

MEETING MEDVEDEV: THE POLITICS OF THE PUTIN SUCCESSION

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SUMMARY

Dmitry Medvedev's election on 2 March 2008 offers EU leaders a new chance to overcome their disunity and put their uncertain Russia policy on a better foundation. Whatever his personal inclinations, Medvedev will be unable to behave like a democrat in his first years in office. EU leaders should cautiously welcome the new president's election, but must wait and see whether Medvedev proves a willing interlocutor who can deliver. They should refrain from the foolish enthusiasm they displayed when the sober and coherent Putin succeeded the ailing Yeltsin in 2000. Instead they should test Medvedev with specific demands over energy policy, Kosovo, and Iran.

Medvedev, a lawyer by training, has often been depicted as a "liberal". Considering the alternatives and his own record, he may well be one of the better options to succeed Vladimir Putin, the outgoing autocratic president. Yet Putin will be looking over Medvedev's shoulder as prime minister. In the cut-throat world of Russia's clan politics, Medvedev needs Putin to "protect" him from the "*siloviki*" -- past and present members of the KGB/FSB. The new president starts in a position of weakness, as he lacks a strong clan of his own.

A Putin-Medvedev double act would not be Russia's first "cohabitation". A similar deal was done when power passed from Yeltsin to Putin in 2000. Putin eventually broke free and became his own man when the *siloviki* triumphed over the former Yeltsinites during the Yukos affair in 2003. In time, Medvedev may do the same.

Russia's real power transition is likely to happen sometime after the election, if and when the new president puts his mark on the system. The time to assess Medvedev will be then.

On 2 March, Russians will in all probability elect Dmitry Medvedev as their new president. A 42 year-old, English-speaking, economically literate lawyer, often described as a "liberal", the ex-chairman of Gazprom cuts a different figure from Putin and his political mentor's KGB acolytes. Will his election bring a new start for EU-Russian relations? Or will it be more of the same - "Putinism without Putin"? Does Medvedev represent a new opportunity, or false hope?

This policy brief addresses four questions, each prompted by one of the salient features of the system developed by Putin in Russia: Will Medvedev act like a democrat? How will the proposed cohabitation with Putin work? Will Medvedev eventually be his own man? And will Medvedev's rise to power lead to a rapprochement between Russia and the West?

Will Medvedev be a democrat?

Medvedev, the son of academics, has a reputation for being a liberal in Russian circles, despite being a protégé of the generally illiberal Putin for seventeen years. Indeed, the former KGB officer and the academic lawyer, who first worked together on St. Petersburg's "Committee for External Relations" in the early 1990s, are not an obvious match. Medvedev attacked Russia's "legal nihilism"¹ in his first major campaign address. He has even expressed scepticism about the authoritarian buzzword "Sovereign

¹ "Medvedev Address Hints at Change", *Moscow Times*, 23 January 2008, <http://www.themoscowtimes.com/stories/2008/01/23/001.html>.

Democracy”, describing it in 2006 as “far from an ideal term...a calque that doesn’t quite suit us...It is much more correct to talk about pure democracy...for me, sovereignty has a legal meaning”². It is also notable that Medvedev’s one-time ally Anatoly Chubais recently warned that Russia’s recent assertive foreign policy could damage its economic interests³.

Medvedev’s seven years as chairman of Gazprom make him a familiar figure in Western business circles. He can talk the talk at Davos. He wears nice suits. He does not look like an archetypal post-Soviet bureaucrat or KGB agent. He is a big fan of 70s rockers Deep Purple (but then hard-line Soviet leader Yury Andropov supposedly liked jazz).

It is true that Russians themselves are often sceptical. According to Valery Solovei, a political analyst with the Gorbachev Foundation, “maybe he is not a liberal in a very Western sense...‘liberal’ in the Russian sense has a specific meaning. It means you are against the *siloviki* (“power faction” -- members of the security services, past and present, broadly defined) and against *siloviki* interference in the Russian economy”⁴. Yet even if Medvedev pursues this pale version of “liberalism”, any civilian challenge to the power of the *siloviki* could still be good news for Russia and for the West.

No matter what Medvedev’s intention or beliefs are, he will scarcely find it easy to break away from the forces that created him. Although contemporary Russian politics is often described as a modern form of Tsarism - dominated by the personality of the individual at the top – the form of the authoritarian system which has evolved in the past decade is likely to endure, notwithstanding changes in leadership.

To understand the psychology of today’s Russian elite it is necessary to look at the circumstances in which Putin came to power eight years ago and saved a discredited Kremlin from disaster. By 1999 Yeltsin’s popularity had collapsed in the face of energetic opposition parties and declining governmental authority, which threatened near anarchy on the Russian periphery. More importantly, the elite had split; the beleaguered Kremlin was being opposed by the new Fatherland-All Russia alliance (FAR), backed by dissident oligarchs and TV stations like Vladimir Gusinsky’s NTV. In the summer of 1999 their candidate Yevgeny Primakov looked set to win the presidential election.

