is a state-driven process but an important role should be envisaged for the private sector as well. One of the fundamental aspects in this process is the preservation of industrial upgrades through new technologies, along with the need to attract domestic investment and stabilize foreign investment in order to make the Russian economy competitive.

The absence of major tensions between Russia and the outside world is a prerequisite for a secure business climate. So modernization is not only a domestic process but is linked to foreign policy as well. Russia is not self-sufficient in its path towards modernization and the EU has always played the role of a leading or guiding force for modernization. As the current political leadership seeks to regain the country's previous international prestige, modernization becomes a tool to move in this direction and Russia needs western help to move forward. The modernization agenda has always been linked to the western vectors of Russian foreign policy, as the historical trend of technological upgrading shows an inherent and tacit connection between Russia and the West. Moreover, to become competitive Russia needs to attract foreign capital, and the West can fulfill this role.

Rather than representing an alternative source of modernization, the eastern vectors of Russian foreign policy may be seen as a second phase of Russia's advancement towards stabilizing its regional influence and

strengthening its presence and status as a leading economic power within Asian markets. On the one hand, the Russian modernization process will continue to depend on the West; on the other hand, the process of modernization could help Russia deepen its integration with the Asian and post-Soviet region.

According to Ms Penkova, Russia has no geographically determined identity, but an image-driven national identity: whereas its European identity is often stressed and is necessary to implement the modernization strategy, from an economic point of view Russia's self-constructed identity lies in Asia as Russia projects itself as a leading economic power in the region. However, rapidly developing countries such as China and India cannot lead to a technological breakthrough in Russia. Although both India and China are focused on high-tech production and the development of education and science, they both promote regional integration based on financial and economic factors rather than political and ideological principles. Besides low complementarity between the Russian and the Chinese economies, China's regional interests do not match the priorities set in the Russian modernization agenda. To allow the modernization process go on, Russia will have to balance its relations with the West and China, but it's unlikely that modernization will radically change bilateral relations. As for India, the relationship between Moscow and New Delhi has evolved into a 'modernization alliance' as their bilateral relations involve some of the strategic directions of modernization proclaimed by the Kremlin.

Considering the countries of the post-Soviet space, since they suffer from the same economic backwardness and technology deficiency as Russia they obviously cannot be a source of Russia's innovation. However, since these countries are an important market for Russian products, Russia's modernization will deepen Russian relations with its near abroad.

Concluding, Ms Penkova stressed that modernization will be a long and comprehensive process. The eastern vector of Russian modernization will not represent a viable primary source of technological advancement, but the role that these countries may play could be useful in complementing and strengthening the western orientation. Russia's modernization should combine both its national identity and its resources and economic potential for advancement, Penkova said.

The panel discussion was initiated by **Domenico Mario Nuti** (University of Rome "La Sapienza") who dealt with the current crisis in the Euro-zone. Mr Nuti stated that not only is the current crisis not over, but we have come full circle and the cycle is about to re-start again, with toxic sub-prime loans of the summer of 2007 being replaced today by the role of toxic sovereign debt. The crisis had been mitigated by monetary expansion, which had little effect because of Keynesian liquidity preference, and fiscal stimulus which was ineffective as it came in the form of tax reduction rather than public investment. Fiscal austerity is being advocated, but according to him this is neither necessary nor sufficient to the sustainability of public debt. We know there are great imbalances at the global level: if you have countries that run a surplus in budget,

there must be countries that run a deficit, and they will find it all that much harder to reduce their public deficit. The attempt to reduce the budget deficit by all countries can cause higher unemployment.

Wage reduction cannot be helpful in solving the unemployment problem at a global level either. Monetary policy, fiscal austerity and wage reduction will not work to overcome the current crisis. The nature of the crisis is visible by looking at the different interest rate of government bonds. It is apparent that Greece is insolvent. Other countries (Ireland, Portugal, Spain, Italy) are solvent at present, but their position is also unsustainable. When a country is insolvent there are three possibilities: 1) ordinary default in agreement with the creditors; 2) disorderly default; 3) delayed default with the assistance of the IMF and the BCE. With reference to Greece Europe has chosen a combination of private sector involvement and a rollover of the rest of the debt. No real chance for Greece to be solvent has been created and there can be default with possible domino effects.

