

Russia under Putin and beyond - Chatham House, 26 February 2015

Remarks as prepared for delivery.

Ladies and Gentlemen,

Good evening,

How nice it is to be back in London. I am honoured to be giving the annual Russia lecture here at Chatham House.

I am very conscious of the long relationship that has existed between the UK and Russia, a relationship that goes as far back as Kievan Rus, one that is remembered in particular by some historic moments. I am thinking of the arrival in 1553 of Captain Richard Chancellor in northern Russia, of his meeting with Ivan the Terrible, a meeting that could be said to have begun our economic relationship.

London played an important role in the formation of the Russian Empire in the 18th century. I am thinking of the time that Peter the Great spent in England in 1698, a visit of only a few months but one that had enormous consequences for Russia.

When I read about Peter's visit, I am struck in particular by the openness he showed to new ideas, and his willingness to discuss them with the greatest minds of the day. Peter the autocrat visited Parliament, he met several times with the Archbishop of Canterbury, and he spoke with William Penn, the man who founded Pennsylvania; that might not sound like such an important conversation today but at that time Penn was regarded as a dangerous opposition activist.

I think it is true to say that Peter took back with him a blueprint for what he wanted his new modern Russia to look like.

This evening I would like to talk to you about a blueprint for Russia in the 21st century, a Russia beyond Putin. And I would like to talk about how we are going to get there.

There were times in the past ten years when I wondered what the outside world would look like. There were times when I wondered if I would ever see what it looked like. It looks good, of course it does.

I am heartened to hear so many Russian voices when I walk around; I hope that they will take back with them in their hearts and minds, something they have seen here that says how much better it is to have a good relationship with our international neighbours. But I am here this evening to talk about a relationship that has gone very wrong. I am talking about Russia, my country, a country that has been much in the international news recently, and for all the wrong reasons.

This is my first speech in Great Britain since my release, and I would like to say thank you to the many of you here in this room, and outside, who helped to publicise my imprisonment, and lobbied for my release. Freedom is a word that is much spoken, but so little understood. Having had freedom taken away, I appreciate it much more now that I have it back. Freedom is a concept that

needs to be at the heart of a nation's moral, philosophical and political being. I look at my country and I see that freedom is being daily reduced, and too often taken away.

I am now a free man, but I would like you to remember the many who are still imprisoned in Russia, imprisoned for so many spurious reasons – because they do not agree with what is happening in their country, and believe that it should be their right to express themselves freely; because their successful businesses have caught the eye of raiders who can act with impunity; because they do not want to see their sons killed in a senseless war that can have no victors.

But change is inevitable. No matter what his PR machine might say, President Putin is no superman, and he will surely not go down in history as a hero. On a TV screen it might look as if he can wrestle with bears, that he can fly with migrating birds, and he can run with tigers, but this is pure fantasy. A bare-chested Putin is not a strong leader but an emperor without clothes.

I only wish that the Russian president had a better grasp of history, that he might learn the lesson given by King Canute who, when told that there was nothing he could not do, stood at the water's edge, commanding the sea to move back; and got his feet wet. Because for sure, the rising tide will sweep away any man who believes his own myth.

I want to present to you this evening my vision of what Russia would look like beyond Putin, because it is not a Russia that I think the West can see as clearly as I can

Closed Russia

When I talk about 'Putin's Russia' I do not in any way mean that Russia is somehow Putin's personal domain, which he commands as he pleases. What I call 'Putin's Russia' is in fact a country, which has made a half-conscious or fear-driven choice to become a closed society.

Looking back, we can see now that for most of Putin's time in power, he was fortunate to benefit from a favourable economic climate. Investment came to Russia. Market institutions began to work, having taken root during the previous ten years. This all contributed to the most rapid economic growth that Russia had experienced in its history.

It was this period that saw the Kremlin propose its famous yet undeclared social contract – giving up political freedoms in exchange for the good life. Step by step, democratic and market institutions were weakened, and the state began to intervene and control the economy more and more.

As a result, many Russians think that isolation and the increasing role of government in society have led to stability and prosperity. And it is this illusion that forms the basis of Putin's political support.