The Kremlin developed a survival plan, dubbed “Operation Successor”. Though Primakov, like Putin, had a KGB background, the people, around Yeltsin did not consider him one of their own. The key to the plan was “political technology”, the local term for an entire industry of political

manipulation, dedicated, in a direct echo of the Bolsheviks, to “organising victory” by whatever means necessary - whilst appearing to stay within the confines of acceptable behaviour. To discredit opponents, the “technologists” gathered *kompromat* (compromising materials) and engaged in black PR, character assassination and “information wars”. Accordingly, prime time television slots were devoted to denigrating Primakov’s reputation, with attacks focused against his age and health. Just as Chief Prosecutor Yury Skuratov was closing in on Kremlin transactions in Switzerland and on Boris Berezovsky’s dealings at Aeroflot, Putin released a video showing a man resembling Skuratov with two prostitutes.

Many of these dirty electoral tricks are practised elsewhere in the world, including in democracies such as the US (the Swift Boat Veterans campaign against John Kerry during the 2004 US elections, the insinuation that Barack Obama is a Muslim “sleeper”), but nowhere are they as systematic as in Russia. Russian “technologists” also specialise in creating fake “spoiler” parties to steal votes from the opposition. In 1999 a brand new Pensioners’ Party (with unusually young leaders) targeted communist voters while the Fedorov Block targeted FAR supporters. This created the political space for the new pro-Putin “Unity” party, which stole the opposition role from FAR, and adopted its rhetoric of replacing the incompetent Yeltsin with a “strong hand” at the top, even though the party was in fact a surreptitious life-raft for the old elite. Putin’s PR men simultaneously managed to sell him as both the new Yeltsin and the anti-Yeltsin. Putin himself proved adept at negotiating the contradictions, threatening in public to “destroy the oligarchs as a class” while promising to maintain the “stability of cadres” in private.

Medvedev’s recent statements suggest he wants to attempt a similar balancing act, essential if he is to be acceptable to a broad range of elites. Unlike Putin, who emerged from relative obscurity, Medvedev has the advantages of some existing public profile and the massive head start provided by the reflected glow of his mentor’s genuine popularity.

Putin’s ratings first took off when he launched a second war of revenge unleashed against Chechnya after the September 1999 apartment bombings in Moscow. This move was so successful that Russian elections now follow a standard pattern, as the electorate is mobilised against a “common enemy”. In 1996 it was the Communists; in 1999 the Chechens. In 2003-04, Putin targeted the “oligarchs”, and in 2007-08 the enemy was us – the threat of a “coloured revolution”, fomented by a hostile West. Russians even have a name for this – *dramaturgiya* (carefully scripted artificial drama).

² Interviewed in *Ekspert*, no. 28, 24 July 2006, www.expert.ru/printissues/expert/2006/28/interview_medvedev

³ “Dmitry Medvedev Calls on Russian Companies to Buy Foreign Businesses”, *International Herald Tribune*, 31 January 2008.

⁴ ECFR interview with Valery Solovei, 17 December 2007, Moscow

Political technology in 1999-2000 created the illusion of change, but allowed no proper democratic transition. Regardless, many Western leaders rushed to embrace Putin as the new face of Russia.

Given Medvedev's popularity ratings, he might well be able to win a comfortable majority without the dark arts of political technology. Yet the existing Russian system leaves no room for clean elections, at least in the short to medium term. In the run up to the 2007-08 elections, the authorities refused to even register The Other Russia coalition of opposition groups, they sanctioned the pre-election arrest of Garry Kasparov among others, and they excluded the former prime minister Mikhail Kasyanov from the presidential race. There were even rumours of a move against Gorbachev. Meanwhile, they continued the use of disinformation, spread by so called media-killers, such as Aleksey Pushkov, via prime-time programmes on Russian TV.

There was less space for fake parties in the 2007-08 elections, though Just Russia made its debut as the soft left face of Putinism while Vladimir Zhirinovskiy's misleadingly-named Liberal Democrats continued to siphon off the protest vote. Less prominent were the Agrarian and Patriot parties who "man marked" the Communists (reminding them of the risks of real opposition); while the liberal clones, Civic Force and the Democratic Party, shadowed the pro-Western Union of Right Forces (SPS), which sank to less than 1% of the vote and no seats in the Duma, as did the centre-left Yabloko. The fake parties were allegedly bankrolled through a special fund run out of Vneshekonombank under the direction of Sergei Sobianin and Vladislav Surkov, the two main heads of the Presidential Administration⁵. Both fake "liberal" parties ran very slick advertising campaigns and the SPS even suffered the humiliation of being slightly outvoted by its clone, Civic Force. In the presidential election, the Democratic Party's youthful leader Andrey Bogdanov, thought to be the most plausible "liberal" for foreign consumption, assumed the mantle of fake pluralism. His party's founding congress was even held in Brussels.

