

The Future of Russia: Outlook from the Center and the Regions

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Introduction

The issue of the transformations in Russia's internal and foreign policy that occurred during the years of Vladimir Putin's presidency has been repeatedly discussed among scholars and politicians inside and outside of the country, especially in the light of the Russian presidential elections held in early 2008. The internal factors that affected the processes of transformation are rather obvious, and are presented by the Russian ruling elite as including a campaign against the oligarchs who have taken control over significant portions of the Russian economy; the necessary improvement of the mechanisms of governance; the protection of Russia's national interests; and the implementation of the model of "Sovereign Democracy." At the same time, some elements of Russian policy remain strongly dependent upon the activity of other players in the international arena. Many analysts identify the causes of the recent striking turns in former and contemporary Russian policy as being directly connected with external factors and international realities.

In 2007, a group of experts and scholars representing the State Universities of Voronezh, Kaliningrad, Saratov, Yekaterinburg, and Vladivostok, along with the Moscow State Institute of International Relations (MGIMO), embarked on an attempt to analyze some of the tendencies of Russian political and economic change, based on potential transformations within the international environment. This ambitious research project, which was named "The Future of Russia," was sponsored by Russian INO-Center and its contributors—the Russian Ministry of Education, the Carnegie Corporation of New York, and the John D. and Catherine T. MacArthur Foundation—and brought together specialists in such fields as history, sociology, political science, and international relations. This paper does not address the project as a whole, but rather examines the findings that have been made during the work on one of the project's subsections, entitled "Relations between Center and Regions in the Context of Development of the International Environment," in which the author was involved as the head of the team of scholars from Saratov State University.

The hypothesis for the research presented here rests on the premise that Russia's internal transformation will depend on potential changes in the entire international system, making external influence one of the crucial factors in the development of relations between the regions of Russia and the nation's federal administration. To better illustrate these trends, it was decided to categorize research into separate scenarios. Based on the hypothesis given above, four scenarios were elaborated as a starting point

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for regional scholars to examine how each particular scenario might bring about changes in regional development trends as well as in pending relations between Moscow (in its role as the federal center) and the Russian regions.

Empirical data extracted from a series of surveys—spread across representatives of regional political elites, the business community, and academia—were analyzed by the experts and converted into actual scenario sketches for each of the five regions in accordance with the four “ground scenarios”: “Fortress-Russia,” “Kremlin’s Gambit,” “Dispersal of Russia,” and “The New Liberal Dream.” Obviously, the final reports, which constitute a collection of volumetric articles, describe each of the regions as unique, with many regional peculiarities. However, I have tried to isolate similarities and draw them together into a single picture. Based on their geographic locations, I divided all the regions described in the final reports into two groups: Inner Regions (Saratov Oblast, Voronezh Oblast, and Sverdlovskaya Oblast) and Outer Regions (Kaliningrad Oblast and Primorsky Krai, with the capital Vladivostok). The limited boundaries of this paper do not allow me to make further generalizations; instead, my aim is to present some inferences extracted from the empirical data collected and processed by the experts. Hence, the ambitious goal of this paper is to analyze and summarize the main conclusions drawn by each of the regional scholars’ teams and to some extent put it into a systematic structure that may provide food for further thought and analysis.

Scenario 1: Fortress Russia

Within the scenario “Fortress Russia,” the collected experts foresaw the unprecedented growth of political and economic pressure being placed on Russia from several major centers of power. Geographically and politically these “major” centers represent the following:

- *The United States* and its allies in the Asia-Pacific region
- *The European Union*, competing with Russia for influence over strategic transport corridors as well as oil and gas supplies in the post-Soviet space
- *China*, which is actively seeking to extend its economic and political influence in Central Asia along the eastern borders of Russian Federation
- *Arab countries* that constitute the region of the Near and Middle East, which not only see Russia as a strong competitor, but also identify it with “Northern” threats to traditional Islamic values
- *India*, which has grown into a significant economic power, and is also trying to acquire more influential positions to confront Chinese and Russian economic and political interests.

Developing international controversies do not allow several of these major powers to apply consolidated or coordinated pressure on Russia, due to serious disagreements among them on wide range of issues. Globalization as a coherent process has gradually faded away; as a result of the myriad changes grouped together under the rubric of

“globalization,” many international ties became corrupted, particularly in the worlds of trade, the exchange of goods and service, transference of labor force, and information and technology. These factors have presented negative consequences for the stable economic growth of national economies. Under these conditions, the elements of a liberal market economy cannot survive, and instead give way to a policy of protectionism, bilateralism, trade war, and hard-edged competition. Anti-globalization tendencies like isolationism and active competition result in imbalances of power in the world. As a result, the expectation of oncoming global instability leads all countries to prepare themselves for the worst possible outcome.

The mechanisms in place for maintaining confidence within the realm of international security are also gradually losing their effectiveness. Many of the world’s primary security-related questions have been removed from the United Nations’ area of responsibility after the series of modernizations that occurred within the organization. NATO’s attempts to attain some of the functions of the guarantor of global security proved to place a heavy burden on all of the allies’ shoulders. The involvement of NATO nations in several missions in different parts of Eurasia has required the mobilization of more than 300,000 troops in rapid-response forces just to maintain the normal process of rotation of military personal. The problem of significant financial assets has become acute, threatening the flow of funds essential in allowing NATO to complete the missions it has taken on. Political declarations in Brussels that called upon the allies to increase their military spending encountered resistance on the national level.

Some of the factors that have posed obstacles to the Alliance’s transformation are growing contradictions between European members and the U.S. in their strategic views on global development. Arguments on a wide range of problems—from the question of the restrictive character of the distribution of U.S. military-related advanced technologies among the allies, to the issue of placement of the elements of the U.S. “missile shield” in Europe, as well as the United States’ attempts to protect its individual national interests using NATO assets—have become destabilizing factors. At present, there exists a diversity of opinions on the issue of how NATO should be transformed to meet the future, which dramatically slows down the process of transformation. All this does nothing to add certainty to NATO’s future, especially given the increasing strength of other players and regional organizations on the international arena.

In such circumstances, Russia is forced to erect artificial barriers and lines of protection against dangerous and unpredictable surroundings. A series of armed conflicts close to Russian borders and the expectation of global chaos makes “Fortress Russia” to be the option that is perceived within Russia as offering an island of stability and security in an ocean of hostility.

