

**U.S.-Russia:
Putin's Russia**

**by Toby Trister Gati,* Senior International Advisor,
Akin, Gump, Strauss, Hauer & Feld, L.L.P.**

For the first time in Russian history, supreme executive power has been peacefully transferred via national democratic elections. Vladimir Putin emerged as a president haunted by Russia's authoritarian past and galvanized by a rebounding economy and a re-invigorated government. Putin's attempts to reach out to the West demonstrate that he is seeking friendlier ties. However, Russia's actions in Chechnya continue to be a stumbling block in that endeavor. Putin's ability to make some painful political and economic adjustments will dictate whether Russia takes a step forward or back. Meanwhile, despite the best of intentions, it will not be easy to develop a new understanding between the U.S. and Russia on where we go from here.

The New Russian President

Russia has a new President. For the first time in Russian history, supreme executive power has been peacefully transferred via national democratic elections. This is a tremendous achievement for the nation that created the Communist state and totalitarianism, and whose history is fraught with disappointment, murderous oppression, and a series of violent revolutions. The democratic revolution, ignited by former President Boris Yeltsin in 1991, is evolving in uniquely Russian ways, and the December 1999 parliamentary elections, followed by the election of Vladimir Putin as President on March 26, signal a new phase in Russia's democratic evolution.

With this first test of a peaceful transition of power, it is tempting to conclude that Russia has finally turned the corner irrevocably away from its authoritarian past and solidified its prospects for a democratic future. However, as attractive a conclusion as this might be, it is premature. Amid the positive signs in Russia today -- democratic elections, an economy on the rebound, a renewed sense of vigor in government -- lurk dangerous and all too familiar tendencies echoing Russia's tumultuous past: a desire for order and stability at the expense of freedom and a longing for a strong Russian state able to dominate its neighbors.

Putin's tough talk against the corrupt ways of the past nine years and the usurpation of governance by special interests and the wealthy oligarchs made him, in the eyes of the majority of the Russian people, an "anti-Yeltsin." But he is also very much a product of the Yeltsin era. Indeed, he was Yeltsin's personal choice as successor and his ties to the "Family" -- that small group of close associates who decided how Russia was ruled and how the spoils of the post-Communist pie would be divided -- remain shrouded. Like Russia itself, in President Putin the old coexists with the new. Reflecting that duality, Putin appeared to speak for many Russians when he remarked: "Whoever does not miss the Soviet Union has no heart, whoever wants it back has no brain."

Russians think about building for themselves a "normal" life patterned on the modern, technologically advanced European states and have been, for the most part, willing to accept

some sacrifice and reform in order to achieve this goal. In their hearts, however, feelings of loss, of national and personal drift, create a longing to restore the glory of "Mother Russia." The hopes and aspirations of many Russians collide with the reality of Russia today -- a country weighed down by an enormous legacy of state control and burdened by a corrupt political system and an antiquated industrial heartland that waste resources and sap the economy. Like so many national leaders before him, President Putin will have a difficult task in reconciling the new and the old -- the heart and the head of Russia -- and pulling Russia out of its economic and political backwardness.

For the past nine years, democratic and free market reform in Russia have been frustrated both by those who fear far-reaching changes and by those who now benefit from halfway measures. Unwieldy, dysfunctional political structures have evolved, in which decisionmaking has been a behind-the-scenes affair controlled by the rich and politically connected, occasionally disrupted by the Duma and an unpredictable President. Indeed, Russia's government in the past few years has seemed more like a tsarist court than a democracy.

Putin is a product of this unpredictable and volatile political mix and of the diverse currents of Russian political life -- the progressive, outward-looking world of St. Petersburg, the secret, suspicious world of the KGB, and the byzantine practices of the Kremlin. Even after his election, he represents different things -- some new, some old -- to different people. Putin seems to believe that Russia must change, but has left open how and by what means. It is not clear if he understands that change will not happen if he is unwilling to make some painful political and economic adjustments.

War and Order

Putin won the presidency by allowing the Russian military to pursue a bloody victory in Chechnya and by talking tough to those who threatened Russia's territorial integrity and sense of national pride. He did not outline a vision for the country's future prior to the election and thus has no clear mandate for economic or political reform. When he was asked what his plans for Russia were in a pre-election interview, he answered, "I won't tell you." He did not choose to debate any of his electoral competitors, nor did he undertake any real campaigning. Up to March 26, his victory seemed so assured that many described the election as a coronation. Putin did little to dispel that characterization.

