PUTIN’S RUSSIA: HOW IT ROSE, HOW IT IS MAINTAINED, AND HOW IT MIGHT END

PANEL IV: WHAT’S NEXT FOR RUSSIAN FOREIGN POLICY, SOCIETY, AND ECONOMY?

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LEON ARON: All right, I think I’m missing some of the participants. OK, Kirill. All right. So how are we? OK, missing in action are Oreshkin, Mikhail – (speaks Russian) – and OK. Oh, everybody’s here.

All right. So the idea of this panel is essentially a free for all. We do have quite a bit of time, so questions could be asked of individual participants. You could ask a general question and then they will decide who will answer, but why don’t we start? Now, the panelists may not remember this, in fact, I’m sure they don’t. But I did warn them that I would like each of them to provide a five-minute statement: what’s next for Russian foreign policy, society and economy? Now, if some of them have not prepared it or don’t feel like doing it ad hoc, that’s fine, they could miss it. But I would like to – nevertheless see if they will do it so that we could sort of till the ground here a bit for the questions.

There’s no room for me on the stage, so I will be moderating from here. No, no, no, I’m fine. I’m fine. This was all measured carefully many times. So I will be conducting it from here. And again, alphabetically or otherwise, why don’t we start. Lev? What’s next for Russian foreign policy, society and economy? Five minutes each and then we’ll go to questions.

LEV GUDOV: (Through translator.) I see a slow degradation of the situation, no doubt about it. And also the issue of slow degradation connected with the fact that the current system of management will be selecting people less and less qualified, but that are easier to control.

Two years from now, according to our estimations, we see that social dissatisfaction will continue to grow and the protests will also continue to grow. And also I see that maybe there’ll be some serious perturbations or changes in the political system.

MR. ARON: All right. After she translates – (speaks Russian). (Laughter.)

MR. GUDOV: (Through translator.) I have a whole novel here. So the regime – when I talk about the fact that the regime will crash, I don’t necessarily mean that the country itself will disappear. There is a certain flare or a flavor to all the regimes of the 20th and the current century. They all had a name, a personality behind it. You know, Stalin, Khrushchev, Gorbachev, Yeltsin, Putin, and what is regrettable about all this is that there is no mechanism for the transfer of power currently. And this system is built around this government clique, so to speak. The conflict within these governing elites will lead to changes and the confrontation between elites will become more and more as time goes on. And we have several examples of that already is happening.

The arrest of Kharshavonin, the governor of Sakhalinsk, for example, or the takeover by the power authorities of the Bashkir oil.

MR. ARON: OK, so one phrase. All right, thank you very much.
MR. GUDOV: (Through translator.) And this struggle for power, as it becomes more acute, will create a space of uncertainty and a possibility will open up for further changes. What direction these changes are going to take, it’s impossible to predict right now.

MR. ARON: Thank you, Lev. Dmitry.

DMITRY ORESHKIN: (Through translator.) So not to repeat what my colleague has said, I’m going to focus on two main ideas. The first one is that this is a crisis that is very specific to Russia and is rather very different from the crisis that we see in the West. You know, this is not the mortgage crisis or the financial crisis or political or military crisis. This is a very – Russia’s going to be developing according to a very different scenario that I’m going to try and outline for you.

So in an authoritarian regime, when there is a crisis in one sector of the economy or a social or political crisis, it is always offset in a sense by success in another sector of economy. So this allows the ruling regime to hide the crisis and keep it from being identified.

I’ll be a little bit more specific. It’s already been mentioned. The economic crisis is developing slowly, gradually, step by step. And it has been compensated by all this victorious rhetoric with the annexation of Crimea. At the same time, the political crisis that we’re experiencing in Russia right now is creating this cognitive dissonance that is more and more pronounced in our society. But society is not yet realizing this and the government is actually being very successful right now in redirecting public awareness from the problems.

And it means that if your economy is not going very well, you can nonetheless support your position through, for example, falsification during elections. And since the process is spiraling downward, there comes a time when the society will begin to experience issues and problems at many different aspects and vectors all at the same time.

And the economic crisis will go hand in hand with the conflict between, for example, Moscow and Chechnya, the problem of federalism. And another one, for example, will be greater dissatisfaction with falsification at elections.

So as compared to –

(Russian language conversation.)

MR. ORESHKIN: (Through translator.) As compared to the West, the crisis that we will be experiencing will be multi-vector, multi-directional all at once, in economics, in elections, in politics. There will be no more trust in the ruling party. The various aspects of the government will begin to degrade the judicial, the interregional relations.
And this will pose new types of risk to the regime, which eventually will lead to its total collapse.

And the second idea is the idea of this compensation for the flaws and the fouls of the regime will lead to the fact that Russian society will become isolated in a kind of a propaganda fantasy. And you know, this fantasy where Russia is the superpower and it’s isolated from – sort of us against them, that the world is full of enemies and Russia is finally getting up from, you know, its humiliation, its kneeling in front of the West. And that’s why the propaganda works because it’s sort of reality versus the real world and the – versus this imaginary world, an imaginary world just sounds so much better. But in the end, we will crash down from this imaginary cloud that we find ourselves on.

MR. ARON: And hurt ourselves badly. That’s –

MR. ORESHKIN: (Through translator.) And hurt ourselves badly, yes.

MR. ARON: OK, Mikhail.

MIKHAIL DMITRIEV: The key point of my message – sorry – the key point of my message is that it would be a severe misinterpretation to consider the current state of Russian society as a sort of social and political modernization derailed. In my view, this is a misinterpretation of how fundamental factors of social and political progress are working in modern Russia today.

What was actually happening, and we have a lot of compelling evidence for that, is that Russian social and political institutions are still having to catch up with the progress in material wellbeing. And the progress in material wellbeing was so dramatic that the setting from which it started in the late 1990s, I mean the social, political institutional setting, is no longer fit for such a new society, which has become much more complex and much more sophisticated.

And this is exactly the challenge where the Russian society has started to oscillate. It’s facing a sort of nonlinear progress, one step forward, two steps back. It’s a sort of – at the moment, we’re in a state where public opinion made a dramatic, just within the span of one year, a U-turn, in terms of priority social attitudes, from a setting which was already – (inaudible) – to something what we observed, both in terms of social economic priorities and even in the forms of political self-expression, to what we observed in the late 1990s, which was a purely survivalist mentality strongly affected by the crisis.