Internal Changes and the Transformation of the State’s Developmental Path

Within this scenario, Fortress Russia is plagued by insecurity, and is focusing on preparing to fight for its survival. This shapes a defining character of Russia’s current policy. There are two main objects within any nation that may become targets of external interest: natural resources and territory. The concept of national security has developed around the need to keep and protect these national assets. The issues of securing

sovereignty and territorial integrity against unfriendly infringement translate into Russian society not just as a hypothetical threat the nation should be aware of, but rather as real possibilities that may be expected in the nearest future.

However, Russia's status as a significant nuclear power, and the constant improvement of its national missile defense system, results in the risk of open armed conflict between Russia and one of the other poles of power being essentially negligible. At the same time, speculations about the possibility of such a scenario are supported by the ruling elite, and are strongly amplified within Russian society. This exaggeration is necessary for sustaining exclusive, unprecedented, and functionally dictatorial power for the Russian president, and for continuing the drive for national consolidation in the face of numerous internal conflicts. The idea of a credible deadly threat from an external nation is spread widely within the country by the state-controlled mass media. Russia is represented as a country isolated in the midst of developing conflict, a milieu that is shifting from the state of "aggressive and unfriendly environment" to one of uncontrolled chaos. Under this view, the high probability that all nations will become embroiled in these high-tension conflicts requires a joint effort on the part of the entire Russian people to ensure Russia's survival as a nation.

All power is concentrated in the hands of a dictator unchecked by the other branches of power. The political elite consists of former and current military or security service officers. It is consolidated around the dictator, stable and monolithic in character, operating in a strictly hierarchical subordinated system. The mechanisms by which the political elite is formed and assignments to governmental positions within the state hierarchy are made are nontransparent, and depend mostly on personal relationships with and loyalty to the leader. Thus, the electoral process and the public dimensions of policy have been *de facto* eliminated. All sensitive and strategic political decisions are made by the dictator and the closed inner circle of his confidants.

The concept of national development is based on the idea of "Russia's own way" in the world. New international situations provide the impetus for the elaboration of a new ideological doctrine, which is constituted by an original combination of statism, patriotism, and nationalism. At the same time, the paradigm of the revival of Russia as a strong imperial power has been rejected, due to the lack of resources. The vertical organization of bureaucratic executive power is finally attaining its perfect form and achieving long-term sustainability. Unchecked executive powers now rest not only on the desires of political elite to take over all the levers of public management—that is, to completely detach political power from Russian society—but also on external instability, which renders this detachment justifiable and, to a certain extent, even necessary in the eyes of much of the Russian public.

Establishing these conditions allows the regime to return to the methods of governance used during the Soviet period. Economic policy is characterized by *dirigisme*, protectionism, and state control over the production, trade, consumption, and distribution of national resources. The state maintains a monopoly on the management of oil and energy companies and other sensitive sectors of economy. A significant array of Russian goods and services are noncompetitive on the international market and require protectionist policy; thus, these industries either largely depend on the state for their

continued operation, or are entirely state-controlled. The defense sector of the national economy is undergoing serious modernization, which is reflected in increased defense budgets.

Social policy is a mixture of populism and paternalism. Patriotism and nationalism, which are championed by the elite, leave no public space for political pluralism. Political opposition elements are accused as being powers working to destroy the fragile balance of the nation's internal stability and weaken Russia. The multi-party system has been eliminated not only *de facto*, but also *de jure*. Only two parties survived a long struggle for power. Both of them have close ties with competing groups within the dictator's administration, and are controlled by the executive power. Such a bipartisan system allows the Kremlin to manipulate politically active citizens and regional elites. The traditionally weak legislature will finally lose its official governmental role, and be transformed into a silent conductor of the initiatives and decisions made by the executive branch. Society has disintegrated, and is heavily influenced by state propaganda. National history passes through the procedures of "correction" and the creation of a pantheon of national heroes.

It is worth mentioning that a pessimistic prognosis about the forthcoming collapse of international stability, transmitted to society through political leaders, is not solely an attempt to strike fear into the citizenry and project anxiety about fictitious situations. The world has indeed transformed and become more insecure and less predictable. Russian society (with few exceptions) has been largely insulated from international processes, and the citizenry watches world developments through the lens of state propaganda. The main claim the government makes is that it offers protection against external threats. It is creating a stable social basis for Fortress Russia, and justifies the people giving up most of their civil liberties in exchange for security and stability. The idea of civil society is being discarded, due to the loss of any urgent interest in its survival on the part of both average citizens and the state elite, as well as to its lack of correspondence to the state's development strategy.

Regional Reaction

The given scenario creates a unique situation for many regions of Russia. Under this scenario, the federal government announces the creation of an "Interregional Network for Security Insurance," which includes elements of social, economic, and military infrastructure. The main aim of the "Network" is to transform the entire state in order to prepare against future threats and get ready to ward off a possible external attack. On one hand, some regions see in the current situation new possibilities for development, and are trying to make a place for themselves in the forming Network. Some other regions, however, interpret this process as an attempt to put restrictions on them, and to slow down or even stop their development.

Inner Regions. The regions of Saratov, Voronezh, and Yekaterinburg, according to experts' reports, demonstrate a calm and at times even positive reaction to the policy transformation. This positive reaction is primarily connected to the traditional specialization of the regions during the Soviet times. Some sectors of the regional economy that have passed through decades of degradation expect to be revived according to new

conditions formulated by the logic of the Fortress Russia scenario. First of all, this process will primarily influence military-industrial establishments left over from the Soviet era. Government contracts and investment are supposed to offset disadvantages brought about by the loss of foreign investment and the departure of international firms, which will be squeezed out from the regions. For example, one of the largest Russian heavy industry complexes is located in Sverdlovsk Oblast, and it is expected to lead the region in becoming one of the most prosperous parts of Russia. Foreign businesses in these regions hence face two possibilities. The first one consists of selling controlling interests in the company's shares to Russian state or private owners, and in return keeping certain privileges on the internal market. This option, suggested by the backbone network companies, will grow into the regional economy. The other possibility is to leave the market due to unfavorable conditions in the regional tax and legal systems that are created by local governments.

