

Modernization after Medvedev?

By Indra Overland, Oslo

Abstract

In March 2012 Dmitry Medvedev will step down as president of the Russian Federation. For five years he has been the main champion of modernization in Russia, and his change of status therefore raises a question: what will become of the modernization effort? Although the modernization project has encountered significant barriers and Medvedev himself is increasingly cast as ineffectual, the fact that some components of the modernization agenda are linked to strong interest groups ensures its continuation with or without Medvedev as Prime Minister. In particular, several of the country's main businesspeople may wish to promote modernization in the form of a new round of privatization.

Barriers to modernization

Despite the unbridled optimism that often accompanies modernization efforts, as highlighted in a seminal study by James Scott, historical modernization schemes around the world have been hindered by several factors, two of which are particularly relevant for Russia—economic complexity and institutional resistance. The first factor—the complexity of the private sector in an industrial economy—points to the impossibility of the state micromanaging the economy in its entirety. For more on this, see the article by Richard Connolly in this issue of RAD. The second barrier to modernization efforts is the existence of institutions that may resist a modernist drive. One of the most important premises of an institutionalist approach is that, due to path dependency, change is neither immediate nor costless and occurs slowly, if at all. In Russia a key path dependency is reliance upon informal practices and the use and abuse of administrative resources to achieve political ends at the expense of formal frameworks for governance. For more on this, see Richard Sakwa's article in this issue of RAD.

Modernization in Russia

The idea of modernization has deep historical roots in Russia—from Peter the Great's dream of a Europeanized Russia to the Soviet attempt to propel a peasant society into an urban industrial one. Although modernization was also one of the sub-themes of Putin's first presidency, over the past five years the notion of modernization has gained new currency in Russian politics, featuring regularly in Putin's and above all Medvedev's speeches.

In the autumn of 2009, Medvedev published a liberal manifesto, "*Go Russia!*", in which he argued that Russia is increasingly lagging behind developed countries in science, technology and economics due to corruption and dependency on natural resources. A typical example of the type of modernization targeted and emphasized by Medvedev is energy efficiency. According to World Bank estimates, Russia could reduce its primary energy consumption by 45% through increased efficiency. Energy

efficiency thus embodies the irresistible rationality of modernization: nobody disagrees that increased energy efficiency would be a good thing for Russia and for the world, as it would free up more petroleum for export, boost the profits of energy companies and the state, create jobs and address environmental problems all at once.

"Modernization" has supplanted and to some extent subsumed other buzzwords about Russia's development—transition, westernisation, privatisation, rule of law, democratisation and sovereign democracy. The emphasis on modernization amounts to an acknowledgement that the situation in the country is not ideal, and therefore needs to be changed, while avoiding taking a potentially divisive standpoint on exactly what needs to be changed. This vagueness—or openness, if one wants to see it in a more positive light—is a common strategy in political systems around the world. One of Barack Obama's main slogans in his 2008 presidential campaign was "Change we can believe in". Clearly, this phrase was designed to capture as broad a section of the American electorate as possible by sounding positive and dynamic without being concrete enough to alienate anyone.

The open-endedness of Medvedev's modernization agenda, however, has functions that are peculiar to the Russian context. Firstly, it makes it possible to talk about change and progress without having to say anything explicit about increased democratization. Secondly, it is useful because Russian society lacks a shared and clear understanding of its own communist past, and this in turn makes it difficult to talk coherently about the country's future direction. In post-communist countries like Estonia, the Czech Republic or Georgia, it is much easier for the political leaderships to articulate a generally accepted vision of what direction change should take, because the population is united around the idea that communism was an evil that was forced upon the country by an outside occupier. Once "liberated" these countries can unite around the task of returning to their historical destiny of democracy and capitalism. In contrast, the Bolsheviks used the Russian Empire as their vehi-

cle and Soviet communism thus became associated with Russia, Russian and Russians in ways that are difficult both for themselves and others to disambiguate. As a consequence, Russian society is neither united, nor clear on the status of its past, and this makes it difficult to unite around a path forward. In this situation, the concept of modernization is convenient as it makes it possible to talk about moving forward without going into too much detail about the future, or about the past upon which one's vision of the future depends.

Modernization and the Tandem

One of the advantages of the Putin-Medvedev tandem was that it made it possible to appeal simultaneously to two different parts of Russian society: Prime Minister Putin appealed more to conservatives, patriots and people in rural areas; President Medvedev tended to be more popular among liberals, city-dwellers and people with higher education—in other words the segment of the population that wanted change. This bore some similarity to multi-branding strategies for toothpaste, as in this hypothetical example: if some customers do not want to buy Colgate because they find the brand old-fashioned, it may make sense for Colgate to create another and seemingly competing brand with a more modern image. Thus, customers have freedom of choice between Colgate and its apparent competitor; in any case Colgate makes money.