The purpose of political technology is changing as Russia becomes more powerful. According to one leading practitioner, Sergey Markov, "In Putin's time, we don't try to create an artificial virtual world; we try to use different techniques to make a change in the real world. That's the basic difference. We don't want elections to look like people support Putin, we want people really to support Putin." However, he says the conditions that create this type of highly manipulative politics are still there, "because of so-called post-modern society. Normal institutions which (once) worked for democratic societies have declined;

political parties have declined. Public opinion is changing; it's not disappearing, but it is becoming [...] more artificially created"⁶.

According to Gleb Pavlovsky, Russia's most famous "technologist", there is less need "for political technology in the sense of the 1990s. But we have more space for media technologies, for legal technologies... Politics is not based on knowledge, as it should be in my opinion, but on the myths imposed by the mass media"⁷. "Legal technology", it should be pointed out, means exploiting an arbitrary and often capricious legal system against one's opponents.

Pavlovsky is also a leading exponent of the so-called counter-revolutionary technology that has recently been deployed to ensure Medvedev's ascent to power. Cloning technology has been extended from political parties to fake youth groups and NGOs. In 2006 Russia introduced a law to make life difficult for foreign-funded NGOs and to neuter domestic equivalents. The Kremlin then began to create a network of NGOs that were loyal to Putin. Moscow was flooded with activists from the sinister youth movement *Nashi* for the Duma elections in December 2007. The authorities sabotaged the observation mission of the Organisation for Security and Cooperation in Europe (OSCE) by issuing only 70 visas to their monitors, as compared to 450 at the last elections. Independent domestic monitoring organisations like Golos were kept away from polling stations, closed to everyone except representatives from political parties. Independent exit pollsters were replaced by *Nashi Vybory* ("Our Elections" -- implying foreign-backed polls are not to be trusted), and the less than totally independent VTsIOM and FOM. Shielded from view, the use of "administrative resources" (another euphemism -- many votes were faked and many were forced) was noticeably more blatant than in previous elections.

There was by then no real prospect of anything remotely resembling a Ukrainian-style coloured revolution in Russia, but the regime stuck with its pre-emptive plan. In Moscow, uniformed *Nashi* activists roamed the metro and main thoroughfares in groups of twenty or so. They also occupied the main squares, though most of Red Square remained closed. The nearby Manezh, the most likely site for mass demonstrations, was filled with *Nashi* supporters enjoying a pop concert, modelled on the telegenic events of the Orange Revolution, but sponsored by the Kremlin. There wasn't much else for them to do.

Medvedev has yet to disown any of this "technology" -- indeed, he has spoken at *Nashi* summer camps. He may close *Nashi* down after the elections to demonstrate his liberal credentials, but he also needs to win big in March to see off potential challenges from other elites -- and ultimately to emerge from Putin's shadow.

⁵ Natalia Morar, "Chernaya kassa' Kremlya", http://newtimes.ru/magazine/issue_44/article_7.htm. Morar, a Moldovan citizen, was excluded from Russia after writing the article.

⁶ ECFR Interview with Sergey Markov, 19 December 2007, Moscow

⁷ ECFR Interview with Gleb Pavlovsky, 19 December 2007, Moscow

How will the cohabitation work?

In late 2007 billboards began to appear across Russia, declaring “Putin’s Plan – Russia’s Victory!”...but they carried no explanation of what the plan might be. This is because Putin wanted to keep everybody guessing until the last possible moment in order to avoid becoming a lame duck. His second priority was to preserve the political and economic balance between the various clans which make up the elite. On the one hand, Putin wants to rein in the most powerful clan led by Igor Sechin, an alleged former KGB operative who is perceived as the Kremlin’s “enforcer” since he organised the destruction of the oil company Yukos in 2003-03 and ensured that his own company Rosneft won most of its assets. On the other hand, the outgoing President does not want his foes among the “old oligarchs” of the 1990s, some of whom have remained close to Medvedev, to make a noisy comeback. The Putin system is founded in large part on the public’s negative perception of everything and everyone associated with the 1990s. Medvedev associates like Aleksandr Voloshin and Anatoly Chubais, who were both prominent in Yeltsin’s administration and now work at United Energy Systems, will thus be urged to continue to maintain a low profile.