The Euro exchange rate is much stronger today than when it was set up. Indeed the Euro is too strong for its trade competitiveness; on the contrary, the governments are in a weak position. Euro collapse, the dissolution of the European Union or the return to national currencies will lead to automatic default, these prospects are not a way to avoid default. Other prospects like setting up a financial ministry for the EU, or issuing European sovereign bonds, would require significant progress towards a European fiscal Union, Mr Nuti stated.

The implications of default in terms of exchange rates would not be dramatic for Russia. Russia should worry about the composition of its reserves and the European governments bonds in the portfolio of banks and financial institutions, Mr Nuti concluded.

**Dimitri Golovanov** (Ministry of Regional Development of the Russian Federation) in his speech focused on the integration of Russia into the international community. The problems of modernization are linked to the situation in the world economy. Looking at the topic of this conference, the challenges of modernization will not be affected by the presidential elections but by the possible scenarios of the crisis.

The Russian economy is a transformation of the Soviet economy. In the past the military sector received huge investments, but modernization needs to overcome the obstacles of the former planned economy and the overemphasis on the military and heavy industrial sectors. The development of new fields of manufacturing is faced with a number of problems which are partially being dealt with by the government and local authorities. One of the constraining factors is the lack of managers. Reducing administrative barriers and corruption is another important factor for economic development, according to Mr Golovanov, and information openness is also being promoted.

The program of privatization will play an important role in modernization. Many large companies are still public; at the same time a government commission has been created and there is a special program devoted to the privatization of large stock companies as well as medium-sized companies that are still

public. As for modernizing the manufacturing sphere, the role of the state will be to create the conditions for new manufacturing facilities, to reduce administrative barriers, and to create infrastructure.

So economic modernization is linked to the future economic scenario. If the international community manages to limit the crisis, modernization in Russia will have the possibility to proceed more actively.

Continuing the debate, **Elena Shestopal** (Moscow State University) stressed that the topics outlined by Ms Penkova are very important for Russia's modernization and repeated that economic aspects matter, but they cannot be interpreted without political aspects. Resources, foreign investment and technologies could be linked to the identification of Russia as a great state. The situation with human capital is not so good in Russia, as the country is losing the potential provided by the system of education it had; this will continue to be the resource in which it should invest. The Ministry of Education opened a special competition for grants, but they were not assigned as no suitable political scientists were found. The human capital is good, but the bureaucracy does everything to prevent this talent from being developed.

Ms Shestopal agreed that Russia, like China, should follow the path of "catch-up modernization", a theory very popular in the 1960-70s. If Russia catches up, the country will still be behind because the West will have gone ahead. In terms of results, what will Russia have in the end even if it does catch up? Mr Nuti talked about the economic aspects of the western crisis: if Russia does catch up, will it have the same state of crisis it is trying to escape from? All the welfare states, the leading states, are characterized by a liberal understanding of democracy; but other countries, like Japan, based their democratic systems on their own national values and traditions while dealing with modernization. According to Ms Shestopal, Ms Penkova's conclusions, that in the East there is nothing good for Russia as there is no serious innovation there, were rather pessimistic. China took innovation from the West, and Russia will also have to buy it from the West. However, at the beginning of the 1980s China sent its best representatives to Europe and the US even if they had a brain drain. China invests in brains, education, and in the fields that multiply value in the country, so Russia will also have to invest not only in buying ready-made products but also in developing its own basis for industrialization. We should seriously think about developing our own base, as the Chinese did, Ms Shestopal stated.

A dynamic exchange of opinions ensued.