When poll results showed that Mr. Putin might not win in the first round, he called on the country to grant him the 50 percent plus one majority needed in order to "spare the country the expense of a second round." This message was broadcast throughout the country on state television and private channels. It most likely appealed to many in the electorate yearning for an end to the hardships and political uncertainties of the Yeltsin era. The Communist allegation that the elections were falsified can never be proven and will certainly not be pursued. What is clear is that in Russia, elections can become a plaything for the incumbent powers in the Kremlin, rather than a reflection of public preferences that develop from the interplay of political and civic groups engaged in a real democratic discourse. The Russian President, as embodied in the Constitution, holds such sweeping powers that President Yeltsin, a skillful politician without any popular support, was able to manipulate the rules of the game in his favor and choose when, where, and how to participate in elections, in addition to anointing his successor.

Putin has sent out several trial balloons on proposals that would increase his authority further -- for example, an extension to a seven-year presidential term and the appointment, rather than the election, of governors. Furthermore, the treatment of Andrei Babitsky, the Russian journalist who was detained in Chechnya for over a month and perhaps beaten by Russians at the Chernekozovo "filtering camp," and the pressure on independent reporting by channels such as NTV add to grave concerns inside and outside of Russia that President Putin is not likely to place a high priority on a free press.

At the same time, however, Putin has said all the right things to Western leaders about tackling the decline in the Russian economy, strengthening civil society, and encouraging foreign investment. Indeed, British Prime Minister Tony Blair and President Bill Clinton have praised Putin as a "reformer" and declared that "he is a man we can work with." Putin has sought to cultivate these relationships in order to bolster Russia's image as a predictable and reliable partner.

The sorry state of the Russian economy makes it imperative to create conditions for foreign investment. President Putin has spoken of the need to turn around Russia's international image as a sinkhole for investment, and indeed, there do appear to be some positive signs. On the judicial side, the Western investors who were the victims of the highly publicized hostile takeover of the Lomonosov Porcelain factory have had their shares returned and regained their seats on the board. The rift between BP Amoco and Tyumen Oil Company over Sidanco's holdings seems to have been mended. On the legislative front, President Putin has addressed some of the main obstacles to investment by calling for tax reform, private property rights, and minority shareholder protection. More generally, he has talked about "leveling the playing field" for foreign and domestic investors.

Russia under Putin

Analysts in Washington and Moscow continue to pour over Putin's past and his rhetoric in an effort to read the tea leaves on what Russia under Putin might look like. Clearly, Putin's rhetoric and his past allow for many different interpretations: some emphasize his KGB past in drawing the conclusion that Russia is headed towards authoritarianism; others look to his efforts under Anatoly Sobchak in St. Petersburg as an indication that Putin is a reformer; some even see his love of Judo as a sign he will combat the oligarchs.

In a country once consumed by ideology, Putin seems to be devoid of any ideological leanings. Instead, what seems to motivate President Putin is the re-establishment of a strong Russia that is respected at home and abroad. He appears determined to create a form of governance that would achieve this goal quickly and efficiently.

In today's world, the measure of a nation's strength is the vibrancy of its economy and the standard of living it provides its people. The strongest countries in the world are free market democracies. President Putin seems to understand this and has vowed that Russia will continue on its path toward a free market and democracy. Achieving this, in his mind, will require a strong

central state -- unlike the past nine years during which state power dissipated and reform became synonymous with disintegration and corruption.

During the next few weeks, President Putin will outline his economic policy, the so-called "Ten-Year Plan," reportedly authored by several liberal economists, including German Gref, the director of the Center for Strategic Research, a think-tank set up by Putin late last year to develop his economic strategy. The plan is expected to call for an immediate implementation of tax reform, the institutionalization of private property rights, and an increase in foreign investment. The plan should also provide for an increase in the state's role and a tighter rein over the regions.

But this is not the only group competing for Putin's attention. Indeed, whether he likes it or not, various oligarchs still hold considerable sway over the country's economic direction. For example, this past February Boris Berezovsky and his associates were able to gain control of nearly 60 percent of the huge Russian aluminum industry and broker a deal with Anatoly Chubais, Chairman of Unified Electricity Systems, and Oleg Deripaska of Sibirsky Aluminum -- until now Berezovsky's main foe in what the Russian media has dubbed "the second aluminum war." With Putin's support, Ilya Yuzhanov, the Anti-Monopoly Minister, launched an investigation. After first publicly declaring that the deals were a likely violation of Russia's anti-trust laws (which require that any entity which controls twenty percent of a given industry be investigated), the inquiry was dropped due to lack of evidence that any laws were "formally" broken. According to Presidential adviser Gleb Pavlovsky, Acting President Putin backed off from interfering in the sales because the purchase structure was "too murky." It seems that the oligarchs were able to thwart the investigation -- an indication that they will not give up their influence and power quietly.