If Putin had selected a successor from the powerful Sechin group, it would have disrupted the political equilibrium by concentrating too much power around a single faction. However, even without the presidency, the *siloviki* of the Sechin clan are strong enough to balance Medvedev, who is Putin’s man and does not yet head a powerful clan of his own. Putin’s main motive for choosing Medvedev was to maintain the balance of the system, not any sudden desire to reverse the course Russia has taken since 2003. And it may be his desire to protect this equilibrium which has led Putin to stay on as prime minister.

Putin’s plan was only revealed in stages, both to maintain the outgoing president’s powerful aura of mystery and because it was a work in progress. Many rival scenarios were considered at one time or another. Some were probably feints (see table page 5), but it is likely that there was no obvious choice. In November 2005 Putin appeared to sanction a primary-style contest between the “liberal” Medvedev, and the *silovik* Defence Minister Sergey Ivanov. In September 2007, when Ivanov had appeared to gain the upper hand after Medvedev’s early ascendancy, Putin surprisingly appointed Viktor Zubkov as prime minister instead. The *siloviki* then began promoting other options, trying in particular to force Putin to accept a third term. “Putin’s plan” only became clearer when he announced on 2 October 2007 that he would head the United Russia list for the upcoming Duma elections. This then evolved into a pledge to serve as prime minister after the vote.

Once Putin’s plan was implemented, United Russia predictably swept the elections, winning 64% of the vote and 315 out of 450 seats. The idea of a Putin premiership was accepted. But will the plan hold water in the medium term? Putin’s men have been trying to strengthen the institutional and financial incentives for the various clans that are running Russia to stick together. Most importantly, they now have the built-in insurance of a constitutional majority in the Duma. Knowing how they pushed aside their enemies from the Yeltsin era, they want to ensure their own successors cannot do the same to them. According to Russian journalist Andrey Zolotov, Putin’s people “were desperate to have two-thirds of the Duma because they know what kind of successors they had been themselves [to Yeltsin], so I’m sure that they are creating all sorts of checks and balances for their successor.”⁸

But there are still many problems with the idea of cohabitation between President Medvedev and Prime Minister Putin. In Russian political culture, power normally flows clearly from a single source. The balance of constitutional powers clearly favours the president, as might, eventually, the media spotlight. It is also unclear who will be in ultimate charge of the security services and armed forces ministries. The proposed cohabitation throws up questions about who controls the networks of patronage within the Russian system. The Russian elite is perfectly happy to blow with the wind, but it is not yet clear which way it is blowing. *Economist* correspondent Arkady Ostrovsky neatly summed up the dilemma: “Will Prime Minister Putin follow tradition and have a picture of President Medvedev on his wall?”⁹ At a press conference in February, Putin said that we would not, and even the possibility of his ultimate return to the presidency has not been completely ruled out.

The greatest imponderable is the attitude of the Sechin clan. It has no formal position towards the new duumvirate. It is not clear what they have been promised but Putin’s concern for balance suggests they must have benefited from the transition somehow. If they had not, Medvedev’s position would be under immediate threat.

Will Medvedev eventually be his own man?

In assessing possible future developments, it is worth remembering that this is not the first period of cohabitation. There are some echoes from Putin’s own rise to power which may contain clues to the future.

In 2000, political technology helped to disguise the regime’s simultaneous need for continuity and change. This paradox was reflected in the complexity of the succession deal. On the very day he took office, Putin signed a deal to give Yeltsin immunity. Most senior members of the Nineties’ old guard remained in office for a year, but the powerful

⁸ ECFR interview with Andrey Zolotov, 19 December 2007, Moscow.

⁹ ECFR interview with Arkady Ostrovsky, 16 December 2007, Moscow.