And although many people link the deteriorating economic situation with the war in Ukraine, experts will tell you that well before the illegal annexation of Crimea, the Russian economy had already exhausted its capacity for development, which had been based on openness and the ability to conduct business freely.

Even economists who are loyal to the Kremlin have spoken about this. Several months ago, German Gref, head of Sberbank and former minister of economic development, stated that even without the war and sanctions, Russia would have still experienced negative growth in 2015.

However, it was the war in Ukraine, which painfully and cruelly exposed these tendencies. The climate has chilled, and the Kremlin has lost that warm feeling.

It has become clear that the closed nature of state institutions, the lack of competition, and a move towards isolation has led to a significant devaluation of the rouble, a contraction in manufacturing, and a fall in living standards.

Today, the Russian business and ruling elite is becoming increasingly anxious in response to Putin's political course; even those who were once loyal to him. We can see that autumn has arrived for Putin, when all the fruits that have fallen from his tree, have turned out to be rotten.

But this could be a very long autumn. Russia is now facing a relatively long period of standing around the sick emperor's bedside, and watching in horror, the regime's dying agony. The death rattle might be long, and the process of dying will be very painful for Russian society, and dangerous for international security.

Agony is an oft-recurring state in Russian political life. Judging by historical examples, we could assume that the most probable scenario in the short-term is a slow social decay accompanied by the collapse of the already weakened economy, and the further destruction of political institutions. It is inevitable that Russian will undergo dramatic changes during this period.

Initially, there will be an unravelling within Putin's political establishment, which will be accompanied by a struggle between the old guard and the new younger elite. This will result in the total paralysis of the government, which is especially dangerous in times of crisis.

Then, in an attempt to preserve stability at all costs, the Kremlin will initiate more political persecutions. It is unlikely that it will match the scale of Stalin's purges, but most of the freedoms that were won over the past thirty years will be lost.

And finally, moral and cultural degradation will give rise to religious radicalism as well as archaic, xenophobic and reactionary attitudes. Attempts to limit the 'corrupting influence of the West' will transform into a full-scale witch-hunt.

Any refusal to go along with acts of aggression and public persecution will result in suspicions of disloyalty. This will lead to even more educated people leaving the country, and a further decline in economic potential.

Economy

The regime fosters the idea that the entire economic power of the country is based on natural resources, and that the people do not create wealth, but are merely consumers. Citizens who criticise the state's economic failings and inefficiencies are shown the door.

You might be surprised to hear that half of the Russian state budget is not made up of oil and gas revenues. If you combine the federal and regional budgets, then yes, oil and gas make up roughly a quarter of that combined total. But where does that other money come from? From the economic activities of Russian citizens.

Russia is often described as a petro state. Fine, let us compare it to the world's definitive petro state, Saudi Arabia. Both countries have remarkably similar oil and gas revenues, some 340 billion dollars per year. Yet Russia's GDP is nearly three times as large (\$2 trillion as opposed to \$748 billion, according to the World Bank in 2013).

The oil and gas sector makes up no more than 20% of Russian GDP, so where does that other 80% come from? Ordinary people also contribute to wealth creation. They pay taxes, and so fully take part in the economy.

The idea that Russia is completely dependent on oil is profitable only for the Russian authorities. When we are constantly being told that Gazprom and Rosneft feed the Russian population, then what kind of rights can we even talk about? This assertion fuels the belief that an individual, dependent on such natural resources, does not have the right to act or stand up for his own interests. But we are not as dependent as the government would have us believe. Imagine how much less dependent we would be if the state stopped interfering in business.

The Putin regime would have us believe that the sharp fall in the price of oil has caused the economic crisis. But we should not forget that the rouble had begun to lose its value before the price of oil started to fall, the Ukraine crisis began, and before sanctions kicked in.

Capital flight out of Russia in 2014 was \$151.5 billion; that is double what it was in 2013. What does that tell us about how much confidence investors have in Russia?

The Russian economy is expected to contract by 5% this year; and what is the government doing about it, apart from making sure that its supporters are compensated for the loss of their Italian villas? They have announced an anti-crisis plan. But where are the details of that plan? So far, we have only a headline title.