There are also other vested interests in the Russian economy, including the powerful oil and gas industries and the military-industrial complex, that will be clamoring for state resources. It will be very difficult for President Putin to balance these competing interests with the needs of the population and the claims of regional governors. Investors and leaders worldwide will be watching Putin to see whom he appoints to head the government and what he identifies as his priorities.

Rebuilding the U.S. – Russia Relationship

United States – Russia relations remain fragile. The lack of success in reforming Russia's economy and current U.S. desires to modify the Anti-Ballistic Missile (ABM) treaty feed Russian suspicions that the U.S. is intent on pushing Russia to the margins. Meanwhile, Russian excesses in Chechnya and growing pressures on the media, including the mistreatment of journalists, continue to evoke U.S. protestations. U.S. Congressional action -- the passage of the Iran Non-Proliferation Act, which imposes sanctions on Russian entities that deal with Iran; continued criticism of the Clinton administration for mishandling Russia policy; and the convening of the new Congressional Cox Commission to examine U.S. – Russia relations -- places the relationship under a political microscope. This environment makes it very difficult for policymakers to reengage, especially after the "Who lost Russia?" debates of last year and the rift over Kosovo.

Russia Looks to Reengage

Although Russia will likely increase its foreign policy activities in areas central to its national interests (the Persian Gulf, the Commonwealth of Independent States [CIS], and China), there is little to indicate that Russia will pursue an overtly more hostile policy toward the United States. President Putin has asked the Duma to ratify START II. He has made a point of reaching out to the West: inviting British Prime Minister Tony Blair for a visit, meeting with Secretary of State Madeleine Albright in Moscow, and sending emissaries to Washington and other capitals to lay the groundwork for increased economic cooperation and investment (Foreign Minister Igor Ivanov is due in Washington in late April). Putin off-handedly remarked during a recent interview that it was possible to imagine Russia as part of NATO, and a flurry of speculation ensued that further integration with the West is a likely part of Putin's vision to strengthen Russia. Putin has already begun to make the case that Russia will be safe for western investors and is actively seeking to increase foreign investment. But that does not mean he will avoid conflicts if Russia's interests are ignored. He will, almost certainly, be much more sensitive to a Western presence in areas once considered Russia's sphere of influence.

But, both an inherent distrust of the West and a suspicious public attitude could make it more difficult for Putin to make any concessions to the West. A March poll commissioned by the U.S. Information Agency (USIA) shows a growing anti-American sentiment in the Russian population. Eighty-five percent of Russians agreed that the U.S. is trying to dominate the world, up from 61 percent in 1995, while 81 percent believe the U.S. is utilizing Russia's current weakness to reduce it to a second-rate power. Although most Russians (69 percent) still believe it is in Russia's interest to work with the West, the Russian people expect Putin to deal more from a position of equality than did his predecessor. Having gained the presidency by acting tough in Chechnya (despite strong Western condemnation), and talking tough with the West over other issues, such as cooperation with Iran and access to Caspian oil, President Putin may prove to be a tough negotiating partner on a wide range of issues.

A Wary United States Looks Ahead

On the U.S. side, the debate over policy toward Russia continues. During the past three months, Russia's actions in Chechnya, especially the flood of information regarding human rights abuses by Russian troops and the handling of elections, have forced the Clinton administration to toughen its line and publicly pressure the Kremlin. Speaking recently to a Congressional panel, Strobe Talbott remarked that "the [Chechen] war has already greatly damaged Russia's international standing. Whether Russia begins to repair that damage, at home and abroad, or whether it risks further isolating itself is the most immediate and momentous challenge Mr. Putin faces." Adding to continual condemnation of the war in Chechnya by the U.S. Department of State, on February 24, the U.S. Senate passed a Sense of the Senate resolution condemning the "indiscriminate use of force by the Government of the Russian Federation against the people of Chechnya."