But the fact that all this happened in a very short period of time does indicate that a reverse moment also cannot be ruled out. And basically, what has happened last year is also clearly understood. It’s quite closely related to two fundamental factors, an unprecedentedly intense and durable international crisis around Ukraine and the economic recession. Both were quite predictable, understandable, no surprise in that, were moving public priorities and expectations into a survivalist mode. When all the
development country agenda was inevitably moving to the backdrop, it was a priority quite naturally.

But economic recession – here I disagree with Sergei Guriev quite strongly – is, from what we see from the current data in Russia, is relatively short-lived, provided that’s on the condition that there is no further escalation in Ukraine. If Russia wants further escalation of the Ukrainian crisis, the exit from the recession is most likely already behind the corner. And the international investment community is already smelling the taste of high returns on investments in durable assets. Basically, I’m personally attacked by the groups of Western investors who are coming to Russia. One question, what’s going to be next?

It wasn’t just a month or two ago. It’s happening now, quite understandably. Indeed, many analysts, particularly international banks, do expect Russia will exit from recession in the fourth quarter of this year. What does it mean altogether? The possibility of the escalation of Ukrainian crisis is still under question, but this is not an impossible outcome. This is also quite a possible outcome. If it is combined with the exit from the recession, the Russian society and the Russian state will both face a very different next step agenda and a very different next step agenda to what neither society, nor the Russian ruling either, neither even Vladimir Putin himself are yet contemplating about is the agenda how to shift from near to stagnation, low, long-term projected economic growth rates to more sustainable economic growth of somewhere in the range of 3 to 4 percent, which allows convergence with the advanced economies contingent.

And here is the major – the next big challenge for Russia, both economically and socially. If this economic agenda, which would allow to a little bit accelerate long-term sustainable growth rates, this agenda is considerable. It is possible. It’s still not in the focus of attention of the Russian economic and political elites, but it does really exist. If it is implemented responsibly, even given the current institutional, political, and social constraints, there is a probability that Russia’s convergence with advanced economies in all dimensions – economic, social, and political – will continue. And much of the agenda which generates conflicts between Russia and the West today will be gone in probably a couple of decades.

But if Russia is trapped in the very low near to stagnation growth rates, like Argentina or Venezuela, it’s a convergence trap. A convergence trap means that U-turns in Russian public attitudes may happen many times in the future, notwithstanding the current achieved living standards. And these U-turns may be quite unpleasant. Basically Russians may be very negatively looking at the world around them with great suspicion and not particularly focused on social, economic, and political progress.

That’s the point. This is a tradeoff. It’s still unresolved, but Russian society is not derailed. This is misinterpretation.

MR. ARON: Thank you very much and thank you almost within five minutes. (Laughter.)
OK, Evgeny.

EVGENY GONTMAKHHER: I don’t want to repeat some opinions that were before me, but it’s a very good tradition in Russia to show two variants, good and bad – (inaudible). A good variant, of course, is that people will go into streets, will be in some protests, maybe in several years, not tomorrow, that some of these economic troubles, economic problems, social problems will stimulate our population for some activity, civic activity or even political activity. But of course, as it was in Russia very regular, a result of this revolution very suddenly. Ukraine is very good example and Russia too. But it’s a very – from my position, it’s very optimistic variant, of course with very big risks of some even destroying of Russia as a state, as a country.

But I’d like to say about bad variant. Bad variant, very quiet, very quiet, without any troubles, any protests, any conflicts and so and so. Because from my point of view, I monitor every day what we have with our human resources, with our conditions of our population. It’s very dramatic. It’s very dramatic. We have a very big growth of Americanization of our society. Of course, not whole society, but it’s concentrated in some regions, in some small districts, even in Moscow city, a very big megapolis, yeah, but we have – very, very theoretically, but we have some districts inside even Moscow city where we see active people who try to walk, to earn money, to care for their children. But we have in the same city – (Russian language). Maybe you’ll remember this – (Russian language) – of course, West, West is very popular, yes, because it’s American influence.

MR. DMITRIEV: The European mainstream.

MR. GONTMAKHER: Yeah. And the West – (inaudible) – in this district, people, for example, as me don’t want to live. But the same here in the West in the big cities, it’s the same. But I see to Russia, but we have now so much these points, I’m afraid, first.

Second, we have a very dramatic situation in these branches: health care, education, culture, plus propaganda, of course, plus, but it’s not number one. We cut – Sergei said about it – we cut expenses for this sphere. For example, now, last year, for health care, Russia state, state of Russia spent only 3.5 percent of GDP, but it’s – we know about some standard. For OECD, for example, it’s 6.7 percent of GDP. It’s expenses from budget, plus, of course, some expenses from families and the insurance and so and so, 3.5. Education, the same situation, the same absolutely. And that’s why if it will be – but we have this trend, yes. It’s instead of money – extent of money for these human resources development, we spend money for military sector, for state as institute, for investments from the state. It’s not efficiency, absolutely.

And I’m afraid that if it will be this trend and suddenly, maybe in several years, suddenly, it will be miracle, next Russian miracle, we’ll have another president, another – (inaudible) – and this is – and it will be open to the West and say, oh, please, we have a
good investment climate and we will take to population freedom and so and so. And investors will go to Russia and who will work on these new job places? It’s a big problem. Immigrants? From where, from Tajikistan? But I believe that these new job places in this new economic growth, as Misha deals every day, will be high technology. It will not be this – the 19th century factory –

MR. DMITRIEV: It will be service-based.

MR. GONTMAAKHER: Services, OK, of course, but services – service economy is a high technology tool.

MR. DMITRIEV: Yes.

MR. GONTMAAKHER: You know, yes, Misha. And that’s why we’ll have only deficit of human resources. And what we’ll do with this country? What we’ll do with this country in this modern world? I think it’s a very, very bad, but unfortunately it’s the same as submarines go up from the water. And we see now maybe only first sign, but if we’ll see full picture in several years, we’ll be very sad, very sad about future.

I – even I don’t predict or analyze our foreign policy, we’ll be in isolation or we’ll be part of civilization world, it’s maybe on the second plan. But this, human resources maybe now, from my position, it’s number one marginalization.

MR. ARON: Thank you. Sergei.

SERGEI GURIEV: OK, let me try this one. Thank you very much. I’ll try to briefly say what I think will happen before the change of the regime and how also I think we may speculate about, think about the regime change. And this is all complete speculation because I think what – all the numbers I knew, I gave you already and now I have to go into uncharted waters. I agree with what has been said. In terms of recession, it’s not like I like recession to happen. I’m just saying what markets believe in, what the deals may not. Maybe indeed some investors are thinking about investing in durable assets, but if you look at the market information, the market assumes that Russian oligarchs will be taking their money out, not bringing them in.