"Operation Successor 2.0"		
The Plans Putin Discarded		
Alternatives to Medvedev	Pros for Putin	Cons for Putin
President Ivanov. Former Defence Minister Sergey Ivanov was seen as Medvedev's main rival in the primary-style competition between the two in 2005-7.	Ivanov's commitment to statist nationalism and to pursuing Putin's recent hard-line foreign policy.	A <i>silovik</i> president would unbalance the system. Ivanov and Sechin were not close: Sechin preferred a third Putin term, Ivanov wanted to be president himself. Ivanov is not part of the energy economy.
A "Technical President". New Prime Minister Viktor Zubkov to take over as a "seat-warmer" president, awaiting Putin's return.	Zubkov is totally loyal. Zubkov is elderly (b. 1941), so he could be eased out at any time on health grounds. Zubkov, as former head of the Federal Financial Monitoring Service, is a key part of the system of of <i>kompromat</i> .	Zubkov would have been an obvious stooge, breaking the spirit, if not the letter of the constitution.
A Third Putin Term.	Continuity; would avert clan struggle. The <i>siloviki</i> 's preferred option once Ivanov's chances began to fade.	Changing the constitution. Alienating the West. Giving too much influence to the <i>siloviki</i> .
The Russian Deng Xiaoping. Putin retires but remains the power behind the throne.	No need to change the constitution.	Informal power not part of Russian tradition. Required an overwhelming personal mandate for Putin in the December 2007 vote. The "Putin bounce" was in fact disappointing. Putin appears to have added only an extra 10% to the party's vote in a flawed ballot. ¹
Just Russia A new virtual party launched in October 2006, backed by the Sechin group.	Would have created the appearance of competition.	Not a vehicle for Putin himself. Risk that virtual competition could become real competition.
Gazprom: Putin swaps jobs with Medvedev.	Putin would be a safe pair of hands at the head of Russia's biggest cash cow. Would further balance a "liberal" President Medvedev since the company is largely controlled by the same clan. Zubkov was appointed to replace Medvedev in February 2008 instead.	More pressure on Gazprom to clean up its image, such as to abandon the Rosukrenergo scheme for exporting gas to Ukraine.
Head of FSB.	Putin would have held considerable power in his old job.	Would find it hard to ever get out again.
The Milošević Scenario. Putin becomes President of the moribund Union of Russia and Belarus declared in 1997.	Allows Putin to prolong his power, as Milošević did in the 1990s by swapping the Serbian and Yugoslav presidencies. Belarusian President Lukashenko was assumed to be amenable if offered sufficient carrots (money) and sticks (<i>kompromat</i>).	Lukashenko increasingly entrenched in power. Constitutional problems associated with absorbing Belarus into Russia. Yeltsin thought about trying the same; smacks of desperation.
And The Plan Putin Chose		
Leading United Russia. Putin becomes prime minister.	Powerful loadstone to align political system's potentially divergent parts. "Putin bounce" brings two-thirds majority in the Duma, enough to change the constitution. Putin stays on as Medvedev's "minder". Putin can filter the <i>siloviki</i> 's access to power.	1993 Constitution clearly favours the president. Two leaders create problems with media management. Power will inevitably coalesce around President Medvedev, no matter how beholden he is to Putin. Position of the Sechin group under the duumvirate far from clear.

¹ United Russia was already on 59% in August and 55% in September before Putin's decision. See the polls at <http://www.levada.ru/reitingi2007.html>

Family “gatekeepers” survived for much longer. (“Family” meant both Yeltsin’s literal family, including his daughter and influential son-in-law, Valentin Yumashev, the then head of the Presidential Administration, as well as the oligarchs whose interests they promoted.) For example, the Yeltsin ally Aleksandr Voloshin remained as Kremlin chief of staff until October 2003 and Mikhail Kasyanov served as Prime Minister until February 2004. Even Putin’s immediate moves against the oligarchs were limited to settling specific scores: Vladimir Gusinsky had used his media empire against the new president; Boris Berezovsky was brought down by hubris, after boasting that he had made the new president.

But after some time in office, Putin was able to break away from the old regime. Putin himself was the fulcrum of the transformation. He represented both the old “Family” (for whom he had performed vital services in seeing off its rivals) and wider circles in St. Petersburg and the KGB, now rebranded as the FSB (Federal Security Service). Putin’s allies staged the so-called Yukos affair to change the rules of engagement and create a new balance of power at the top of Russian society. By destroying Mikhail Khodorkovsky, the owner of Yukos - whose estimated fortune of \$8 billion then made him the richest man in Russia - the *siloviki* cleared the way for their rise to power, accelerated the redistribution of property, and launched a populist campaign of revenge against the Yeltsinite super-rich during Putin’s second election in 2004. Behind the scenes, however, oligarchs were replaced by “*silovarchs*” or “*silogarchs*” (see the list of clans page 8)¹⁰. The main instigator of the Yukos campaign, Igor Sechin, First Deputy Head of the Presidential Administration, was appointed to head the board of Rosneft in July 2004. Rosneft acquired Yukos’s main asset Yuganskneftegaz via a shell company in December 2004. Other assets transferred from oligarchs to *silogarchs* included Aeroflot (Berezovsky to Viktor Ivanov) and AvtoVaz (Berezovsky to Sergey Chemezov). The rise of the *silogarchs* was also abetted by the Kremlin-backed creation of huge state and semi-state national champions, like United Aviation and United Shipbuilding. Medvedev himself was Gazprom’s chairman of the board, a company which functions almost as a state within the state; its interests include Gazprom-media¹¹, an estimated seventeen commercial banks, and a controlling stake in Roman Abramovich’s old company Sibneft, promptly renamed Gazpromneft. In July 2007 the Duma even passed a law allowing Gazprom to set up its own militia.

By the end of Putin’s second term, these economic empires controlled over a third of Russia’s GDP. Politics under Putin was never really about “liberals” versus “nationalists”.