Alongside military-industrial establishments, the inner regions have critical defense-related assets, and they expect some investments to be made in the regional infrastructure—e.g., strategic forces that include modern ballistic missile complexes and strategic aviation located in Saratov Oblast may give privileged status to the region, and therefore can require Moscow to increase its financial support for infrastructural projects. Voronezh Oblast traditionally is a significant agricultural region, so this fact will require Moscow to invest in agricultural infrastructure projects, and will also encourage merging the regions of Voronezh, Lipetsk, and Belgorod Oblasts into one, which will strengthen their economic importance and position within the Federation. Positive expectations are also connected with the revival of the old Soviet principle of the regional division of labor and specialization of regions. In accordance with this principle, the inner regions expect to be given their own prominent place in a renovated state hierarchy and economy. Strengthening of inter-regional ties is also supposed to contribute to the regions' economic growth. Furthermore, the inner regions perceive mobilization of their social energy and economic power in the face of inevitable external threats as the only option for national survival.

Outer Regions. The outer regions of Kaliningrad and Vladivostok have a rather different vision of their prospects within the "Fortress Russia" scenario. In general, these regions expect a loss of their development potential, which primarily rests on active trans-boundary cooperation. There are several reasons for the given pessimism. First, these outer regions are anxious about their position on the front line of confrontation. The federal government is not trying to search for possible ways of lowering tensions with Russia's neighbors, and is instead choosing an isolationist path. Second, the outer regions are wary of their potential transformation into a "double periphery," both for Russia and the rest of the world. During the years since the collapse of the Soviet Union, Russia's boundary regions have lived through a severe period of neglect. Moscow was overburdened by dozens of problems, and the outer regions had learned how to survive without continuous federal support. This resulted in the majority of strategic plans for regional development in one way or another depending on cooperation with neighboring states. Consequently, the termination of traditional contacts and the milita-

rization of the outer regions is damaging not only for local business, but also for the overall socio-economic climate there.

The remote situation of the outer regions constrained their ability to be included in inter-regional cooperation efforts. High transport expenses make most of the goods produced in the outer regions uncompetitive on the internal Russian market. Small businesses and even some big companies turned out to be unprofitable and were forced to shrink their volume of production or change their product profile. All this resulted in high unemployment rates, social tensions, and a growing wave of immigration. Despite all the attempts of local governments to overcome the discrepancies between federal and regional development strategies, businesses looking for the means to break through this environment of isolation (even illegally) are outside of the state's control. Latent resistance to state policy is taking form of conflict between business and governmental agencies in the region.

Scenario 2: Kremlin's Gambit

Within the framework of the "Kremlin's Gambit" scenario, the world system is relatively stable and sustainable. All major players conduct a predictable and balanced foreign policy. The circle of major powers remains unchanged, and includes the U.S., core EU countries, and Japan. These entities have the most innovative and competitive economies, and produce over 50 percent of the world's GDP. Alongside these traditional leaders, there are several powers that demonstrate prominent growth and constitute the BRIC four: Brazil, Russia, India, and China. The integration of growing states into the international division of labor is proceeding without any hiccups. The growth of the economies of the traditional power centers is based on high technology and knowledge industries. The BRIC states are growing due to the development of the industrial sectors of their economies: extracting (Russia) and manufacturing (China, India, and Brazil) industries. The economic potential of key players on the international arena is proportionally converted into their political influence in the world. All the above-mentioned actors are trying to maintain the moderate and institutionalized level of competition among them. Remaining disagreements on a wide range of issues do not undermine the preservation of the *status quo* in the world order, which is desired by both "old" and "new" leader-countries.

In this multi-polar world, Russia is represented as an independent center of power. Oil and natural gas remain major drivers of the world's economic growth. Russia maintains a significant place among major exporters of these resources on the world market. Combined with its modernized armed forces, this helps ensure that Russia will maintain strong position in the international arena. Russia remains fully integrated within international forums and organizations. However, the process of integration was difficult, and connected with the need for the protection of Russia's national interests and the necessity to avoid discrimination against Russia on the international stage.

Despite a consensus on the main issues of international security and development, Russia feels some pressure from other strong players. This pressure is a result of attempts by other countries to increase their shares within Russian markets, as well as

attempts to reduce Russia's influence as exporter of energy resources. Other concerns include efforts to prevent Russia from strengthening its positions within the post-Soviet space, and to make Russian policy more favorable to others actors' national priorities. Russia, on the other hand, to a certain extent depends on other states, because the modernization of Russian industry and infrastructure is impossible without the import of foreign technologies. A search for a decent balance between the preservation of its national interests and Russian dependence on foreign countries constitutes the general political course of the Russian Federation within this scenario.

Internal Changes and the Transformation of the State's Developmental Path

The essence of the "Kremlin's Gambit" scenario consists of the following: control over major economic resources transfers to the state. The reason for gaining such control is explained by the necessity of the *centralized and coordinated* redistribution of financial resources for the rapid modernization of Russia's economy, social sphere, and army to place the country in line with the most developed countries of the world. Political power inside the state *de facto* is concentrated within the hands of the executive branch (president, presidential administration, and government). There are two "chess-pieces" that are supposed to be sacrificed for the success of the overall gambit of effective modernization. The first one is international recognition of Russia as Western-style consolidated liberal democracy. The second is liberalization of political and economic competition inside the country.

The sacrifice of the first chess-piece is justified by the confidence among the political elite that only a strong Russia will be recognized by other centers of power as an equal partner. Hence, the Russian regime will ignore accusations of authoritarianism and use all the administrative instruments at its disposal in order to make Russia stronger, both economically and militarily, even at the cost of democratic freedoms. This will inevitably result in Russia's eventual recognition as a major power, and even more favorable conditions for the country. Justification of sacrificing the second chess-piece is based on the elite's premise that effective political competition can only be possible within a sustainable state system. Historical experience has proved that Russia does not precisely suit the models of state-building suggested by the Western democracies. Genuine political competition has to be grown inside the "incubator" of controlled or "managed" democracy, which will allow the accumulation of necessary experience of modern political culture.