So the assumption on capital outflow is that even Russian companies, offshore companies that own Russian subsidiaries in Russia will use the debt which the Russian-based companies owe to the offshore entities, and they will take this debt out of the country. This is something which is priced in today’s Ruble. And in that sense, at least for 2015, I think, we don’t see big chance of revival. Ruble per se is driven up or down by Central Bank’s policies and this is something you can do quite easily, move it up or down, but I think we don’t see increase in investment in 2015. What happens in 2016, I think nobody really knows. And much will depend on oil prices and in that sense, I think it’s too early to see.
Now, I would like to advertise the paper we’ve written with Dan Treisman about how regimes like this develop. And I think there is a regime, there is an equilibrium in which a popular leader can preside over fallen living standards and still his popularity would still grow. I say his because most of the leaders we study, actually all of the leaders we study are men.

And this is not – this may go on for a while. This regime may survive for many, many years. I think that there is a possibility that it will survive for 10 or 20 years. But that regime can also collapse overnight. A lot of people would say Putin has support of 85 percent and so on, but I mean, Ceausescu had support of 99 percent two days before he was killed. He actually called for a rally in Bucharest to show how big the support is. And then, two days after, he was dead. Pinochet was kind of sure that he will win the referendum and same happened in Poland.

Anyway, so I think we cannot really predict when the regime change happens. In the kind of baseline scenario, I would say that there will be no – that there will be no protests in 2016 because – related to elections – because opposition will not be allowed to run in the elections. Whoever will try to challenge the government will not be registered. And I think, again, our model with Dan suggests that there will be increased censorship, increased propaganda, increased repression of the opposition activists.

Now, much, as I said, will depend on oil price, but we can also see the black swans or kind of foreign policy scenario. When the regime’s feeling that it’s losing popularity and has no economic arguments it will undertake another Crimea. And here I come back to the question I didn’t answer in the last session, what will be the next Crimea. And my answer is I don’t know. I have a lot of theories and some of that will also include NATO countries. I think it’s not impossible that Russian military or paramilitary or volunteers or soldiers on vacations will end up in some neighboring NATO countries. I think it is quite possible. As I said before, we’ve been surprised last year and we may be surprised next year as well.

I think with zero probability this regime will give up Crimea. I think giving up Crimea means this regime is gone. On East Ukraine, I think it will be the hybrid solution, whichever way we define it. I think it will remain part of Ukraine, but I strongly doubt that Minsk II agreements will be respected by the end of this year, in the sense that Russian government will say, well, the Ukrainian government did not deliver on Minsk II and so we will not give up the border. The border will be continued to be controlled by separatists or Russian troops. And at some point, European and American leaders will come and say, you’ve not filled out – you’ve not delivered on Minsk II agreement, but you have nuclear arms, so we need to keep talking. And so there will be Minsk III and Minsk IV and Minsk V. And I think this is the foreign policy scenario.

Now, I think the weakest point, and this is what Mikhail mentioned, is that this regime has no development agenda, no future. Ask the government what is the strategy and the answer is we have no strategy. Our plan is to have oil prices going up. And I think eventually, when the survival mode switches back kind of to normal mode, people
will ask, OK, you have no program and these people in the position, they at least talk about the future of this country. And in this sense, I think the debate will come back and the popularity of the regime will start falling quicker.

Now, what – how the regime change will happen, I think there’re many stories whether Mr. Putin survives physically the change of regime or he doesn’t, whether people around him take power and form a transitional government. There is some – maybe some success. I think you can – you can – Tim mentioned statistics on the change of the regimes and personalistic dictatorships. Each data point there is a fascinating story. I can refer you to this Nobel Prize literature winner, Llosa, who wrote “The Feast of the Goat,” which is pretty much a true story of Trujillo. And there is also his successor who democratized the country after Trujillo. And this is – some people who conspired against Trujillo were tortured to death and died. Some of the people who managed to run away showed up later and became heroes of democratization. So you never can predict what happens during the regime change.

I think the good scenario is there is some transitional government that presides over elections. There is a debate during the transitional government, who gets immunity, for what, and how the new republic will function. And as Tim mentioned, we have a lot of reasons to believe that Russia can become a democratic country through a peaceful process because it’s literate, it’s wealthy, it’s educated, it’s urbanized, and so on.

Now, there is a negative factor, which is Russians are cynical and don’t trust each other. And I think that is – we already heard today about “Making Democracy Work” by Putnam. I think this is Russia. It’s very much like Sicily. And I think that’s going to be a big, big problem. But I think the regime change will happen. This regime really is based, as Lev said, on one person. And once this person is removed one way or the other, people around him will not be able to hold. Thank you.

MR. ARON: Thank you very much, Sergei. Thanks for more or less keeping to the time. And now, yes, please, Boris.

BORIS MAKARENKO: I thank my colleagues for saying most of what I was about to say. And paradoxically, Sergei, my student in his Master’s thesis, applied the same quotation from Robert Putnam that Russia will become like Palermo. I wrote, “wishful thinking.” (Laughter.) I’ve been to Palermo recently. It’s doing very well.

Seriously, I believe it will get worse before it gets better. Make no mistakes. The support of Mr. Putin and the regime is genuine. I have no reasons to doubt what sociologists say when they say that approval rating is 84, give or take. The good question is why is it so high. I’m not sure I have all the answers. But I have no doubt that the regime is that popular and rally around the flag effect and anti-Westernism are long-term factors.

Second mistake not to be made, the regime is not awfully efficient in governing and managing, it is not. But it’s a reasonably professional to manage the economic
realities, as Natasha Zubarevich explained. It can manage the political sphere, both the relations – the center peripheral relations and the relations with its own party and opposition parties. I could lecture for the next three hours about that, but I doubt it’s worthwhile.

Elites will not split. This is a rent economy and this is a hierarchically built elite system. Elites may be unhappy with what is happening, have their doubts about tomorrow, but they know they are that high because they remain loyal and play by the rules. So they interpret all the difficulties as problem as higher transaction costs. It will take a lot and I don’t know how much for the elites to start talking about splitting.

The most serious problem, and again, mentioned by Mikhail Dmitriev, the main problem with the regime that it has absolutely no vision of the future. Its best vision is either yesterday or as good or as bad as it gets today. At some point, it will develop into a major problem.