Medvedev represented potential progress to reform-minded voters on two levels: firstly he promised to carry out a programme of “modernization”; secondly, the very fact that he could become president while Putin was demoted to Prime Minister showed that the constitution would be upheld, and in the process opened up the possibility that the country might drift towards some greater pluralism and incremental change. To many that seemed like a relatively positive prospect, especially in light of the dismal outcomes of the colour revolutions in other post-Soviet states: perennial political chaos and economic decline in Ukraine, semi-authoritarianism and war in Georgia and cyclical upheaval and ultimately ethnic cleansing and mass murder in Kyrgyzstan.

The problem with the tandem construct is that it probably cannot go backwards, and the attempt to do so by casting Medvedev to the prime ministerial post and Putin back to the presidency may fundamentally undermine their model of political legitimation. It renders Medvedev a spent political force, which makes it much more difficult to maintain expectations of gradual change and could encourage the liberal segment of society to reunite in opposition to the government. Although President Medvedev did not appeal to all liberals, he had sufficient appeal to split the potential liberal opposition into parts that were small enough to be

harmless. Even if Medvedev's detractors were right that he was no more than a decoy, he was still highly useful to Putin in that capacity, and his political decline is therefore a serious loss to Putin too.

In any case, one is left wondering what will happen with the modernization agenda after Medvedev steps down as President. Although it predates his presidency, he has clearly been its main flag carrier for several years. Some possible clues may be found in his relations with other actors. Although Medvedev is often presented as a Putin puppet without a powerbase of his own, there are some signs that Medvedev and his modernization discourse may have been linked to the group of businessmen behind the Alfa-Access-Renova (AAR) consortium.

The debacle of the BP-Rosneft partnership signed in 2011 was one of the most salient events in Russian business and politics during the Medvedev presidency and may offer glimpses of some of the inter-connections between AAR and Medvedev. This event involved the crashing of one of the biggest and most prestigious business ventures ever undertaken in Russia, including among other things a USD 7.8 billion share swap that would have put the Kremlin on the board of one of the oldest, biggest and most respected Western oil companies; the rights to three exploration blocks in the Kara Sea thought to hold as much oil and gas as the British part of the North Sea and the likelihood of several hundred billion USD in combined investment by the oil companies and the Russian state. The BP-Rosneft deal had been highly profiled at public events at Putin's residence at Novo-Ogaryovo, at BP's headquarters in London and at the World Economic Forum in Davos. At each of these events it was made clear that the deal was the brainchild of Deputy Prime Minister Igor Sechin and had the blessing of Putin. Nonetheless AAR challenged the deal, citing an exclusivity agreement with BP, ultimately succeeding in tearing the BP-Rosneft deal up.

How could this happen? Since 2003, Sechin had consistently been seen as one of the five most powerful people in the Russia and was perceived as the mastermind behind the dismantling of the business empire of Mikhail Khodorkovskiy, who was far wealthier and more politically powerful than AAR. The standing of the other parties involved in the deal was also substantial: Rosneft is the country's largest oil company, BP is one of the world's biggest oil companies and the power and influence of Putin needs no further comment. It is difficult to fully explain how the businesspeople behind AAR would dare to take on such actors, but it is clear whose side Medvedev was on. Shortly after AAR challenged the BP-Rosneft alliance, he publically said that “those who arranged BP-Rosneft deal should have practiced due diligence more carefully”, an obvious snipe at Sechin

and an expression of support for AAR. Medvedev also issued an order for all members of government to relinquish their positions on the boards of state-controlled companies, and Sechin was the first to be affected when he was forced to step down from the board of Rosneft.

There are also other connections between AAR and Medvedev. One of the businessmen behind AAR, Viktor Vekselberg, is President of the Skolkovo Innovation Centre, which is one of Medvedev's main modernization projects. Perhaps most importantly of all, Medvedev has been the main political actor in favour of a new large-scale wave of privatization, which fits neatly with

his modernization agenda, and might also be of great interest to the businessmen behind AAR. And to them it may be privatization that matters more than the declining political influence of Medvedev. One possibility is thus that Medvedev does not become Prime Minister, but is the fall guy for the failure of United Russia in the December 2011 parliamentary elections. Then somebody like former Finance Minister Kudrin could take over as prime minister once Putin becomes president in March. Who gets the job ultimately may be immaterial to AAR, as long as modernization continues, in the form of privatization.

About the Author

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Suggested reading

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ANALYSIS

State-led Modernization in Russia: The Nanotechnology Industry

By Richard Connolly, Birmingham

Abstract

Since 2007, the development of a competitive nanotechnology industry has been identified as an issue of considerable importance by the Russian government. As part of wider efforts to promote economic modernization in Russia, the government has committed significant resources to support an active industrial policy to help achieve this goal, making Russia one of the world's largest state spenders on the nanotechnology industry. However, Russia's location, far behind the global technological frontier, has hampered state efforts to ignite a wave of activity in this industry, suggesting that state efforts to create high-technology, knowledge-based industries might be inappropriate for a country at Russia's stage of economic development.

Nanotechnology and Economic Modernization in Russia

Nanotechnology is, according to the International Organisation for Standardisation's definition, 'the understanding and control of matter and processes

at the nanoscale, typically, but not exclusively, below 100 nanometers¹ in one or more dimensions where the onset of size dependent phenomena usually enables novel

¹ A nanometer is one billionth of a meter.