The Clinton administration has not been able to come up with a new framework for dealing with Russia, in part because so much uncertainty remains over what Putin will do. The U.S. has tried several tactics, including withholding Ex-Im Bank loans to Russian oil companies, signing punitive legislation such as the Iran Non-Proliferation Act, calling for negotiations over

outstanding arms control issues, and pressing the Russians to begin a political dialogue with the Chechens. On the one hand, the administration is encouraged by a new sense of activity in Russia and the hopes for a fresh start; on the other, there is, as yet, precious little to indicate the new Russian regime will press for democratic reform. Furthermore, continued reports about corruption, capital flight, and the ongoing influence of the oligarchs temper hopes that the current economic revitalization will be sustained. Meanwhile, as the clock ticks down on the Clinton administration, the desire for one last major arms control achievement -- ratification of START II, setting the stage for a renegotiation of the ABM treaty, and development of a START III framework -- is palpable.

A Window of Opportunity?

At present, President Putin enjoys tremendous power and solid popularity. This gives him a small window to profoundly influence Russia's future development. For many in Russia and the West, the greatest hope is that President Putin uses his mandate to revive the economy along free market lines, to rid Russia of the nonproductive or corrupt structures which continue to bleed its great possibilities, and to do so peacefully and democratically. This is a tall order for a neophyte President.

In addition, both the U.S. and Russia are constrained by domestic political concerns and an inglorious legacy of western support for reform. These overlapping problems, as well as the inherent difficulties of managing foreign policy during the last months of an outgoing President and the first months of an incoming President, will make it much more difficult to find substantive solutions to the major problems that continue to hinder the U.S.-Russia relationship: agreement on pursuing ballistic missile development and amending the ABM treaty; concerns over proliferation; the next steps in Russian reform, including new legislation on money laundering and international corruption; and contentious geopolitical issues such as maintaining the embargo against Iraq and divisions over policy towards Kosovo. Despite the best of intentions, it will not be easy to develop a new understanding between the U.S. and Russia on where we go from here.

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Chronology of U.S.-Russia Relations January-March 2000

Jan. 1, 2000: The Russian stock market's benchmark index, RTS, rises 18 percent above the previous day's level before trading is suspended. The increase is seen as a direct result of Boris Yeltsin's resignation.

Jan. 4, 2000: U.S. Vice President Albert Gore states that he believes acting President Vladimir Putin will "continue leading Russia along the path of reforms." On the same day, Republican presidential hopeful George W. Bush, says he is "troubled by the fact that Mr. Putin has gained popularity as a result of Chechnya," adding that he is "hopeful that [Putin] will lead his country to substantive and real reforms."

Jan. 6, 2000: Putin issues a decree amending the country's national security concept. Foreign Minister Ivanov states the new concept includes "radical" changes to enable Moscow to neutralize threats to the existence of a multi-polar world and the threat of terrorism and organized crime.

Jan. 7, 2000: The Russian military takes control of the Grozny railway station in Chechnya after fierce fighting in which over 100 Chechens died.

Jan. 10, 2000: Putin promotes Finance Minister Mikhail Kasyanov to first deputy prime minister, the highest position in Putin's newly restructured cabinet and dismisses Kremlin facilities manager Pavel Borodin, reappointing him secretary of state of the Union of Russia and Belarus.

Jan. 13, 2000: Putin publicly agrees to run for the presidency.

Jan. 15, 2000: Radio Free Europe/Radio Liberty journalist, Andrei Babitskii, is declared missing, igniting a massive international protest and sparking fears of increased press censorship in Russia.

Jan. 17, 2000: Russian Defense Minister Igor Sergeev meets with his Chinese counterpart Chi Haotian in Moscow. After their meeting, the two officials repeated their opposition to U.S. plans to launch a national anti-ballistic missile system.

Jan. 18, 2000: Over 100 deputies walk out of the first session of the new Duma to protest what they see as an unfair procedure for electing the Duma's speaker and selecting committee chairs.

Jan. 23, 2000: U.S. Deputy Secretary Strobe Talbott states that "the horror unfolding [in Chechnya] is a threat to the evolution of both Russia's domestic order and its international role."

Jan. 26, 2000: Swiss authorities issue an international arrest warrant for Pavel Borodin in relation to the Mabetex scandal.

Jan. 28, 2000: Russian security officials state in Moscow that RFE/RL journalist Andrei Babitskii, who had disappeared in Chechnya two weeks earlier, was detained on the outskirts of Grozny on January 23.