Putin missed the window of opportunity in 2004 to start serious structural reforms, which would have elevated the country to principally a different level. Medvedev was talking about modernization and he meant something. We don’t know what because that window of opportunity is also closed. Now, up to Crimea, with the current relations with the West, the windows of opportunity are closed for the duration of the current political regime or at least its line. I cannot 100 percent exclude that kind of an internal mutation, internal evolution of the regime, but I don’t think it’s likely.

What Mr. Putin did in 2014, he bought popularity and made the people – the society forget about the problems. That’s good news for him. The bad news is that popularity did not resolve any of the existing problems. On the contrary, it’s made it much worse.

We have known many regimes which – with deficit of democracy. And again, Sergei Guriev was talking about that. They have the same maladies, decreasing economic efficiency, which people at some point start caring about, decreasing social capital and social mobility, which prevents the society from developing, and absolute uncertainty about the succession of power. We did say many times today that elections in Russia do not matter. They do not because there is no competition. But elections still matter because that’s one day when the power has to present itself at least for the duration of the voting period to the will of the people and it fears this.

I would not rule out, contrary to what Sergei Guriev said, repetition of protests after 2016 elections, not because opposition cannot win. It can’t, but it couldn’t win in 2011. People vote – took to the streets not because someone they supported lost. They took to the streets because whoever they voted for did not receive, in their perception, an accurate share of the vote, and they felt insulted because elections are primarily not about competition, but about ritual and legitimacy. And the problem with the legitimacy with each next elections will be even stronger. So again, another mistake, in my ability, Mr. Putin made is not that he stays in power long. The problem is that he gives us absolutely
no clue about who and how and with which program we’ll succeed him. So the same set of problems implies only that risks for the regime accumulate and this process seems to be irreversible. Thanks.

MR. ARON: Thank you very much, Boris. And just within five minutes, perfect, thank you. Alexey.

ALEXEY MALASHENKO: Thank you. I have to be brief. I understand. However, I have to repeat – to mention what has been said. All of us, we think about who will come instead and nobody knows who will come and how and when. I’m sure, but it will not observe perestroika second hand. It’s impossible. So a guy who will come instead of Putin, to my mind, it will be something between Stalin and Putin himself. Yes.

I think the newcomer will attempt to marry a pragmatism and political pressure. So I don’t believe that somebody like Volodya Ryzhkov will become president. From that point of view, I’m very pessimist and I have no expectations about the possibility of development of some democracy because Russian society failed so many times. Just – I apologize, but I don’t believe.

Two second – two next points aren’t linked with Putin and all the streaks. It is about Russia’s foreign policy. First, I remember it was a 26th congress of the Communist Party of the Soviet Union. Brezhnev said, a quotation, almost, “under slogan of Islam progressive national movement can develop.” Any moment, we see the developing under slogan of Islam – what, some radical Islam – but the situation, to my mind, is a little bit similar. Because that time, in ’50s, ’60s, ’70s, Soviet Union supported the Liberation National Movement, that was directed against West, against colonialism.

At the moment – at the moment, we have to recognize the existence of parallels between anti-Westernism of Russia and radical Islam. It doesn’t mean that Moscow or Putin himself will send immediately some soldiers on vacation to Iraq and to Syria. But anyway, the solidarity, as we used to say, civilizational – I’m sorry, solidarity, it exists. And I think that if it develops, if it continues, that will be bad. That will be very bad. Meanwhile, we observe how this idea of support anti-Western and some on Islam is, some realized, in Ramzan Kadyrov. On his example, we could see solidarity and mutual understanding between radical Islam abroad, not to Siberia, not in Caucasus, but in Middle East and in Europe, solidarity between some radical Islam and something in Moscow. I understand that it is a provocation. It is a speculation, but anyway, it may occur.

And the last point, also connected with Russia’s foreign policy, Eurasian Union. Today, it wasn’t mentioned. OK, but anyway, I think that after Ukraine or Russia, despite all Putin’s blah, blah, blah is losing the post-Soviet space. And it will lose it forever. Eurasian Union, despite all declarations and expectations, that will stay as a form of bilateral relations between Kazakhstan and Russia. As to integrationists – some Russian projects – they will be totally subordinated to Chinese ideas, Silk Road and something else. That’s why, by the way, in Beijing, in China, they begin to talk not about Asia, but
about Eurasia because the hope – and indeed, their expectations are very deep that they will control the situation, not tomorrow, but in generally among the post-Soviet space. Just – I may continue, but I’ve gotten enough.

MR. ARON: Well, I think yes, thank you very much, appreciate it. Exactly nine minutes. I’m sorry, five minutes. Perfect. Please, Kirill.

KIRILL ROGOV: It is exactly difficult to speak on future and it’s more difficult to speak on future to be the eighth person who is speaking on the future. That’s why I agree with –

MR. MALASHENKO: Think about the past.

MR. ROGOV: Yeah. I agree with some things that were said, and so I try to emphasize only something which was not described aloud. I see – first, I think that Russia already entered in the period of instability and what we have seen for last three years, four years is evidence of this instability. Russia now is even a country with not internationally adopted borders. It’s a very unstable situation, the demonstration of instability.

I think that one of the very – there are several uncertainties, basic uncertainties. I think that one basic uncertainty is we don’t know how resource abundant countries will exit from the period of high oil prices. Because all we knew on the matter on this issue, on this problem, we knew the panel we have seen in 1980s, the panel of cases of how – what happened with such countries when oil prices are going down – became low. And we have seen that there are dramatic consequences for some countries such as Venezuela and USSR.

What it would be now – what it will be now, we don’t know exactly. The world economy changed and the abundant economies managed their resource revenues in another way, but it is very interesting and uncertain. Russia had experienced – for last 15 years, Russia had experienced two v-shaped crises, in 1999 and 2009. The both were drastic drop and quick recovery. And now, people in Russia also are prepared, are ready for such crises. They see the future crisis like a short period of a short shock, and so they react very specially and we don’t see the real consequences of economic deterioration now. Because I think that these crises will be – will have a very different way, different part, different – and it will be a step-by-step deterioration. And I think that people in Russia are not prepared for this future, if it will be like that. And that will be very interesting, how it will change their views.

Actually, the reaction on the crisis in Russia, in the previous cases, was very moderate – the political consequences of the drop of GDP and incomes were very moderate. But after that second period, when the situation was stabilizing, but social and political consequences of this drop became more obvious. And I think that for Russia there is a very basic, very basic problem and what we have seen – what we see now is the – (Russian word) – manifestations of this problem. This problem is that of the basic
disbalance. The level of incomes, the level of consumption, even the level of education and urbanization in Russia, as well as expectations in Russia, all those are provided by rent incomes in the previous periods. And when – so those changes in incomes are very dramatic for the society, which don’t know this – which every time forget this reality. And so it will be the big problem.