It was more about the relationships between different clans that were feeding at different points along the trough. Their precise configuration is ever-shifting. But by 2007 discernible battle lines could be drawn. The most important group of *siloviki* businessmen is led by Igor Sechin. Like a 17th century first minister or court counsellor, Sechin’s immediate power derived from his position as a direct conduit to Putin, controlling the information the president received and how his decisions were implemented - a role Sechin had performed since the early 1990s when Putin was deputy mayor of St. Petersburg. Sechin’s secondary power derived from being at the dead centre of the fusion of economic and political power achieved after Yukos.

However, the *siloviki* are not a single clan. Another *siloviki* group liked to think of themselves as “honest *Chekists*” (the *Cheka* being the Bolsheviks’ first name for the KGB), and tried to “police the police” through their dominance of the Presidential Security Service, the Procuracy, and the Federal Drug Control Agency. The old “Family” survives, some in literal exile like Berezovsky, others like Anatoly Chubais and Aleksandr Voloshin in “internal exile” at United Energy Systems, Russia’s monopoly electricity supplier. A handful of post-Yukos liberals remain in influential positions like Aleksey Kudrin at the Ministry of Finance, and Sergey Ignatov at the National Bank. Skilful operators like Roman Abramovich survive and prosper by keeping a foot in all camps.

Medvedev’s early period in office will also be dominated by clan conflict. He may have his own “Yukos moment” in time, but, as was the case for Putin, he will first have to accommodate the outgoing elite’s strongest group. In 1999-2000 this was the “Family”; in 2007-08 it is the Sechin *siloviki*, who seemed to be using the political uncertainties around the succession to assert themselves through political technology and the FSB. In August 2007 they targeted the oil producer Russneft (worth an estimated \$8 to \$9 billion) with draconian tax demands, and succeeded in prising it away from its owner Mikhail Gutseriyev. In a sign of their growing confidence, the *siloviki* even arrested an investigator from Viktor Cherkosov’s Federal Drugs Control Agency, sent to probe their involvement in an alleged customs scam (the “Three Whales” affair). This episode forced Putin to make a public call for unity¹². Thirdly and most crucially, the Sechin group appeared to be targeting the Stabilisation Fund, the repository of Russia’s energy wealth, which had reached a massive \$147.6 billion by November 2007. Sechin reportedly pressured the new Prime Minister Zubkov to dismiss Finance Minister Aleksey Kudrin in September, meaning Putin himself had to intervene (Kudrin had got Putin his first job in the Kremlin and the outgoing president

¹⁰ Daniel Treisman, “Putin’s *Silovarchs*”, *Orbis*, vol. 51, no. 1 (Winter 2007), pp. 141-53; available online at www.pacificcouncil.org/pdfs/Silovarchs.pdf

¹¹ Some of which is now controlled by Bank Rossiya, another St. Petersburg institution.

¹² Cherkosov in *Kommersant*, 9 October 2007.

is nothing if not loyal). Kudrin survived, but in November a \$43 million corruption charge was laid against his deputy Sergey Storchak¹³. Medvedev is expected to take over the job of protecting the liberals once he becomes president.

Most surprisingly, there were rumours that Sechin was behind a move against Putin himself. Stanislav Belkovsky, who had helped launch the original Yukos affair, claimed in *Die Welt* on 12 November that the president had quietly amassed a personal fortune of no less than \$41 billion¹⁴. On 30 November Marina Salys's 1992 report on Putin's allegedly corrupt foreign trade dealings in St. Petersburg appeared on the internet. This seemed to be a very public warning to rival groups not to rock the boat, and specifically to Putin, or more likely Medvedev, not to push any "liberal revival" too far. The message was that Putin's own system could be turned against him and that even the president was vulnerable to *kompromat*. With Gazprom's record on transparency being less than shining, there is no doubt that Medvedev shares in that vulnerability¹⁵. Pavlovsky even talked of "managed instability" if the Sechin *siloviki* failed to get their way.

Putin could hardly let such a calumny go unanswered. Given typical Russian standards of *omertà*, it was little short of a declaration of war. A few days later, a previously little-known business man, Oleg Shvartsman, claimed in the newspaper *Kommersant* that his Finansgroup ran a \$3.2 billion joint venture fund whose assets were acquired through "velvet reprivatization" on behalf of the Sechin's "*siloviki block*"¹⁶. The charge, in other words, was that the *siloviki* used legal shakedowns and exorbitant tax demands to bring down the market value of several high-profile companies so that they could buy them up at knock-down rates.

It is far from clear whether Medvedev was involved, although *Kommersant* has been owned since 2006 by Alisher Usmanov, who runs Gazprom Investment Holdings. Will President Medvedev continue the counter-attack or make peace with the *siloviki*? Without Putin's support, Medvedev does not have the clout to ramp up the pressure on Sechin. However, after a few years in the job he may have accrued enough political capital to pull off his own Yukos-style defining moment.