### **SESSION III**

The Saturday session focused on the international dimension and the dynamics of Russia's external relationships. It was opened by **Daria Boklan** (Russian Academy for Foreign Trade), who spoke about the influence of globalization on social human rights in Russia. Globalization is a world wide process which links national social formations to common global social systems. Social and economic processes play the main role in the development of globalization. Globalization may also have negative effects in the social sphere,

such as nationalism, autonomy of local cultures, and religious and ethnic separatism, thus creating huge social problems. According to Ms Shestopal, global socialization is one of the most difficult steps to understand but it exists and it is necessary to have a very high level of political culture. Today's mentality is nationalistic for the most part. It is only possible to solve global social problems through common efforts.

According to the Russian Constitution, Russia is a social state. Growing individualization is dangerous for society because it results in a decrease in people's interest in the global social process. Social rights must be supplemented by social obligations. Legal regulation of human rights is a competence of the federal power, but the protection of social human rights is a common competence of both the federal power and the power of the subjects of the Russian Federation. Some constitutions of the subjects of Russia stipulate even further social rights than the federal constitution. Russia is party to all multilateral treaties on human rights; it is the country with the highest number of claims to the European Court of human rights. This reflects the positive impact of globalization on the defense of social human rights in Russia as people are using these mechanisms to defend their rights against the state.

Another important multilateral treaty that touches on social rights more is the European Social Chart (1961). Russia ratified the treaty in its revised version in 2008, recognizing most statements as legally binding, including the one stipulating the system of collective complaint. The problem of social human rights defense is a global problem. Certain mechanisms protecting human rights exist and this is a positive result of globalization, but social problems at the national level are too serious and we need time to overcome them, Bokhlan concluded.

Then **Robert Craig Nation** (US Army War College) returned to the notion of security. One of the things that globalization implies is the changing nature of the security problem itself. In an interdependent world the traditional threats to national security become less salient, while transnational threats that require a cooperative approach become more important. The change in the way we think about security itself is a part of what we mean by modernization.

Outlining the cycles in US-Russian relations, Mr Nation pointed out that the Georgian war was a cathartic moment for the US; it was the realization that its relationship with Russia had disintegrated to the point that the US had lost leverage in the relationship. However, it gave rise to the Reset agenda, a product of the Obama administration, an American initiative presented to the Russians. A serious diplomatic initiative, it defines the current stage of US-Russian relations. It has entailed a new arms control agreement (START), various working groups on civil society, nuclear cooperation, cooperation on Afghanistan, and NATO trying to encourage closer coordination with Russia. So significant achievements and improvements have been made in relations.

However, all these initiatives are limited and tactical. There is a need to reshape the nature of security, as the US-Russian relationship is still a fragile one. Mr Nation explained the structural sources of rivalry and

friction, as well as the values gap that should be considered as it refers to something which has a real impact. Under Putin Russia has regressed towards some form of soft authoritarianism that is incommensurate with its association and integration into the western security community. The degree of corruption in Russia is incommensurate with economic cooperation. Russia should not aspire to join the West because it has a distinct identity. This perception is very powerful in the US and it is a barrier to improving relations. The US has relations with other countries which have one-party regimes, but the case of Russia is distinct as Russia has never really been an ally.

Another area of discord is the strategic issue. The START treaty was the first in a series of negotiations which put other strategic and tactical issues on the table. The US and Russia have fundamentally divergent views about the role of nuclear arms in national defense policy. The US wants to bring Russia into a collective regime of missile defense, but here negotiations are at an impasse as there are very serious issues to resolve.

Mr Nation concluded his speech by considering that the regional order in the new Eurasia is another source of rivalry. Here relations are completely unaffected by the Reset agenda. Russia has never been given an offer to join Western institutions, on the contrary the West used to rival and challenge Russia in the post-Soviet space. In his view, China is a weak geopolitical anchor for Russia and the West should bring Russia as close as possible to its security institutions.

In his analysis of three theories of modernization, **Vladimir Paniotto** (National University of Kyiv-Mohyla Academy) tried to extrapolate the parameters of modernization, identifying them on the level of welfare, the percentage of the population employed in information production, the birth rate, the level of democratization and the level of xenophobia. Comparing Russia and Ukraine on these points, on several accounts, Ukraine shows better results in terms of its level of democratization.