The second basic thing – the second important thing I would like to mention is that Putin’s new political project is very radical. It’s really radical because in 2000, Putin was centrist. And the coalition I was speaking about on the panel, the coalition for social modernization, which could consolidate about 40 percent of the population, it still exists. And those people still exist. And Putin’s project to exclude this Russia, this part of the population to – from social and political life and to build a new Russia on Iranian style, this is very radical for Russia. And very – it is very – the project of confrontation.

And well, it seems that situation now is fully controlled. We see an increasing level of pressure on opposition and independent organizations and increasing violence in the country, political murders. If you have 85 percent of support, why do you need so aggressive rhetoric and such pressure on independent media, on every independent organization, on Levada Center and on everything? Why? In the previous period, in 2000s, Putin had of average 75 percent level of support, but without all those things. What changed? This is the different measure. It’s like – (inaudible) – some different scales, this 85 percent now, 70 percent in the previous period.

And so I agree that we don’t know the nature of this 85 percent. It’s not about competitive authoritarian regime because competitive authoritarian regimes, the election outcomes are usually between 65 and 80 percent. This is super majority, but not this situation of Chechnya or China or something like those countries. And so we don’t see what does it mean and we don’t know what does it mean. And it looks unstable. This 80 percent looks for me very unstable and for Putin I think also because of this huge pressure on every independent activity.

MR. ARON: Thank you very much. Thank you very much, Kirill. Natalia.

NATALIA ZUBAREVICH: Thank you. First point, the institutional degradation will continue in any cases. It’s a very long-term process connected with a type of regime. So it means that it does not matter what will be the level of growth or decline. It can’t be more than 1 or 2 percent and it may be minus 2, 3, 5 percent. It doesn’t matter in the conditions of speeding institutional decline, institutional degradation. So as a result, nobody knows when and what will be in the future. I’ll try to be honest.

Second point. I’m a geographer, so I talk about my question concerning my profession. Turn to the East is impossible. First one, the share of China’s direct investment in Russia is only 3 percent. That it’s absolutely unclear how to jump it to 20-25. Secondly, China’s investors are very clever and they will choose the fields (that are) first of all, safety for them and second, profitable. So it means that the alternative to the West, which is possible to show the population is absent.
Third one, I think that foreign countries, sooner or later – let me say sooner – grow tired of sanctions. And they will find direct or, much more clear, indirect form to overcome these barriers because business is really interested in part of projects. And I think we will see it in two, no more than three years.

Third one – first one, Russia, can it be a driver, a driver of modernization once more? No answer because of one clear process. This is the process of emigration, not only physical emigration, but let me say, the generation of my daughter discuss only one question, what they’re planning to – where I’m planning to go, to leave Russia. All competitive young professionals try to find better way because the life isn’t long and to wait long, many people are not ready. And – but now, we have the other form of emigration. Our generation, knows this form very well, our kitchens, the place for talks, for discussions, private life. And many professionals will choose this form of internal immigration. We are very experienced at this way. And lots – the level of fear is growing. And let me repeat, everybody has his own – his own life once no more. Many people are opportunistic and try to find proper conditions for survival.

And the last one point. Let me say, the generation – I’m a teacher. Let say that generation 20-25 is a lost generation for modernization. They were socialized in the end of ’90s and they step from beneath in 2000. They have very specific way of thinking. They are not – they have to pass big troubles and big problems in their own life to understand what is the real world.

Now, they have a very strange picture in their minds. And the last one, it’s a long way for –temporary– let me say so, at least two, three generation, at least.

MR. ARON: Well, thank you. Thank you all so much. I encourage everybody to ask questions.

MR. ARON: Well, thank you all so much. I encourage everybody to ask questions. Now, before you do so, let me exercise my prerogative here. And there’s something that Mikhail Dmitriev said on the panel and then repeated again, which I want to clarify for myself.

Am I interpreting correct? Is there a kind of a vicious circle or a trap for the regime? And let me explain what I mean based on what you said. In order to start attracting foreign investment, in order to kind of normalize the situation, you have to lower – for intention, you have to lower a situation externally, right? Now, that happens, investment comes in but then the country moves from survivalism to development. Those issues of 2011 come back. They start to worry about things that they worried at the end of 2011, early 2012. But then – but then the regime faces the same – the same issue because it escaped from those issues by embarking on a foreign adventure. So am I understanding this correctly? Is this a vicious circle? Is it a trap?
MR. DMITRIEV: Leon, you’re making a little bit of a shortcut from recovery to longer term sustainable growth. And my interpretation here is very close to what Sergei Guriev said, is that, currently, the short-term investors who are interested in returning into increasing their exposure to ruble assets because they appreciate, because the ruble is likely to appreciate in real terms quite considerably given the current state of the current account. And this is where the interest comes from.

This, by no means, guarantees longer term sustainable growth and has, frankly speaking, nothing to do with that. And longer term sustainable economic growth needs the new drivers. These drivers still are not understood by the government. We, economists, I hope understand them. And we are working hard to explain to society where the opportunities lie and what should be done. But the government and society so far have very vague ideas about that. And until this continues, economic growth will be at best sluggish. At worst, it will just negative, positive, like it happened in Brazil for quite a continuous period of time.

MR. ARON: Now, but if we – if we – just to make sure I understand, but assuming that the regime realizes that it needs to do this, that it needs to undertake certain steps to improve the investment climate, doesn’t that mean that it will be back to some sort of sustainable growth but with it comes the development philosophy, developmental values, and we’re back to 2008, 2012, and what would happen them?

MR. DMITRIEV: Actually, some of the policies are neutral to the nature of political regime. And they make work and make a considerable impact on long-term projected economic growth rates. Others are related and contingent on institutional political adjustments which will be necessary as soon as the development agenda will be acknowledged as an ultimate priority.

But this is not quite unlikely, and this is my point. This is not impossible and should not be ruled out. I think it will be a gross miscalculation of Russia is that is taken for granted, as Natalia is saying.

MR. ARON: So, in other words, the return to – you know, what you wrote about in the book and spoke here, the return to the situation where at least a significant part of the population adopted developmental values and demanded institutions.

MR. DMITRIEV: In my view, the adoption of developmental values has already taken place. And what we observed during the last half a year is a sort of temporary deviation from that outcome.