Open Russia

What then makes me optimistic? The answer is simple – the Russian people. I want to tell you about the Russia that I know, which I think the West does not know as well as it might.

When I read what is written about Russia in the West, I don't recognise my country in the description. What I see is so much more than a confrontation between government and opposition. And those who are for the annexation of Crimea and those who are against. I see a whole generation of people that has formed over the past twenty-five years who are talented and well educated, many of them are citizens of the world, in the fullest sense of the word, and can compete with the leaders in their respective field. But the regime, which has established itself in Russia – corrupt, closed, cynical, aggressive and self-serving – prevents them from achieving their potential.

What is it that these people, this new generation, don't agree with? Practically everything. They need competition. They need openness. And for the authorities to be accountable. They count on the professionalism of state institutions. They need respect and understanding. In sum, they need everything, which they are used to in their private and professional lives.

They need predictable institutions and they understand that, without free elections and an independent judiciary, this is impossible to achieve. Does this group have the necessary resolve to become the engine of change; and how many of them are there? Here, we can follow opinion polls.

For instance, the unification of Crimea with Russia: the way in which President Putin chose to, when he openly lied about the presence of Russian military on the peninsula, when members of the Crimean parliament, in violation of all the norms of international law, were forced to vote in favour by armed men. In terms of the number of people who support the idea of the rule of law, there are, by various counts, between 10 and 16% of the Russian population, despite aggressive propaganda and the pressure on society. That is 11 to 17 million people. If we consider this figure more closely, then these people alone could build a successful European country, and far from the smallest.

But Crimea is madness on a mass scale. And so, the number of people who share the values of European civilisation, the rule of law, freedom of expression, freedom of choice, and the values of the enlightenment, are even greater.

But Western society, it seems, does not see these people, and continues to deal with Putin, as if there is no, and never will be, an alternative.

Many people here continue to believe that you can negotiate with Putin. Of course, you can come to an agreement with anybody, if you understand what he wants.

What does Putin want? Putin dreams that he can negotiate a new world order with America whereby the world will be divided into spheres of influence, and interference in your opponent's sphere of influence will be strictly forbidden, without any mention of internal affairs. And we can immediately forget about human rights.

This is what the ideal world of Putin looks like. And I'm not sure that anybody else likes the look of this.

Putin dreams that he is building a vertical world. He has already done this in Russia. He believes that there is only one single centre of power, the centre of all decision-making; and that different groups cannot act independently. Here lies Putin's fundamental conflict with the new world.

This is a conflict between a closed and vertical thinking, and one that is open and horizontal.

No matter how much Putin talks of a multi-polar world, in fact he doesn't believe in a world in which too many players are free to take their own decisions and act independently. He considers that all problems will be initiated from outside by his geopolitical opponents, and are not the result of his own mistakes. I cannot imagine what we can agree about with a person who holds these kinds of views about the world.

The vision of a new Russia

However large and monolithic, the support for the current regime might seem to you here, even loyal supporters are keeping their eyes out in search of an alternative. I see this alternative clearly; history is opening a window of opportunity for us, which we do not have the right to close.

The current regime has failed to propose a plan to get us out of the crisis but we can develop one ourselves. We can use the time we have to apply our knowledge, skills and talents to picture a future Russia in detail.

- The way civil society, and indeed all of society is structured: we will not only work with political and civic activists, but we will bring in everyone who shares our values, and supports our aims – openness and the cooperation of everyone at all levels

- We will propose a realistic plan of economic reforms, which will allow the country to realise its economic potential and secure the necessary economic growth. We will develop a model for managing key areas of industry, which will outstrip the current one, in terms of impact, many times over.

- Finally, we will outline the political architecture of the new Russia based on the principle of free political competition.

This new vision will unite people; it will become an incentive for change, for which society has long been ready.

This road will be long and hard, and we are determined to follow it to its end. In understanding our aims and offering your support, this is how you can help. We can talk about sanctions and discuss the means by which we can contain the current aggressive regime, but the future of Russia, and our relationship with the West, lies beyond Putin, beyond his geopolitical ambitions, and the warped way of understanding how the world works.

Because Putin is not Russia; we are.