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Five Misconceptions about the Putin System

by Stefan Meister

In the context of the Ukraine crisis – which has escalated into a fundamental crisis between the West and Russia – hybrid warfare, propaganda, conspiracy theories and, above all, differing perceptions play a key role. Particularly in Western discourse, several misinterpretations with regard to power structures in Moscow colour the assessment of the crisis.

Russia meanwhile feels threatened both by the military strength of a U.S.–dominated NATO and by the European Neighbourhood Policy. What is more, Moscow interprets Western interventions in Kosovo, Iraq and Libya as proof that the West will always construe the rules of international law to its own advantage.

In this paper, five main misconceptions concerning both the Western relationship with Russia and the country's internal development will be analysed and subjected to a reality check. This will involve providing answers to the following questions: Who is to blame for the conflict with Russia? Is there a political alternative to Putin? Do the oligarchs pose a threat to Putin? Is the Russian leadership really interested in a stable neighbourhood? Is China an alternative modernisation partner for Russia instead of the EU?

Misconception No. 1: The West is to blame for the conflict with Russia.

A central pattern of argument in the conflict between Russia and the West is that aggressive policies of NATO and EU expansion into Eastern Europe and increasingly into the post-Soviet area are what triggered this conflict. Russia felt surrounded and had to defend itself against an expansionist policy of the West.

This line of argument presupposes that NATO and the EU have a strategic plan to actively integrate the post-Soviet states and limit Russian power. In contrast to Russia's integration projects, primarily the Eurasian Economic Union, integration into NATO and the EU is, however, voluntary and not based on a system of pressure and incentives.

There may have been a U.S. interest in offering Georgia and Ukraine a perspective for accession to NATO, at the 2008 Summit in Bucharest, which the leaders of both countries have been seeking. Yet, this interest seems not to have been that great, as Washington

gave in to pressure from other important member states of the Alliance, particularly Germany and France, to aim instead for a long-term alignment process with the involvement of Russia. A majority of Georgians, however, and for the first time, since the war in eastern Ukraine, a majority of Ukrainians too regard NATO membership as a guarantor of security in the face of an increasingly aggressive Russia.

The reluctance of a majority of EU member states to offer the countries of the Eastern Partnership (EaP) a perspective for accession also became apparent once more at the Riga Summit in May and is leading to a growing sense of disappointment in these countries. At the same time, association with the EU is regarded as an opportunity to undergo a process of modernisation.

The main reason for the escalating conflict between Russia and the West is not Western aggression but the lack of legitimacy of the Putin system. The global financial crisis of 2008/2009 showed that Russia's economic growth from 2000 to 2008, which was based mainly on the export of raw materials, lacks any basis for sustainable economic development and modernisation. This crisis also meant that the social contract – growing prosperity in exchange for political inactivity – could no longer be maintained by the regime. The mass demonstrations that took place in Moscow and Saint Petersburg in 2011 and 2012 in connection with the parliamentary and presidential elections have shown the regime that it has lost the support of a growing section of society due to the lack of modernisation.

In response, when Vladimir Putin returned as president in 2012, he secured his domestic power by exerting pressure on the opposition, independent media and civil society and shored it up by means of extensive media propaganda against the West. The annexation of Crimea against the will of the West has restored Putin's legitimacy in the eyes of most Russians, with approval ratings of over 80 percent (in contrast to ratings of at times less than 40 percent in 2013). Mobilisation of a majority of society against enemies from within (NGOs financed by the West, the opposition, media) and without (the West and in particular the U.S.) has become the main source of legitimacy of the Putin system. The Russian leadership currently has no interest in renouncing this concept of the enemy and resolving the conflict over Ukraine because then the economic crisis and the lack of modernisation would once again become the focus of attention.

Misconception No. 2: Putin cannot be replaced and after him things will only get worse.

Since he was first elected president in 2000, Vladimir Putin has systematically strengthened his position of power and staffed key positions with persons loyal to him from the security apparatus, in particular the secret service, and from his time in Saint Petersburg's city administration in the 1990s. Putin is also a mediator between different groups that are not interest groups in the Western sense but are dependent on Putin in one way or another. Corruption is inherent in the system and loyalty at the highest levels of political leadership is based on the possibilities available to the President for distributing resources. Putin nevertheless has to strike a balance of interests between these groups and settle conflicts.

On account of the above-mentioned lack of legitimacy and the choice of repression over modernisation, since his re-election in 2012 Putin has shifted the balance that previously existed between the generally pro-business part of the elite class and the representatives

of the security apparatus (referred to as the "siloviki" in Russian) with the goal of maintaining power in favour of the latter group. This has led to conflicts and the redistribution of resources within the elite class.

Putin is also a PR figure that meets the need felt by a large majority of the population for a strong national leadership figure. A key factor in generating high approval ratings is the picture that propaganda and the media paint of the persona of Putin. Part of this "Putin myth" is that he is irreplaceable (just as Boris Yeltsin was at times portrayed in public discourse) and that only he can guarantee stability and political predictability. But just as it was possible for Yeltsin to be replaced and for a relatively unknown secret service officer to become president of Russia, it would be possible to establish somebody new through media support – though only if there was a consensus among the elite.

It remains to be seen whether post-Putin Russia will become even more nationalistic or aggressive. The current government may be actively promoting resentment among Russian society, but intolerance, imperial nostalgia, a growing Russian ethnonationalism, paternalism and anti-Western thinking are part of the political culture in Russian society.