It has already happened. It is dictated by the current levels of current consumptions, which are already excessive. You can’t just be focused on buying more cars or just going to restaurants or buying more clothes. It’s already overdone. And the society will have to focus on more complex issues which are really a big problem, like high death rates of males in their 40s and 50s. And that means much more complex
institutional solutions. And, in my view, the changing of public demand towards that is very likely.

The problematic issue is the political response to that. Whether it will be genuine, with full acknowledgement that this is a chance for, I would say, overall successful transition to a more modern state, society, and political system or there will be a misapprehension of that, denial of this opportunity, there will be completely different outcomes.

MR. ARON: I see. You want to – Boris.

MR. MAKARENKO: I wanted to find a simple answer to your question without applying categories from the pseudoscience they call economics. It’s not what happens to the economy.

It’s the famous de Tocqueville law, Alexis de Tocqueville’s law that people rebel not at the peak of the crisis, when it’s the worst. It’s too risky. You increase the chaos. People rebel when they’re smart from the crisis and start thinking who did this to us, whom are we to punish? Of course, it’s related to relative depravation. A student of de Tocqueville, Ted Gurr wrote about that. When people feel the growing gap between their expectations and deliveries, that’s when the risk maximizes.

MR. ARON: Thank you very much. All right. Anders.

Q: Yeah. First of all, congratulations, Leon, on having organized this and thank you to all of you. I think that this is really outstanding.

What I have heard today, that is that everything is getting worse but relatively slowly, and that the regime is not sustainable, and it has no vision, it has no strategy, it cannot be reformed, and that it has to crash. So all of it sounds very sensible to me.

And then, the various people have presented different variables which are the key ones on which we focus on, and that’s fine because that’s what social science is about. Everybody picks up their piece. And then, the surprising conclusion that is dominant here is that not much will happen in the short term in any case.

There are two people over here who stand a bit out against that. That is Kirill Rogov who said that Russia’s entered a period of instability and this looks shaky, and Sergey, who said that we can’t really know anything when it happens. We must be humble, while most other people think that it’s not really so bad for the next year or two.

To me, this looks very much like Yegor Gaidar’s collapse of empire, that things will happen pretty fast, very unexpected, and we all seem to believe that it will be a collapse. Happy to – anybody who wants to respond.
MR. DMITRIEV: What you said at the beginning of your brief question, exactly repeats what many, many observers were repeating after the 1998 default. And what did we get in the end?

Russia’s on-the-surface perception may be quite misleading. This is an extremely complex society, with many underneath currents which may work quite unpredictably. I hope we understand how it works a little bit better than in 1999. I wouldn’t call for such an utterly one-way pessimistic outcomes for Russia. Russia may be different and it may surprise.

MR. ARON: Yes, please. Of course. Of course. It’s a question. Whoever –

MR. MALASHENKO (?): I’m not sure we understand Russia better than in 1999.

MR. GONTMAKHER: Anders, we think that we are experts, not astrologists. We could, of course, operate only by some trends. Of course, you are right. Maybe tomorrow something happens in Russia. Nobody knows. Yet.

But on this public, public discussion, on this conference, of course, we’ll have to be in this – in this maybe some sphere, in this some ethic (inaudible). And these present trends, you’re right. All trends may be worse, now in Russia, all trends, in all spheres. This trend’s very long, very long, and maybe, maybe, without any accidents, maybe it will be for a lot of years, maybe. Natalia said about two or three generations, maybe? Yes? Yeah. And it’s maybe a more objective position now.

But, of course – I don’t know about my colleagues, but me, I wait this some maybe accident, some changes every day. In the morning, I took my – not TV – Internet and see, what’s news? What’s news? Yeah. As in the championship of hockey or football. But it’s not – it’s not I think productive. It’s not productive.

I repeat: we as some intellectual elite, we could prepare to be in the mainstream after this. And you, of course, would remember the end of the Soviet Union, ’99, when it was suddenly Yeltsin, Gaidar became the government without a concrete program – of course, with some values, with some ideas but without any concrete programs. And that’s why it did a lot of mistakes, a lot of some I think problems. But I’d like that we’ll avoid this situation for the next historical time point in Russia.

MR. ARON: So, Lev and Dmitry, you wanted to add to – OK. Two, three minutes, no more. OK.

MR. GUDKOV: (Through translator.) It’s very difficult to make any predictions, especially for a social scientist so I’m not going to try and read tea leaves here. And as soon as the regime shows any crack, any sign of weakness, any appearance of real alternatives, the regime will immediately collapse. It’s almost like, you know, a sand castle. It will start falling apart in front of our very eyes.
And let me remind you that everybody here is talking about the 85 percent that he’s enjoying and everybody says I can’t believe this. And, at the same time, everybody’s questioning whether Putin is indeed guilty of all the things that the opposition is blaming him for. And only 13 to 19 percent of people are prepared to defend him.

And there are really some seriously deeply held beliefs that the government is totally corrupt, completely unjust, and decaying at its very core. And it’s a very real belief. And it not only reflects the reality but also reflects the fact that there is a deficit of self-respect among people. And the fact that people took to the streets with the protests, it wasn’t so much political but it was a moral protest. People want to respect themselves.

And at some point, through the annexation of the Crimea, Putin was able to offer these surrogate values to the people. He was somehow able to convince all those people that were unhappy and upset and dissatisfied that these surrogate national values is what their values are. And this is a temporary effect. This is some kind of collective hysteria. And I think, at some point, it will go away. And as soon as any real alternative will surface, this will lead to this consolidation of this latent minority, this unhappy minority.

MR. ARON: OK. Thanks. Dmitry.

MR. ORESHKIN: (Through translator.) I’ll just continue what Lev was saying, even though we didn’t really agree that I was going to do that. I’ll give you a specific example.

We have mentioned the crisis of 1999 and compare it with the current situation. The crisis of 1999 was Western. It was an economic mistake, economic failure, and only economic in nature. And alternative political leaders really enjoyed a lot of respect. And elections were taken seriously and there was an influx of democratic resources and we had this hope for the future. We thought we had a future, and as soon as the financial crisis of 1999 was over, six months after that, we saw this tremendous growth because people and financial institutions were not afraid.

And now, we are dealing with the kind of Russian crisis that I already mentioned earlier, and when we’re dealing with crisis that is purely Russian, when we’re trying to compensate with the kind of propaganda, with falsifications on elections, with the pressure on opposition so the disease is not being treated but is rather hidden under a blanket. And as soon as this blanket is removed, what Lev was talking about will become evident that the king is naked.

