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Russia's Luck Has Run Out

By Sergei Karaganov

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Russia has been unbelievably lucky in its relations with foreign powers over the past 12 years. The China-driven economic boom in most of Asia triggered a prolonged demand for Russia's main export commodities — oil and gas, raw minerals and foodstuffs. In addition, traditional competitors in the West for global influence have become economically weakened. What's more, China has done everything possible to avoid posing any threat to Russia and often sides with the Kremlin when they both want to defy the United States.

But despite these positive trends, things are looking less rosy on the country's domestic political front. An increasing number of Russians has begun expressing discontent, if not hatred, for the ruling elite. This is disturbingly reminiscent of the unstable political environment of the Soviet Union from 1989 to 1991.

The bourgeoisie middle class has at last gained solid footing in Russian society, but it remains angry over the authorities' endless violations of property rights, election fraud and rampant corruption. Active, educated Russians in their 20s and 30s who grew up after the Soviet Union collapsed have increasingly come to the conclusion that the country has little to offer them in terms of career development and self-realization. They are repulsed by Russia's closed

system that is based largely on connections and patronage, and thousands of the country's most talented and innovative young professionals have emigrated to the West.

Against this backdrop, the election fraud that many witnessed at voting stations and on the Internet in December was the last straw. As a result, large-scale protests broke out in Moscow and other cities, attracting the country's middle class and intellectual elite.

The authorities accused protesters of being agents of the West, but the European Union and the United States have too many problems of their own right now to bother meddling in Russia's affairs.

Russia is now at a crucial crossroad. How can it avoid a prolonged political crisis and economic stagnation after the March 4 presidential election?

Above all, Russia has to reform and modernize its economic and political institutions to remain a strong power. The 1990s saw a revolutionary break with communism, and in the early 2000s then-President Vladimir Putin oversaw a restoration of control. But 20 years were lost that might have been devoted to the creation of effective institutions. First among them is a parliament endowed with at least legislative and supervisory functions, even if it lacks the power to form the government. Next is the need for a judicial system that protects the rights of citizens, particularly their property rights. Russia must also develop municipal governments with some degree of autonomy.

There is a historical precedent that demonstrates the link between reform and development. Tsar Alexander II implemented comprehensive reforms that paved the way for an unprecedented economic boom in the late 19th and early 20th centuries. If Russia doesn't implement reforms in the next presidential term, the country will inevitably slide downhill toward another failure like the one it suffered in the Crimean War — only this time, it could prove fatal. One of Russia's first reforms should be holding new Duma elections in the next 12 to 18 months to help push through other political and economic reforms and to restore legitimacy to parliament.

In addition, the main opposition groups that have been excluded from the political process by the authorities should be registered to participate in elections. The voices of tens of thousands of protesters — and the hundreds of thousands of other Russians who sympathize with them — should be represented in parliament.

Russia must move away from a ruling system in which power is highly concentrated in one person and graduate toward a greater reliance on pluralistic institutions. Toward that end, Russia should introduce a constitutional amendment limiting the president to a single term in office of six or seven years.

In terms of economic development, it is crucial that Russia link itself more closely to the Asian economic powers. This can be accomplished by developing Siberia and the Far East. Russia needs to attract huge foreign investment in the region's infrastructure, raw materials processing and timber. In return, Russia would need to provide highly favorable tax incentives and legal guarantees.

To boost these efforts, the Kremlin should consider moving part of its functions to a major

city in Siberia or the Far East — a "second capital" of sorts. For Russia to have any hope of rivaling Asia's spectacular rise, it would need a modern-day project on a par with the construction in the early 1700s of St. Petersburg, Peter the Great's "window to Europe."

The government could improve Russia's overall investment climate by focusing support on a narrow group of fields — nuclear energy, aerospace, chemicals, high-tech, gas and petroleum refining and pharmaceuticals. These sectors should become the seedbeds on which clusters of innovative companies would grow.

In addition, Putin's Eurasian Union project deserves serious attention, but it needs to be careful of the role Central Asian countries will play in the union. They have historically been a heavy drain on the state coffers, taking more from Moscow than they contribute.
The Kremlin shouldn't repeat the mistake of past tsars who played the Great Game in the 19th century or pursued messianic dreams of expansion, burdening Russia with a region it has heavily subsidized for 150 years.

Russia remains a powerful geopolitical player, but it badly needs to institute reforms and attract and cultivate innovative minds to achieve a modernization breakthrough. Otherwise, the country is doomed to become a minor international power.

The protesters are pushing Russia toward positive change. If nobody listens, Russia's good luck up until now might turn into a pitiable losing streak.

Sergei Karaganov is the dean of the department for Global Economy and International Affairs at the Higher School of Economics and the chairman of the Council on Foreign and Defense Policy. This comment appeared in Vedomosti.

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