Then the floor went to **Albert Bininashvili** (Columbia University) who analyzed the geopolitical changes occurring in the Middle East due to the ongoing Arab spring and its effects on EU-Russian relations. When the Arab spring began in 2011, the EU was divided over how to interpret this event. Nevertheless, the EU proposed its program for a partnership for democracy. The main point of this plan was that of the so-called positive democratic conditionality. The program worked quite well in the case of Tunisia, thus creating more incentives for the EU to go ahead with this idea of positive conditionality by offering it to Egypt and Libya. The main problem was that of implementation: the plan had no chance to be successful in rich oil-producing countries since these countries have a stronger bargaining position than a poor country like Tunisia. This proved the limits of the approach.

We were very quick to label the Arab spring as the era of Arab revolution. Labeling the Arab upheavals as “revolutions” is not appropriate, according to Mr Bininashvili, as it was individuals’ change rather than

regime change. Despite the fact that the EU put democratic conditionality at the centre of its policy in the Middle East, the biggest issue was the geopolitical aspect. Libya was the first case when the EU was left alone by the US and it represented a serious challenge to EU-Russian relations. It caused a great dispute among the political leadership in Moscow and Putin in the end did a great personal favor to Sarkozy.

One important problem which is instrumental in shifting geopolitics in the Middle East is the changes occurring in Turkey, Mr Bininashvili stressed. When Turkey joined NATO, its role was quite conservative in geo-strategic terms and the country's military elite was very strongly pro-Western. After the Islamists' first attempt failed, we see another attempt by a very sophisticated Islamism that is demonstrating its ability to adapt to the real threat once it achieves power. In terms of foreign policy orientation, the Turkish people are fed up with the country's unsuccessful attempt to join Europe, so while Turkey is still interested in some part of the former Soviet Union's southern periphery, it has much to gain in the Middle East. A sort of neo-Ottomanism is already visible in the public's alienation towards Israel: this was a signal to the Arab world that Turkey wants to be the leader of the part of the world.

Mr Bininashvili concluded his speech with reference to energy, which has always constituted an important issue in the framework of this conference. He said that we have always spoken about the Western energy security interests with no distinctions between the EU's and the US's interests. Today Europe wants energy and alternative resources and routes. Iran will be the main supplier for the Nabucco pipeline. In this area there are serious fields for cooperation between the US and Russia because their strategic interests coincide: Russia wants to keep Iran out, and so does the US; Russia wants to offer energy resources to China, which will keep Chinese interests out of the Persian Gulf.

Then **Dick Krickus** (University of Mary Washington) took the floor to focus on the effects of the Afghanistan question on the Reset agenda. According to Mr Krickus, the big question is whether the return of Putin to the Presidency means the end of the Reset agenda. Many in the US and the West say it will. First of all, on the domestic level this will mean a return to autocracy; as for foreign policy, many think that Russia under Putin will take a path of confrontation instead of cooperation; finally, there is a large values gap between the West and Russia that cannot be bridged. On the Russian side there are doubts as well, mostly about the West's commitment to security cooperation. Russia is also concerned about requests for help from the EU and the US, a request which has given nothing in return.

Russia was very supportive in US military operations in Afghanistan and allowed the US to use Central Asia as a base to operate into Afghanistan. Most important, the Russians have supported the Tajik support for Massud and gave a very important contribution providing arms. After the US invasion of Iraq, relations between the US and Russia deteriorated. As a consequence, the Russians welcomed the Obama administration coming to power and Obama promised to work on a reset for the agenda with Russia. In 2010 US vice president Biden announced a reset of relations with Russia and the hallmark of that first

initiative was the signature of the New START Treaty, which helped to stabilize relations between the two countries. Later on, Medvedev said he would work on more cooperation with the US in Afghanistan.