And the hell with the king because Russia is more important. Where can we go without the king? With Putin, we have Russia, without Putin we don’t have Russia.

MR. ARON: All right. One minute.

MR. ROGOV: I was involved in this opposition of two groups that Andreas mentioned, and so I would like to specify too my position.
I don’t think that the current regime, Putin’s regime today is weak in some – in many spheres and many aspects. Vice versa – I think it is very strong and very effective. It is effective in many aspects even in diplomacy with Western countries, very effective. And it is effective in – to some extent, it is effective in economic politics because it knows the way how to minimize some consequences of crisis that – addressed devaluation that was a very effective measure. And vice versa, I think that these – I don’t know if I can say in English. In Russian, this is (Russian).

MR. ARON: Vital.

MR. ROGOV: Vital? Yes. Its vitality and its strength is its problem. And so this instability, connected with the fact that the regime is effective and strong but has no real base, has no real economic and social base. This base is falsified in a high degree. So this is not weakness but this.

MR. ARON: Excellent. Thank you very much. OK. I have four people and I think that’s where we’ll – Angela Stent there’s this woman that’s been waiting very patiently – thank you very much. And then, you and then Ed Verona. And I think that should probably do it. Thank you.

Q: Thank you very much. This question is for Natalia Zubarevich but anybody else who wants to answer it. And it’s about the younger generation, the people who will lead Russia eventually.

In Soviet times, educated Soviet citizens were extremely skeptical about anything they read in Pravda, what they saw on television, et cetera. And they didn’t even have the opportunity to travel.

Why is it that so many of these educated young Russians who can travel, who surf the Internet, who are on social media, why do they believe – or they’re part of this collective hysteria, they believe all this stuff that they hear about – you know, fascists in Ukraine, America’s out to get them. How come they’ve suspended what you’d think would be a normal skepticism that young people have?

MS. ZUBAREVICH: I really don’t know proper answers, an answer on your question, but you remember that my generation, very skeptical concerning Soviet regime, has – was socialized in the base of the ’60s. You remember this period. I hope so. You read about –

MR. ARON: No comment.

MS. ZUBAREVICH: I remember this period. It was based in another land – let me say so. And these new young generations started from huge disappointment, and see the star on the sky, and went to the star named our leader in the dream to jump, to get
stronger – (inaudible) – let me say so. This is a very clear mistake of first dream after long decades of degradation or something like this.

MR. ARON: Alexey.

MR. MALASHENKO: Shall I add a couple of words? When it was the Soviet time, America, West were criticized basing on something Soviet, stupid, primitive, and the young generation was tired of Sovietism. I remember it very well. At the moment, it is a criticism based on national values, religious values. And indeed, the young generation wants to believe it – I am Russian, I am Orthodox, and so on. And it will continue because the Soviet Union had to disappear. And what about religious values or national values? It cannot disappear but it can – it must be changed. But how?

MR. ARON: Boris.

MR. MAKARENKO: I still don’t have a good answer. One guess: younger generation is more optimistic than the older ones, you know, to a great extent because life did not teach them otherwise. But it applies to any country including Russia.

In Russia, the younger generation is particularly more optimistic but they did not find sufficient reasons to be optimistic about something happening inside their country. And here it seemed to them that there is a reason for pride and optimism. They thought they saw it.

MR. ARON: Thank you very much. Then we have this – yes. Thank you very much.

Q: Anja Gregas (ph), Truman National Security fellow. I was very struck with Lev Gudkov’s data, how the Russian public has consistently expected the Russian president to restore Russia as a superpower. And I wanted to ask the panel if you could shed more light on that.

What is expected of this Russian superpower? Is this a return to the Soviet Union? Is this a military power, economic superpower, territorial superpower? And do you think expectation will change from the Russian public?

MR. ARON: Well, we’ll start with Lev as soon as. Oh, she translated already. OK. Very good.

MR. GUDKOV: (Through translator.) First of all, it’s this idea of military power, no mistake about that. And the main idea here is that this military power, the nuclear arsenal is a way to make others respect you.

The second idea here is everything that doesn’t have to do with the culture or anything that wasn’t made basically by human hands – it’s the territory, the large expanse of land, the heroic history, the so-called large empire. And that of course is the victory in
the Second World War, so all of this has to do with the violence, the suppression, these imperial ideas in the end leading to the totalitarian regime. So, in a sense, it is the reverse side of the constant feeling of being humiliated. It’s a kind of a reaction to be constantly dependent and humiliated by the authorities.

So as soon as the situation with the central – centralized regime begins to weaken and there were periods when that happened – we see the emergence of this desire to live in a small, cozy, cute little country. And as soon as the crisis is alleviated to some degree, we see the emergence of this idea of self-respect, of self-assurance, and the symbols of power.

So we are basically not seeing anything new. These are old pre-Soviet concepts, we could say. This syndrome of chasing modernization combined together with old Soviet ideology of superiority of building this new society basically all playing against the sense of humiliation of lost position and lost power.


MR. ORESHKIN: (Through translator.) According to Levada Center data, when the Soviet Union collapsed, sadness and regret regarding that event ranked about fifth or sixth among all the other problems that were of concern to the population. Much many more people were more concerned with long lines, with deficits, with a lack of goods rather or their own personal safety. And the overall feeling was just as well that is collapsed. We really don’t care that much about it anymore.

And now the situation is drastically different. We are now seeing people that have never lived under the Soviet Union. Everything that they know about the Soviet Union, they learned from the TV, from books or from history lessons in school. And they think that the USSR is really not that different from today’s Russia, that you can get any job you like, you can buy any car you like, you can – if you have enough, you know, money, if you have the right parents with the right connections, you can really make it in life. And indeed, it was the case in the Soviet Union but it was very large, very powerful, and the USSR was afraid of it.

And this imagined concept of the Soviet Union –

MR. ARON: Just in answer to your question – an answer to your question too. Sorry.

MR. ORESHKIN: (Through translator.) This imagined concept of the Soviet Union is what they’re trying to implement, is what they believe Putin is really – has in store for them. But we can’t explain to them.

MR. ARON: (Russian.) All right. Thank you. OK. Very patient lady in red. Yes.
Q: Thank you. A reporter from Voice of America. I would like – I’m just wondering whether the panelists would talk about the growing Russia and China relationship. And they were talking about the relationship is growing and the two countries are now launching their joint naval exercise in the Mediterranean Sea.

So my question is what is the significance of these joint exercises? How durable is the relationship? And third, what are the driving forces behind it? Thank you.