The competition in the key sectors of national economy is harmful from a short-term perspective because it leads to inefficient disposition of resources and investments, as well as a lack of coordination. As a result of such inefficiency, Russia loses standing on the international markets. That is why Russia will gain significant economic advantages by taking heavy industry, military-industrial establishments, and research and development efforts under state control. However, the competition among small businesses inside the country should remain, and must be encouraged by governmental regulations. Nonetheless, the above-mentioned sacrifices are worthwhile only under conditions of high oil prices on the international market, which allows the accumulation of the financial resources necessary for modernization to occur. Uncer-

tain oil prices and the difficulty of forecasting how long prices will remain favorable to the Russian economy will force the Russian government to speed up modernization and reforms.

Russia's political elite involved in the implementation of the "Gambit" is heterogeneous and complex in character. It represents a combination of several groups of interests: the president and his administration, who are playing the role of main political agents; military and security officers, who are called upon to ensure the stability of the entire political system; the high-ranking management of the natural monopolies controlled by the state (extraction industries, transport, etc.), and owners of private businesses affiliated with these monopolies; and representatives of the federal bureaucracy, who control the implementation of federal policy in the regions. Important attributes of the political elite are its superficial monolithic character, which is embodied in the elite's adherence to a single political party. Nevertheless, the political elite represents a conglomeration of different clans with a diversity of interests, corporate affiliations, as well as personal and informal relations.

Decision-making processes in the Russian political system under this scenario are non-transparent. This lack of transparency, accompanied by weak judicial authority, leaves enough space for manipulations favorable to the interests of the ruling elite. Mass media and other public institutions influenced by the state-run corporations help to construct a positive image of the political system within society. In general, Russia's political processes are imitational in character. Personal factors acquire significant value in Russian political and electoral processes. The personalization of political life gives the president and his informal circle of confidants the instruments necessary for exercising control over the smooth succession of power and preserving its existing political path.

The state acquires a leading role in working out the nation's economic development strategy and investment policy. An emphasis on big, vertically-integrated corporations is an integral part of this economic policy. Many such corporations in key sectors of national economy are either created or managed by the state. The economic goals declared by the government consist of two main directions:

- Modernization of infrastructure and major sectors of industry via rapid upgrades sponsored by the profitable state corporations, with the usage of the latest foreign technologies
- Diversification of the economy to weaken the state's dependence on exports of oil and natural gas.

In pursuit of these aims, the Russian government partly revives the Soviet system of economic planning. This planning does not take the form and shape of Soviet-style directive methods of management, but holds some of their features and peculiarities.

The main ideological imperative suggested within the sphere of social policy and public diplomacy is that of Russia as a consolidated and strong state, which is related not only at the revival of its power and influence among other nations, but also to the amelioration of social problems among its citizens. Certain efforts are undertaken by

the state in order to bring this message to society, and attempts are made to reinforce it by the initiation of several social programs and starting the process of optimization of a national system of social security. The main social programs are structured by the fields of their implementation: demography, housing, reforms in family medicine, and the educational system. However, these measures and projects to some extent have a populist character, and lack any strict criteria for evaluating their efficiency; they are oriented more toward the demonstration of active efforts than toward achieving well-defined results.

Despite the attempts undertaken by the political elite to make social life full of patriotic and other sorts of political campaigns—which are often converted into public movements, organizations, institutions and so on—an overwhelming majority of citizens are politically indifferent and passive. Russian society is atomized, and the growing gap between rich and poor only serves to increase this level of atomization. The issues of democracy and the building of civil society have been moved to the back burner of social discourse. The society's main concern is to ensure stability, order, personal security, and material wealth.

Revival of Russia's status as a global power appears to be the main goal of Russian foreign policy under the "Kremlin's Gambit" scenario. In pursuit of this goal, the federal government relies on the military reforms that it has initiated to modernize Russia's army and increase its defensive capacity. This activity, first of all, grows from the state's evaluation of its status based on realistic ideas and attitudes toward international relations. The increasing strength of players and alliances—e.g., NATO enlargement, and the development of military infrastructure in Eastern Europe—is perceived by the Russian elite as unjustifiable or suspicious. This is the basis of Russia's adherence to the practice of increasing its defense budget and maintaining military readiness, with a primary goal of preserving flexibility in how Russia chooses to meet its international obligations. Possible withdrawal from security treaties and agreements that may threaten the existing balance of power or run counter to the national interest remain as an option in Russian foreign policy.

The ministry of foreign affairs also proclaimed a growing emphasis on "soft power" in Russian efforts to deal with pressing security threats—such as terrorism, proliferation of WMD, etc.—and in Moscow's policy toward former Soviet republics. The elaborated doctrine of Russian foreign policy is free from strict ideology, and is instead based on pragmatism in dealing with partners and allies to achieve equal rights and status.

Regional Reaction

State policy toward the regions consists of strict control over implementation of the decisions made by Moscow. The monitoring of regional policy is declared as a necessary attribute of successful modernization conducted by the government. Moscow has plenty of different levers and instruments in order to intervene in regional matters and governors' activities. Regional elites generally consist of loyal bureaucrats who have passed through a multi-stage process of selection prior to coming into power, and they do not pose any resistance to the decisions made in the Kremlin.

Inner Regions. Many of the inner regions perceive “Kremlin’s Gambit” as representing their lucky chance for quick modernization. The belief in the state’s competent redistribution of oil revenues and their reinvestment into the regional economies is still widespread in Russia. The legacy of Soviet-era industrialization, characterized by hundreds of plants and scientific institutions under state control and oriented to the defense sector, largely became defunct after the collapse of Soviet Union. Reorganizing and rebuilding these assets in accordance with present-day needs, and incorporating them back into the regional economy requires a robust investment policy. This process, known as “reindustrialization” in the regions, is considered to be possible only under state patronage under the rubric of the given scenario. In other words, the strong need for the modernization and reindustrialization of different sectors of the economy lends this scenario a high degree of credibility. However, strong inner regions (e.g. Sverdlovskaya Oblast) feel anxiety about growing influence and control from the center. The strong authority possessed by the executive branch and the president is perceived as an opening for corruption and the possible neglect of regional interests. That is why some regions are expecting a progressive, but rather inertial character of development, without any significant breakthroughs.

The regional elites, created and controlled by Kremlin, will end the destructive struggles for power and competition between different interest groups in the regions. On one hand, the lack of any diversity of interests within the regional elite could positively affect the efficiency of government and the implementation of decisions made by the center. On the other hand, the close-knit and static character of the elite may contribute to the spread of corruption, misapplication of funds, and abuses of power.