In Mr Krickus's opinion, the extent to which the US and Russia will cooperate in Afghanistan will be the best measure of the reset. Both sides have good reasons to see a success in what is happening there: the US is concerned about Al Qaeda; the Europeans are concerned about the terrorist attacks in Madrid and London; Russia is concerned because much of the drugs that make their way into Russia come from Afghanistan. Moreover, Russia is also concerned about Central Asia, whose dictatorships are in very precarious political conditions, but the modernization process depends on good relations with these countries. Finally there is the North Caucasus, where Russia faces growing insurgency.

Mr Krickus concluded by saying that there are bumps in the road of cooperation, but the general record is positive. He pointed out that Putin was leader of Russia when the reset was first established and according to him there is no difference between the Putin of today and the Putin of 2000.

Finally, an extra non-scheduled speech was delivered by **Predrag Šimić** (University of Belgrade) who dealt with another perspective in western-Russian relations, this time in the Balkans. He stated that shifting from the Caucasus or Central Asia to the Balkans doesn't change the rules of the game even though the region has its specific characteristics. The dissolution of Yugoslavia created the first post-Cold War crisis in Europe, a crisis that invited the intervention of all international actors. Russia went through different phases in dealing with this crisis, going from the attempt to integrate post-Soviet Russia into the Western security system at the breakup of the crisis, to gaining new confidence when it was included into the Contact Group after a successful diplomatic initiative in 1994. A new phase came in 1998, when the Kosovo crisis exploded in its military phase and Russia made a move to counter or parallel moves by the US. All Russia's attempts to prevent a new NATO intervention failed because the Western leaders didn't care about Russia's opposition. In 1999 NATO started a large intervention against the clear opposition of Russia, thus making Russia helpless for the Serbs. Some parts of the Russian military tried to repeat the 1994 scenario by replacing Serbian troops at the Pristina airport with Russian peacekeepers. Later on Russia left Kosovo.

In Mr Šimić's view, Russia should draw at least two conclusions from the Kosovo crisis: 1) Russia and NATO could find themselves on opposite sides of regional conflicts; 2) the institutions that were supposed to become the core of Russian-Western cooperation did not pass the Kosovo test. Moreover, the West and Russia are not alone in the Balkans, as neo-Ottomanism is growing with its center in Turkey.

The final discussion was opened by Gleb Cherkasov (Kommersant Newspaper) and Ilya Roytman.

**Mr Cherkasov** pointed out that Russia could not make the choice of who is Russia. Is it a national state which concentrates on its own problems, or is it a successor of the USSR that wants to put together all the post-Soviet land?, he asked. The lack of decisiveness on this issue made policy incoherent and this was

easily visible from the outside. The choice was finally made with Putin's initiative of creating Eurasian unity. There is an interesting scenario in place: the Russian population is nostalgic for the USSR, but they don't want the creation of the big country. Moreover, there are many activist groups in the population campaigning for a stop to pouring money into the Caucasus.

Finally **Mr Roytman** stressed that what Russia perceives as a national threat from the West is based on past history in Western-Russian relations. In the late 1980s Gorbachev was promised that no NATO enlargement would have taken place, but three countries of the former Soviet bloc were admitted in 1997 and another seven countries in 2004. Among these latter ones, there were three countries that formed part of the USSR. Latvia and Estonia were admitted even though they had territorial claims with Russia: this didn't prevent NATO from admitting them, breaking the regulations set by the NATO statute itself. That is why when we speak about missile deployment today, and Russia requires legislative guarantees, it has a justified base. The threat of having Georgia and Ukraine in NATO is of national interest for Russia. NATO is a good organization, but it remains a military organization and Russia will simply not permit it to threaten its national interests, Mr Roytman stated.

As regards the value gap between Russia and the West, Mr Roytman doesn't think it is as huge as has been said. From its appearance, Russia has always stated that it is a European country. It has been said today that Russia could not participate in Western security institutions, but Russia participated in them and created them. This means that there is still the possibility of inclusion and collaboration based on some common values.

An active debate then ensued.