MR. ARON: China has been touched already. But OK. Very briefly.

MR. GONTMAKHER: Very briefly. I think that it’s only – it’s very good myth about that China now it’s very big, close partner for Russia – no, in any sense. It’s part of Putin’s geopolitical game inside this triangle, U.S., Russia, China, maybe plus Europe, plus Europe, not more, because if you see on the data about our trade, foreign trade, it’s decreasing. The first quarter of this year – and Putin – even Putin said about it in the last meeting with – Mr. Xi. First quarter minus maybe 15 percent our trade between Russia and China.

MR. DMITRIEV: But minus 40 with developed economies. It was much more the developed economies. So the China share is increasing.

MR. GONTMAKHER: Yeah, but it’s – I think we see a special strategy of China. It’s not usual strategy of – for example, as a typical Western country, you know. And investments in China are mainly state, governmental investments in Russia, it’s not private, and so and so. That’s why I think it’s more complicated that only on the surface.

MR. ARON: Lev, one word.

MR. GUDKOV: (Russian.)

MR. ARON: I’m sure. I’m sure that the Chinese are very happy about that.

MR. GUDKOV: (Through translator.) So, on the list of friendly countries, over the past two years, due to a lot of propaganda, the ranking – the approval of the relationship with China increased from 12 percent to 47 percent. And, actually, it’s ranking now in the first or second place after Belarus maybe.

MR. ARON: All right. Excellent. Ed Verona, last word.

Q: Thank you. Ed Verona with McLarty Associates. And I don’t want to beat a dead horse here but you anticipated my question in part. But I have a two-part question related to China.

First, for Sergei and then for Natalia. I see Putin’s pivot to the east as making a virtue of necessity and we’ve already seen it pay off in terms of – well, we may question of the trade numbers but we certainly know that there are significant Chinese investments
now in major new oil fields, one Vancor (ph), another the natural liquefaction project in Yamal, financing of the Eastern Siberia Pacific Ocean pipeline. Those are very significant.

With Russia’s access to Western financial markets restricted and likely to remain so, whether sanctions remain in place or not, there’s a chilling effect, and financiers are going to be reluctant to provide long-term investment capital, and with the E.U. beginning to enforce its single market rules on access to the European market, the market for Russian gas there is at risk. So the pivot to the east is perhaps the only option. So I see it as real.

But the question I have is – one is to what extent is China likely to be willing to be the financier of last resort? And to what extent does Russia risk becoming a captive supplier of natural resources to the Chinese market?

And following from that, Natalia, to what degree do you think this will produce a nativist, populist backlash among the population in Siberia or the Far East? Or, on the contrary, are they now drawn more toward the Far East, or China, toward Japan and away from Moscow and its attempts to try to control from the center? Thank you.

MR. ARON: So who is going to take the first one?

MR. GURIEV: I think the question was to me and to Natalia. So, Ed, I think this is a very good question. I think although there is a lot of discussion of those deals you mentioned, none of that is yet signed. We have protocols. We have memoranda. We have communiqué but all of that are intentions.

And that is actually something which is not going through as smoothly as Russia wanted. And that’s one big, unexpected event that is a piece of bad news for the Russian government. It hoped for much bigger increase and cooperation.

Now, among things which have been signed is $1 billion credit line to Sberbank. And Sberbank is not as big as the Chinese banks but $1 billion is not much. Why this is happening? Some people would say that Chinese government companies treat Russian government companies as too corrupt, cannot accept that they have to pay. They’ve been doing business in various countries, in Africa, in Venezuela. And yet, for some reason, they’re reluctant to go ahead.

We’ve just heard once again that Moscow-Kazan high-speed railroad will be built with Chinese investment, but, again, nothing is signed. We just have memorandum of cooperation or something like that. So, in that sense, I think we still need to see what’s going to happen.

Now, another explanation of that is Americans say that they told Chinese not to cooperate deeply with Russians, and China values their relationship with America more than it does with Russia. We don’t know.
Another explanation is that the story of BNP Paribas, which had to pay $9 billion to the U.S. after violation the sanctions regime with other countries is a very important message for Chinese banks, so you deal with Russians who are under sanctions and then you have to choose whether you stay in the U.S. or you pay a huge, huge fine which will be too expensive to pay.

So, in that sense, I think we still – we see a huge willingness from the Russian government to engage with China. At the very top level government officials see that as their mandate, to cooperate with China, but, currently, we’ve not seen that, that happening.

Now, will Russia become a captive supplier? Very likely. I think if these deals are signed, they will be signed at the levels which make it kind of break even for Russian producers, yeah, because Chinese are very good negotiators.

And before handing over to Natalia, I would like to say on the Far East China issue, I think one thing people often overlook is the demographic dividend. China has something like 20 million, 30 million extra men and Russia has missing men, right? So we’ll see a lot of mixed marriages in the years to come. And that I think will help the peace and understanding, which I think is good news for everybody.

MS. ZUBAREVICH: First answer, the closer people live to China’s boundary, the less the fears concerning China. The concentration of this fear is typical for Moscow first of all, not for Far East.

Secondly, the regional authorities are glad to any investment including Chinese one but they clearly understand that negotiations with China’s business is big trouble. It takes time, it takes patience, and you are not sure to receive good profit because, first of all, Chinese keep control under a profit.

Third one, the level of Chinese-Russian trade is stable until now. The figures of 2014 are 8 percent of Russian export goes to China. The previous year, 7.5 percent. And 80 percent of Russian import goes from China. The previous year, 70.6 percent. Nothing is changing. And let me say the trends of imports will grow faster compared with export because all necessary infrastructure for import is ready and there is no infrastructure for creating new exporting flows.

Third one, Chinese are very – for many years tried to be involved in Russian oil and gas extracting projects. And now, they are allowed – first, it’s concerning this and they are invited – it is concerning pipelines and oil because of huge loans of Rosneft, let me say. It’s a form of specific investment, specific keeping – receiving money for huge loans.

And the last one, very typical and usual, why Chinese man is a good husband? Do not drink, do not beat your wife, and brings to the home everything earnings. I think you
can clearly understand why Russian women are very glad to be wives of Chinese men. And this next generation, let me say, the relatives of these men usually come to Russia, the close relatives and start to do their small businesses. But the new generation is absolutely socialized as Russian. This country can adopt everybody.

MR. ARON: All right. Thank you very much. You were all wonderful. Thanks very much for coming traveling all this distance. And thank you very much to our audience. (Applause.)

(END)