Nonetheless, under the “Kremlin’s Gambit” scenario, the inner regions foresee the state playing an active role in the realization of the program of the regions’ economic revival and in the improvement of living standards for a wider group of Russian citizens. Society is largely indifferent to the political process; democratic freedoms become less valuable than stability and economic growth. While the visible effects of ongoing reforms and international economic conditions allow the government to maintain budget surpluses, it also demonstrates efficient management inside the country. As a model of maintaining Russia’s political sphere free from destructive conflicts and entrenching internal stability, the “Kremlin’s Gambit” scenario remains attractive for the public.

Outer Regions. The outer regions are expected to convert themselves into efficient and successful bridges between Russia and the rest of the world. The “Kremlin’s Gambit” scenario, representing a peculiar variety of state-controlled capitalism, proposes active trans-border cooperation and economic activity. Economic realities allow the outer regions to occupy unique niches and enjoy their economic opportunities, such as being included in the investment projects initiated by Moscow aimed at renovating and building the nation’s infrastructure; ensuring the exchange of goods and resources with other countries (e.g., pipelines and transport infrastructure); and being used by Moscow as test areas in the search for mutually beneficial schemes and mechanisms of cooperation with neighboring states (especially the case of Kaliningrad). Similar situations are developing in the area of foreign investment. Favorable conditions for capital

inflows into the regional economies contribute to increases in regional budgets and the creation of new joint enterprises. This scenario gives the outer regions the most practicable opportunity to implement complex programs for socio-economic development within the regions. Ongoing changes are helping Kaliningrad and Vladivostok to make a leap forward from the status of recipients regions to donor regions to the federal budget, thus improving their status within the Russian Federation. The political and social climate in these outer regions does not differ dramatically from its character in the rest of the country and, with minor exclusions, fits into the overall tendencies suggested by the scenario.

The Kremlin's policy, with its accent on a certain degree of protection of the national economy and pragmatism in foreign affairs, allows actors to find a balance between foreign and regional interests and not to let foreign capital intervene too deeply in sensitive sectors of regional economies. The outer regions also receive the status of special economic zones, which carries a number of privileges. Combined with their favorable geographic situation, special economic zone status makes the pace of the outer regions' development faster than in some inner regions.

Scenario 3: Dispersal of Russia

This scenario suggests the further intensification of the processes of globalization around the world, under which the international economy demonstrates moderate but continuous growth. Political stabilization in the Middle East and improvements in the process of East-West dialogue positively affect oil prices on the international markets. The price level decreases dramatically in comparison to the first decade of the twenty-first century. The global environment is characterized by active competition among states, but general tendencies confirm the lowering of conflict potential in the world. International organizations like the UN, NATO, OSCE, and others are gaining more influence and authority due to the increasing prominence of the ideology of multilateralism in the international arena.

These international political and economic developments, however, seriously weaken Russia's position in the world. Decreased oil prices have a negative impact on the process of Russian economic modernization as well as the process of embedding the nation into the international division of labor. Foreign actors intervene in Russian political and economic life and try to impose their will. International organizations like WTO, PACE, and OSCE have strong levers of influence on Russia's policy and economy. Russia is steadily weakened by outside forces and global pressures, and gradually loses its role as an independent actor. Russia's level of involvement in the resolution of wide range of international issues is insignificant, and becomes a subject of external manipulation. Russia's integration into the world's community of nations proceeds on a basis of inequality—what can be called the “younger brother” model. Russia's territory is informally split into separate spheres of influence. A major vector of influence is Western (EU and the United States) and is widespread mostly over regions situated in the European part of the Russian Federation and the Urals; however, there is some

Chinese and Muslim impact in the Caucasus, Upper Volga, Siberia, and Far East as well.

Internal Changes and the Transformation of the State's Developmental Path

Unfavorable international conditions and the serious deterioration of the economic climate inside the country affect social support for the president and government. The levers of political power gradually slip out of the hands of the federal government. The president's approval rating begins to sink, and regional leaders start occupying increasingly prominent positions on the national political scene. Instability and frequent rearrangements of political figures also deprive the government of its authority and public trust. Parliament also does not represent a strong pole of political influence, due to its division into multiple unstable factions and parties. Real authority and control over the efficient mechanisms of political and economic power transfers to the groups that were unsatisfied with the previously proclaimed project of "state-guided modernization": businessmen, liberal technocrats, and strong regional leaders.

In spite of the image of the new political elite as a wide and sustainable coalition of different kinds of political forces, it is heterogeneous and fragmentary. The ruling class is divided into multiple interest groups, alliances, and coalitions. Different groups compete with each other for control over financial streams and leading sectors of the economy. There are no long-term winners in such a competition; all the alliances are fragile and situational in character. The overall style of governance is eclectic, characterized by the lack of well-defined strategy and an absence of clear long-term priorities.

The main ideological paradigm suggested by the elite is liberalism and "pure federalism," including maximal openness to the rest of the world and integration into international institutions at all costs. For independent individuals, prosperity and wealth are the main concerns within the suggested paradigm. Moscow guarantees the real division of authority between the federal center and various regions, such as representation on the federal level, participation in the decision-making process, regional political and economic autonomy, and the growing authority of the institutions of local government.

The state's regulatory functions are gradually diminished. Economic policy is characterized by anti-protectionism, and has spawned a new wave of privatization of state-controlled assets in the industry. Russia has proclaimed itself to be entirely open to foreign investment, and international capital acquires wider privileges. Federal intervention in the regional economies is abolished completely, and the redistribution of financial resources necessary for reducing the gap between depressed and prosperous regions is abolished.

The challenge of ensuring a strong social security protection program for all citizens is gradually moved off of the government's agenda of pressing items. In practical terms, Moscow initiates the transfer of major federal obligations of social security to the regional authorities. Fragmentation and decentralization accelerate within the judicial, economic, political, and social security systems of the state. Stronger regions force the Kremlin to build relationships with them on the basis of bilateral agreements, taking into account the specific needs of each region.

All the regions are given the opportunity to develop their internal economic potential. In their attempts to fit themselves into transforming Russian political conditions, they are experimenting with different styles of governance by using a variety of tools: protectionist policy, liberal reforms, isolationism, and so forth. Regions are also elaborating and applying different strategies of development: some maintain their close relationships with Moscow, while others are trying to find their own semi-independent course, keeping only the “formal” spirit of subordination to the center.