Jan. 31, 2000: U.S. Secretary of State Madeleine Albright meets with Russian Foreign Minister Igor Ivanov in Moscow. Secretary Albright warned that Russia was risking increased international isolation over Chechnya, drawing protests from the Russian media. The two signed agreements dealing with space launches and the joint nuclear risk reduction center.

Feb. 2, 2000: The U.S. detains a Russian oil tanker in the Persian Gulf on suspicions it was smuggling Iraqi oil. Russian Foreign Ministry officials were quoted as saying the incident could have a negative impact on U.S.-Russian relations and would not help "normalize" the situation vis-a-vis Iraq.

Feb. 3, 2000: Andrei Babitskii is exchanged for three Russian POWs by the Russian military to a brigade of Chechen rebels.

Feb. 5, 2000: Acting President Putin announces that Russian troops have taken control of the final district of Grozny, adding that the Russian flag has been hoisted over one of the city's administrative buildings. He states the operation to "liberate" the city is officially over.

Feb. 9, 2000: Chechen President Aslan Maskhadov announces the beginning of "a large-scale civil war in the mountains, the lowlands, in every village." Maskhadov also expresses regrets that six months after the war began, not a single representative of the UN, the OSCE, or the European Parliament has offered to meet with him.

Feb. 11, 2000: Russia and London Club creditors reach an agreement to write off 36.5 percent of Russia's \$32 billion Soviet-era debt and reschedule payments over 30 years following a seven-year grace period.

Feb. 15, 2000: NATO Secretary-General Lord Robertson arrives in Moscow, saying he hopes his visit will open a "new chapter in the dialogue and cooperation between Russia and NATO on questions of mutual interest."

Feb. 17, 2000: Human Rights Watch (HRW) and the World Organization Against Torture (WOAT) denounce Russian actions in the filtration camps for Chechens.

Feb. 24, 2000: The U.S. Senate passes a Sense of the Senate Resolution condemning the indiscriminate use of force by the Government of the Russian Federation against the people of Chechnya.

Feb. 25, 2000: The Russian television network NTV broadcasts footage acquired from a German television station showing soldiers loading male corpses from a Russian military vehicle into a mass grave.

Feb. 25, 2000: RFE/RL journalist Andrei Babitskii surfaces in Makhachkala, Dagestan. He had been freed by his Chechen captors and driven to the Dagestani capital in the trunk of a car.

Feb. 29, 2000: Defense Minister Sergeev announces that Russia is ready to resume relations with NATO at the expert level immediately. Sergeev proposed that the first discussion topics should be Russia's new military doctrine and NATO's "strategic concept."

Feb. 29, 2000: Russian Foreign Minister Ivanov and Chinese Foreign Minister Tang Jiaxuan meet in Moscow and announce that Russia and China remain committed to building a strategic partnership. Tang noted that China supports Moscow's campaign in Chechnya, which he described as Russia's internal affair, while Ivanov confirmed Moscow's support for China's claim of sovereignty over Taiwan

Mar. 5, 2000: Acting President Putin states that he does not rule out Moscow's joining NATO but stressed it will do so only "when Russia's views are taken into account as those of an equal partner." Saying he cannot imagine Russia being isolated from Europe, Putin remarked that "it is hard for me to visualize NATO as an enemy."

Mar. 7, 2000: Defense Minister Sergeev states that Russia does not consider NATO an enemy and is prepared to increase its ties with the alliance if favorable conditions are created.

Mar. 14, 2000: U.S. President Bill Clinton signs the Iran Non Proliferation bill, which provides for sanctions against Russian companies that trade or cooperate with Iran on technologies that could be used in Weapons of Mass Destruction.

Mar. 15, 2000: Representative Christopher Cox, (R-CA) convened the Speaker's Advisory Group on Russia. Informally known as the Cox Commission, this Congressional panel is intended as a congressional review of U.S.-Russia policy.

Mar. 20, 2000: Putin flies to Grozny in an Su- 27 training jet piloted by air force General Aleksandr Kharchevskii.

Mar. 26, 2000: Vladimir Putin captures 52.52 percent of the national vote to secure the Russian Presidency in the first round.

Mar. 29, 2000: Foreign Minister Ivanov remarks that Western media have unleashed an "information war" against Russia and are "drawing an extremely negative, one-sided picture" which will make it more difficult to "carry out our political tasks and develop scientific and cultural contacts."

Mar. 30, 2000: NATO Secretary-General Lord Robertson commented that President-elect Putin's "personal decision" to resume relations with NATO is a "clear indication that we will not see a more antagonistic approach between NATO and Russia."