Will there be a rapprochement with the West?

Many people have interpreted the appointment of Medvedev as an overture to the West – but is it right to expect that Russia will row back from its increasingly confrontational stance towards the EU?

There are some signals of an early move. Anatoly Chubais's recent comments on mending relations with the US and EU may have been designed to test the waters. Structural financial factors have a role to play. Medvedev is chairman of Gazprom, whose entire business model is predicated on sales to Western Europe, whereas the *siloviki*-owned Rosneft faces east.

But based on evidence to date, any expectations of a major early shift in policy appear misplaced. One reason for this is that the regime derives legitimacy from confronting enemies and the current enemy is the West. To prove that he is a strong successor, Medvedev will have to maintain this antagonism.

Why the West? In the words of Fyodor Lukyanov, the "idea of national prestige" is very important to the Russian elite. "All the time the talk is of respect, about pride, about how we managed to overcome national disaster and how we should now demonstrate to everybody that we are back."¹⁷ Having defeated internal enemies like the oligarchs and the Chechens, at least in the propaganda world, the Kremlin has moved on to external enemies. According to Lukyanov, it "organised a very intensified hysteria that was anti-Western, anti-enemies within Russia and so on – which worked"¹⁸.

The twin ideas that "Russia is back", and that Russia needs to be strong in a hostile world where it is surrounded by enemies were taken to extremes during Putin's second term. The occasional dispute with a neighbour would be perfectly normal, but in 2005-7 Russia quarrelled with nearly all of them. Indeed, the political elite seems to view conflicts, both diplomatic and military, as crucial to maintaining popular support.

An additional factor is that many in the Kremlin had convinced themselves that the threat was real after Ukraine's Orange Revolution in late 2004. The Ukrainian events were the Russian elite's worst nightmare. They dramatically undercut the assumption that the Russian system had stabilised after Yukos, and combined the three threats the elite feared most: grassroots mobilisation, elite defections, and outside influence. The shock was reinforced when the Orange Revolution was immediately followed by demonstrations in major Russian cities against welfare reform in January and February 2005. These were far from copycat protests; they were sparked by socio-economic

¹³ Max Delany, "Siloviki Clash in Storchak Affair", *The Moscow Times*, 7 December 2007.

¹⁴ "Warum Putin gar nicht Präsident bleiben will", *Die Welt*, 12 November 2007, www.welt.de/politik/article1352592/Warum_Putin_gar_nicht_Praesident_bleiben_will.html.

¹⁵ Medvedev's close friend Konstantin Chuychenko sits on the board of the controversial Rosukrenergo company, which earned \$800 million in 2006 for supplying gas to Ukraine, although it appeared to do little more than turn on the tap.

¹⁶ Shvartsman's interview appeared in *Kommersant*, 30 November 2007.

¹⁷ ECFR interview with Fyodor Lukyanov, 17 December 2007, Moscow.

¹⁸ *ibid.*

grievances rather than demands for an open society and mainly involved older citizens. But they showed an already rattled Kremlin that they did not yet have complete control over the streets. Once the Russian elite convinced itself that the “coloured revolutions” were a Western plot against them, it began to see domestic opposition as a “fifth column” which needed to be controlled.

From 2005 onwards, political technology therefore morphed into “counter-revolutionary technology” so as to thwart any possible Russian “electoral revolution” in 2007-08. *Nashi*, created in April 2005, was explicitly designed to ensure that there would be no mass demonstrations in Russia¹⁹. Pavlovsky explains that “after the events in Ukraine and Kyrgyzstan we had to struggle for the street. We had to organise someone on the streets so the space wouldn’t be occupied by our opponents. It had to be clear to those who wanted to go on to the streets that the space was already occupied”²⁰.

Even if Medvedev did want to repair relations with the West, it would take time to unwind the new pseudo-ideology of Russian greatness, and there would be political risks involved in showing any weakness towards the countries directly involved in recent disputes.

Conclusion

Though the implications for Europe of a Medvedev presidency are unclear for now, the EU should avoid repeating the mistakes made when Putin came to power eight years ago. Medvedev may indeed be business friendly and a relative liberal for Russia, but EU leaders should not race against each other to be his new best friend. They should extend him a polite welcome, and remember that he remains the willing servant of a system where power rests on shadowy deals and methods unacceptable in any true democracy.

In his first years in office, the system will have more control over Medvedev than he will have over the system. As this report has argued, the Kremlin has been skilful at making cosmetic improvements to weaken Western criticism and manipulating the apparatus of democracy to consolidate its power. Given the new president’s constrained position, it would be naive and counterproductive for the EU to rush to hail Russia’s “new face”, as most Western leaders did when Putin replaced the ailing and incompetent Yeltsin.