The ongoing changes inevitably affect public life. However, social reaction does not follow a single pattern. Russian society is unable to formulate a joint claim to the central government. There are divergent and mutually contradictory interests among active groups of citizens: those desiring a strong hand versus those hoping for even more liberal freedom. There is no common ideological paradigm or idea that can unify the Russian people. Dispersal of Russia is reflected in growing divisions within society and between the regions of the country.

Regional Reaction

Inner Regions. Dispersal of Russia affects the inner regions in a variety of ways. One of the mostly pronounced tendencies is the process of regional enlargement. This process is a result of the absorption of weaker regions by the stronger ones. A clear example is the creation of a Greater Ural region, using the EU model, with the center in Yekaterinburg; the rise of the macro-region of Greater Volga, without an obvious leader; and the development of a loosely confederated Greater Siberia region, with its center in Novosibirsk but that acts as a conglomerate of powerful sub-regions extending as far west as the Volga River, unified by a series of multilateral treaties of cooperation in a number of spheres. Regional enlargement in a conditions of a weak center is predetermined by two main preconditions: the historical and geographical commonality of some neighboring regions and the existence of traditional centers (Yekaterinburg and Tumen’ in the Urals, Samara, Nizhny Novgorod, and Kazan on the Volga River etc.), and political and economic necessity, under which strict competition among regions dictates the necessity for weak regions to unify with stronger and successful neighbors to meet future challenges and avoid economic crisis. Bigger regions get the opportunity to advance their own foreign economic and political ties independent of Moscow’s control, elaborate their own priorities of development, and even develop their own security policies—for example, Yekaterinburg, in cooperation with the U.K., Germany, and the Netherlands, works out its vision of these issues and publishes Regional Security Concept 2015, which reflects regional threats and ways to counter them that rely on regional assets.

The growing extent of regional independence leads to the formation of new groups of regional elites. Redistribution of political and economic influence in the regions opens the way for conflicts between different interest groups inside the regional elite; the renewed squabbling between clans, political parties, and other groups holds the potential for a possible revival of oligarchy. Governors acquire stronger authority and have to play a role of balancer or pacifier between different interest groups. Realignment in regional policies leads to liberalization of governance in some regions and au-

thoritarian drift in others. Differences in the political situation and provincial economies promote growing levels of migration inside the country to the most successful regions, as well as emmigration abroad.

Social tensions become a constant attribute of regional life. The difference in living standards and profit between rural areas and regional centers remains very dramatic. The outflow of labor forces to other regions combines with the intensification of migration to some inner regions from former soviet republics of the Caucasus, Central Asia, and China. The augmentation of national diaspora populations in the regions increases potential for conflict and organized crime. Social fragmentation becomes more and more obvious. Some groups feel uncertainty about their future and express nostalgia for the era of autocratic central power; others pin their hopes to the independent development of their regions free from federal influence and intervention.

Outer Regions. The outer regions simultaneously become targets for competition between their neighbor states for influence or even annexation. Primorsky Krai has become an object of Chinese economic, political, and territorial interest. Officially, Beijing suggests a variety of programs aimed at strengthening the region's economic, cultural, and social ties with China. Unofficially, China perceives semi-independent Primorsky Krai as one of the crucially important geopolitical points in this part of Eurasia, and Chinese strategic plans include the incorporation of this region into the Chinese zone of influence as another northern province. For their part, the United States and Japan are undertaking some efforts to intervene in the region. Their goal is to constrain Chinese influence on Vladivostok and curtail its aspirations for reinforcement of China's strategic positions in Asia-Pacific. Kaliningrad Oblast is also the object of political and economic struggle among Lithuania, Germany, and Poland over influence in the region. Situations when outer regions become a field of explicit competition lead to their gradual loss of economic independence and an inability to work out and apply a long-term development strategy. Regional vectors of development are thus sporadic and fragmentary in character in these outer areas. The most profitable sector of the economy remains the export of raw materials and goods with low added costs. However, principles of distribution of profit among citizens are in most cases unequal, and assets accumulate mostly in the hands of the ruling elites and local businesses.

The transformations that occur in the political arena of the outer regions bring to power a specific combination of representatives of local bureaucracy and business interests. The peculiar political environment of the Far Eastern region has become a fertile field for growing authoritarian tendencies in governance. The governor of Primorsky Krai is concentrating within his apparatus all major mechanisms of control over economic and political life in the region. Kaliningrad, on the contrary, adheres to the idea of liberalism, and attempts to follow the Western model of governance. The EU actively supports the adoption of this model through a variety of social, economic, and educational programs. The transformation of political systems in the outer regions goes hand-in-hand with transformations within the society. The average people prefer to identify their citizenship with the region rather than with the state. Consequently, the Vladivostok region transforms itself into an authoritarian semi-independent province, with interests oriented toward the Asia-Pacific rather than toward the European part of

Russia. Kaliningrad Oblast, prior to determination of its final status (and potential complete inclusion in the community of Central or Western European nations) may possibly become a protectorate of the EU or group of neighboring state that are helping to reform the region's economic and political institutions.

The loss of the regions' ties with the Kremlin is seen as containing more risks than opportunities. Regions are unable to find adequate responses to internal security threats. All the experts underline growing criminalization of border regions, including black market transactions, trans-border smuggling, illegal migration; the spreading criminalization of society becomes a permanent problem for regional administrations.

Scenario 4: The New Liberal Dream

The postindustrial era and the first two decades of the twenty-first century have brought steady growth to major segments of the international economy. The rate of economic growth for developed countries remains moderate and sustainable (particular figures depend on field and industry sector). Rapidly developing countries like India, China, Brazil, Russia, and a few others have shown even better indexes of growth. Economic development has increased demands for raw materials and fossil fuels. Even though countries of the European Union and North America have found some means to ease the level of dependence on foreign oil in their economies, at the same time growing appetites for oil and gas in such countries as China and India keep market prices for these goods relatively high (the level of prices is lower than it was at the beginning of the century, but it is still sufficient to maintain budget surpluses in oil and gas exporting countries like Russia).

