The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

My Gloomy Dinner With Putin

By Anatol Lieven

November 15, 2011



The mood at this year's Valdai Club meeting was gloomy, which was inevitable since it took place against a background of the stagnation in Russia and the United States and the crisis in Europe. In Russia, both state and society appear to lack the capacity for internal regeneration. If this is so, then Russia can still continue fairly successfully along its present path as long as energy prices remain high, but it will not build up the kind of new economy that will be able to replace energy as a source of wealth in the long term.

Russia's technological decline was underscored by our visits to Volvo and Volkswagen assembly plants in Kaluga, where despite state efforts to the contrary, almost 100 percent of the vehicle parts are still being imported from abroad. I heard a particularly savage comment on the state of the country's industry from a Russian friend. She said that even though all the parts are foreign, people still prefer to buy the same vehicles from abroad at higher cost because they simply do not trust Russian workers to assemble the vehicles properly. Alas, this prejudice seemed partly borne out by the high rate of quality failures at the Volvo truck factory in Kaluga. In addition to this, there was news of the Fobus-Grunt Mars probe, which drew attention to the decay of Russia's space program.

During the Valdai dinner with Prime Minister Vladimir Putin, he repeatedly said if he were elected president next year, his government would be flexible and innovative in its response to new developments. No details were offered, however, and on the basis of the record so far, there is no good reason to think that the Russian state system is capable of purging itself of the corruption that is doing so much to hold back the country's development.

At the same time, Russian liberals who hope for a collapse in energy prices, mass unrest and destabilization of the regime are being foolish, in much the same way that their predecessors before 1917 were lunatic in their belief that the overthrow of the tsarist system would lead to a flourishing of democracy. A collapse of energy prices would come as a result of the disintegration of the euro zone and a deep global economic recession or depression starting in the West.

Such a crisis would rightly be seen as the result of a catastrophic failure not only of Western economic policy but of Western democratic governance. This is reflected in different ways in the shambles of Greek and Italian politics and the endless half measures of the European Union. It is also reflected in the creeping paralysis of the U.S. system, created not only by the savage bitterness of relations between the Republicans and Democrats, but also by the inherent and seemingly unreformable flaws in the U.S. Constitution. In both Europe and the United States, the economic decline of large parts of the population is leading to growing extremism in politics.

In Europe, it is leading to the rise of rightwing anti-immigrant parties. In the United States, the radicalization of the Republican Party manifested by the Tea Party movement is especially worrying because it shows that the conservative middle class is no longer capable of analyzing or explaining its increasingly desperate economic condition in rational terms. In these circumstances, Russia's own extreme chauvinist tendencies would be strengthened by the sight of such forces growing in the West. As a result, Russia's populist demagogues and vicious street gangs would profit the most, not the country's liberals.

Even if the euro zone manages to survive and avoid a plunge into deep depression, all the economic indicators suggest a long period of very low economic growth in the West, analogous perhaps not to the "slump" after 1929, but what used to be called the "First Great Depression," which lasted from the 1870s to the 1890s. Parts of Western economies will do well by exploiting growing Chinese and Indian markets, just as Russia will do well by selling energy, food and raw materials to China. But the rise of China will also ensure that many other parts of the Western and Russian economies decline in the face of inexorable downward pressure on prices.

A continuation of high Chinese growth with low Western and Russian growth suggests a future of growing dependency on China in both Europe and Russia. If, on the other hand, the Chinese economy plunges as a result of Western depression, it will knock out the last remaining element of dynamic growth in the world economy.

This outlook creates the strongest possible incentive for the EU and Russia to work together. EU countries have the technological and managerial skills that Russia so desperately needs. Russia can provide fields for investment and development that are absent in a stagnating Europe. Given world environmental and population trends, Russia's greatest assets in this

regard are likely in the long run to be not energy and minerals, but water and agriculture. A few decades from now, these assets may be vital not only to Russia, but to Europe and the world.

While the need for close EU-Russian cooperation should be obvious, very little of what I have seen in Russia during the Valdai meeting or of European politics in recent months suggests that it will happen any time soon, given the nature of the state and political systems on both sides.

But these processes are very long. After another 12 years of slow growth in Europe, EU governments will be desperate for anything that can give their economies a boost. After 12 years of higher growth in Russia — even if it is largely based on energy exports — the country may have developed a middle class that will insist on real reform. We can only hope for long-term change because it is woefully apparent that in the short term, nothing much is going to change on either side.

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