Misconception No. 3: The worse the economic situation in Russia gets, the more pressure the oligarchs will exert on the system.

There are various theories about the stability of the Putin system and the dangers of an economic collapse. They are, however, rooted more in Kremlinology than in reality. In 2015, fewer Russians than ever are willing to take to the streets to demonstrate and many of those who did so in 2011/2012 are now either patriots or have left the country.

One of Vladimir Putin's most significant successes in consolidating his position of power was the taming of the oligarchs. While some of the influential personalities behind Boris Yeltsin, such as Boris Berezovsky and Vladimir Gusinsky, emigrated, Putin made an example of Mikhail Khodorkovsky in order to cement the dominance of the state over the economy. All the oligarchs that are successful under Putin are either connected to his background in the secret service and Saint Petersburg or they have adapted to the new rules. The President alone decides who gets to take over which major enterprises.

At the same time, the global financial crisis of 2008/2009 and Western sanctions in connection with the Ukraine crisis have made the oligarchs even more dependent upon the state. Since 2009, the only way for several oligarchs to refinance their foreign debts has been to obtain credits from the big state-owned banks. This tendency has increased since 2014 on account of the financial sanctions over the war in eastern Ukraine as many Russian enterprises are no longer able to obtain and refinance loans through the international financial market. The state and its banks must thus once again step in and the dependence increases; loyalty to Putin has become one of the most important preconditions for the financial survival of many Russian oligarchs.

Should political and economic pressure continue to grow, however, practically all oligarchs have real estate, bank accounts and investments in the EU or the U.S. and could easily leave the country for good.

Misconception No. 4: Both Russia and the EU have a common interest in a stable neighbourhood.

While, in addition to opening up new markets, the European Neighbourhood Policy primarily serves to stabilise the countries of the EaP by modernising political and economic structures, Russian policy in this region seems, above all, to have a destabilising and revisionist effect. The key objective of the Russian government is to ensure its own post-Soviet sphere of influence and to have it recognised by the West.

Stoking secession conflicts on the territories of post-Soviet neighbouring states has become an important instrument of control and influence over these countries. With the gradual incorporation of South Ossetia and Abkhazia into the Russian Federation since 2008, the annexation of Crimea in 2014 and the war in eastern Ukraine, the Russian government is seeking to prevent integration of these states into the EU and NATO.

At the same time, Moscow would prefer "Bosnisation" (referred to in Russian as "Bos-nisatsia") of Ukraine over Europeanisation; permanently unstable territories that can be directly or indirectly controlled over a loss of influence. Through hybrid warfare, states are thus destabilised and criminal structures are promoted within an opaque environment that cannot be controlled by these states themselves. As a result, weak states emerge and are further destabilised and, if necessary, turned into failed states. From Moscow's point of view, non-integration into the West has precedence over socioeconomic development. The North Caucasus and Chechnya under Ramzan Kadyrov in particular are prime examples of how Russia has failed in the political and economic development of its periphery and is ultimately financing mafia structures to maintain order and thus continues to foster terror and uncontrollable situations even on its own territory.

Misconception No. 5: In China and the Eurasian Economic Union, Russia has alternative options for development.

First of all, Russia's raw material exports are not sufficiently diversified. The entire pipeline infrastructure is geared towards the European market including Turkey and Ukraine. Russia thus generates a large part of its income from exports to the stagnant EU market. The country has virtually not tapped into the growth markets of Asia at all, first arrangements with China are only slowly being implemented and in the event of a conflict with the EU Moscow is placed in an unfavourable bargaining position vis-à-vis Beijing.

Unlike the EU, China does not provide a modernisation model for Russia. The objective of Chinese policy is to develop new markets for their own products and gain access to raw materials through lending and building infrastructure. Except for the limited development of necessary infrastructure, China's plans do not involve any modernisation of the target countries. With the recently announced orientation towards China, Russia would remain a provider of raw materials instead of becoming a manufacturer of high-quality products and would consequently be a mere junior partner to Beijing. The potential of both states to weaken international institutions dominated by the U.S. should nevertheless not be underestimated since there is an actual alignment of interests between them.

Cooperation with the EU has led to a modernisation in Russia in some areas, the effect of which, however, has limited effect on account of the obstacles to competition and investment posed by the dominance of the state. At the same time, the Eurasian Economic Union, with its objective of creating a common space of goods, services, capital and la-

bour modelled after the EU, offers its member states only limited potential for development. This is due to the low innovation capability of the post-Soviet states involved, the relatively small population and the poor infrastructure.

When it comes to the founding states, the economies of Russia and Kazakhstan complement each other only to a very limited extent since both are first and foremost based on the export of raw materials. Belarus and Russia were already well-integrated within the context of the Union State – an arrangement that, owing to subsidies in the oil and gas sectors, has so far resulted in financial losses for Moscow. Countries such as Armenia and Kyrgyzstan also promise more costs than benefits on account of their structural deficits and dependence on the Russian market. Russia funds and promotes integration into the Eurasian Economic Union through a predominantly bilateral system of incentives and pressure and thus only increases existing modernisation deficits in these countries.

Moscow has largely ignored the concept of an EU–Russia free trade area "from Lisbon to Vladivostok", which has repeatedly been proposed, most recently by the German Chancellor. The idea of a common free trade area was first suggested to the EU by Russian President Putin in 2011 but EU politicians at the time considered the concept unrealistic. During the Ukraine conflict, Russia then further developed the Eurasian Economic Union in order to use it as an instrument against the influence of European Neighbourhood Policy measures in the post-Soviet region.

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