There is no significant change in the distribution of power and influence on the international stage; all powers are balanced, and try to avoid hegemonic aspirations. The competition among the major centers of power remains moderate, and does not go beyond conventional economic and political mechanisms. The rising powers prefer to adhere to this "play by the rules" policy, and concentrate mostly on issues of internal development, taking advantage of the opportunities brought by globalization. Cooperation is the dominant type of interrelationship among a majority of states. The UN transforms into a solid base for the development of a new system of global management, set to eliminate inequality and development disparities between countries, and to preserve sustainable development peace among and within member states.

Russia is fully integrated into all the major international economic institutions. Continuing economic development and political stability inside the country makes Russia an attractive partner for cooperation. Russia's responsible and cooperative policies, accompanied by internal political transformation, accelerate the process of Russia's integration into the community of Western democracies as an equal partner. Russia takes part in the decision-making process on all sensitive international issues, and is involved in the resolution of conflicts alongside other key players. The implications of *realpolitik* in international relations gradually fade away; instead, international relations become institutionalized, and external security threats are softened and minimized. The main accent of Russian foreign policy makes it necessary to integrate the

country into the “institutions of globalization,” and to pursue the “synchronization” of Russian policy with other players. Russia tries to keep the balance between playing by the rules of Western liberal democracies and protecting its own vital national interests. In the context of increasing consensus among nations on a wide range of international issues, the instruments of “soft power” become more useful and efficient in foreign policy.

Internal Changes and the Transformation of the State’s Developmental Path

Russia’s political elite consists of a new generation of leaders including businessmen, industrialists, young political activists, and former top managers of private companies. These groups are diverse in the character of their interests and professional experiences, but unified in a common aversion to the mode of Russian political and economic development between 1996 and 2012, as well as in their desire to change existing trends in Russian policy.

The coalition of political elites suggests a program for Russia’s development called “Rational Reforms and Good Governance.” The program consists of a combination of liberal priorities such as human rights, individual initiatives, and political and economic freedoms along with the responsibility of businesses and the state to maintain a strong system of social security. The ways and means of implementation of this proclaimed program are realistic and pragmatic. The overall character of governance of the “new generation” of Russia’s political elite fits into the philosophy of the above-mentioned “program for Russia”: pragmatic and realistic assessment of opportunities, without any strict ideological adherence, but with a well-defined accent on the basic liberal principles, including the rule of law, respect for human rights, freedom of the press, etc. The actions undertaken by the government are not based on abstract ideas or populist ideology, but rather on clear aims like the removal of obstacles to economic growth, improvement of conditions for the development of small business and private initiative, and the elimination of poverty.

The economic sphere of the federal government’s activity combines the stimulation of free competition and the implications of preventive measures against monopolization along with the creation of favorable conditions for investment, which contributes to the modernization of industry and infrastructure. The government sells the state’s shares in firms involved in mining and extraction industries. Selling off these valuable shares allows the government to accumulate significant financial assets and redirect the money to expensive projects of socio-economic modernization connected with the development of the knowledge economy. In general, the national economy is free from protectionism and economic nationalism, but some restrictions remain for the allowance of foreign capital in the core sectors of the Russian economy. The state takes on the role of guarantor of the unified economic rules for all actors.

Social security regulations remain the state’s responsibility, but the general course for the rationalization of budget expenditures and social support reorganizes itself in accordance with national categorizations of the recipients. Private companies are also involved in the social security sphere, but their activity is regulated by governmental agencies. NGOs, professional associations, and other forms of social activity contrib-

ute to the formation of civil society in Russia. Civil rights and freedoms acquire greater value for Russian citizens, and become indispensable attributes of their life. Social clashes and conflicts are softening due to growing wealth and competent policy. The government successfully implements measures to reduce the gap between rich and poor. Social priorities are defined by the interests of the dominant groups of society, and generally include claims for stability in living conditions and protection of civil rights.

The Kremlin's regional policy is aimed at the strengthening and democratization of federal relations. The federal center proclaims the realization of the policy of "Cooperative Federalism," in which Moscow introduces itself as a partner, a "guide" for the implementation of innovations in all spheres of regional life. The main aim of this policy is to avoid widening the gap between developed and depressed regions. The Kremlin is not afraid to transfer part of its authority to other regions, and at the same time does not try to promote the "regionalization" of Russia (characterized by self-sufficient regions and a weak center). However, Moscow is trying to keep close ties with regions and sustain moderate mechanisms of subordination (e.g., the institution of "President's Plenipotentiaries" in the regions), because regions that are stronger both economically and politically are perceived by Kremlin as crucial parts of the strategy of national liberalization.

Regional Reaction

Inner Regions. The "new liberal dream" scenario creates very specific conditions for the interior regions. On the one hand, liberal economic reforms, stimulation of fair competition, and increased political stability are seen as having a positive impact on regional industry and business, and viewed as helping raise standards of living. On the other hand, the experts' reaction to the scenario and their views on regional development also contain a large number of issues the regions will face under conditions of a liberalized market and loosened state control over the political process and social relations.

The given scenario is distinguished by its promotion of knowledge and innovation in the regions. All the experts pointed to the importance of speeding the process of development of the system of higher education, including promoting different kinds of educational programs, and building a strong nexus between business and science in the inner regions. Technological innovations and their application in manufacturing become an indispensable attribute of a competitive business environment. Nevertheless, the deteriorated state of the infrastructure in these regions does not allow them to fully capitalize on their economic opportunities. In a liberalized economy, some previously successful enterprises become moribund, and are forced to re-orient their activity or re-profile their production for new markets. Non-uniform tendencies of development in some sectors of regional economy stimulate interregional economic cooperation in similar fields of industry. This process results in the clustering of regional industry into interregional segments.

Transformations in the Russian political climate and reforms in economic legislation attract foreign business and capital. Investment in the growing Russian economy

becomes more profitable in the long term. Along with growing shares of international business, the competition between Russian and foreign producers (EU and China) in analogous sectors of the economy is tightening, and Russian business is forced to pursue a “catch-up” strategy of development. The regions expect a temporary lowering of regional budget income, and a consequent decline of living standards, which feeds increasing poverty and social tensions. However, the benefits of the painful process of integration into the international economic system exceed its costs, which forces the regions to continue reforms and transformations.