But wariness should not lead to inaction. Whether or not Medvedev will usher in new patterns of Russian behaviour,

The Russian Elite’s Main “Clans”	
Name	Members
Sechin group	Viktor Ivanov, head of personnel in Putin’s administration, Aeroflot and the armaments company Almaz-Antei; Deputy Prime Minister Sergey Naryshkin; Interior Minister Rashid Nurgalyev. The powerful FSB boss Nikolay Patrushev was “sometimes an ally of the Sechin group, sometimes not”. ¹
“Chekists”	Viktor Cherkosov, head Federal Drug Control Agency; Viktor Zolotov, Putin’s Presidential Security Service; Yuri Chaika, Prosecutor General.
Military, Hi-Tech	Sergey Ivanov, United Aircraft Building Corporation
Railways	Vladimir Yakunin
Telecommunications	Leonid Reiman
Arms Export	Sergey Chermeszov
Old “Family”	Anatoly Chubais, Aleksandr Voloshin, United Energy Systems
Post-Yukos liberals	Aleksey Kudrin, Sergey Ignatev
Loyal “independents”	Roman Abramovich, Oleg Deripaska

¹ ECFR interview with Solovei 19 December 2007, Moscow

¹⁹ ECFR interview with Markov, 19 December 2007, Moscow.

²⁰ ECFR interview with Pavlovsky, 19 December 2007, Moscow.

the EU should use his election as a catalyst to transform its own ways of dealing with Russia. The Putin era was marked by damaging and widening EU disunity over its relationship with Moscow. Medvedev's coronation offers the EU a very small window of opportunity to develop a unified strategy and establish new foundations for its bilateral relationship. To test whether Medvedev has the political will and authority to establish a better partnership, EU leaders should agree on a number of joint demands. Their attitude towards Medvedev should then be adjusted according to how he responds :

- On energy supply, EU leaders should ask Russia to sit down with the EU and the key transit countries (Ukraine and Belarus, possibly Georgia) to resolve open questions about issues of supply diversity, transit fees, and pipeline theft.

- On Kosovo, EU leaders should ask Russia to accept the EU's rule of law mission and the international successor to the UN Interim Administration Mission in Kosovo (UNMIK).

- On Iran, EU leaders should ask Russia to support rather than sabotage the E3 +3 process (France, Germany, and the UK, plus China, Russia, and the US). They should also insist on the Iran dossier being retained by the International Atomic Energy Agency.

Given the hostility of the *siloviki* - Russia's most powerful political and economic clan - appointing Medvedev was a tough call for Putin. Initially there will be more policy continuity between Putin and Medvedev than there was between Yeltsin and Putin, assuming the *siloviki* are unable to drastically reshape the succession arrangements. At the very least, the *siloviki* will watch Medvedev for any signs of weakness. EU leaders should realise this and thus concentrate on what Medvedev does, not on what he says. EU leaders should be hard headed, but match any genuine rapprochement step for step so as not to give rope to hardliners.

For the EU as well as for Russian elites, the Kremlin's "Operation Successor 2.0" has created a mix of continuity and uncertainty. The last leadership transition in 1999 was followed by considerable upheaval in 2003, 2004, and 2005. While "Putin's Plan" is still unfolding, we can only speculate about the eventual content of "Medvedev's Plan". In time the new president may assert his power through his own "Yukos moment", although the West must hope that it will not be like the last. Medvedev is a lawyer, and

Europeans should take him at his word when he talks about the importance of strengthening the rule of law in Russia. If Medvedev does change Russia's way of exercising power and dealing with the outside world, it could well be this long-standing interest in the law that will trigger a positive shift.

A central failing of the EU's Russia policy during the Putin years was a tendency to focus on the president's motivation and personality rather than on the system and policies he represented. This approach has harmed EU interests. Rather than speculate publicly about Medvedev's personality, EU leaders should pay close attention to his policies and to ways of improving institutional aspects of the relationship. A good place to start would be reviving the Partnership and Co-operation Agreement (PCA). New Russian attempts to divide and weaken the EU should be systematically countered. Including Poland in the trilateral summits between Russia, Germany, and France would be a powerful demonstration of a new commitment to a collective EU approach. Finally, the EU should favour keeping Russia engaged in multilateral organisations, but use Russia's membership to remind Russian representatives of the need to deliver on their contractual obligations.

During the eight years of the Putin Presidency, the EU has failed to define and defend a common policy towards a resurgent Russia. The change from Putin to Medvedev offers EU leaders a new opportunity to coalesce around a shared strategy; they must seize it, or they will fail the Russia test again.

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