Regional elites, freed from strict Kremlin control, are trying to adopt new forms of governance, but are not always successful in these aspirations. The interest groups that constitute the elites remain heterogeneous and unstable. All the attempts of regional governors to avoid conflicts of interests among influential business groups merged with regional administration and different political parties have no real effect. Regional political systems transform into a specific mixture of liberal and patriarchal features. Lobbying, corruption, abuses of power, and client-patron relations continue to be a regional reality. After all, regional political systems represent a wide spectrum of varieties: authoritarianism with imitation of democratic institutions, regional paternalism, liberal democracy with a stronger executive branch, and parliamentary republic (for some regions in central parts of Russia and Siberia).

Outer Regions. In accordance with the experts’ evaluation, the outer regions derive the most significant benefits from the “new liberal dream” scenario. Active Russian participation and involvement in a number of different international programs and projects creates a unique opportunity for the outer regions to stay on the front line of modernization and to serve as so-called “agents” for the translation of innovations, goods, and services between Russia and other countries. Such a fortunate situation makes these regional economies very attractive for both international and Russian companies and investors. It is worth mentioning that the Kremlin, understanding the importance of these regions in promoting smooth cooperation between Russia and its foreign partners, offers its assistance and help in arranging proper mechanisms of cooperation between the regions and their neighboring countries.

The basis for economic growth, foreign investment, and intensified modernization of the outer regions rests on three major sources: transport corridors and infrastructure elements that go through the region; transportation of energy resources assigned for export, including the oil and natural gas pipelines; raw materials processing and food industries. The growth of these economies, and the consequent strengthening of their regional status, allows these outer regions to acquire a stronger voice in dealing with their neighbor states, and to interact with them on a more equal basis. For example, Kaliningrad Oblast becomes deeply involved in the process of political and economic decision making in sub-regions of Eastern and Northern Europe. In the same manner, Primorsky Krai becomes involved in international economic and environmental projects with China, Korea, and Japan. The main specialization of the regions is connected to the functions of so-called “switches” in transfers of material assets, products, and non-material streams between East and West, capitalizing on their unique geographical situation.

Remaining among the fastest developing areas of Russia, the outer regions gain certain political advantages within the “new liberal dream” scenario. Moscow views the regions as the test case for cooperation between Russia and other countries. This approach results in the creation of special economic zones, the adaptation of Russia’s economic legislation, and the initiation of the modernization of its political institutions. These ongoing changes positively affect the social situation in the regions. A growing middle class and the overall increase of public wealth reduces the gap between rich and poor, and makes the structure of the society more uniform. This easing of social tensions creates favorable conditions for the formation of civil society and the promotion of regional identity.

Conclusion

Aside from their schematic character, all the scenarios represented in this article reveal some of the important peculiarities that already exist in Russia’s internal and external policy, or are likely to shape it in the future. As was mentioned at the beginning of the essay, the ideas expressed here and the research carried out by the scholars from different universities could not, of course, address all the areas of social life that might be touched during the course of Russian transformation. The international environment remains, of course, only one of many other factors that will shape Russia’s future, but it is a particularly serious factor. This adds some value to conclusions that may be drawn after the analysis of the presented scenarios and a consideration of the influence they have on Russia itself and the Russian regions.

The majority of scholars stress that a strong executive branch, with elements of vertical subordination, generates more positive expectations in the minds of contemporary Russian political elites in the regions of the country than does a weaker, less centralized executive. The scenarios that represent this model of governance (“Fortress Russia” and “Kremlin’s Gambit”) are welcomed by the most of the regions. Some circumstances when this idea may be rejected appear only under the scenarios of “Fortress Russia” and “Dispersal of Russia.” However, the idea of a strong central state, which is repeatedly and emphatically transmitted to society by the state-controlled mass media, and which also has deep historical roots, is widely accepted in today’s Russian society, and in all likelihood will remain as a major trend in the future. Russia’s currently favorable economic situation, which is linked to high oil prices, makes the idea extremely attractive for average people.

Despite the revival of Russia as more substantive player on the world stage, the given scenarios show that there is high probability that Russia will remain more an object than a subject in the process of international relations, and its policy will be strongly dependent on external conditions. A wider understanding of the abnormality of this situation is growing within the Russian ruling elite. Perhaps this is the reason why the “Kremlin’s Gambit,” the only scenario in which Russia is able to preserve a policy that is more or less independent from external influence, is so openly welcomed by the majority of the regions in Russia.

External threats and rivals (or speculations on their existence) remain the most efficient (if not the only possible) mechanism for the consolidation of Russian society. Today's world—with all its insecurity, and its growing number of threats and challenges—gives the Russian elite a wide range of situations in which to play this “external threat” card. Practically, the idea of adopting Western-style liberal democracy in a context in which Russia is threatened or may be threatened is perceived in Russian regions as totally destructive. Therefore, democratic reforms and the consolidation of civil society (or its possible formation in the near future, having in mind the ongoing tendencies in Russian development) are considered by the majority of experts to be more myth than reality.

The negative experience and consequences of democratic reforms in the end of the last century are etched in the memory of most members of Russian society, especially its patriotic wing, represented by the military and security officers—the so-called *siloviki*—which has been brought to power during Vladimir Putin's presidency. Hence, for those people the most efficient way of strengthening the political system and the state itself, as well as of bringing about the consolidation of Russian society, is to do it in a “restricted” environment. This explains the Russian government's passage of the infamous “NGO's Act,” its promotion of the concept of “Sovereign Democracy,” and its continued ironclad control over the political process.

After all, regardless of their geographic location, the Russian regions prefer to connect their future development with the strict federal structure of the state and the leading role of Moscow as a power that unifies Russia. This preference reflects the overall strategy of Russian development. The “Dispersal of Russia” scenario, despite all the attempts to make it attractive for the regions—emphasizing their freedom to rely on their own resources, and offering many options to elaborate their own development strategies that most effectively fit the needs of each region—was viewed by the regional scholars, policy makers, and businessmen as a pessimistic scenario. Even the “New Liberal Dream” scenario, aside from its labored and artificial character, is in one way or another associated in the regions with relatively strong state power (at least on the regional level). Nevertheless, even given the obvious adherence of the majority of Russian regions to maintain their loyalty to the Kremlin under a wide range of different circumstances, Moscow is expected to conduct a highly flexible policy toward different parts of Russia, one that takes their specific preferences and needs into account. Failure to do so may cause profound dissatisfaction, and could lead to the rejection of the current trend of loyalty to the center.